

# PATENT PUBLIC ADVISORY COMMITTEE

## ANNUAL REPORT 2009

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# UNITED STATES PATENT AND TRADEMARK OFFICE

5 NOVEMBER 2009

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## SECTION I - INTRODUCTION

### I.i PPAC Charter

#### ■ Statutory Charter

The Patent Public Advisory Committee ("Committee" or "PPAC") was created to advise the Director on the "policies, goals, performance, budget and user fees of the United States Patent and Trademark Office ("Office" or "USPTO") with respect to patents." The Committee's duties include the preparation of an annual report ("Report") submitted to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Senate and the House of Representatives. This Report has been prepared and duly submitted in fulfillment of that obligation.

The PPAC's charter is established by statute under 35 U.S.C. §5, a complete copy of which is appended to this Report for reference in Appendix C of Section VII.

### I.ii Preamble & Guide

This Report is intended to provide the PPAC's perspective and recommendations regarding the major operations of the USPTO and the external factors influencing those operations.

To facilitate review, you will find this Report organized into the following major sections and supporting collateral materials appended to the end in appendices:

- ◆ **Introduction** (Section I) – A brief discussion of background and mission of PPAC.
- ◆ **Executive Summary** (Section II) – A quick look at high-order objectives, issues, and recommendations.
- ◆ **USPTO Context** (Section III) – An overview of the current context within the USPTO along with the forward-looking strategy and objectives for the Office.
- ◆ **Topical Coverage** (Section IV) – In-depth examinations of key aspects of the USPTO's operations, performance, and broader innovation eco-system.
- ◆ **Conclusions** (Section V) – A more detailed look at the conclusions, rationale, and recommendations of this Report.
- ◆ **Score-Card** (Section VI) – A "Score-Card" detailing previous context for a number of the Report topics and Office progress follows the descriptive narrative.
- ◆ **Appendices** (Section VII) – Supporting materials and additional detail on reported topics.

A detailed table-of-contents follows on the next page.

Electronic versions (PDF & Section 508 compliant) will be made available on the PPAC section of the USPTO web-site ([www.uspto.gov/about/advisory/ppac/](http://www.uspto.gov/about/advisory/ppac/)). Additionally, this Report will be published in the USPTO Official Gazette in both electronic and hard-copy form.

Note: For additional information, and a complementary perspective on these topics, the USPTO produces its own, more exhaustive annual report which provides the USPTO's views on its operations and performance. The USPTO Annual Report will be available on the USPTO web-site ([www.uspto.gov](http://www.uspto.gov))

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## SECTION II EXECUTIVE SUMMARY

### II. Executive Summary

#### 1. USPTO Context & Transition

A series of external events and internal legacy issues led to a challenging and potentially pivotal year for the USPTO in 2009. The broader administration change in the White House additionally ushered changes in leadership and policies at the Department Of Commerce.

The newly appointed Under Secretary of Commerce and Director of The United States Patent & Trademark Office, David J. Kappos inherited an organization challenged by funding, infrastructure, and human capital issues, among others. With him, however, he brought a strategic and focused vision to make the USPTO the premier intellectual property office in the world and enhance its operations – a goal the Committee enthusiastically supports, and looks forward to contributing to going forward.

#### 2. Office Objectives

In order to achieve these goals, a series of high-level issues need to be addressed. Deeply entrenched in the USPTO, these issues touch the product, process and machinery of the patent examination process. The Committee recommends focused efforts and measured objectives for:

- ♦ **Pendency & Backlog Reduction** – As a first step, the USPTO is targeting ten month pendency to first action on the merits, and looking toward other reductions including re-examination pendency and shrinking the overall backlog currently over 700,000 down to approximately 380,000. PPAC further hopes to see the Office extend this initiative toward the eventual goal of reducing overall pendency to twenty months – in reasoned progressive steps.
- ♦ **Patent Quality** – Improving the quality of the patent product and attendant patenting process (information, search, duration, work-flow, etc...) is key to providing greater certainty around the timing, scope and validity of patents. The Office should continue both its internal efforts and outreach to various stakeholders in an effort to improve quality continuously in the patenting process.
- ♦ **Process** – As a thread that runs through and binds many of the Office's other initiatives, process understanding and optimization should figure prominently in the Office's going-forward plans to achieve efficiencies and to increase productivity and quality.

Keenly aware of these issues and their import, the USPTO has also identified these issues among its top objectives. In fact, though barely several months in place, the new administration at the USPTO has begun laying the groundwork to achieve these goals, and equally important, is already making some tangible progress toward meeting these goals. PPAC supports these objectives and looks forward to the Office's continued efforts and success going forward.

#### 3. Recommendations & Requisites For Success

Just as addressing issues like Pendency and Quality support the plan to make the USPTO an exemplary intellectual property office, so too do these objectives require the support of appropriate resourcing and infrastructure. Long-term underfunding and legacy strategic decisions have left many of these enabling resources in short supply or in disrepair. PPAC sees the following resources and tools as among the most important in service of the Office's objectives (each in turn is treated in greater detail in the Section IV, "Topical Coverage").

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- ♦ **Funding** – Recognizing that the Office is facing continued budget shortfalls arising from both the economic downturn and constraints around the financial tools at its disposal, the Committee supports the prudent application of several approaches to remedy this situation. The first is to give the Office fee-setting authority to better accommodate funding needs, and also to better align costs and incentives with fees. PPAC also supports legislation to permanently end fee diversion and earmarks that sideline USPTO revenue. In addition, the Committee supports allowing the USPTO to employ more flexible financial tools like operating reserves.
- ♦ **Infrastructure** – Extended periods of inadequate funding and strategic neglect have left many of the USPTO's information technology and computer systems aging and barely adequate to support the tasks at hand. PPAC sees investment (and provision of attendant incremental funding) in this infrastructure on the critical path to supporting success in support of the Office's objectives.
- ♦ **Organizational & Hiring** – At the core of any organization are its people, culture and work processes. PPAC encourages the USPTO to continue and expand its efforts to align hiring, retention and training with requisite skills, to institute processes with efficient outcome, and to foster a culture that inspires and encourages both.
- ♦ **Business Models & Metrics** – The current economic situation has dictated a need, but also created the opportunity for the USPTO to explore and implement new business practices and models for achieving its goals e.g. no-cost contracts, external collaboration, outsourcing, etc... to either complement and/or supplant internal efforts. PPAC also encourages the Office to continue to develop objective measures and metrics to support and inform execution against these objectives, as well as progress against them. The Committee encourages this kind of business process "re-invention" by the USPTO in exploring new models, practices and resources for achieving superior outcomes.

**Note:** A more detailed treatment of the Committee's conclusions and recommendations may be found in Section V, "Summary Conclusions & Recommendations".

**SECTION III – USPTO CONTEXT & STRATEGY**

**III.1 Snap-Shot: Current State Of The USPTO**

Overall, FY 2009 was a challenging year for the USPTO on several fronts. Infrastructure challenges and the impact of budgetary projection shortfalls hindered progress toward targeted goals. External factors also played a role in the current state of the USPTO. Under the strain and uncertainty of the broader economic difficulties, many applicants and patent owners cut budgets for both R&D and reduced patent filing and discontinued maintenance of granted patents. As a result, fee collections did not meet USPTO expectations (which had been projected to increase over 2008) forcing difficult budgetary choices on the Office. The impact of this unexpected fee shortfall helped contribute to the continued backlog of over 700,000 unexamined applications and increased patent first action pendency to an average of 25.8 months.

Because the USPTO is statutorily limited in its response to such budgetary shortfalls, as it has neither the unilateral power to alter its fee structure, nor seek conventional bridging funds. The USPTO's response to the decline in fee revenues was to implement almost \$200 million in budget reductions and cost savings measures in FY 2009. While some of these measures were directed at increasing efficiencies (e.g. first office interview pilot), many cut into patent examination capacity including stopping overtime, and effectively suspending all hiring except for the most critical positions, including previously planned new patent examiner hiring (except for offers made as of February 2009). In addition, these cuts struck at the resources and systems upon which the patent examination process and the examination corps rely, including reducing or eliminating all nonessential, information technology (IT) business system improvement projects on the patent side of the house; reducing the funds applied to critical IT infrastructure projects; and reducing the level of services provided by non-IT contracts.

The USPTO positioned itself to operate within reduced fee collection levels through the end of FY 2009 and into FY 2010. Yet, even before the global financial crisis, the USPTO was already straining under the weight of a significant patent application back-log and doing so atop of a fragile, neglected infrastructure. Now more than ever, it is clear that the Office cannot sustain operations in this manner without a significant impact on the U.S. patent system and calling into question the USPTO's ability to carry out its mission at any acceptable level.

