



UNITED STATES PATENT AND TRADEMARK OFFICE

PATENT

PUBLIC ADVISORY COMMITTEE

ANNUAL REPORT

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PATENT PUBLIC ADVISORY COMMITTEE

ANNUAL REPORT

I. INTRODUCTION

The Patent Public Advisory Committee (“Committee” or “PPAC”) was created to advise Congress on the "policies, goals, performance, budget and user fees of the United States Patent and Trademark Office (“Office”) with respect to patents."¹ The Committee’s duties include the preparation of an annual report submitted to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Senate and the House of Representatives.

This year, the Committee is focusing its report on three themes. These theses are as follows:

1. A scorecard on the Office’s actions relative to the 2007 PPAC report recommendations;
2. The critical issues currently facing the Office,
 - the need for a new comprehensive plan specifically directed to the pendency/backlog problem;
 - the problems in the Office of the Chief Information Officer that became evident in 2008;
 - the restatement of the need for a national workforce; and
 - the need for a process improvement practice in the Office; and
3. The general non-critical issues related to the policies, goals, performance, budget and users fees of the Office.

The Committee well understands the interdependent and complex nature of these issues and recognizes that it does not have all the answers.

None the less the Committee believes itself obligated to present recommendations to support positive trends, to reverse negative trends and to present a constructive path forward for the Office. The Committee’s first set of recommendations were made in the 2007 Report. This report thus seeks to identify the key issues, explain the consequences of inaction or maintaining the status quo, and provide solid concrete recommendations for both the Office and policy makers.

II. 2007 PPAC REPORT RCOMMENDATIONS SCORECARD

In its 2007 Annual Report the Committee made a number of recommendations that were specifically directed to the issues of patent quality and pendency which continue to be

¹ See 35 U.S.C. §5(d).

some of the most significant issues facing the Office in 2008 as they were in 2007. In all the Committee made seventeen recommendations. These recommendations were made by the Committee with the express hope and understanding that the Office would act on them in an expeditious manner. While the Office has made some progress in addressing the 2007 recommendations it is the Committee's opinion that the overall action taken by the Office could have been more aggressive and thorough. To highlight the Office's actions on these recommendations and the Committee's current thoughts on these actions the Committee has prepared the following table or scorecard. The left hand column of this Table identifies the issue addressed by the recommendation and provides an abbreviated explanation of the 2007 recommendation with a reference to the page number on which the recommendation appears in the 2007 report. The right hand column provides the reader with the USPTO's actions, in the Office's own words, relative to the recommendation and the Committee's proposals/response to the actions taken.

The scorecard starts on the next page.

2007 Recommendations Scorecard

2007 PPAC Recommendation	2008 actions taken/PPAC proposals
1. <u>Quality</u>. Create a definition of what is meant by a “quality” patent – Page 2	<u>USPTO actions</u> - Patent community efforts continued, while Office relied on statutory requirements as indicia/measures of quality. In FY2009, the Office intends to work jointly with the public, recognizing the difficulties in achieving a “universal” definition of a “quality patent.” <u>PPAC Proposal</u> – Since the definition of “quality” has ramifications on all aspects of the patent examination process and on public perceptions of the Offices work we propose that the Office provide the PPAC with such a definition by February 6th, 2009 for discussion at the Public Session of the next PPAC meeting. Quality application prosecution indicia and quantifiable metrics relating to search, examination and efficiency of office procedures when properly defined will be used by the Office to drive quality improvement efforts. Applicant quality issues should be identified and publicly discussed along with internal Office quality actions.
2. <u>Quality</u>. Adopt a unitary search system for all patents and non-patent documents – The use of a unitary search system that allows for Internet search engine-type queries across multiple patent and non-patent databases is essential for improved prior art search results. The Office should establish a “search system” blue ribbon panel in the second quarter Y2008 tasked with developing the requirements for such a unitary system. This panel should provide final recommendations for the Office by the fourth quarter of FY2008 and the system should be operational no later than the first quarter of FY2009. – Page 3	<u>USPTO actions</u> - The Office, working with colleagues from other large patent offices, composed of China’s Patent Office (SIPO), the European Patent Office (EPO), the Japan Patent Office (JPO), the Korean Patent Office (KIPO), and the Office (collectively, the “IP5”), established 10 so-called “Foundation Projects” that will help patent examiners access the best and most relevant prior art. The Office is taking the international lead on identifying a common approach to sharing and document search strategies, as well as providing common access to search and examination results. <u>PPAC Proposal</u> – The PPAC commends the Office for its international efforts on accessing prior art, but, this does not resolve the issue of the unitary search recommendation as discussed in the 2007 report. The Office has not created the “blue ribbon panel” in 2008 as suggested and no such system will be operational by first quarter FY2009. PPAC proposes that the Office develop a formal plan on the creation of a unitary search system by May 31st, 2009 for review at the Public Session on the June 27th, 2009 PPAC meeting.

3. <u>Quality.</u> Establish patent-office database sharing – ... the Office should establish sharing agreements with ALL patent offices so that the Office examiners have access to ALL patent documents in the world. The issues of translation must be addressed by the Office as relevant prior art is published in many languages. The basis of trust in the system requires nothing less. - Page 3	<u>USPTO actions</u> - The EPO is taking the lead on the Foundation Project devoted to establishing a common documentation database. <u>PPAC Proposal</u> – The PPAC welcomes these projects, but suggests that a timeline be developed for the piloting an implementation of said initiatives for review by the PPAC. Said timeline to be provided to the PPAC by May 31st, 2009 for review at the Public Session on the June 27th, 2009 meeting.
4. <u>Quality.</u> Establish examiner knowledge management systems - the Office should develop a more robust system to ensure that it retains the institutional knowledge of its highly educated and skilled examination corps with regard to prior art references in and across technologies, including how these references relate to specific technologies. Such a system should enhance and facilitate remote learning and non-time zone based workforce collaboration as well as improving patent examination efficiencies. – Page 3	<u>USPTO actions</u> - The Office piloted a knowledge-management system in TC2100 <u>PPAC Proposal</u> – The PPAC understands that this pilot was ongoing when the recommendation was made last year, It is PPAC’s understanding that this was a limited pilot. The PPAC is very interested in the results of this pilot as well as the going forward plans for an Office wide program rollout. PPAC proposes that the Office provide a detailed written update to the pilot as well as the plans for further work on this initiative one week before the February 6th, 2009 meeting.
5. <u>Quality.</u> Revision of information requirement rules - The Committee recommends that the Office consider different ways to revise the current information disclosure statement requirements (e.g., Rules 1.98 and 1.99) to ensure that in egregious situations where large numbers of items or items of substantial length are cited in an information disclosure statement, examiners have the ability to require an explanation of the relevance of the cited items. Finally, the Office should consider the ramifications of the Inequitable Conduct theory on any proposed rules. - Page 4	<u>USPTO actions</u> - The White House set an early November 2008 deadline for publication of all final rules to be effective before the end of this Administration. The Office did not publish either the Information Disclosure Rules (IDS) or the Alternative Claims (A/C) final rules before this deadline. <u>PPAC Proposal</u> – The PPAC understands that the Office did not publish the Information Disclosure Rules (IDS) or the Alternative Claims (A/C) final rules prior to the deadline. PPAC remains interested in the Offices plans pertaining to these issues. The PPAC proposes that the Office provide a written update to the Information Disclosure Rules (IDS) and the Alternative Claims (A/C) final rules one week before the February 6th, 2009 meeting. Alternatives to new ids rules that can provide incentives for applicants to conduct searches prior to filing should be explored

6. <u>Quality & Pendency</u> Encourage pre-examination interviews - ... we recommend that the Office rewrite Section 713.02 of the Manual of Patent Examining Procedure (MPEP) (“Interviews Prior to First Official Action”) to promote and encourage interviews, noting that in almost all cases the examiner should find that “an interview would advance prosecution of the application.” See MPEP Section 713.02. Conversely, applicant practice of seeking an interview before first action should be encouraged by the Office where the applicant believes an interview would advance prosecution.- Page 5	<u>USPTO actions</u> - The Office piloted pre-1st-Action interviews. The Office must negotiate with the Patent Office Professionals Association (POPA) before it can permanently offer this flexibility to the public. However, 1st-action interviews are available for those applications using Accelerated Examination. The Office amended the Manual of Patent Examining Procedure (MPEP) to encourage interviews generally <u>PPAC Proposal</u> – The PPAC commends the Offices actions on this recommendation and requests that the Office provide a written update to this initiative one week prior to the Feb 6th, 2009 meeting, highlighting the lessons learned from the pilot and making further recommendations on extending this recommendation to examiners and to all cases. The PPAC also wishes to understand POPA’s issues with a full rollout of this program. To this end PPAC invites POPA to send PPAC a written description of its concerns related to this project one week prior to the Feb 6th, 2009 meeting. There is a solution space here, and PPAC is very interested in assisting the Office and POPA in resolving potential differences of opinion on this issue. PPAC is of the view that the Office and POPA need to review why more interviews are not occurring and what it can do to incent examiners to reach out to more applicants for early interviews.
7. <u>Quality & Pendency</u>. Developing a “highly complex application” definition – The Office should undertake a review of its applications to develop a practical definition for highly complex applications, and specifically including the concept of “technical complexity,” for use with a new fee structure to be recommended to Congress. – Page 5	<u>USPTO actions</u> - The Office primary effort in this regard involves additional charges for additional claims, to recover the cost of additional work involved. The Office is assessing international and internal labor-relations implications of introducing a “highly complex” definition for distinguishing applications – for fee purposes. <u>PPAC Proposal</u> - The PPAC would respectfully submit that the Office should develop the requested definition as it would be of value to the patent community to understand the Offices perspective on what is a “highly complex” case by reason of technical issues, application length, etc so as to assist the Office in review of such cases. In addition, such a definition can drive Office behavior in examiner compensation/goals as well as informing Congress on the nature and scale of the issue if a fee change is appropriate. The PPAC would request that this study and definition be completed in by May 31st, 2009 and made available for PPAC review at the Public Session of the June 27th, 2009 meeting.

8. <u>Quality & Pendency.</u> Developing a “highly complex application” fee structure – The Office should develop a new fee structure that anticipates the real resource requirements necessary for properly examining the highly complex cases to ensure quality examination. For applications falling within this highly complex application fee structure, the Office should consider examiner workload balancing and an increased time for examination. - Page 6	See above
9. <u>Quality & Pendency.</u> Retain Office Capability in the Face of Decreased Allowance Rates. – Page 6	<u>USPTO actions</u> - The Office is analyzing ramifications of current statutory approach whereby maintenance fees defray costs of (all) filing fees. <u>PPAC Proposal</u> - The PPAC commends the Office for its work in FY2008 in ensuring that needed programs have been continued in face of decreasing budget resources.
10. <u>Quality & Pendency.</u> Abolish antiquated duty station requirements – Currently all examiners participating in the off-campus “hoteling” program must report back to the Office campus in Alexandria, Virginia for at least 1 hour per week, at their own expense. This work rule severely limits the development of a nationwide workforce and must be abolished by any appropriate procedure. - Page 6	<u>USPTO actions</u> - The Office worked with the Government Services Administration (GSA), the Office of Personnel Management (OPM), and with members of Congress and the public in support of legislation that would allow the Office to pilot a new, cost-effective approach to a Nationwide Workforce (NWW) model. The Office will continue this effort in FY2009. <u>PPAC Proposal</u> – The PPAC believes that this issue must be resolved quickly and that a nationwide workforce is critical to improved quality and pendency and to employee satisfaction, retention and hiring. This issue is addressed in greater detail in the body of this Report
11. <u>Quality & Pendency.</u> Extend Hoteling –The Committee is of the view that the Office must continue to pursue hoteling and other telework flexibilities for any qualified member of the patent examination corps that wishes to participate. - Page 7	<u>USPTO actions</u> - The Office aggressively extended hoteling, adding 500 more employees to its existing program including non-examiner employees, such as Technical Support Staff. (The Office’s Trademark Assistance Center was nationally recognized in 2008 as the only Federal call center that permits employee telework.) <u>PPAC Proposal</u> – The PPAC commends the Office for its efforts in this area and the recognition it has received for these efforts. However, the Committee feels that a full Office wide program for this type of work flexibility is essential to hiring and retaining the most qualified and motivated workforce and requests a quarterly update on the progress the Office is making in achieving this goal.