In response and to its credit, the USPTO is an organization in transition. The Office is laying the groundwork for addressing the longer term priorities of improving internal examination and business process, reducing patent application pendency, reducing the backlog of unexamined patent applications, addressing patent quality, modernizing its IT infrastructure, and revising its funding framework. Early indicators of both the direction of this transition and success in its execution include rescinding the controversial Rules Package, and the recent accord on modifying the Count System to better align examiner incentives with workflow, which was ratified by the Patent Office Professional Association ("POPA") on 16 October 2009.



## III.2 Forward-Looking Vision: Strategic Highlights

### Preamble:

With its characterization of the current state of the USPTO well under way, along with some of the near-term initiatives designed to raise the level of its performance, the USPTO is also addressing longer term objectives and strategies for the future.

### Overall Context:

Looking forward into 2010 and beyond, the USPTO has embraced a set of ambitious goals. Principal among these goals is to significantly reduce average first action pendency to ten months (from its current level of 25.8 months), which would be the lowest in modern times. In addition to this initial pendency goal, Under Secretary Kappos has laid out additional challenges for the USPTO:

- Improving the quality of granted patents
- Decreasing the size of the patent application backlog to approximately 380,000 cases (currently at over 700,000 cases)
- Reducing patent appeals pendency to three months (from its current level of 7.7 months)
- Reducing re-examination pendency to one year (from its current duration of over two years)
- Raising the quality of PCT processing to world-class level
- Modernizing the USPTO's neglected IT infrastructure.

To accomplish these goals, several initiatives are already underway, with more in the planning stages.

To facilitate determinations of patentability, the USPTO will be directing its efforts to improving the quality of granted patents and the efficiency of the patent application examination process while increasing its collaboration with the user community. The intent is both expedite and improve the overall patent application process.

The USPTO has already unveiled a significant change to the examiner "count system" – the methodology for determining the time a patent examiner has to complete a patent examination and how much credit is given to an examiner for each stage of examination. By increasing the amount of time spent on the application at earlier stages of examination, the proposed changes serve a number of objectives including:

- Setting the foundation for overall pendency improvements
- Incentivizing quality work at the beginning of the examination process
- Encouraging examiners to identify allowable subject matter earlier in the examination process
- Rebalancing incentives both internally and externally to decrease re-work
- Increasing examiner morale and reduce attrition

To address concerns and to improve patent quality the USPTO has formed a quality task force charged with defining the critical aspects of quality and gathering information from a variety of sources (including varied constituencies from the USPTO stakeholders e.g. high-tech, pharma, university, independent inventor, etc...) with respect to measurable indicia of quality, how they should be analyzed, evaluated, tracked and used to drive improved quality and reduced pendency. As part of this effort the Office will solicit comments through a Federal Register notice and comment process, as well as hold a series of roundtable discussions on the topic – the former is already well underway.

Other initiatives either ongoing or in the planning stages include:

- Remediating and establishing a robust IT infrastructure with hardware and software systems capable of supporting all the USPTO's operations on a 24/7 basis, facilitating full electronic patent and trademark processing, as well as providing enhanced tools and functionality to facilitate increased productivity.



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- Significantly expanding international work sharing projects such as the Patent Prosecution Highway and PCT coordination to increase speed and to capture efficiencies in international applications.
- Fostering a distributed workforce which will allow the USPTO to hire the best and brightest candidates across the country, better retain valuable employees, and minimize real estate costs associated with workforce expansion.

The impact felt by the decline in new patent applications and maintenance fees experienced by the USPTO this year has been exacerbated by the Office's current fee structure, created in the 1980's. The current patent fee structure established relatively low filing fees to encourage entry into the patent process, with the cost of examination heavily subsidized by issuance and maintenance fees paid by successful applicants who wish to maintain rights for the full patent term. While the Office is working with the Department of Commerce, the Office of Management and Budget and Congress on a number of short term solutions; in the longer term the USPTO is seeking the authority to set and adjust patent fees to more accurately reflect the actual costs of providing services to applicants, and to institute structural incentives. The need for greater and more predictable levels of funding for the USPTO reveals itself as a common theme throughout this Report. Budgetary shortfalls are attendant to virtually every area of concern expressed by the Committee in this Report – either as a principal cause, or an exacerbating factor.

New financing tools such as fee setting authority, borrowing authority, operating reserve capability, investment authority, and direct appropriations for specific infrastructure improvements would permit the USPTO to have both greater visibility into its financial situation, update outdated systems and obtain more flexibility in responding to unexpected funding changes without putting the Office in an operational crisis. This kind of flexibility and control is key to not only the effective operation of the Office on a day-to-day basis, but also to enable the Office to undertake and adequately fund necessary long-term strategies for improvement in a financially reasonable way. These longer-term solutions would allow the USPTO to focus on reducing overall pendency, improving quality and investing in infrastructure improvements.

In the near term, the USPTO needs to make additional process changes and obtain the ability to reverse the effects of the financial downturn. The Office needs additional funds to make critical IT capital improvements necessary to stabilize and modernize the IT infrastructure on which patent examination depends. In view of the current job market, there is an enhanced opportunity to hire additional patent examiners and ensure the examining corps is staffed at an adequate level to address the backlog, reduce pendency.

Authority from Congress to institute temporary fee changes can provide a bridging function to the longer term financial solutions and jump-start the USPTO recovery. The USPTO is actively engaged in public outreach to determine the impact of such fees on the inventor community, and in modeling and forecasting to suggest the optimal nature and amount of fee changes. This information can further inform how the fee setting authority should be applied, and facilitate the effective operation of the USPTO and the broader objective of supporting the US innovation economy. By way of an example, a flat 15% surcharge on all fees forecast in FY 2010 is forecast to yield an estimated \$200M in additional revenue.

To complement financial bridges on the budget/revenue side, the USPTO will in parallel actively explore and implement process efficiencies to identify and capture cost savings. The USPTO believes the savings in time and resources associated with efficiency gains can bolster the impact of increased revenue generation and increase productivity.

## SECTION IV TOPICAL COVERAGE

### IV.1.1 Quality

**Overall:** Quality and Pendency

In 2009, PPAC and the USPTO made substantial progress on the Quality and Pendency initiatives reported in the 2008 PPAC annual report.

The Quality Initiative highlights include:

- Agreeing to a proposed definition of a quality patent
- Agreeing to a process for identifying indicia of patent quality and the need for metrics
- Formation of a PPAC/USPTO task force to analyze data and obtain public comments
- Preparation of a Federal Register Notice for public comment
- Process for holding public fora to discuss comments
- Pendency Reduction Plan: Ten month USPTO pendency reduction plan plus additional data collection and possible new initiatives to reduce overall pendency and eliminate backlog (See Pendency Section IV.1.2)

**Summary:**

It is critically important to patent applicants and the public that patents granted by the USPTO be of the highest quality and that decisions to allow or deny applications be conducted expeditiously. PPAC and the USPTO are engaged in a collaborative effort to define, measure, and improve patent quality and reduce application pendency and backlog. Increasing patent quality is being defined for this purpose in terms of the likelihood that granted patents are of the proper scope, provide clear public notice, are likely to be upheld as valid by courts, and that those claims denied patent protection are affirmed on appeal. Quality is not defined solely in terms of an overall "allowance rate", nor in terms of the commercial usefulness or strength of a claimed invention. It is also acknowledged that any such quality improvement effort will not be perfect, and that subsequent improvements will be required. To that end, one goal is to develop and use objective indicia to refine the quality of the prosecution process and its product, namely claims of proper scope – reducing both the issuance of invalid claims, and the rejection of valid claims. The public requires that each application receives a final decision in as short a time as possible and that the current backlog and overall pendency of applications is unacceptable. Improving patent quality in a manner that leads to increased application pendency is not a satisfactory solution.

In other words patent quality is defined by actions that increase the likelihood that valid claims are granted in an acceptable time from filing to grant or final denial.

Two PPAC/USPTO teams are working on patent quality and patent application pendency. We are of the view that current internal patent operations can be improved to simultaneously increase quality and reduce pendency, and that applicants can be incented to prepare and prosecute patent applications in a manner that will assist in the improvement of patent quality and reduction in patent application pendency. This effort requires a data based, root cause analysis, and public input and participation to identify areas for improvement, offer specific suggestions for improved procedures and define the best metrics that can be used to measure actions taken to optimize operations and drive desired best practices by applicants and the USPTO.

The quality effort will initially focus on three important aspects: search, examination, and the application. Some procedural changes that can improve the thoroughness and accuracy of the examiner's search and examination as well as best practices for applicants have been identified. Current USPTO quality measures

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and new initiatives directed to improving the quality of applications, search, and exam will be the subject of a public notice in the Federal Register for input. It is anticipated that public fora will be held thereafter to receive additional suggestions and comments for the quality improvement effort.

The effective operation of the patent process and public certainty requires that each application be processed quickly. The current backlog and pendency of patent applications creates economic uncertainty. The recent dramatic increase in continuing applications after final action, for example, is indicative of a problem.

The goal that needs to be achieved is to reduce the patent application backlog and reduce application pendency to 10 months from application filing to the first Official Action on the merits and ultimately to a final decision in twenty months. This requires significant changes to examiner productivity, performance, resource deployment and internal operations. The USPTO has made a number of changes to address pendency in 2009. These activities and possible suggestions for 2010 are addressed herein under the title "Pendency"

A number of quality and pendency initiatives were suggested in the 2008 PPAC annual report, and while some were begun in 2009, budgetary limitations and management changes impeded some of the efforts. Accordingly, the following discussion focuses on actions that have been accomplished in the last few months of fiscal year 2009.

The quality (validity) of granted patents and the effectiveness of the application process are critical to the effective operation of the patent system. Improvements to search, examination and application thoroughness in compliance with the patent laws and rules can be measured and tracked by focusing on a selected and limited number of indicia. We believe that these indicia can help users and the office improve the ultimate validity (challenges in court *etc...*) of granted patents and reduce overall patent application pendency.

### Overall Direction Of The Quality Initiative:

Prepare a notice to engage the public in a dialogue about the key quality indicia and process for improving quality and reducing pendency. Reaching a consensus within the USPTO and the user community on the indicia that will be initially measured, tracked and reported will be useful to provide feedback on best practices to the USPTO and applicants to result in higher quality patents.

### Highlights:

The PPAC and USPTO have worked well together to move this project along during FY 2009. At this point the team is requesting support from PPAC and the USPTO to launch the public input portion of the project.

### High-Level Issues, Objectives & Impact:

Overview: Obtain public feedback and support for the initiative. Receive suggestions regarding the initiative in general and the indicia and process in particular. Obtain public support for application thoroughness indicia.

- **Priorities & Plan:** Send out Federal Register notice for comments. Receive and review comments. Organize public roundtable focused on the indicia and process by the end of 2009 or the first quarter of 2010 at the latest. Evaluate USPTO resources and data to be used in conducting project. Conduct project during 2010, publish results and begin implementing changes. Discussion and acceptance of shared responsibility of both users and USPTO to insure improvements is important. Evaluating data by art areas may be useful to identify additional training and public outreach needs. Using feedback from data and courts by examiners will improve quality. Connecting process improvements to overall patent application pendency is critical to the effectiveness of the indicia and underlying assumptions.

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Additional indicia may be identified. Public patent law associations may want to participate in supporting the initiative.

- Requisites For Success: USPTO resources in support of data collection and analysis. Maintaining focus of public fora to specific actions to improve quality rather than general dissatisfaction or specific cases or technology areas will need to be managed. We will need to focus simultaneously on USPTO and applicant responsibilities as well as focusing on pendency reduction as part of quality. In addition, we will need to provide useful feedback mechanism for examiners and public from board of appeals and court decisions. Publication of interim findings and follow up with public are critical. Search improvement, first office action interviews and other initiatives should be factored into quality metrics. Additionally, budget and other USPTO resources will need to be allocated.

### Looking Forward

The Office should be exploring new strategic/tactical directions for productivity, efficiencies or new work-practice etc... to benefit USPTO. In addition, the Office should be considering a second round of quality improvement activity.

## IV.1.2 Pendency

### Introduction

A quality patent process requires that each application be processed as timely as possible. Patent applicants need to know as soon as possible whether their applications for a patent will be granted in order to make investment and product commercialization plans. Determinations of whether a patent application will be granted should be optimally completed as close as possible to the date the application becomes available to the public. Clear public notice concerning the scope of granted claims is also important for others to avoid infringement and consequently the longer the delay between patent application publication and final determination, the greater the public uncertainty and potential for unnecessary litigation. Currently there is about a two year backlog of over 700,000 applications waiting to be examined. In addition, the time between the filing of the original patent application and the first substantive office action on the merits of the claimed invention is on average 25.8 months. In addition to the backlog and pendency to the first office action on the merits, there has been a substantial increase in requests for continuing applications (refiling of applications under 35 U.S.C. §120) which the current USPTO pendency statistics do not capture.

The USPTO has recently announced that it plans to reduce the pendency of the first office action on the merits to ten months. This is a significantly positive goal and will require substantial evaluation and modification of the current process. In addition the USPTO has also acknowledged that the overall pendency of claims presented in an original application from its filing until its final disposition by way of grant, appeal or absolute abandonment (not in favor of refiling as a continuing application) needs to be tracked and addressed so that overall pendency can be reduced to the ultimate goal of twenty months from original application filing. This ultimate goal must not be accomplished by reducing the quality of the final product and accordingly will take some time. The Pendency initiative is an important and critical step forward to this goal.

### USPTO Pendency Reduction Plan

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The Secretary Of Commerce established an overall plan for the USPTO to reduce pendency to ten months to First Action On The Merits.

### Items in Progress

The USPTO has begun to evaluate the root causes of patent application pendency. This evaluation will include:

- ◆ Defining the major levers/variables that influence pendency
- ◆ Determine both internal and external influences
- ◆ Develop a plan with both internal and external deliverables including:
  - Internal Measures
    - Examination efficiencies
    - Hiring and retention
    - Examining overtime
    - Awards
    - Compact prosecution
  - External Measures
    - Filing rates
    - Re-filings (rework, RCEs)
    - Examining timeframes
- ◆ Accelerated Examination Programs (or Programs for Expedited Examination)
- ◆ Options To Delay Examination

### USPTO Actions To Address Pendency In 2009:

Pendency can be reduced by focusing more time and attention to the front end of the patent application examination process. A highlight of the changes made by the USPTO in 2009 was the first office action interview pilot which was demonstrated to reduce pendency in a substantial percentage of those applications where the applicant and examiner participated to more clearly define and address the critical issues for allowance or final rejection. In addition, the USPTO has developed performance statistics for examiners to identify best practices that can reduce pendency and increase examiner productivity.

- ◆ "Compact" prosecution training: USPTO has expanded its training for examiners to focus their efforts on doing the best job up front to help streamline examination. Tangible results from this training will translate into a reduction of second and subsequent non-final actions, reduced applications with multiple final office actions (filed, withdrawn, etc...) and a reduction in the number of RCEs that are filed due to examiner action. This training has begun and will be completed in December 2009.
- ◆ Revised Count System: Agreement was reached to revise the examiner Count System; to provide examiners with more time to conduct initial search and exam and to lower counts for RCEs. This also includes new examiner performance goals.
- ◆ Examiner interview training: Additional training has been provided to examiners to assist them in negotiating with applicants to reach agreement during interviews.
- ◆ Quality Index Report: The USPTO has begun collecting data regarding examiner efficiency of prosecution to determine "outliers"; those examiners who are either significantly below the average and those achieving significantly better results than average. This data should address specific and systemic issues facing examiners and should identify root causes and "best practices" to improve productivity and pendency by reducing unnecessary Office actions.
- ◆ Pre-first Office Action interview: Pilot was expanded in 2009 and data is being collected.
- ◆ Negotiation authority: USPTO is reviewing internal procedures to assure examiners are sufficiently trained and prepared to work with applicants when they obtain negotiation authority (*i.e.* independent authority to grant or deny applications).

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- ◆ Pendency awards: USPTO is exploring a new monetary award for examiners and managers who reach certain pendency reduction goals.
- ◆ Revising classification process: USPTO believes that process modification to how new applications are classified can save significant time examiners currently spends classifying new cases. The USPTO is reviewing the feasibility of expanding the use of classifications provided by a contractor in the classification of pre-grant publications, to directly place applications on the examination dockets where there is a high accuracy rate. This initiative would require notification to, and negotiation with POPA.
- ◆ Advancing applications out of turn: The Office is reviewing the feasibility of advancing specified applications out of turn as a way to reduce pendency.
- ◆ Exit interview process: The USPTO continues to focus attention on retention and reasons for attrition. Recent attrition data has shown a decrease and backlog data is reported as beginning to show a positive turn.
- ◆ Policy and new initiatives: More information on work sharing and other new policy initiatives, such as possible fee increases, may be considered for 2010.

### PPAC Proposal for Additional Areas Of Investigation

**Application Backlog:** Provisional applications are not included in the definition of backlog. While an applicant receives a statutory filing date upon the filing of a provisional application, no substantive examiner work begins until after the applicant files a corresponding original application within 12 months from the provisional filing date. Current USPTO data regarding backlog and pendency is calculated from the original application filing date and not the date of the first filed provisional application.