12. <u>Quality & Pendency.</u> Establish virtual regional offices - We recommend that meaningful study of this issue take place in FY2008, with a conclusion and recommendation at the end of the fiscal year. - Page 7	<u>USUSPTO actions</u> - The Office was asked to study the issue of virtual regional offices. The Office undertook an analysis of establishing “brick and mortar” offices and concluded that the fiscally prudent approach emphasized the need for a nationwide workforce. Thus the USUSPTO has focused on implementing NWW in such a way that Office employees still feel connected, mission-oriented, and are given the developmental support they deserve. <u>PPAC Proposal</u> – The Committee understands that the Office has studied the issue of duplicate offices and made a decision to drop any plans for a duplicate office. However, the USPTO’s study and resulting decisions were inadequately shared with PPAC. The PPAC was more interested in a study of the potential to use regional “work centers” to augment the national workforce. The PPAC therefore requests that the Office initiate a study of regional “work centers” (vs. duplicate USPTO offices) and provide recommendations for review with the Committee at the Public Session on the August 7th, 2009 meeting
13. <u>Quality & Pendency.</u> Initiate university partnerships - the Committee recommends that the Office partner with specific universities in a pilot program that offers loans to qualified engineering students willing to become examiners, where the loans are forgivable in specified annual increments on successive anniversaries of the examiner’s employment with Office. - Page 8	<u>USPTO actions</u> - The Office was very active in working with universities, particularly to develop IP-related curricula in law schools, business schools, and at the undergraduate level. In addition, Office representatives visited over 100 universities to conduct on-campus interviews and education sessions. <u>PPAC Proposal</u> – The PPAC commends the university outreach efforts of the Office in FY2008. However, the Committee notes that its recommendation went beyond just outreach and would be interested in discussing the loan program in the Public Session of the February 6th, 2009 meeting.
14. <u>Quality & Pendency.</u> Expand Workforce Flexibilities - The Committee therefore recommends that the Office continue its path of expanding workforce flexibilities specifically to ensure a place for these seasoned professionals in its workforce. -Page 8	<u>USPTO actions</u> - The Office already offers maximum flexibility with work hours, the ability to hotel, the use of laptops for those who don’t want to hotel but want to do overtime from home, as well as offering the Federal government’s generous health, life-insurance, transit-subsidy and other benefits. The Office was successful in attracting many 2nd and 3rd career employees to patent examination, and noted that the number of new patent examiners with law degrees rose significantly. The Office’s website provides potential employees with 24/7 access to information about life as a patent examiners, as well as the ability to apply for a job on-line. <u>PPAC Proposal</u> – The PPAC commends the Office for its work in this area and would be interested in understanding the percent of the 2nd and 3rd career employees as well as those with law degrees in the current workforce.

15. <u>Pendency.</u> “Special Pay” for Patent Examiners – ... we urge the Office of Personnel Management to approve annual requests from the Office to provide the cost of-living differential to patent examiners, as meritorious and necessary to ensure a vibrant patent system. - Page 8	<u>USPTO actions</u> - The Office requested a “special pay” increase for Patent Examiners, which was granted by OPM <u>PPAC Proposal</u> – The PPAC commends the Office for this action and is appreciative of the Office's efforts in reducing examiner attrition. We note that the Office drove patent examiner attrition (less internal transfers and retirements) to 7.83% in FY2008, through a combination of recruitment and retention incentives, telework options, and other workplace flexibilities. The PPAC understands that this is an ongoing issue that should be addressed quarterly.
16. <u>Pendency.</u> Exploration of a market-based examination model – Therefore the Committee recommends that the Office develop an exploratory, data driven, market based examination model for evaluation, taking fully into account the needs of the public and third parties. - Page 10	<u>USPTO actions</u> - The Office realized that it needs an economist with significant expertise with market-based examination models and who can provide meaningful options. Therefore, the Office identified a new position – Chief Economist – and established a new unit – the Office of the Chief Economist. As required, because this effort is a re-programming, the Office worked with OPM and send a re-programming request to Congress. <u>PPAC Proposal</u> – The PPAC commends the Office for creating the new office of the Chief Economist. The Committee is still interested in an exploration of the market-based examination model as a way to ensure that the public's needs are being addressed in a timely manner. To this end the Committee requests that the Office provide an update at the Public Session of the February 6th, 2009 meeting on its plans for exploring such an approach to examination.
17. <u>Pendency.</u> Gaining increased workload efficiency - The Committee recommends that Office set a goal of achieving full utilization of foreign prior art searches, and expanded IPC search capability within six months of the date of this report. - Page 11	<u>USPTO actions</u> - Office expanded its network of Patent Prosecution Highways, which provide significant benefits in qualifying applications in terms of faster processing times, fewer actions per disposal, and double the normal Office allowance rate. The Office also continued to work with its Trilateral partners (EPO and JPO) as well as with its IP5 partners to identify and attempt to quantify workload efficiencies. As mentioned above, the 10 IP5 Foundation Projects include a goal of achieving full utilization of foreign prior art searches and expanded International Patent Classification (IPC) search capability. The Office also undertook a significant PCT-examination effort, which eliminated its PCT backlog. The Office also improved its timely transmission of PCT search reports to WIPO (approximately 60% in 2008, as compared with 2-4% in 2007). <u>PPAC Proposal</u> – The Committee commends the Office for the Patent Prosecution Highway and the Foundation Projects. The Committee would like to review this program in the 2009 meetings.

III. CRITICAL ISSUES

In addition to fully following the 2007 recommendations set forth above, the Committee believes that there are four critical issues that should be addressed in this report, these are:

- the need for a new comprehensive plan specifically directed to the pendency/backlog problem;
- the problems in the Office of the Chief Information Officer that became evident in 2008;
- the restatement of the need for a national workforce; and
- the need for a process improvement practice in the Office.

1. A new pendency reduction plan required:

The pendency/backlog has been growing for over a decade and in the Committee's opinion has reached truly unacceptable levels in 2008. The Committee realizes that the Office has faced numerous difficulties in reducing this problem, including budget diversion in earlier years, and that it has taken dramatic steps to improve the situation, such as the hiring of 1,200 new examiners in the last three years. The hiring increase has placed significant pressures on the Office's resources budget, plant and equipment as well as on skilled personnel. While the Committee believes that the Office has done a spectacular job in hiring the new examiners and developing and implementing the training academy, the hoped-for objectives of this increased hiring and improved training have not yet been achieved. The Committee firmly believes that conquering the pendency/backlog problem will not be achieved unless and until the Office makes a very public commitment to reducing average pendency across all applications to 24 months within the next 24 months. Only the Office is in the position to understand all of the actions that can be taken to achieve 24 month pendency for all applications over the next 24 months, but strongly encourages the Office to consider ALL available options to achieve this goal. The Committee also desires that the Office to commit to a longer range (3 year) plan and timeline to drive to an ultimate pendency goal of 18 months from filing to final disposition of the application including all counterpart continuing applications.

To accomplish this, the Committee recommends the following:

- That the Office prepares a new comprehensive set of plans for achieving a total pendency period as set forth above and make such plans available to the Committee by March 31st, 2009 for discussion at the Public Session of the PPAC meeting on June 27, 2009. This plan must set forth a number of different scenarios with differing resource requirements for achieving the pendency reductions. In the Committee's opinion the Office must take into considerations ALL options even those that do and do not require rule, statutory and budgetary changes. As with any such plan all of these proposed solutions must be clearly

supported by the assumptions that are being made, the dependencies that are evident and the ramifications on the Office and the patent system as a whole. [Note; the current PTO definition of pendency is from the time the application is filed until that application is allowed, appealed or abandoned. Since an increased number of applications are being re-filed, after a final office action or during appeal, typically as a RCE continuation application, and since that continuing application becomes assigned to an examiner and re-examined again, the backlog and overall pendency of the invention is not captured by the current definition. While an objective of obtaining a specific time period for pendency under the existing definition would be a significant improvement, the overall goal needs to be broadened. A broader pendency definition should be from initial filing of the application to ultimate disposition within 24 months, where final disposition means where no further action by the examiner is required such as when the case is finally allowed, appealed or abandoned with no re-filing.]

- Further, the Committee recommends that the Office start publishing the pendency numbers (for both the current definition and the “new” definition set forth above) for each Technology Center to the public by the end of March 2009.
- Since there has been a dramatic rise in the filing of continuing applications and these continuing applications add to the examination backlog and further increase the overall pendency of initially filed application, PPAC suggests that the Office analyze and propose changes, for discussion at the Feb 6, 2009 PPAC meeting, that the Office can take, such as for example concerning review of final office action and appeal practices and examiner performance metrics, to reduce the need for continuing applications in the absence of new rules.