### Overall Pendency: Ultimate Goal

"Pendency" should be defined as **overall** application pendency from initial filing to final disposition of the claims – whether by allowance, decision on appeal or abandonment. From an applicant's perspective, the application claims are still pending until finally allowed, denied or affirmatively abandoned.

Overall pendency so defined would probably add at least one year to current average pendency statistics. It is recommended that the following data be collected and analyzed to identify problem areas in terms of the process and technology centers experiencing the greatest pendency problems:

- Average time from application filing to final disposition – whether by allowance, appeal or abandonment (not including abandonment in favor of a continuing application)
- Average time from application filing to the substantive first Office Action on the merits.
- Average time from application filing to
  - Classification
  - Interim Action(Restriction requirement)
  - Completion of search
- Average time from mailing of first Office Action to Final action
- Average time from final action to decision on appeal
- Percentage of applications returned to examiner after final rejection by quality review or BPAI after a notice of appeal is filed or appeal decided

### Identifying the obstacles to backlog and pendency reduction:

What are the primary obstacles the USPTO currently faces to achieve:

- Average time from filing to substantive first office Action in ten months?
- Average time from filing to final disposition in twenty months?

It is recommended that the pendency team explore potential new procedural approaches (absent new statutes or substantive new rules) that can address the root causes and lead to the desired streamlining of application processing.

### IV.2 Finance

#### Overview:

This year's report in the area of finance builds upon and extends the relevant portion of last year's report. As with last year's report, this year focuses on budget (total amount of resources), finance (flow of income and expense), and authority to set fees. This year, focus is also extended to developing a more detailed understanding of fee setting approaches as well as overall organizational fitness. Core recommendations are to emphasize the importance of (1) allowing the USPTO to set and re-set fees quickly; (2) using an incentive-based approach to overall fee structure; (3) and separating the legislative efforts on fees and fee setting from other goals presently articulated in national policy debates about legislative reform such as substantive rule making authority and other changes to patent law and process.

#### Background:

The USPTO derives its entire budgetary resources from user fees. FY 2009 was off to a strong start with patent fees coming in above anticipated levels; however, patent fees began declining in the 2<sup>nd</sup> quarter and then dropped substantially in the 3<sup>rd</sup> quarter. The USPTO ended FY 2009 with patent fee collections approximately \$170 million less than estimated in the FY 2009 President's Budget. Patent application fees and maintenance fees received during FY 2009 decreased over 2% from those received in FY 2008. This downturn stemmed directly from the financial constraints that even the nation's most innovative companies faced. Whereas once it might have been routine to maintain a patent for its full term and bear the associated fees, or file an initial application, firms looked at every such cost closely.

In response to the FY 2009 decline in fee revenues the USPTO implemented almost \$200 million in budget reductions and cost-savings measures, such as: stopping overtime, including over-time used for revenue generating patent productivity; suspending all hiring but for the most critical positions; significantly reducing mission-related travel; curtailing performance awards; suspending training except where mandatory to sustain critical job qualifications; reducing or eliminating all non-essential, non-trademark, information technology (IT) business system improvement projects; reducing the funds applied to critical IT infrastructure projects; and reducing the level of services provided by non-IT contracts. The far-reaching operating reductions permitted the USPTO to complete the fiscal year within the reduced fee collection levels.

Overall, the FY 2009 revenues are roughly the same as the amount collected FY 2008. In addition, preliminary patent fee estimates for FY 2010 also remain flat. To put the trend in perspective, the relatively flat revenue over the three year period does not cover inflationary increases in existing employee salaries over the same time. In fact, most of the reductions taken in FY 2009 are not sustainable over an extended period of time. So while quick actions have achieved the primary objective of paying necessary expenses during FY 2009, they prevent the USPTO from making progress on many its greatest challenges: reducing the backlog of unexamined patent applications; reducing the long pendency of patent applications; and undertaking critical updates to our IT infrastructure and systems. Essentially, the cuts have come at the



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expense of the USPTO's long-term health and its obligation to promote the nation's intellectual property interests globally.

This leaves a significant disconnect between a well-funded operation and the current overall approach towards the USPTO function that envisions thorough examination. And such a disconnect begs at least two straightforward questions: (1) How can operations be more efficiently managed to better achieve existing goals given any particular level of funding? (2) How can funding be increased?

### Score Card: Last Year's Report

The 2008 PPAC Report raised many of these same issues, and then offered essentially three recommendations that are consistent with those explored in the below discussions of focal points. The first is that the USPTO be given greater access to budgetary resources to enable the Office to simply do more. The second is that the USPTO be given greater flexibility in handling matters of cash flow, or finance; so that specific timing of income and expense events do not have such great impact on the ongoing operations of the office. The third is that the USPTO be given the authority to set and change fees quickly, without having to return to Congress for each action on fees. Because Congress has not acted on these core recommendations from last year, they are, again, focal points in this year's report.

### Focal Points for This Year

A few basic areas of focus have emerged from discussions about the recent difficulties that the Office has encountered relating to issues of budget (total amount of resources), finance (flow of income and expense), and fee setting authority. These three broad topics were focal points in last year's report, and are similarly focal points in the discussion that follows; but they are not the only focal points. Two additional focal points emerge: the need to develop a more detailed understanding of fee setting approaches as well as overall organizational fitness. Each of these five focal points is discussed below.

#### Focal Point 1: Budget

The decline of patent applications and maintenance fee renewal rates encountered during the recent economic recession revealed vulnerability in the overall approach to funding the USPTO. The current fee structure establishes relatively low filing fees to encourage entry into the patent process, with the cost of examination heavily subsidized by patent issuance and maintenance fees. These substantially higher fees are paid later in the process by those who are successful in obtaining patent rights and who wish to maintain those rights for the full patent term. The economic downturn has exposed the real-world business risks associated with that model. As a funding mechanism, it is dynamically unstable. It currently relies on the core assumption that patent issuance and maintenance collections ("back-end" revenues) not only will remain stable, but actually will grow to accommodate the fact that the patent examination workload historically trends upwards over time. During FY 2009, the flaw in this assumption opened up a significant revenue gap. Both initial applications and back-end maintenance fee subsidies fell, and with the sharp decline in revenue the entire patent system was put into slow gear, undercutting the USPTO's basic mission to foster innovation. Without a change in the current fee structure the health of the patent operations will continue to deteriorate.

#### Focal Point 2: Fee Setting Authority

Unfortunately, under current statutory authority, the USPTO is not at liberty to adjust its primary fees without legislation. This limits the USPTO's ability to adjust its fees in response to changes in market demand for patent services, processing costs, or other factors. To assure adequate funding levels for the long term, the USPTO needs authority to set and adjust fees administratively, so that it can properly establish and align fees in a timely, fair and consistent manner to recover the actual

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costs of USPTO operations and without going through the inherently long delays in the legislative process. This will afford the USPTO the opportunity to reform the USPTO's funding model holistically to operate in a businesslike fashion.

### Focal Point 3: Fee Setting Approaches Based on Incentives

The legislative process also limits the USPTO's ability to use fees as an effective means for managing the application process. For example, fee-setting authority could be used as a tool to encourage positive applicant behavior that helps the USPTO increase efficiency and productivity, and can compensate for applicant-initiated activity that imposes different types of costs, or provide applicants with incentives to act differently before initiating various activities in the first place. Such "market-based-approaches" or "incentive-based-approaches" to fee setting might be based on increased study and understanding of the ways in which particular fees interact (*i.e.* influence in both directions) with particular behaviors of applicants and USPTO staff, including, but not limited to:

- ◆ Relationship between changes in filing/maintenance strategies and overall national economic downturn; and
- ◆ Relationships between different fee structures and the various "product-mix" proposals that have been under consideration at USPTO over the past few years such as accelerated examination, deferred examination, *etc...*

Also, fee-setting authority could be used to differentiate fees in accordance with the workload associated with applicant requests. Many current fees are "one-size-fits all" regardless of the complexity or volume of information submitted, or the level of resources necessary for examination or other handling. The Committee recommends that approaches to overall fee structure be based more on such market-based or incentive-based rationales than on other approaches like overall fairness among classes of applicants, *etc...*

### Focal Point 4: Financing

Together with fee setting authority, the USPTO is exploring new financing tools. Any self-sustaining business has a range of tools at its disposal to guide it through swings in income and spending. Some tools allow unused cash reserves to be put to work or retained for future use. Other financing tools may be kept in the wings with a hope to never use them except in extreme circumstances. Nevertheless, all tools are intended to work together, each with its own utility, in order to financially sustain the enterprise.

The USPTO should be given the tools needed to maintain an operating reserve, and have the authority to invest reserves, and borrow funds in severe conditions that would permit it to adjust for volatility in the economy and/or demand for products and services without putting the USPTO in an operational crisis. Such tools would also permit the USPTO to undertake long-term strategies for improvement in a financially reasonable way.

### Focal Point 5: Overall Organizational Fitness

The first four focal points are largely tied to the goal of increasing overall financial resources for the USPTO, with fee setting authority also somewhat tied to improving the efficient operation of the USPTO's internal operation. The Committee also encourages the USPTO and Congress to specifically consider a broader and more fundamental question:

- ◆ How can operations be more efficiently managed to better achieve existing goals given any particular level of funding?

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Developing the data and analysis that are appropriate for a reasoned understanding of this question requires reporting that is sufficient in scope/depth to enable USPTO leadership, Congress, and PPAC to gauge USPTO organizational "fitness", such as would normally be done with a Board of Directors of a private concern. This type of data should include not only current static, or snap-shot views, but also more dynamic and forward-looking information, such as, trending analysis over time including burn rates, internal investment rate of return such as cost per unit of backlog reduction, factors influencing revenue and costs, tactics used to accommodate shortfalls (fees, projects, legislative, etc...), and priorities.

### Recommendations: Summary

In summary, the Committee recommends that Congress act to ensure that the USPTO has authority to set and adjust fees, coupled with the ability to maintain operating reserves and use other typical business tools such as investment and borrowing authority. The Committee further recommends that the USPTO be allowed to employ an incentive-based approach to overall fee structure. In addition, the Committee recommends that legislative efforts in support of these efforts should be separated from those in furtherance of the many other goals presently articulated in national policy debates about legislative reform such as substantive rule making authority and other changes to patent law and process. Lastly, the Committee recommends that renewed attention be given to the more basic questions about how internal operations of the USPTO can be adjusted to more efficiently use whatever resources are available.

## IV.3 OCIO: IT Systems Infrastructure

### ■ Overview

**OCIO Context:** The IT infrastructure and attendant hardware and software systems at the USPTO have for a number of years been neglected from a resourcing perspective (funding, human capital, etc...) and also suffered from a lack of holistic strategic attention. Over the course of eight years leading up to 2008, funding for the OCIO as a percentage of the total USPTO budget fell from approximately 21% (\$220M) in 2001 and OCIO funding declined to about 12% (\$222M) of the total spending by the close of 2009,. This reduction was the direct result of declining fee revenue, resulting in reduced spending throughout the USPTO.

**Overall OCIO Direction:** The USPTO initiated the OCIO "Road Map" plan in 2008 to address the IT infrastructure needs and made the decisive move to fully support that effort with \$209.91 million incremental funding over five years. The Road Map initiatives focused on both the "remediation" of existing issues, but also forward-looking strategies for taking the Office into the next decade. Executing against the Road Map in 2009 was both a key opportunity and need for the USPTO. The Road Map focuses on four goals in an effort to stabilize and revitalize USPTO's technology environment:

- ◆ Stabilize the existing IT infrastructure environment
- ◆ Consolidate the existing infrastructure and application systems to avoid unnecessary duplication and excessive cost associated with the support and maintenance of variegated systems

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- ♦ Optimize the IT infrastructure to improve performance, facilitate governance, and ensure compliance
- ♦ Strengthen the core competencies of the IT workforce

**Impact Areas:** As the Committee has previously indicated, two of the main facilitators or impediments to the USPTO's operations are funding and process. By way of example, a close look at the OCIO operations is particularly telling in terms of the power of both funding and process to impact operations. Turning first to funding, we see the positive impact of fully funded projects (SCORE & OACS), but then also illustrate how insufficient funding slows operations, puts data potentially at risk, and as an unintended consequence even has the potential to increase costs.

- ♦ **Project Funding Impact:** The AIS SWAT team was a fully funded project charged with assessing and reporting on existing systems or AISs that were critical to USPTO operation and in need of improvement. As a result of receiving full funding in 2008, enabling the OCIO to identify and correct database issues in SCORE. This remediation produced tangible benefit to system operations and work schedules.
  - In the case of SCORE, within two weeks, the SWAT team identified a bug that the USPTO had been trying to find for 18 months that caused the SCORE to sporadically crash when loading and retrieving large files. As a consequence, these files could not be loaded or searched – hampering patent productivity. After identifying the bug, the OCIO designed and implemented a technical solution so the files can now be loaded and searched.
- ♦ **Insufficient Funding Impact:** Several of the OCIO projects were halted due to funding issues including the Fire Suppression Upgrade in the Data Center – this put USPTO equipment, productivity schedules and ready access to data at potential risk.
  - As a result of forgoing the Fire Suppression Upgrade in the Data Center, the USPTO is at risk that any fire regardless of scale (or even a false alarm) might render its Data Center completely inoperable, since the current fire suppression system is a water sprinkler system. A fire alarm would activate the sprinklers throughout the Data Center, and the water raining down would likely disable (perhaps irreparably) many of the hardware systems in the Data Center. Such an event would cause significant operational delays as equipment was repaired or replaced and come at considerable cost. An upgrade to an oxygen suppression gas fire extinguishing system would obviate this kind of collateral and wide-spread potential damage to the hardware systems.

Again, funding is not the only level at the USPTO's disposal in impacting its operations. In addition, there are myriad potential benefits arising from process optimization. The OCIO is an example of how process understanding and optimization efforts yield tangible and measureable results.

- ♦ **Process Impact:** Prior to the implementation of the Systems Development Life Cycle (SDLC) 3.0, the development process was different each time a software development project began. This made the prediction of how long a project would take difficult and resulted in a lack of confidence in the completion date, cost as well as the quality of the resulting end product. Implementing SDLC 3.0 has had a significant impact – making development schedules and project cost estimates more accurate and predictable. Metrics support the measurable impact. By way of example, in June of 2008, prior to implementing SDLC 3.0, the OCIO reported a schedule variance for CPIC projects of 82%. A year later, OCIO reported a schedule variance of only 11% for major IT projects.

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As a general benefit, by employing these kinds of operational metrics, the Office can best assess where to invest its resources, course-correct in process, and measure how productive those investments have been in the end.

It seems clear to the Committee that to best confront its current operational and infrastructure challenges and achieve its forward looking objectives, the Office should continue to pursue both funding and process optimization solutions – independently and in complementary fashion.

**Overall 2009 Assessment:** PPAC welcomed the OCIO Road Map, its objectives and fully supports its implementation as it comprehends a large part of the corrective and proactive work necessary to strengthen and enhance the USPTO's IT capabilities. The Road Map is a holistic and thorough assessment of many of the major areas of need at the USPTO, and yielded an equally thorough and considered plan for improvement which comprehended the necessary phased approach to implementation which would preserve system availability broadly.

**Funding Impact:** Despite a sound plan and considerable momentum behind its execution, the OCIO was among the budget casualties as the USPTO saw a marked decline of \$224.1 Million (10.8%) in overall FY 2009 patent fee revenue and was forced to reduce spending across the board. As a result, the OCIO experienced a reduction in its FY 2009 budget of \$66 Million, which translates to a 23% budget cut. A budget reduction of this magnitude impacted both progress of ongoing initiatives like the Road Map – extending the horizon of planned work – as well as limiting necessary hiring for the OCIO to fill critical positions in support of that work.

It is important to note, however, that although it faced financial and attendant human capital challenges, the OCIO was still able to make significant progress against its principal objectives. All of this progress – especially in the face of financial constraints – is laudable. Some of this progress was based upon creative adaptive strategies, training and using temporary detailees to bridge the gaps caused by funding shortfalls. In this fashion, the OCIO was able to keep six of its nine major initiatives on schedule.

This also reflects a broader, holistic effort by the USPTO to identify and support, with increasingly scarce resources (financial and human capital), its mission critical functions. Both the OCIO and USPTO efforts, which comprehended the broader priorities and trade-offs in a holistic fashion, in support of these projects need to be recognized as significant and positive steps forward.

### ■ OCIO Looking Forward Vision

**Looking Forward:** In all, the OCIO is poised to continue making significant and necessary progress on the USPTO IT infrastructure. They have developed a clear and effective path forward, but even so, they face execution challenges, mostly external – like the drop in USPTO fees which necessitated a reduction in OCIO funding. In FY 2010, the OCIO will take a more holistic approach to out-year planning by integrating the Road Map into the Strategic Information Technology Plan (SITP). The primary purpose is to establish a strategic framework for guiding the course of IT initiatives through the strategic planning and decision making process over the next five years.