2. Attention for the IT infrastructure:

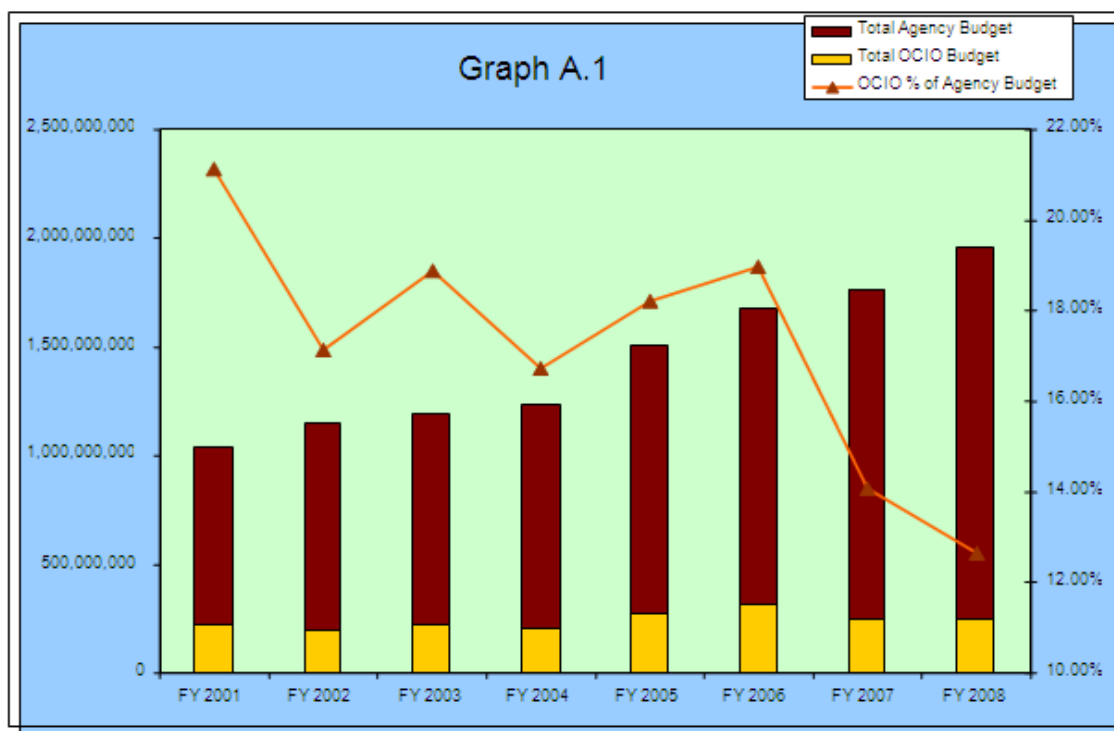
A confluence of factors, including shortfalls in funding, absence of a clear long-term strategy and IT policy have combined in 2008 to put the IT infrastructure at the Office in dire need of attention. Secondary effects, such as skill-set deficits, platform proliferation and system aging have had an amplifying effect on the situation. Combined, these render the IT infrastructure below industry standards for system age, performance and availability – putting performance and in some instances data and its timely recovery in jeopardy.

The Office is aware of these IT issues and, in April 2008 developed a strategic plan, the OCIO Road-Map, to address them. For this we do commend the Office. In fact, with the advent of partial funding at the end of FY 2008, a number of Road-Map initiatives have already gotten underway. These include a Unix/Oracle migration effort, an enterprise configuration management initiative as well as kicking off the disaster recovery effort to ensure all Office data is adequately protected.

Over the past eight years, the OCIO budget has remained roughly flat, while the overall budget for the Office has nearly doubled over the same period of time. The result is that the OCIO budget has fallen from on the order of 21% of the total Office budget in 2001

to less than 13% (\$178M) of the total Office budget in 2008. This suggests that the mission critical nature of the IT infrastructure has not been fully appreciated in establishing funding priorities for the Office, nor by extension has its role in realizing other Office mission goals been fully comprehended.

Funding trends are clearly visible below in Graph A.1.



Clearly funding levels at the OCIO have not kept pace with the significant increases in demand on the IT infrastructure. Further, scarce funds are expended on less than optimal basis on maintenance of burdensome older systems rather than on securing newer and more efficient replacement systems.

The issue is manifested in two categories: (1) hardware and software platforms and (2) human capital and organizational challenges.

Hardware and Software Platform concerns: The hardware and software platform concerns are related to deficiencies in system aging, platform proliferation, system loading, automated monitoring & diagnostics, and disaster recovery.

System aging - The Office has a number of key services running on hardware servers and software systems that are well beyond normal industry life-span of five years. For example, PIRS (Patent Image Retrieval System) which houses the images referenced by both EAST and WEST was installed in 1998, and continues to run on the original equipment installation. System aging presents not an isolated problem on a few systems, but more of a pandemic situation where across the USPTO. Of the roughly 1557

hardware servers at the USPTO, 1079 servers (69%) exceed five years in age (see Table B.1 below:

PTO Server Aging Profile		
Table B.1		
Age	Servers	Percentage
5 Years	580	37%
6 Years	342	22%
7 Years	101	6%
8-10 Years	56	4%

Systems with this age profile introduce myriad sources of infrastructure overhead and vulnerabilities – both to level of service and security.

Platform proliferation - Over the past eight years, the Office has seen a proliferation in both hardware and software systems. Each different hardware platform (and variation) as well as each different software (e.g. Unix/Windows) platform (and versions) often has its own unique support and interface requirements. The OCIO estimates that there are on the order of *5,000 different desktop configurations* (in an organization with only 9000 people in total), which suggests that there are insufficient configuration guidelines and/or compliance mechanisms in place. In addition, maintaining such a variegated environment also poses interoperability challenges which may even preclude introducing new, or more efficient solutions for reasons of maintaining "backward compatibility".

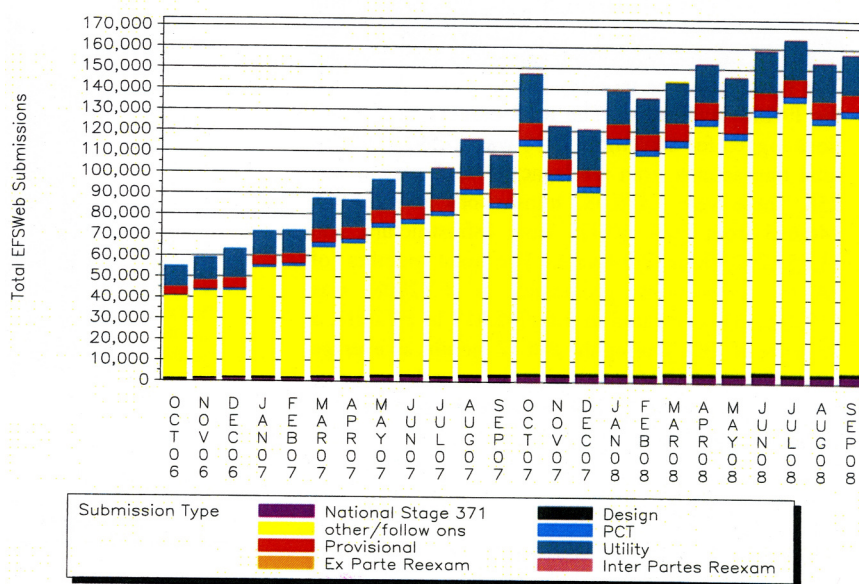
Further, much of the code running at the Office was generated with inconsistent methodologies and uneven use of best practice coding and documentation – which impacts both run-time for the applications in normal use, but also makes maintenance/debugging more difficult and time consuming.

System loading - In addition to the aforementioned issues, the burden on these older systems is made worse by an increasing load placed upon them each year. For example, the year-over-year activity increases in 2008 for some key systems at the Office include:

2008 Year-Over-Year Load Increases For Select Systems		
Table B.2		
System	Y-O-Y Increase	Load Doubles
EFS Web (Submissions)	72%	< 3 Years
EAST (Search Transactions)	19%	5 Years
IFW (Pages Loaded)	15%	6 Years

Graph A.2 illustrates increased internal use of EAST over time. In addition to internal use of Office IT infrastructure several Office initiatives have encouraged and increased external use of the same IT resources, for example, Graph A.3 shows significant increases in usage of EFS-Web for filing of applications (a year-over-year increase of 72% this year).

Graph A.2



Graph A.3

At growth rates such as these the load on the system doubles quickly, and in far less time than it has been since the Capital Improvement Plan was last approved (eight years ago).

Automated monitoring & diagnostics - The Office does not currently have in place tools that would provide for the automated monitoring and diagnostics of its systems that would greatly aid in identifying and further obviating the sources of system downtime, but also better forecast demand for scheduling and strategic planning purposes.

Disaster recovery - The Office has insufficient disaster recovery capability to protect its information assets. A robust disaster recovery program is a necessity.

Human capital and organizational challenges: Any successful IT program has at its core a well-trained, well-coordinated and stable complement of practitioners. The Office finds its IT human capital challenged on all three of those fronts.

Headcount & turnover - Total headcount at the OCIO has been downward trending since 2001 at the same time the demands on the IT infrastructure have been rising. In 2001, the OCIO had a complement of 494, and in 2008 has only 457 on board (a 7.5% decrease). In addition, the OCIO has a turnover rate of 12%, hiring 130 new people over the past two years. Both of these trends add to the difficulty in rising to the workload and training challenges of the Office.

Skill-base: In an already challenging IT environment, the Office is further challenged in its ability to maintain a well-skilled workforce. In order to remain current and be able to assist with modern hardware and software solutions, an IT workforce needs to be provided with and participate in a robust training schedule so as to stay up-to-date. Without an appropriate priority and resources assigned to such training, skills gaps widen over time until such time that employees become handicapped in their ability to contribute at a significant level. This leads to an increased reliance on contractors to provide the needed skills.

Contractor reliance: In the short-term contractors can provide a stop-gap solutions, but long-term heavy reliance on contractors can mask symptoms of a larger skills short-fall, and if not properly managed create myriad ad hoc solutions – which often succeed in perpetuating contractor reliance as they are the only ones capable of maintaining the solutions. Further, as contractors are rarely a cost-effective solution, even more of the scarce funding is consumed externally, with largely short-term benefit to show for it.

To help ensure that these issues are resolved the Committee makes the following recommendations:

- that the Management Counsel continue its support of the initiative, and that the plan continue to be fully funded and followed through its full term;
- that the Office explore how to reduce pre-processing and post-processing of data exchanged with the public, and used internally (*e.g.* submissions in XML, unitary search and full-text search capability of all application) to increase examination efficiency and reduce contractor costs for such simple tasks as PDF to text conversions;

- that the Office explore employing leading edge technologies to enhance the productivity of its workforce. Among these would be the use of Natural Language search/analytic tools, as well as other Sense-Making technologies currently available in the broader commercial market. Such tools could be used not only in examination, but could provide pre-examination filtering to sort out defective applications prior to wasting precious examine time. The OCIO has in fact already made some initial explorations of capabilities here that may be of value and should provide a report back to the Committee on these explorations by mid 2009.

3. Restating the need for a Nationwide Work Force.

The Committee continues to believe that a geographically diverse work force is a key enabler of the twin goals of attracting a larger pool of qualified applicants to the examiner corps, and enhancing the chance of retaining for an entire career those who accept the position. Committee members have been privately pressing for this reform since 2006 with the Office's management and the Committee made public these concerns in its 2007 Annual Report. In that report the Committee made two specific recommendations to speed the creation of a nationwide work force: abolish antiquated duty station requirements and establish virtual regional offices. *Neither of these objectives has been achieved, and the Committee sees very little evidence that suggests they will be achieved in the 2009 fiscal year.* In the Committee's view, rolling over the stated goal of achieving a nationwide work force into another year is unacceptable.

As was noted in the 2007 Annual Report, the regulations governing the relationship of examiners to the Office require each examiner physically to appear at his or her assigned duty station at least one day per week. The expense of that travel must be borne by the hoteling examiner, and the Office gives no "travel hours allowance" that operates as a credit against the number of hours an examiner must otherwise work. Both the travel expense and time demands operate as a *de facto* bar on the widespread adoption of hoteling by any examiner who wants to live beyond a reasonable commuting distance from Alexandria, VA. The number of such examiners who participate in the program is vanishingly small.²

The Committee recommended in its 2007 Annual Report that this duty station requirement be "abolished by any appropriate procedure." Despite this recommendation, the requirement survived through 2008 and will live on into 2009. During Fiscal 2008, the Committee discussed this issue on numerous occasions with both Office management and employee Unions (POPA and NTEU), wondering why solutions cannot be found. Why, for example, can the Office not simply abolish the duty station rule by its own fiat? Better still, why can the Office not simply change an examiner's duty station to any place in the nation where the examiner chooses to live?