- ◆ **New Initiatives:** Under Secretary Kappos has proposed three new initiatives for the OCIO:
  - 1: **Data.Gov:** The USPTO currently offers, for a fee, over 150 distinct data products. Recently, the USPTO began providing free access to raw data sets through the Federal Government's Data.gov website. Data sets made available so far include patent bibliographic data for grants and applications and trademark application text and images.

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- 2: **E-Learning:** The second initiative is designed to increase transparency of government operations by exploring leveraged collaboration with the e-learning industry to provide electronic learning services and solutions to the USPTO – for training its staff and also interested public parties.
- 3: **USPTO Web-Presence:** In order to improve the transparency, collaboration, and usability of its public facing tools, the OCIO is proposing to create customizable "portal-like" entry points into the uspto.gov web-site to enable public users to quickly access the information that they use most often.

**Areas For Concern:** In terms of execution against the Road Map in 2009, the OCIO was hampered by the reductions in funding with visible impact on progress despite its creative adjustments, so the restoration of appropriate funding levels continues to be a source of considerable concern in FY 2010.

### ■ New 2009 PPAC Recommendations:

In light of the manifest needs of the aging USPTO IT infrastructure, and in recognition of the comprehensive and sound strategy in play for its remediation and eventual optimization, the PPAC makes the following recommendations with regard to the operations of the OCIO:

- ♦ **Funding:** Restoration and maintenance of appropriate levels of funding for OCIO efforts including the Road Map to be completed within as close to the originally scheduled five-year time-frame as possible. Encourage the Secretary of Commerce, the Office of Management and Budget and Congress to recognize and support the need to provide the USPTO with the funding resources (and authority) necessary to meet the challenges and objectives of the USPTO mission to serve the US innovation economy and broader economy – of which the IT infrastructure is an integral and enabling element.
- ♦ **Hiring:** Provide the OCIO with select relief from the USPTO hiring freeze and allow them to staff to necessary levels to meet both critical operational needs, and also invest in future capabilities – to be done with full consideration and support of the broader USPTO objectives, priorities and attendant trade-offs.
- ♦ **Process & Efficiencies:** In particular in light of funding reductions and hiring constraints, the OCIO should seek to identify and exploit process, resources and organizational efficiencies through process understanding exercises and leverage analysis – internally within the OCIO and more broadly *vis-à-vis* the operations of the USPTO (e.g. examiner workflow). The OCIO should continue to explore and exploit new approaches and business models in search of efficiencies and productivity gains e.g. external hosting and no-cost contracting to achieve OCIO and Office infrastructure objectives – as complements to, or replacements for internal efforts.
- ♦ **Management Support:** Encourage the USPTO to continue its support and active engagement from its executive management & business areas with the OCIO staff in advancing the Road Map and other OCIO initiatives – this valuable and productive connection needs to be maintained.

**IV.4 Human Capital**

**Overview**

Human capital is a significant area of concern for the Committee this year. Due to a decline in revenue, caused in significant part by a downturn in application filings and maintenance fee payments, the Office instituted a hiring freeze. As a result, for example, only approximately 600 new hires were made (588 of which were new examiners), representing a significant shortfall from the goal of hiring 1200 new employees during FY 2009. This part-year hiring freeze, combined with a lower, but still impactful attrition rate of 6.3%, resulted in only a very small net gain of examiners for 2009 at 142, and minimal progress toward the Office’s goal of having 8400 examiners in place by 2014. Moreover, on-going budget concerns make it uncertain how many, if any, new hires the Office can make in FY 2010. As a result, the Committee strongly recommends that sufficient funding be put in place to allow hiring of at least 1200 new examiners in FY 2010 and to advance distributed work force initiatives to enable the twin goals of attracting a larger pool of well qualified candidates and enhancing the chance of retaining its experienced examiners for an entire career.

**Implementation and Progress**

Hiring

The goal for FY 2009 had been to hire 1200 new employees toward the goal of having 8400 examiners in place by 2014. However, due to a decline in revenue caused in significant part by a downturn in application filings and maintenance fee payments, the Office instituted a hiring freeze. As a result only approximately 600 new hires were made, 588 of which were new examiners. This partial-year hiring freeze resulted in a net gain of slightly more than 100 examiners for FY 2009:

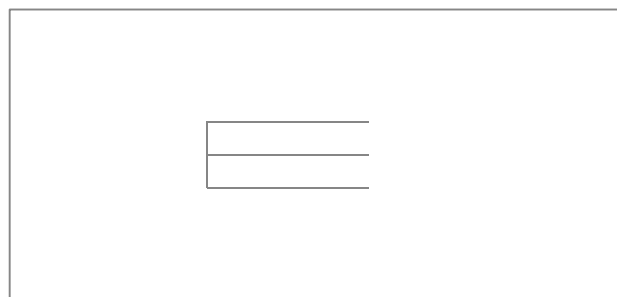
Fiscal Year	New Hire Goal	Actual New Hires	Examiner Attrition <sup>#1</sup>	Total Number of Examiners	Net Change (Year-Over-Year)
2007	1200	1215	543	~5500	-
2008	1200	1211	563	6099	599/111%
2009 <sup>#2</sup>	1200	~ 600	410	6242	142/102%

<sup>1</sup> Including transfers and retirement

<sup>2</sup> Before the partial-year hiring freeze was instituted

◆ **Effect of Partial-Year Hiring Freeze on Number of Examiners**

The partial-year hiring freeze and the resultant small net increase in examiners during FY 2009 have made the Office’s goal of 8400 examiners by 2014 significantly harder to reach. Moreover, the impact of the hiring freeze would be further exacerbated if the hiring freeze were to continue throughout FY 2010. The following chart depicts the actual and projected number of examiners (assuming a continued hiring freeze through FY 2010 with an attrition rate of 6.3%) plotted against the goal of having 850 examiners in place by 2014.





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### ◆ Effect of Partial-Year Hiring Freeze on Other Key Areas

As discussed in detail in the OCIO Section, human capital has an impact on other critical areas of the Office, including the OCIO.

#### Retention

Retention, however, improved during FY 2009. Particularly in light of the hiring freeze, it is critical that the Office maintain a qualified and competent work force. The attrition rate for FY 2009 was 6.3% including transfers and retirees (5.6% without transfers and retirees), which compares favorably with a 7.9% industry attrition rate. While the Office focused on a number of initiatives to increase retention and employee satisfaction this year, it is also important to note that attrition rate is historically lower during more challenging economic conditions. Accordingly, the Committee recommends that the Office continue to focus on initiatives to further reduce attrition and keep experienced, productive examiners.

#### Improved Training and Communication

To best utilize the time and resources made available by the partial-year hiring freeze, the Office focused on several improved training and human capital initiatives to increase retention and employee satisfaction.

- ◆ ISO 9001 Certification
- ◆ Strategic Human Capital Guidelines
- ◆ Improved Internal Communications with Examiners

### Initiatives for Geographical Expansion of the Work Force

#### Overview

Geographical expansion of the Office's work force could allow for a number of strategic benefits to the Office and applicants: improved recruiting and expansion of exceptionally well qualified applicants, enhanced employee retention (potentially allowing the Office to retain its trained and experienced examiners for an entire career), reduced real estate and infrastructure costs, and improved outreach to applicants. To further these potential benefits, is considering a range of options and there are two major programs under consideration by the Office for geographical expansion of the work force:

- ◆ Distributed work force: This program would place a brick and mortar facility in one or more locations away from the Alexandria headquarters where Office functions, such as examining, interviews, and applicant outreach/assistance are conducted.
- ◆ Distributed work force: This program would allow the use of teleworking tools to allow Office employees to move within the country and telework full time utilizing their home as a duty station.

#### Implementation and Progress

The Office is conducting a detailed analysis of the various alternatives, including developing a detailed plan with cost estimates for establishing and sustaining additional facilities, analyzing the potential cost of overhead, IT connectivity, out-year sustainability, personnel moves, examining other alternatives for providing outreach to applicants, and reviewing the ability to support the increased IT load.

Additionally, the Office will continue to support and promote the Patents Hoteling Program (PHP) which permits examiners to work from remote locations and only return to the Alexandria campus twice a bi-week.

Further, the Office is supporting the pending telework legislation which could provide the USPTO the ability to create a telework pilot providing increased flexibility in the number of return trips to main campus.

### Recommendation

While mindful of the budget constraints and potential for an on-going hiring freeze, the Committee recommends, in addition to the significant need for funding to hire new examiners and critical support functions, that the Office quickly and efficiently complete its study of the various options for geographical expansion of the work force and that sufficient funding be put in place to those work force initiatives in FY 2010. This would enable the Office and applicants to realize the significant potential benefits – expansion of the applicant pool, enhanced employee retention, reduced real estate and infrastructure costs, and improved outreach to applicants – without further delay.