² The Committee notes that 52 examiners have chosen to base themselves outside this commuting distance, and have been bearing the financial and time penalties incurred in reaching the Office one day per week.

The answer to the first question is that the designation of a “duty station” is a requirement for all federal employees, as the location of that duty station defines the “locality pay” for an employee. While the “locality pay” for Office employees is nationwide, the requirement for a specified duty station remains. The answer to the second question is that the Office can indeed change an examiner’s duty station to any locale it chooses. Changing the assigned duty station of an examiner from Alexandria to some remote locale would solve the problem of the duty station reporting requirements as the examiner would be operating from that new duty station on a daily basis. However, that change introduces other complexities that have defied resolution for the last two years.

Applicable regulations mandate that the Office pay all travel costs incurred by an employee from her assigned duty station to the home office for any mandated visits. In addition, regulations require that the Office offer an hour-for-hour credit for any such travel time to be used against any assigned work hours. The Committee appreciates the uncertainty that would ensue under the present regulatory scheme if the Office immediately opened up distant hoteling opportunities for all examiners. The impossibility of ascertaining just how many examiners would avail themselves of this opportunity is evident, as is the impossibility of guessing to what far flung places these examiners would move. Shouldering the enhanced financial burden of this increased travel could strain a stretched budget. Willingly accepting the lost productivity for this travel time would be at odds with severe pressures to bring pendency back into acceptable limits.

To solve these problems, in FY 2008 the Office threw its support behind telework legislation³ that would modify the existing regulatory scheme that has so far frustrated all attempts at achieving an effective, nationwide work force. The legislation would permit the Office to submit to Government Services Administration (“GSA”) a proposal for a 6-year demonstration pilot with the goal of reducing reporting requirements back to the Alexandria campus. Under the proposal, an employee could choose to live anywhere in the United States in exchange for a willingness to return, on a limited basis, to Alexandria at his or her own expense.

In discussions between the Office and employee Unions concerning this legislation, the Office agreed to define:

- the frequency of and conditions justifying the mandatory return to Alexandria;
- the minimum amount of notice before requiring a teleworker to report to Alexandria;

³ S. 1000, The Telework Enhancement Act of 2007, was marked up on November 14, 2007 by the Senate Homeland Security and Government Affairs Committee. During the mark up, an amendment was offered by Senators Daniel Akaka and Ted Stevens that would allow GSA to grant agencies the ability to test flexibilities within the travel regulations through October 2014. H.R. 4106, the Telework Improvements Act of 2007, passed the House on June 3, 2008. The GSA test program language, contained within S. 1000, was not in H.R. 4106. Unfortunately, because of time constraints and political reasons, S. 1000 never came to the Senate floor.

- work-schedule requirements to ensure flexibility and accommodate the various time zones in the United States.

Negotiations around each of these areas of concern progressed during FY 2008. For example, the Office agreed to limit the number of mandatory trips from a remote duty station to Alexandria to no more than four per year. This is possible in part because of the wider availability of computer based training (“CBT”) that would eliminate travel requirements for essential training that had previously required face-to-face meetings. More importantly, the Office agreed to limit the conditions under which the Office or a Supervisor could require such return trips to a specified list, but the details of those conditions are still subject to negotiations between the Office and the Unions. The Committee understands that one of the Unions has so far refused to concede that examiners choosing to avail themselves of a remote duty station must pay for any expenses at all, or that they should not be credited for travel time.⁴

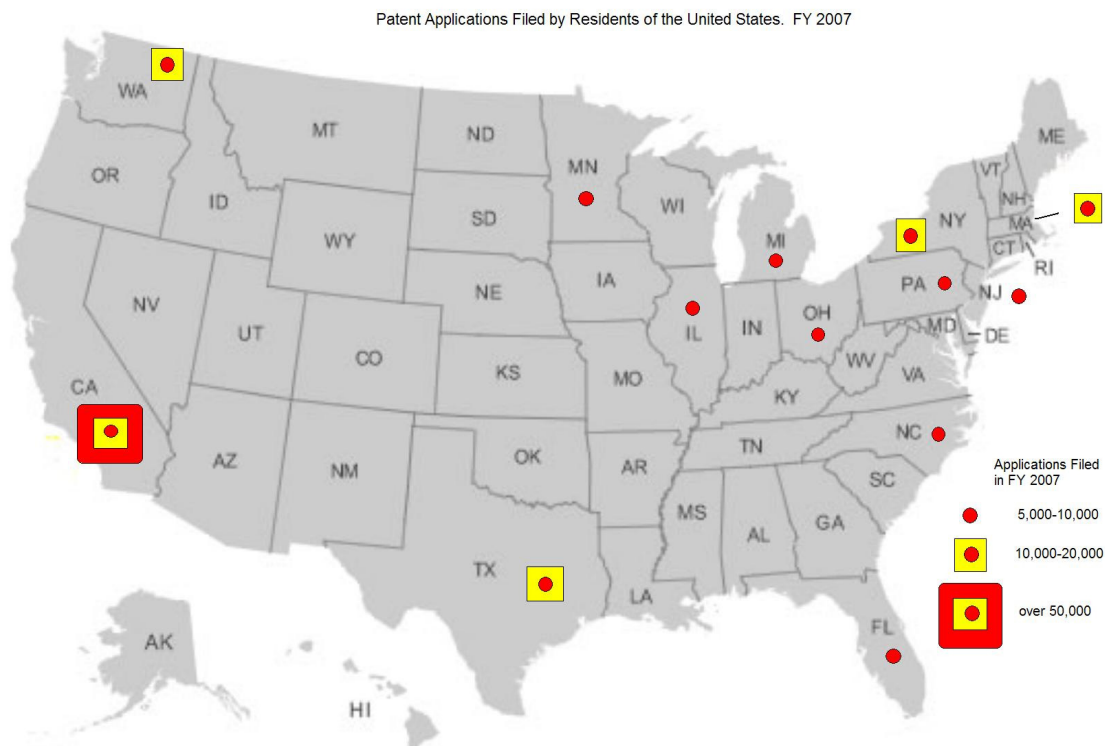
The Committee is of the view that a solution space must be found, and be found quickly, despite the difficulty of the issues and the competing concerns. The Committee thus recommends that the Office and the Unions place this issue among their highest priorities and look for a concrete resolution before the next PPAC meeting in March 2009. The issues are known, and the evidence for and against each point is readily available. Indeed, the solutions themselves are known. Reaching a solution will require compromise on the part of the Unions and perhaps additional compromise on the part of the Office. However, the absence of a negotiated solution will delay the introduction of legislation necessary to change the existing regulatory scheme. That delay will place significant obstacles in the way of any near-term accomplishment of the stated goals of the nationwide work force noted above.⁵

No more studies; no more tentative steps. It is time to get the job done.⁶

⁴ The Committee understands that NTEU 245 was a supporter of the telework legislation referenced in note 3, *supra*.

⁵ Because the regulatory scheme that impacts the Office and its employees also impacts other Federal agencies and work forces, even complete agreement between the Office and the Unions will not necessarily bring an immediate resolution to the issue of a nationwide work force. However, agreement here is at least an effective starting point for consensus beyond the Office.

⁶ On the question of extending the hoteling program, the Committee notes that the Office added 400 more patent examiners to its existing program and including non-examiner employees, such as Technical Support Staff. This increased participation has been on the part of personnel within a daily commuting distance and has had no impact on the creation of a nationwide work force.



This map shows areas of concentration for patent applications filed with the USPTO in FY 2007. It is clear to the Committee that not all of the applications are filed within the duty stations around the Office and that a nationwide workforce with examiners in Silicon Valley, New York and other clearly obvious technology centers would benefit US innovators across our nation.

4. The need for a process improvement practice in the Office:

The OCIO issues discussed above as well as internal discussions by the Committee has convinced the Committee that the Office processes are in need of review and improvement. The Office in FY 2008 appears to have come to the same consensus when it established the Chief Process Improvement Office (CPIO). This new Office is to develop and implement a comprehensive strategy to undertake and ensure continuous process improvement throughout the Agency, instead of the past more ad hoc improvement process. The CPIO is a significant indication of the Office's commitment to reviewing, analyzing, standardizing, and improving its myriad processes. The Committee is aware that the establishment involved a significant internal education program among business unit heads and managers, so that the CPIO will be understood and valued. Additionally, Committee also understands that the creation of CPIO involved many levels of approval through the executive branch and notification of the oversight committees. While acknowledging that advance, what must come next is a robust commitment to implement the purpose of the CPIO. The Office leadership must ensure the CPIO is able to design and direct activities, beyond just cataloging efforts underway. Many process improvement programs fail because resources are not deployed strategically, and instead are directed so as to avoid "threatening" or "destabilizing" a core process; that approach is wrongheaded. The Office must empower the CPIO and the

supporting business unit liaisons to prioritize the most essential processes. Additionally, their efforts must embed continuous improvement metrics and review processes (e.g., change control protocols). This is distinct from many of the initial efforts, which involve process-mapping, and have not yet advanced to continuous-review.

A critical review of the examination process, and the corporate processes that support examination is a basic strategy of addressing the backlog. Without ensuring the process is efficient, the Office will run the risk of over-hiring, purchasing unnecessary equipment, instituting practice changes that cannot be incorporated without impacting quality negatively. This improvement process should also focus on the quality of initial actions, pendency reduction through internal procedural efficiencies and incorporate feedback mechanisms based on subsequent invalidity determinations by the Boards of appeal and courts

The Committee recommends that:

- the Office map the examination process within each Technology Center (TC), and then determine if any variations discovered are based-upon the underlying technology, if not, the processes should be standardized. (The technology centers are not meant to be “examination laboratories” where varied practices develop as a matter of differing cultures. Such differences inhibit many values: the ability to move managers among the TC’s, transparency of process for the user-community and oversight bodies, efficient deployment of new procedures and/or quality metrics, and ease of harmonization of practice with other offices.); and
- the Office be prepared to discuss the findings and recommendations of the CPIO at its February 6th meetings in 2009.
- The Office consider adopting international or industrial standards for its process improvements, as to the specific type of program, such as ISO or Six Sigma, etc. that Committee does not offer any advise, but leaves it up to the Office to determine the best type of program for its needs.

IV. GENERAL NON-CRITICAL ISSUES RELATED TO POLICIES, GOALS, PERFORMANCE, BUDGET AND USERS FEES OF THE USPTO

1. Budget:

FY 2008 review: The President's Budget for FY 2008 requested \$1.915 billion for the Office, an amount equal to the Office's projected user fee collections. Congress approved the President's request and appropriated \$1.915 billion, which represented an increase from FY 2007’s appropriation level of \$1.771 billion.

At certain points during the year, the Office revises its user fee collection estimates based on applicant and other activity (such as issue fees). In the summer of 2007, the Office revised its patent fee collection estimates for FY 2008 by \$70 million due in part to declining allowance rate and in return, issue fee collections. The Agency adjusted

spending plans accordingly through a process of spending reductions including a 50% hiring freeze on all non-examiner vacancies, a 10% across the board reduction to travel, the absorption of within-grade increase costs through delayed backfill hiring, and several targeted non-compensation reductions. The end of year fee collections ultimately were only \$36 million less than projected which allowed the Office to fully fund retention and recruitment bonuses, continue its PCT outsourcing efforts and allocate more resources to improving its IT infrastructure.

The following chart illustrates the actual Office obligations and expenditures for FY 2008 by business area.

BUSINESS AREA	FY 2008 (\$ in 000s)
Appeals Boards	32,798
General Counsel	11,665
Director's Office, External Affairs, CFO, CAO	79,056
Patents	1,152,472
Trademarks	91,235
CIO	257,444
MGE	227,099
Reimbursable Agreements	<u>773</u>
Total	\$1,852,541

FY 2009 budget: The Office's FY 2009 budget request is \$2,075 billion, which represents a \$159 million increase over the FY 2008 level. This request would provide \$1,828 million to the Patent business line for completing 445,200 first actions on patentability determinations and 400,200 patent application disposals (equaling 422,700 units of production); and \$247 million to the Trademark business line for completing 439,500 first actions on trademark applications and 345,200 office disposals. The corresponding user fee collection estimates for FY 2009 of \$1,828 million for patents and \$247 million for trademarks assumes the fee structure based on the provisions of Title VIII in the Consolidated Appropriations Act, 2005 (Pub. L. No. 108-447) will be continued in FY 2009 by the necessary appropriation language.

The bulk of the Office's budget each year is geared toward three broad responsibilities:

- Providing high quality and timely examination of patent and trademark applications,
- Guiding domestic and international IP policy, and
- Delivering IP information and education worldwide.

In particular, resources requested in FY 2009 will be used again to fund additional patent examiners. In addition, resources will be used to continue the implementation of e-

Government to more efficiently process patent applications; competitively source the classification and reclassification functions; continue retention incentives to retain a highly qualified and productive workforce; and increase patent workforce telework participation through expansion of the patent "hoteling" program.

Diversion: FY 2008 marked the 4th consecutive year that the Administration proposed a "no diversion" budget for the Office meaning that the Office was appropriated and had access to the money it projected collecting through user fees. However, even if Congress authorizes \$2 billion in Office spending based on projected \$2 billion in user fee collections, if the Office happens to collect \$2.03 billion by the end of the fiscal year (and it's very hard to project precisely with hundreds of fees adding to \$2 billion of fee collections), then \$30 million is "unintentionally" diverted and the Office does not have access to that \$30 million in fee collections to cover operational and other expenses.

According to Office's audited financial statements from FY 1992 to FY 2004, a total of \$749 million of USPTO fee collections were not available to the Agency and spent on other federal government programs. This "diversion" of Office user fee collections, combined with a steady increase of application filings, led to a significant backlog of applications awaiting examination and the IT infrastructure deficit discussed above.

Last year, the Committee strongly recommended the adoption of legislation to 1) permanently end the diversion of user fees for non-Office expenditures; 2) give Office authority to set and adjust patent fees and 3) establish in the U.S. Treasury of a revolving fund to be known as the "United States Patent and Trademark Office Public Enterprise Fund" which would deposit all collected Office fees into the fund to be available without FY limitation until expended.

The Committee renews these recommendations. In order for the Office to operate effectively, it needs to have full access to the fees it collects. This will ensure the Office's ability to continue to recover the actual costs of operations and other related expenses designed at enhancing the quality and efficiency of its outputs and services and provide full IT modernization which is critically required. With the greater budget certainty that comes with retention of all user fee collections, the Office would be better positioned to successfully recruit, hire, train, and retain its growing workforce; a workforce that is necessary to tackle the workload of the Office. Greater long term budget certainty will also ensure continuation of new and enhanced processing and electronic filing programs; expansion of teleworking to a national level; and other quality and efficiency-based initiatives.

The Committee notes that in its FY 2008 appropriations bill covering the Office, Congress provided the Office the authority to access, until expended at any point in the future, up to \$100 million in fee collections in excess of the appropriation of \$1.915 billion. This addresses the issue of "unintentional diversion." As noted above, the Office actually collected less than \$1.915 billion it projected for FY 2008 so this provision did not need to be invoked. However, the Committee applauds Congress for the inclusion of this provision and urges Congress to make it permanent per the Committee's

recommendation to establish in the U.S. Treasury of a revolving fund to be known as the "United States Patent and Trademark Office Public Enterprise Fund."

Future Budgets and Fees: As noted above, the Office collected \$36 million less in FY 2008 than originally estimated. The Office made some necessary spending adjustments to come in line with the lower fee collections. However, the Office remains concerned about future fee collections due to the current economy and a lower allowance rate. The patent allowance rate was above 60% as recently as 2004; it has since decreased below 50% and was at 44% for FY 2008. In addition to the yearly decline in the collection issuance fees associated with the granting of patents, the Office is beginning to be effected by declining maintenance fees due to the gradual decline in the number of patents issued. This is likely to have a significant impact on Office budgets in the near future.

There is tremendous cost associated with the massive hiring of new patent examiners in the form of salaries, recruitment and retention bonuses, training, and recruitment/HR costs. This hiring effort seems to be nearly unanimously supported by the private sector. Furthermore, the Office is seeking to increase production by outsourcing Patent Cooperation Treaty (PCT) and reclassification work, better training, and more telework options for examiners. Expensive IT maintenance is also needed to support end to end electronic filing and processing of patent applications and enhanced telework and training efforts. All of this, of course, requires careful budget planning and funding.

The Committee understands the Office is crafting a package of increased regulatory fees to offset projected near term budget shortfalls and recover the actual costs of these activities. Higher regulatory fees may be necessary but the reality, as the Committee pointed out in its report last year, is that the Office's fee structure is 25 years old. Currently, its most important fees are set by statute, so that many fees are out of alignment with costs. Accordingly, the current fee schedule is the result of a patchwork approach that is not cost-based and has led to a large imbalance of fees, nearly 300 in total, that need reform and realignment.

Last year, the Committee urged Congress to work with the Office to pass legislation authorizing the Office to set and adjust patent filing and processing fees and to assure the Office has full access to its fee collections while maintaining appropriate Congressional oversight. Such legislation was not passed.

The Committee recognizes that virtually everyone interested in the U.S. patent system supports the twin goals of increased quality and reduced pendency at the Office. A well and appropriately funded Office is necessary to accomplish these goals. The Committee will support a collaborative effort in 2009 between the private sector, the Administration and Congress to reach agreement on Office funding priorities and an appropriate fee structure for the next decade to support such priorities.

2. PPAC Outreach Initiative

In 2006 the Committee and the Office developed and implemented an Outreach Initiative to solicit feedback from a wide variety of stakeholders to identify potential improvements to the current patent system. These stakeholders included practitioners, academics, CEOs, industry groups, patent holders and independent inventors. The research involved conducting focus sessions and one-on-one interviews. The focus sessions typically included anywhere from 10 to 20 participants. While the one-on-one interviews were held with participants who were unlikely to participate in a focus session but who had a unique contribution to the research. Twelve focus sessions were conducted on the following dates with the following groups:

- Office August 2007 with SPEs at the Office
- Office August 2007 with Patent Examiners
- Washington DC on 10/17/07 with Patent Practitioners
- San Francisco on 10/24/07 with High-Tech industries
- New York City on 11/17/07 with Large Corporations
- Virtual Focus session on 11/26/07 with Academics and Tech transfer Chicago on 1/16/08 with Manufacturing industries
- Dallas on 1/23/08 with Energy, Aerospace and Communications
- Virtual Focus session on 1/24/08 with Financial services industries
- Santa Barbara CA on 1/28/08 with Corporate patent counsel
- Washington DC on 2/6/08 with Patent advocacy groups
- Philadelphia on 2/13/08 with Pharma and Biomed

In addition, several one-on-one interviews were conducted with CEOs of large corporations, Independent Inventors and CEOs of small businesses. Each focus session was recorded and transcribed (transcript length is typically 35+ pages). A database was created from these transcripts that contain problems and solutions that were discussed as well as ideas from additional sources such as studies (e.g., NAPA and GAO), customer surveys and comments on proposed rules. The database currently has 1100+ entries.

Some of the interesting items that have been identified for further study include:

- employing non-primary examiners as art unit managers (non-GS 15 subject matter experts to manage art units);
- alternatives to the current full time examiners (part time, retirees and nationwide work force were all mentioned by our external stakeholders);
- maintenance fee reminder notices;
- timelines for Rule 1.99 (extend this to either two months from publication or before the issuance of a first office action, whichever is later);

- applicant attendance at the pre-appeal brief conferences; and
- escalating fee structure for priority claims

The summary of the out-reach report is appended to this report. The Committee recommends that the Office report to PPAC and the public on the feasibility and follow-up actions it plans to take on each of these suggestions at the Public Session on February 6th, 2009.

3. International Initiatives:

For some time, the Office has engaged in international cooperative activities, most notably in its twenty-five-year trilateral relationship with the European Patent Office and the Japan Patent Office. Until recently, this cooperation has focused mainly on documentation, the move to an electronic examination environment, advancement of legal harmonization, and efforts to shape proceedings within the World Intellectual Property Organization (WIPO).

Patent Prosecution Highway: Over the last four years, the Office has fervently pushed for cooperation in the area of worksharing; where, in internationally filed applications, the search and examination results of one office is re-utilized in offices of later filing. A major success for the Office involves the implementation of the Patent Prosecution Highway (PPH) system, in which the claims allowed in a first office are copied into that of a second office for subsequent examination there. To date, the results have been encouraging:

- In cases where the Office is the second office, an allowance has resulted 94% of the time with a first action allowance rate three times higher than non-PPH cases.
- PPH cases typically are examined within three months of the request. PPH is the very first worksharing program actually implemented.

The Committee recommends that the Office expand this program to as many other country offices as possible in 2009.

IP5 process: The Committee commends the Office for its initiative in enhancing the development of international cooperation with the five largest patent offices. The first meeting occurred in May of 2007 and the most recent in October 2008. At the latest meeting, the five offices affirmed that worksharing is the highest priority, and agreed to ten “foundation projects” aimed at facilitating the reuse of search and examination results. By engaging the five largest patent offices, the Office has begun a process where efficiencies can be obtained by sharing work in the long term. The 10 foundation programs aims are:

- Common documentation database (EPO): Assemble a common set of relevant patent and non-patent literature from around the world to assist patent examiners in their prior art searches;

- Common approach for a hybrid classification (EPO): Enable joint and efficient updating of patent classification and facilitate reuse of work among the patent offices;
- Common application format (JPO): Facilitate the filing procedure of each office by using a common application format and an electronic or digitized patent application filing (in XML) and subsequent processing and publication in XML (an industrial trilateral proposal on common format was accepted by the USUSPTO, EPO and JPO last year and should be piloted in 09);
- Common access to search & examination results (JPO): Enable examiners to find one-stop references in the dossier information of other offices, such as search and examination results, and conduct priority document exchange (PDX) to reduce costs of ordering copies of priority documents for applicants and administrative costs of electronic processing for offices;
- Common training policy (KIPO): Standardize the training of patent examiners at each office, helping examiners to produce equivalent results of search and examination at the five offices;
- Mutual machine translation (KIPO): Help offices overcome the language barrier of patent information and allow greater access to each other's patent information;
- Common rules for examination practice & quality control (SIPO): Execute patent examinations at a similar standard and quality through common rules of examination practice and quality control;
- Common statistical parameter system for examination (SIPO): Establish a system of common statistical parameters for all examinations at the five offices; and conduct statistical tasks and exchange information on examination practices under common rules and parameters, building on work of the Trilateral statistical working group;
- Common approach to sharing & documenting search strategies (USPTO): Promote re-utilization by enabling patent examiners of each office to understand each other's search strategy; and
- Common search & examination support tools (USPTO): Establish system of common search and examination tools to facilitate work-sharing.