### Overall Recommendations

The Committee recommends that the Office re-evaluate its hiring goals in light of the current hiring freeze to determine the optimal number of new employees, and particularly new examiner hires necessary for FY 2010. Further, the Committee urgently recommends that sufficient funding be put in place to allow hiring of that optimal number of new examiners in FY 2010 and to advance initiatives for the geographical expansion of the work force without further delay.

## IV.5 Outreach

### Overview

Addressing the needs and concerns of the patent community has been a long standing issue for the Office. Understanding what those concerns are led to the Office initiating a major outreach initiative in FY 2007 to listen to constituents of the patent system, gather their feedback, and look at current practices and procedures. Over a roughly six month period in late 2007/early 2008, data was collected through a variety of focus groups and one-on-one interviews with stakeholders. These included practitioners, academics, CEOs, industry groups, patent holders and independent inventors. The focus sessions typically included anywhere from ten to twenty participants. 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. In addition, several one-on-one interviews were conducted with CEOs of large corporations and small businesses as well as with independent inventors. A database was created with over 1100 entries.

The outreach initiative pulled a great deal of information from disparate sources. A number of critical issues were identified through this outreach initiative and the results of the study were initially summarized in the 2008 Annual Report. The feedback led to further discussions on a number of topics and supported the deployment of a few pilot programs the Office was already initiating. Additionally, the study also identified other areas needing improvement. After aggregating the data and sorting the information into major categories, PPAC suggested several actionable areas for additional Office focus and/or pilot programs.

These five items were:

1. Innovative Hiring and Retention Programs
2. Enhanced Search Systems
3. Revise Fee Structure and Deferred Examination
4. Examination Practices

## 5. Reduction of Pendency

A brief description of these items is as follows:

### 1: 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, productive 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 distributed 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).

#### Actions taken: Items Completed or In Place

During FY 2009, the USPTO continued to expand its existing retention programs. All hoteling and telework programs were expanded, including increasing the number of examiners on the patent hoteling program to 1,654, increasing the highly successful Technical Support Staff hoteling program to 125, and increasing the number of examiners using laptops for overtime to 2,493. The number of managers participating in the Patents Management Telework Program also increased to 651.

Additionally, the former requirement to return to campus once a week was changed to twice a pay period, providing examiners with additional flexibility. The Office also expanded its part-time program to 125 slots, and continued to pay recruitment bonuses.

#### Items in Progress & Future Implementation

To assist in the Office's retention efforts, as well as provide a variety of other benefits, the Office is currently undertaking a major revision to the count system, which, *inter alia*, gives all examiners more time per case. This addresses a frequently-cited cause of attrition among examiners.

Finally, pending legislation would eliminate on-campus requirements for hotelers, potentially allowing for a distributed workforce in the near future.

### 2: Enhanced Search Systems

Currently Office search systems are based predominantly on systems developed many years ago. While these systems have proven over time, 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 (such as the PCT), and should also provide simultaneous access to multiple databases, including US, foreign, and non-patent

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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.

### **Actions taken: Items Completed or In Place**

While large-scale improvements to the Office's search systems were unfeasible due to budgetary constraints, several smaller enhancements were made. The Office deployed an interference search tool in EAST/WEST which allows full text searching of all pending applications.

Additionally, the "Prosecution Passport" was deployed, allowing examiners to access foreign file wrapper information for foreign priority applications, including search and examination results with machine translations. Also in the area of improved work sharing with other patent offices, the USPTO continued harmonization efforts directed to systems harmonization of applications, databases, examination tools, policies, and performance measures (the IP5 Foundation projects).

### **Items in Progress**

In FY 2009, the Office began a pilot of the Examiner Collaboration Center (ExCC), an online networking site, to 110 examiners, plus supervisors in TC 2400. The ExCC allows examiners to create user communities, blogs, and discussion forums, and provides a wide variety of information and tools to the users. To date users have posted a mix of business and social posts, with work-related content predominating.

### **Items for Future Implementation**

Going forward, the Office needs to fully implement the OCIO's Roadmap to stabilize and upgrade the IT infrastructure (work on which continued the past year), implement the Patent File Wrapper (PFW), and develop 'smart' search systems (search by automated linguistic analysis) or other advanced search tools.

## **3: Revise Fee Structure and Deferred Examination**

As is widely known, stakeholders were 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.

Among the highest priorities for the Office is creating a sustainable fee structure. Both near term and long term funding issues must be addressed. The Office is looking for the ability to set and change user fees quickly, without the approval of Congress on each change. This fee setting authority would allow the Office to adjust its fees in response to market changes and also to develop an incentive based approach to overall fee structure.

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 in progress or complete. A deferred examination would allow applicants to file early to "stake out their territory," as it were, and then wait to assess commercial viability at some future time. The Committee accepts this conclusion as valid, and would support a deferred examination program provided

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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 or alternate approaches.

### **Actions taken: Items Completed or In Place**

Under Secretary Kappos, rescinded the controversial claims and continuations rules package originally proposed in 2007. The rules package was intended to address the number of continuation applications and the number of claims allowed within each application. While the intent of the rules package was to improve efficiency and enhance the quality of examination, many were opposed to the impact that these new regulations would create.

The Office published a Federal Register notice requesting public comments on deferred examination in January 2009 and conducted a Deferred Examination round table in February 2009. The roundtable included twenty-three participants, representing a variety of industries and organizations, who provided the USPTO with a variety of opinions on the issue. The participants discussed:

- ♦ The advantages and disadvantages of revising the deferred examination system in the U.S.;
- ♦ The potential impacts such a revised system would have on applicants, their competitors, the public, and the USPTO; and
- ♦ How such a revised system could/should be implemented.

The USPTO received comments from four IP organizations, nine corporations and eleven individuals. There is no consensus in the comments. A number of comments favored a change to the system, while a number of the comments expressed concerns that a revised deferred examination system would not work. The Office continues to review the issue.

### **Items in Progress & Future Implementation**

- ♦ Legislative proposal for a 15% surcharge
- ♦ Continued analysis of the deferred examination issue
- ♦ Continued analysis of a sustainable fee structure
- ♦ Restructuring of the current fee system [Future]
- ♦ Implementing a deferred examination program [Future]

## **4: 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 in which the applicant had already effectively discarded the application and preventing the waste of examiner resources.

### **Actions taken: Items Completed or In Place**

The Office continued to make significant headway in improving examination practices during FY 2009, despite its well-documented budget challenges. For example, traffic increased on the Patent Prosecution Highway (PPH), which now includes Australia, Canada, Denmark, EPO, Finland, Germany, Japan, Korea, Singapore, and the United Kingdom. Over 1900 cases were filed in the PPH program. Such cases are examined much more quickly and efficiently than non-PPH cases, with PPH cases having roughly half the actions per disposal of non-PPH cases (1.7 vs. 2.7) and being allowed at a 90% rate versus 40% for non-PPH cases.

Addressing the top-rated topic of interest for applicants, interviews, the Office launched the first action interview pilot in FY 2009. Approximately 5000 applications in TC 2100 were eligible for the program, of which 500 actually did request to join the pilot. Over 300 interviews have been held, resulting in 23% first-action allowances (vs. 3.6% for non-pilot cases). The pilot has been expanded to selected art units in every TC during FY 2010, with some modifications made to certain technical details of the original pilot to make it more user-friendly.

The Office also made a number of changes to quality assurance practices in line with suggestions received by our stakeholders. Universal 2<sup>nd</sup> pair of eyes was eliminated, and Office of Patent Quality Assurance (OPQA) personnel began working more closely with TC personnel in training, appeal conferences, and one-on-one counseling, rather than simply reviewing cases. Major corps-wide training initiatives including interview practice and compact prosecution training were also given.

### **Items in Progress**

In the first months of FY 2010, the Office will be unveiling a Green Technology Program which provides special status for environmentally friendly 'green' applications, as well as a backlog reduction stimulus which provides special examination status for one case in exchange for the abandonment of another.

The count systems changes which go into effect in the 2<sup>nd</sup> quarter of FY 2010 will reduce the credit associated with RCEs, which is a first step in an overall reduction in RCE filings.

Among the major items for future implementation is a revision of quality metrics in collaboration with stakeholders. This initiative aims to review and revise how quality is measured, improved and reported.

## **5: Pendency Reduction**

Stakeholders expressed concerns over the current time before a first office action. While total pendency is a major issue that is also addressed in this report, pendency for first office action is also a public concern that the current administration has identified as a major initiative for FY 2010 and beyond. It is the goal of the USPTO to reduce the first action on the merits ("FAOM") pendency to ten months.