The Committee recommends that the Office propose a timeline to the other offices for the implementation of these foundation processes

4. Hiring:

Hiring 1200 engineers and scientists per year is a significant challenge. Adding to this challenge is the fact that a good portion of these new hires must come from the harder to find electrical and computer disciplines. The pool of candidates do not normally have any depth of understanding as to what the patent examiner job entails and rarely have any patent background. Therefore, the Office focuses a tremendous amount of resources

educating these candidates during the hiring process to ensure that they fully understand the requirements and environment that they will be working in.

Goals:

2008 goals/results

FY 2008 goal – 1200 new hires

FY 2008 hires – 1211

FY 2008 Examiner Attrition*– 563

2007 goals/results

FY 2007 goal – 1200 new hires

FY 2007 hires - 1215

FY 2007 Examiner Attrition* – 543

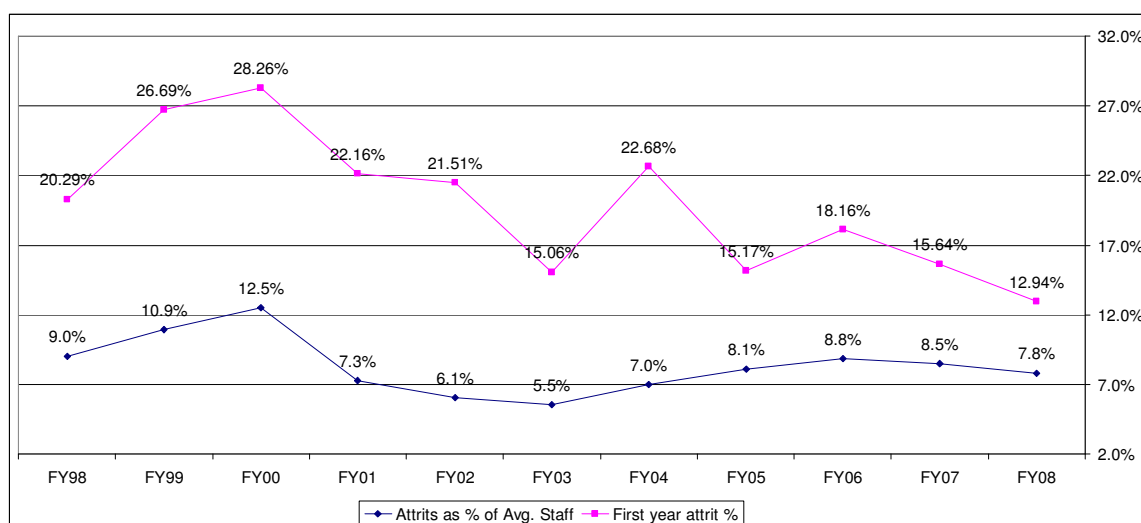
FY 2009 – FY2014 Goal – 1200 new hires per year and 8400 Examiners by FY 2014

*Including transfers and retirement

5. Retention:

With a goal of having 8400 examiners in place by 2014, it is critical that the Office maintain a qualified and competent workforce. Over the past few years, attrition rates have been higher than expected, and as a result, a renewed focus on examiner retention is warranted.

- Attrition Data showing the attrition percentage is declining for total examiners and 1st year employees.
- 9.5 % Attrition (includes retirement and promotions)
- 7.9% actually left the agency
- Currently 6099 examiners, 414 supervisory patent examiners, 100 quality assurance specialists, and 48 SPE / Trainers for patent training academy



To reduce attrition, the Office has begun offering retention bonuses (Starting in the summer of 2006), for GS 5/7/9 Electrical and Computer engineers. The retention bonus for these examiners is between \$8,000 and \$9,900. In the summer of 2007 all other disciplines started to receive a \$5,000 retention bonus. The bonuses are paid out over a 4 year time frame with the goal to keep an experienced examination corps in place, trained, and motivated. Data suggests that If an examiner stays >3 years, attrition drops to 4%.

The Committee recommends the Office present a tabulated set of results of the exit interviews with all departing examiners along with an analysis of reasons for attrition and responsive plans to reduce attrition.

IV. CONCLUSIONS

The Committee believes that the Office has made a number of advances this year and should be commended for these. However, the Committee believes that the Office should have made more progress on the Committees 2007 recommendations than it did in 2008. The Committee also believes that the continuing issues of Quality and Pendency are the paramount challenges facing the Office and the patent system as a whole. In addition the Office now faces a real crisis in the IT area that if not properly resolved in a timely manner with severely inhibit any further progress the Office can make in Quality, Pendency or National Workforce. The Committee has spent a great deal of time over the past two years working with the office and the USPTO user community (see the Summary Outreach Report submitted with this report) in order to make and follow through on recommendations aimed at enhancing the Office's capability to issue high quality patentability determinations within a time-frame that is useful to patent applicants. The "scorecard" and subsequent discussion topics in this report aim to move the process forward.

Robust staffing with strong retention incentives such as special pay and a nationwide workforce; full access to fees from Congress; good budget stewardship by the USPTO; international worksharing; efficient USPTO IT infrastructure; even agreed upon metrics to measure quality and pendency are all important "micro" issues that support the broader goals we all share.

This report, as did the 2007 report, outlines a number of concrete recommendations that the Committee believes will move the Office and the innovation community toward solutions to the Quality and Pendency issues. There are no simple quick fixes, the issues developed for a number of reasons over an extended period of time, but these challenges are surmountable.

The Committee understands that it has not developed all the answers, but the Committee does believe that these recommendations along with the Office's sincere willingness to address these concerns in such a positive manner and engage in honest dialog with users on areas of mutual concern will ultimately create the patent system that the public desires

and deserves. The Committee believes innovation and quality and timely patents are the life blood of the American economy and success. The USUSPTO is one of the great institutions furthering that innovation and needs the support and assistance of the Administration and Congress to provide every inventor with his or her right to the protection of their valid invention.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Kevin G. Rivette', with a large, stylized loop at the end.

Kevin G. Rivette

Chair

December 1st, 2008

Appendix - 2008 Patent Public Advisory Committee Annual Report

Committee Members

Kevin Rivette – Mr. Rivette is the Committee's Chairman. Mr. Rivette was most recently the Vice President for Intellectual Property Strategy for the IBM Corporation. In September 2007 Mr. Rivette was honoured to be voted into the Intellectual Property Hall of Fame, by members of the IP community. He is a former patent attorney and litigator. Prior to his work with IBM Mr. Rivette was the Executive Advisor for Intellectual Strategy at the Boston Consulting Group (BCG). Mr. Rivette was also founder, Chief Executive Officer and Chairman of Aurigin Systems. Aurigin Systems was the first company to develop and commercially market visualization technologies for analyzing and understanding the competitive landscape of worldwide patents. Aurigin Systems was subsequently sold to Thomson Scientific.

For his work in IP tool development Mr. Rivette has been awarded over forty patents worldwide. In addition, Mr. Rivette is also the author of the business book on patent strategies, *Rembrandts in the Attic*. He has also written on this subject for many publications including *CEO*, *Chief Legal Officer Magazine*, *The Harvard Business Review* and has made numerous TV and radio appearances to discuss the strategic business use of Intellectual Property. Mr. Rivette was inducted into the IP Hall of Fame for his work in 2007. Mr. Rivette is a frequent speaker at international conferences, including, The World Economic Forum in Davos, Switzerland and he has also been a guest lecturer at Keio, Harvard and Stanford University business schools. He lives in Palo Alto California

W. David Westergard – Mr. Westergard is an attorney and inventor. He is the Director of Patent Licensing and European Litigation for Micron Technology Inc. Prior to joining Micron in 1995, Mr. Westergard worked for the law firm Arnold, White & Durkee in Houston, and has served as a law clerk for Judge Randall R. Rader on the Court of Appeals for the Federal Circuit.

Douglas Patton – Mr. Patton is an entrepreneur and inventor. He is the founder of Patton Design, a consulting firm that helps companies with strategy and new product development and has created over 450 new products for diverse market categories. He has received numerous patents for his work and, in addition, his work has been nationally and internationally recognized through numerous awards, including awards for design, engineering and ergonomics. Most recently, Mr. Patton developed a revolutionary new car seat for children that won the million-dollar first place prize on ABC's television series "American Inventor."

Louis J. Foreman is founder and chief executive of Enventys, an integrated product design and engineering firm with offices in Charlotte, N.C., and Taiwan. A prolific inventor himself, he frequently lectures on the topics of small business creation and product development as well as intellectual property. Mr. Foreman is the publisher of *Inventors Digest*, a 20-year-old publication devoted to the topic of American innovation.

He was the founding member of the Inventors Network of the Carolinas. He is the executive producer and judge for a new inventor's TV show called Everyday Edisons, which airs nationally on PBS stations.

F. Scott Kieff is a law professor at Washington University in St. Louis and a research fellow at Stanford's Hoover Institution where he runs the Hoover Project on Commercializing Innovation. He serves as a faculty member of the Munich Intellectual Property Law Center in Germany and previously has been a visiting professor in the law schools at Northwestern, Chicago, and Stanford, as well as a faculty fellow in the Olin Program on Law and Economics at Harvard. Having practiced law for over six years as a trial lawyer and patent lawyer for Pennie & Edmonds in New York and Jenner & Block in Chicago, and as law clerk to U.S. Circuit Judge Giles S. Rich, he regularly serves as a testifying and consulting expert, mediator, and arbitrator to law firms, businesses, government agencies and courts.

Damon C. Matteo is vice president and chief intellectual property officer of the Palo Alto Research Center (PARC). His two-decade career in intellectual capital management (ICM) includes extensive experience in the creation, strategic management, venture/funding and commercialization of the full spectrum of corporate intellectual property assets through such vehicles as direct-to-product use, licensing, assertion, start-ups and M&A in North America, Asia & Europe. Among Mr. Matteo's numerous professional awards, he has been named one of the "Fifty Most Influential People in Intellectual Property" by Managing Intellectual Property magazine; and has received the National Technology Transfer Excellence Award given by the U.S. Federal Government. Mr. Matteo also serves on the Board of Directors for the European Center for Intellectual Property Studies, and was selected principal industry expert in intellectual capital management for both the U.S. Security & Exchange Commission (SEC) and the United Nations. Mr. Matteo frequently lectures on ICM at universities and professional organizations throughout the world.

Marc Adler – Mr. Adler recently started a private intellectual property strategy consulting practice (Marc Adler LLC). For the past 26 years he worked for Rohm and Haas Company and since 1993 served as the Company's Chief Intellectual Property Counsel and Associate General Counsel. Marc had worldwide responsibility for all intellectual property matters for the company including patent preparation and prosecution, intellectual property strategies, licensing and litigation, and managed a group of 25 attorneys and agents in the US, Europe, Japan and China.

Mr. Adler is the immediate past President of the Intellectual Property Owners Association and Association of Corporate Patent Counsel. He was also on the Executive Committee of the US AIPPI. He is also currently on the Board of the National Inventor's Hall of Fame, the IP Advisory Boards of Franklin Pierce School of Law and Lexis/Nexis.

Mr. Adler received his BS ChE from the City College of New York, his MS ChE from the University of Florida, and his law degree (JD) from St. John's University in New York. He started his career as a Chemical Engineer for 8 years with Esso Research and

Engineering and Union Carbide Corporation before becoming an associate with a patent law firm in New York City.

Stephen M. Pinkos – Mr. Pinkos is a Senior Advisor with PCT Government Relations, LLC – a firm that provides a full spectrum of bi-partisan, federal, state and international public policy advisory services related to intellectual property. Mr. Pinkos previously managed the daily operations of the Office as the Deputy Under Secretary and Deputy Director. In this capacity, he initiated and supervised restructuring of the Chief Financial, Information and Administration Offices; played an integral role in launching the largest-ever Office hiring, training and retention effort; and supervised critical quality control, pendency reduction and IT initiatives. He also was instrumental in the development and implementation of the Bush Administration's STOP! (Strategy Targeting Organized Piracy) program. Prior to the Office, Mr. Pinkos served as Staff Director and Deputy General Counsel for the House Committee on the Judiciary.

Maureen K. Toohey – Ms. Toohey is the founding member of Toohey Law Group LLC in Boston, Massachusetts. She counsels clients regarding the strategic protection and transfer of intellectual property rights, prosecutes patent portfolios, and litigates intellectual property disputes for start-up companies in the medical device, biotechnology, clean technology, and internet fields. Ms. Toohey is a registered patent attorney and practices in California, New Hampshire, and Massachusetts. She was previously a law clerk to U.S. Federal Circuit Judge Randall R. Rader. She is affiliated with a number of IP organizations such as the Federal Circuit Bar Association, American Intellectual Property Law Association, and the ABA Section of IP Law.

Summary Outreach Report Attachment



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PATENT PUBLIC ADVISORY COMMITTEE OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

Summary Outreach Report

In the November 30, 2007 Annual Report presented to the President and Congress, the Patent Public Advisory Committee (the "Committee" and "PPAC") attempted to sound the alarm on a growing crisis within the United States patent system. The crisis is based largely in public perceptions that too many patents issued by the United States Patent and Trademark Office ("Office") are of low quality, that the application process is unreasonably long and that the Office lacks the resources to deal with its dramatically increasing backlog. The Committee also made specific recommendations for the Office which, in our view, would ameliorate the concerns leading to poor quality and long pendency. We noted that failure promptly to implement these or other solutions would cause the United States to lose a key driver of both its domestic and global economic power.

Despite the seriousness of the crisis, we also noted in the Annual Report, and now reiterate with approval, significant steps undertaken by the Office to improve quality and reduce pendency. Revising recruitment, retention and examiner training policies, establishing regional offices, outsourcing searching functions and creating a "suite of examining products" were some of the proposals that were then under consideration by the Office. Various pilot programs related to these and still other initiatives are in place to test their viability. We congratulate the Office on its commitment to improving the patent

examination process with a goal of enhancing the quality of examination, reducing pendency and mitigating the headaches, hassles, expenses, and delays frequently associated with the patenting process.

One of the joint PPAC/Office initiatives underway at the time of the Annual Report was a public outreach program ("PPAC Outreach") that began two years ago as a means of understanding solutions to pendency and quality issues that are most favored by the stakeholder community ("Stakeholders"). These Stakeholders included practitioners, academics, CEOs, legislators, industry groups, patent holders and independent inventors, to name a few. The aim of the PPAC Outreach was to identify all manner of change including long, medium and short term solutions ranging from statutory changes, rule changes and programs that can be implemented under the Office existing authorities.

The PPAC Outreach has largely completed the initial stages of its mission. The purpose of this letter is to (i) summarize the initial objectives and outline the steps undertaken to achieve those objectives, (ii) summarize the results, and (iii) provide specific recommendations to the Office on the best Stakeholder ideas for improvements.

Initial Objectives

Following a Request for Proposal (“RFP”) published by the Office in June of 2007, the Office hired an independent firm, Analytic Focus, LLC, to conduct qualitative research via the use of focus group sessions (both in-person and virtual/web-based) and one-on-one interviews with various Stakeholders. The scope of the work as stated in the original RFP was to “gather, analyze and become aware, using the most unbiased and scientific process(es) possible, all issues pertaining to potential problems and improvements to the United States patent system in a clear and concise format.”

Beginning in September 2007, and ending in February 2008, Analytic Focus moderated ten focus group sessions with 99 participants representing ten separate Stakeholder groups. Two of the sessions were virtual/web-based and the other eight took place in Washington, D.C., San Francisco, New York, Chicago, Dallas, Santa Barbara and Philadelphia. (See Exhibit 1 for the list of focus group participants.)

Analytic Focus recorded and transcribed the discussion from each focus group session. Following the sessions, the transcripts were reviewed to identify every unique suggestion (i.e., one that could be characterized as a discrete suggestion for improvement), and then categorized a total of 1,129 suggestions into topics and sub-topics. Ten primary topics emerged from this data collection. A table showing the Top Ten Topics is attached as Exhibit 2.

Results

As noted above, the Top Ten Topics of interest by the Stakeholders are (i) Office interaction with the public, (ii) internal Office processes, (iii) examiner recruitment and retention, (iv) prior art and searching, (v) examination practices, (vi) enhancing the knowledge skills and abilities of participants, (vii) examination timing options, (viii) alternative forms of patents, (ix) fees, and (x) post issuance concerns. Exhibit 2 provides summary detail on the nature of the Stakeholder concerns.

Within these areas, several topics were of great interest to the Stakeholders:¹

(i) Agency Interaction with the Public

Several unrelated sources all suggested the need for an ombudsman type of position at the Office to field and investigate both general complaints and case-specific inquiries, resolve customer service complaints (i.e., “the examiner won’t return my phone call”) and serve as a troubleshooter to get cases back on track when they have fallen through a crack in one of the Office’s automation systems such as the Patent Application Locating and Monitoring (“PALM”) system or the Image File Wrapper (“IFW”). It is not clear what authority such a position would have, or where it would fit with existing petition and appeal practices. However, an exploratory pilot program could be established in a given Technology Center (“TC”).

¹ This section on “Results” discusses the subject matter areas the Stakeholders determined to be the most critical to improving the patent system, without regard to whether Office already has programs or “pilots” in place that directly address some of these suggestions. The Committee takes existing Office initiatives into account in making its specific recommendations in the section on “Recommendations.”

There was also considerable Stakeholder interest in improving the Office's online systems. Stakeholders would like the Office online systems to be more user-friendly and interactive, so that information such as docket numbers, addresses, and so forth could be readily updated. Stakeholders also seek improved connectivity between their systems and those of the Office.

Each focus group shared widespread enthusiasm for the PPAC Outreach effort and appeared genuinely to appreciate the fact that PPAC and the Office were actively soliciting Stakeholder input. Several Stakeholders suggested the creation of a permanent outreach collaboration program.

(ii) Internal Office Processes

Several Stakeholders offered suggestions related to Office's review processes, specifically regarding the place of the Office of Patent Quality Assurance ("OPQA") within the Agency. The general theme of these suggestions was the reviewers are too far removed from examining and should not be held apart as a separate group.

As a pilot to implement these suggestions, the OPQA review process in a given TC could be changed to employ a rotating set of examiners or supervisors in lieu of the regularly assigned reviewers. This would parallel the regular reviews, so that meaningful comparisons could be made. Several TCs already use examiners to conduct second pair of eyes reviews, and this would be a natural outgrowth of those successful programs.

Stakeholders also expressed the desire for improved performance metrics, to better assess the quality of the Office's work. Stakeholders suggested that the Office work with them to determine what exactly to measure and how to measure it.

(iii) Recruitment and Retention

Many Stakeholders offered ideas to improve the Office's ability to attract and retain qualified examiners. These ideas centered on expanded telework, higher pay, and satellite offices. Moving the Office out of Title V was also discussed as a way to allow flexibility in compensation for a performance based organization.

Less frequently mentioned were suggestions to increase the length of service agreements for law school tuition, and eliminate automatic registration based on the Office examining experience. Stakeholders felt that both items might decrease attrition.

(iv) Prior Art and Searching

Numerous Stakeholders suggested enhancing the public's ability to submit prior art in published applications on the belief that expanding the public's ability to cite prior art against pending applications would provide a modest improvement in patent quality at little to no cost to the Office. Currently, third parties can generally submit art only within two months of publication under 37 CFR 1.99 (Rule 99), and can provide no explanation whatsoever of the documents submitted. While many chose not to submit prior art to the Office for tactical reasons, others are prevented from citing prior art due to the time constraints of Rule 99.

To that end, Stakeholders proposed that the Office amend Rule 99 to permit prior art citations to be filed within two months of publication, or prior to a first action on the merits, whichever is later. Additionally, the fee for such submissions should be lowered or eliminated, and the rule amended to permit the third party to cite the most relevant column and line and/or figures of the document(s) submitted. (This would not amount to a protest, which is prohibited by statute.)

In the current Internet age, there is a considerable amount of commercial search know-how. Many Stakeholders suggested that the Office leverage that existing knowledge base to enhance its existing search systems or develop new ones.

Other ideas under this category that the Office could implement fairly easily include providing a full-text database of Office-translated documents (e.g., human-translated foreign patent documents) and providing easy access to technical specification databases.

(v) Examination Practices

Stakeholders overwhelmingly favored examiner interviews as one of the more effective means of advancing prosecution. Suggestions varied from pre-first action interviews to interviews at other stages of the prosecution. For example, applicants could be given one post-final interview as a matter of right. (Currently it is at the examiner's discretion.) Another Stakeholder (from patent practitioner group) proposed requiring applicants to explain the differences between a Continuation In Part application and the parent application, or between an application and its foreign priority document(s). This would clearly provide a benefit to examiners in determining the effective filing dates of each of the pending claims.

Stakeholders also expressed considerable interest in changes to certain Office examination practices, notably restriction practice and final rejection practice. In general a more lenient approach by the Office was desired.

Some Stakeholders proposed that the examiner send a notice to the applicant that the application was about to be examined, and require the applicant to respond with a confirmation of "intent to prosecute" the case. Failure to respond to the notice would lead to abandonment of the case. Stakeholders perceived this as an effective means of weeding out cases which the applicant had already effectively discarded and preventing the waste of examiner resources.

(vi) Examination Timing Options

Stakeholders offered numerous suggestions on timing options which essentially coalesced around deferred exam, accelerated exam based on the payment of a fee (without the search and Accelerated Exam Support Document), and splitting the examination phase into search and examination, such as with cases filed under the Patent Cooperation Treaty ("PCT").

Comments concerning deferred examination included a range of alternatives and variations, including anywhere from two to seven year deferral periods, automatic deferral absent a request for examination, the right of third parties to request examination, and various payment options, for example. Some

Stakeholders were vehemently opposed to any form of deferred examination unless controls were in place to prevent applicants from staking out a broad disclosure and using the deferred timeframe to see specific industry implementation of concepts disclosed in the specification.

Stakeholders suggested a possible pilot wherein the Office could offer applicants in a given TC the choice of receiving a search report, and thereafter deciding whether or not to move forward with substantive examination. The examination fee could be deferred until the search report is received. Applicant could then choose to either pay the examination fee or allow the case to go abandoned. This would essentially mirror old-style PCT practice, and could reduce the workload.

(vii) Alternative Forms of Patents

Analytic Focus had invited the Stakeholders to consider the Office's "suite of products" proposal that would create different types of patents depending on the level of examination and/or fees paid. Stakeholders had few suggestions in this category, with the most cogent being the suggestion that the Office establish a working group of inventors and experts to develop ideas for alternative forms of intellectual property.

As with post-issue concerns, most suggestions (there were not many in this category) would require legislative action.

(viii) KSA Enhancement (Internal and External)

Several Stakeholders suggested staffing the Office with "experts on demand." Such positions could be contracted on an as-needed basis, rather than necessarily full-time positions. These experts could be professors, industry experts, or even retirees who would be available to field technical questions from examiners in real-time or nearly real-time. For example, email lists, electronic bulletin boards, or an on-call phone system could be used to route questions from examiners to the experts, and route the answer back to the examiner. The question and answer could then be permanently stored in text-searchable database for later use by other examiners. This would be valuable in answering many technical questions examiners often have, such as "is property X inherent in composition Y," "would I expect changing this parameter to improve the results," "how does this thing work," etc.

There were also many suggestions for various training courses that could be given to the examiners, either as standalone courses or as part of the Patent Training Academy curriculum. The most notable include: legal writing (as in law school), claim drafting, negotiating skills and general analytic skills. Training in any or all of the above would clearly improve an examiner's skill set.

(ix) Fees

The Stakeholders openly supported a variety of fee initiatives, if necessary to reduce pendency. Some fee increases (e.g., filing, search, examination) would require statutory changes, but the Office could impose or raise other fees. One example the Stakeholders favored included a surcharge for each application for which priority is claimed under 35 USC 120. Alternatively, the Office could charge for each year of priority claimed. The bottom line was that the Stakeholders felt fees could be used to incentivize applicant behavior.

(x) Post-Issue Concerns

Under this heading, the Stakeholders debated many of the issues being considered as part of the current patent reform initiatives pending in Congress, recognizing that most suggestions here would require statutory changes. Of those that would not, the most frequent comment concerns delays in reexaminations. Stakeholders recognized the need for Office to establish and publish clear and exact time-frames for specific actions in reexamination proceedings, and take all necessary steps to ensure those time frames are met.

Recommendations

After a thorough review of the data emerging from the PPAC Outreach, the Committee applied its own filter to the data and attempted to create a visual representation of the areas of concern that would warrant further review. That representation is attached as Exhibit 3 and includes a short discussion of each of the topics that appear on the chart.

The Committee then undertook an effort to “score” these areas of concern in order to prioritize future focus. The scoring looks at the respective burden and impact of a specific suggestion and applies a number between one and five, with one representing the least burden or the least impact, and five representing the highest burden or greatest impact. The “key” for scoring is attached as Exhibit 4.

In addition to the Committee’s work, Office personnel also reviewed and analyzed the data, in a separate and independent effort to find workable solutions and improvements to the Office’s operations. Office managers at all levels of the Agency have undertaken a detailed examination of the data to identify the most promising ideas. As this process continues, the Committee trusts that the different perspectives brought to bear on the data will ensure that all best ideas are properly considered.

The fallout of the application of the methodology described above resulted in the Committee focusing on the following subject matter areas described in further detail below. It should be noted that the Committee’s recommendations do not perfectly align with the Top Ten Topics proposed by the Stakeholders. The reason for this is that the Office has already begun various initiatives that are well underway and that address many of these Stakeholders concerns.

Two ongoing initiatives relate to examiner interviews. The first involves recent revisions to the Manual of Patent Examination Procedure to encourage examiners to more frequently grant interviews pursuant 37 CFR 1.133(a)(2). Examiners have been somewhat hesitant on the determination of whether such an interview would advance prosecution of the application. In addition, as many applicants do not wish to leave such interviews to the sole discretion of the examiner, the Office is also engaged in another pilot program that allows interviews on request.²

² Because this pilot is limited to two technical classifications, and given the widespread Stakeholder belief that interviews would be assistive to applications in general and would result in more focuses first action on the merits that gets to the heart of the invention, the Committee strongly encourages Office to expand the pilot across all technical classifications before the end of the next fiscal year.

Other ongoing Office initiatives highly favored by Stakeholders include (i) the “Tri-Way” and “Patent Prosecution Highway” in which the Office, the Japanese Patent Office, United Kingdom, Canada, and Korean patent offices share search results, (ii) a pre-appeal-brief conference pilot in which applicants may request that a panel of examiners formally review the legal and factual basis of the rejections in their application prior to the filing of an appeal brief, (iii) accelerated examination pilot in which the Office will advance an application out of turn for examination if the applicant files a grantable petition to make special under the accelerated examination program, and (iv) an extension and expansion to other classes of the Peer Review pilot in which the public can review volunteered published patent applications and submit technical references and comments on what they believe to be the best prior art to consider during the examination.³

The Committee believes that the following represent areas that are ripe for additional Office focus and/or pilot programs.

1. Improved Applicant Input & Inequitable Conduct Reform

Stakeholders uniformly recognized the efficiency gains that could be achieved by requiring more detailed applicant submissions. In every focus group session where this topic came up, however, the suggestion that applicants “do more” was met with an equally vehement objection. Many applicants submit references via information disclosure statements, generally without explanation of their relevance. Fear of inequitable conduct frequently drives applicants to submit voluminous amounts of such unexplained and often only marginally relevant references. Stakeholders recognized that such submissions impact Office efficiency, but are willing to provide more only if the Office considers contemporaneous changes to 37 CFR 1.56.

The Committee recognizes that inequitable conduct is a judicial doctrine, and that it is not entirely clear that any Office rule change would necessarily be adopted by the courts. Thus, any inequitable conduct reform may ultimately require a legislative fix. The Committee nonetheless recommends that the Office place this issue among its top priorities for the coming fiscal year, and to work with Congress on implementing appropriate reforms. Specifically, the Committee recommends (i) the deletion of 37 CFR 1.56(c)(3), to thereby limit the duty to disclose to only the inventor(s) and the attorney/agent directly preparing and prosecuting the application; and (ii) the addition of other safe harbor provisions could also be added to §1.56. Between the requirement to explain each reference and a reduced liability of inequitable conduct, information submitted by applicants would become more focused and useful to examiners, improving both quality and pendency.

2. Revise Count System

Examiners currently receive “counts” (credit) for a first action on the merits for an application and for “disposing” of an application. A disposal occurs when the case is abandoned, allowed or an examiner’s answer to an appeal brief is written, or a Request for Continued Examination (“RCE”) is filed. The next action following the RCE is considered to be a first action on the merits. Thus, an examiner receives two counts for a case with no RCE, four counts for a case with one RCE, six counts for a case with two RCEs, etc. No counts are given for final rejections, second or subsequent non-final rejections, or other miscellaneous actions.

³ Office also has other initiatives in place that were not the focus of significant Stakeholder input.

Stakeholders expressed numerous complaints about the incentives provided to examiners by the current production system. The first line of complaint is that by giving counts for allowances, but not final rejections, examiners are encouraged to allow applications that perhaps should be not issued. The second line of complaint is that the current system encourages examiners to force applicants into filing unnecessary RCEs with a view towards getting two extra “easy” counts. Stakeholders believe that examiners make premature final rejections and refuse entry of proper after-final amendments to force the applicant into an RCE.

The Committee recommends that the Office consider the incentives in the current production system, such as credit given to RCEs, and whether credit should be given to final rejections, and consider whether reduction, elimination or realigning the count system would encourage a prompt and final resolution of prosecution. Improved timeliness and quality could be achieved through a revised production system.

3. Revise Fee Structure and Deferred Examination

As is widely known, Stakeholders are generally opposed to the Office’s proposed rules on claims and continuations. Some Stakeholders proposed an abandonment of the rules package in favor of a tiered fee structure that would allow as many claims, or as many continuation applications, as an applicant desired, but impose a ratcheted fee structure that increases fees with each claim over a specified number, and with each continuation application beyond a specified number. In the Stakeholders’ view, enhanced costs would act as a disincentive to aggressive claiming or continued prosecution of all but the most important inventions and would achieve the same results as the claims and continuation rules package. The Committee recommends a “wait and see” attitude with respect to these enhanced fee suggestions pending the outcome of the pending appeal in the *Tafas v. Dudas* case. If the pending rules are ultimately rejected, the Committee recommends the implementation of a tiered fee structure along the lines Stakeholders propose.

On a related subject, other Stakeholders proposed a deferred examination program by which an applicant could elect when to advance an application for examination, with the possible times ranging from three to seven years following the initial filing. The Stakeholders suggested that many applicants will ultimately come to the conclusion that many inventions lack commercial viability, but that that realization often comes after examination is already complete. A deferred examination will allow applicants to file early to “stake out their territory,” as it were, and then to wait to assess commercial viability at some future time. The Committee accepts this conclusion as valid, and would support a deferred examination program provided provisions were in place to prevent applicants from adding claims to a long-latent application based on ideas first seen in the marketplace. The Committee recommends the Office investigate more thoroughly ways of implementing this idea.

4. Innovative Hiring & Retention Programs

While the Office has consistently stated it “cannot hire [its] way out of this problem,” with reference to the practical limitations on the hiring and training of examiners, examiners must nonetheless be hired and trained. To preserve the investment in that effort, experienced examiners must be retained. Improvements in hiring and retention would produce corresponding improvements in both quality and

timeliness. Therefore, the USPTO should continue to create and improve innovative hiring and retention programs, including: expanding the hoteling program, eliminating the duty station requirements to allow for a nationwide workforce, establishing virtual regional offices, and reconsidering its pay schedules and other non-monetary perks.

In addition, the Office should focus recruiting efforts on experienced industry professionals looking for a second career, and/or hire part-time, semi-retired professionals. An expert-on-demand system could be established to assist examiners with technical questions (for example, via a web page where technical questions could be posted and answered, similar to various commercial websites).

5. Enhanced Search Systems

Office search systems are currently based predominantly on systems developed many years ago. While these systems have proven reliable and robust, Stakeholders frequently cited the need for improvements. The Committee recommends that the Office develop and deploy its next generation of search tools as soon as possible. The Committee recommends that existing commercial search knowledge be leveraged as much as feasible to take advantage of ongoing advancements in search engines. Any future systems should be capable of communicating with counterpart systems in other major patent offices, and should also provide simultaneous access to multiple databases, including US, foreign, and non-patent literature databases, to enable high-quality, time-efficient searches.

The Committee believes that significant improvements in available search tools would lead to commensurate improvements in the quality of issued patents.

Conclusion

The need for the Office to adapt and change is critical and the continued vitality and relevance of the Office is at stake. The recommendations above represent the input of a wide variety of IP stakeholders and we encourage the Office to begin implementation of these initiatives in order to enhance and secure the future of the patent system.