### **Actions Taken: Items in Progress**

The USPTO has begun formulating an overall plan to drastically reduce FAOM pendency to ten months as established by the Secretary of Commerce. Among the steps in the planning process are defining the major levers/variables that influence pendency, determine both internal and external influences, and developing a plan with both internal and external deliverables. Internal variables include examination efficiencies, hiring and retention, examining overtime, awards, and compact prosecution. External variables include filing rates, re-filings (rework, RCEs), examining timeframes (accelerated examination and deferred examination) and fee revenue structure.

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PPAC supports and applauds the Office and its current initiatives undertaken in response to the Outreach Report of 2008. We recognize, given the unusual and severe economic times we are experiencing, that many other issues have become higher priority. There has been an overall willingness on the part of the Office to listen to the voice of the consumer and seek ways to improve the current system. While FY 2009 has been a difficult year from a budgetary stand-point, significant efforts have begun to address some of the major issues by re-focusing efforts and prioritizing available resources.

The 2008 PPAC Annual Report, and the data collected as part of the Outreach program, established a baseline to gauge future data and actions. Actions have been taken by the USPTO to begin addressing the most pressing items identified in the report. Reacting to the 2008 Outreach report is important, however, continued polling of stakeholders needs to be done to ensure that the Office stays in touch with its constituents. As these pilot programs and initiatives begin to yield results, further interaction with the public should continue to provide meaningful feedback on their effectiveness and how the public perceives the solutions.

Public perception of the USPTO also needs to be addressed. There is a unique opportunity here, with a new administration and the appointment of Under Secretary Kappos, to address the current concerns and issues. A more pro-active and collaborative approach to outreach should be considered to raise awareness and properly monitor the public's view of the activities and practices of the Office. Additional outreach is needed for the public to voice its opinions.

Additionally, the Office of Public Affairs has the opportunity to take the stage, create transparency and present the Office as an agency that is cognizant of the issues and willing to address them. Innovation is essential for this country to recover from the current economic recession and to provide entrepreneurial activity and job creation. As an engine that helps drive innovation, the USPTO needs to assure the innovation community of its ability to engage in and address the issues it is faced with.

### IV.6 Process: Understanding & Efficiencies

Through the PPAC Annual Report and *via* PPAC public meetings, PPAC seeks to understand and support an internal management structure and process for addressing agency-wide issues such as human resources, information technology and contracting, as well as critical patent organization issues such as patent quality and pendency. Sound process and process improvement is key for efficiency, cost, personnel and other improvements at the USPTO.

In its 2008 Annual Report, PPAC recognized the need for a process improvement at the USPTO and supported the Office's creation of the Chief Performance Improvement Office (CPIO). This new Office was developed to (among other things) implement a comprehensive strategy to undertake and ensure continuous process improvement throughout the USPTO. The Chief Performance Improvement Officer ("CPIO") serves as the principal advisor to the Under Secretary and Deputy Under Secretary for leading the development and implementation of performance management policies, tools, and initiatives to effectively, efficiently and continuously improve USPTO performance.

We continue to believe that the CPIO is a significant indication of the Office's commitment to reviewing, analyzing, standardizing, and improving its myriad processes. Last year, we indicated that the success of the CPIO depended upon a robust commitment on the part of managers from all business units of the USPTO to support the goals and activities of the CPIO, and that the Under Secretary must ensure the CPIO is able to



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design and direct activities, beyond just cataloging efforts underway. Additionally, the CPIO's efforts must employ continuous improvement metrics and review processes.

### 2008 PPAC recommendations:

In last year's report, the Committee recommended that the CPIO:

- ♦ Map the examination process within each Technology Center ("TC") to determine if any variations discovered are based-upon the underlying technology and if not, work toward standardizing the process.
- ♦ Consider adopting international or industrial standards for its process improvements, as to the specific type of program, such as ISO or Lean Six Sigma, etc...

### 2009 USPTO progress:

The USPTO has not specifically mapped the examination process for each TC to uncover variations. However, several activities were concluded to standardize processes in the Patent Organization including:

- ♦ Mapping the signatory review program across each TC and standardized processes
- ♦ Conducting a complete review of the examiner "count" system and standardizing the compensation practices independent of the TCs.
- ♦ Reviewing and standardizing examination criteria regarding subject eligibility of 35 U.S.C. §101.

Additionally, the CPIO has facilitated initial strategic level efforts to map the overarching Patents Lifecycle with the intent of better understanding the horizontal inter-relationships of the value streams that flow cross-functionally through and beyond the Patent organization to serve USPTO stakeholders.

Regarding the second 2008 PPAC recommendation, a principal task of the CPIO since its inception, and pursuant to direction from Congress, has been the undertaking of steps to adopt the Baldrige principles to improve organizational performance practices, facilitate communication and sharing of best practices; and serve as a framework for understanding and managing performance.

In furtherance of these adopting Baldrige principles, to date, the USPTO has:

- ♦ Provided initial training/education to key representatives from the Business Units within the USPTO on the principles of Baldrige and Lean Six Sigma.
- ♦ Utilized several performance improvement tools such as:
  - ISO 9001: The Patent Training Academy ("PTA") passed its Stage 2 audit on 10 June 2009, with no nonconformities and has achieved ISO 9001 registration.
  - Process Mapping: The Trademark Business Unit has documented/mapped its entire workflow. This effort will assist them in their overall process management efforts by helping to identify opportunities for future process improvements, develop consistent procedure manuals, and revise performance standards.
  - Information Technology Infrastructure Library (ITIL): A framework of Best Practice guidance/approach for IT Service Management to ensure that IT services are aligned to the business needs and support them. ITIL is in the early deployment stages within the Office of the Chief Information Officer.
  - Lean Six Sigma: This methodology/toolset for process improvement is in the early stages of deployment.

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According to the Office, several other Baldrige activities are in progress. The principle in-progress activity seems to be a multi-phase effort to implement an enterprise-wide Strategic Management Process that integrates strategic and action planning, deployment of plans, alignment of resources and validating, measuring, and adjusting plans as circumstances change. Several activities within the Strategic Management Process are currently underway, including, enterprise profile, enterprise assessment, and modification to the USPTO strategic plan.

### Current PPAC Recommendations:

PPAC continues to believe that the USPTO must consistently endeavor to elevate the effectiveness of USPTO programs by implementing proactive, systematic and standardized program evaluations in a consistent and proactive manner. In an agency as large as the USPTO, it is simply too easy for disciplined and sustained process improvements to be cast aside in the rush to implement "change" and meet short-term obligations and deadlines without understanding the downstream impacts and potential adverse effects on the larger patents system, USPTO employees, patent applicants, and stakeholders. Here is where the true long-term value of the CPIO lies – facilitating and nurturing an enterprise-wide culture of performance excellence through the effective deployment of the USPTO Strategic Management Process.

Further, Secretary of Commerce Gary Locke has issued a clear and direct challenge to reduce first action pendency on patent applications from approximately 25.8 months to ten months. PPAC agrees that a disciplined approach to reducing first action pendency to ten months is a noteworthy endeavor and the first step in significantly reducing the overall pendency rates. Certainly, serious process improvement will play a pivotal role in achieving and sustaining this performance milestone.

PPAC makes the following specific recommendations:

- ♦ Take immediate action to fill the permanent CPIO position and associated staff positions with highly qualified individuals as soon as possible.
- ♦ Press forward with full and effective deployment of the USPTO Strategic Management Process ("SMP") – facilitated by CPIO – as a disciplined, fact-based process to drive sustained performance improvement through clear ownership and accountability coupled with effective decision-making and priority-setting.
- ♦ Under the SMP umbrella, task CPIO to facilitate further decomposition of the Patent Lifecycle to target and address specific process improvement projects focused at taking the first steps toward significantly closing the existing performance gap with respect to first action pendency.
- ♦ The CPIO and its mission can only succeed through the consistent and visible leadership, support, and commitment of Under Secretary Kappos and Office management.

### Overview of Proposed USPTO Count System Changes

A significant example of systematic change that is occurring at the USPTO is the recently enacted Count System for patent examiners. After roughly six weeks of direct negotiation, USPTO management and POPA agreed to change the manner in which patent examiner "count system" operates; *i.e.* how patent examiners are given "credit" for the work they perform. The proposed changes to the count system set forth the most significant changes to the USPTO's count system in over 30 years. This agreement was approved by POPA membership on 16 October 2009. The team is now working with POPA on the implementation and timing details.

Highlights of the changes include:

- ♦ Examiners will receive more time per application for examination.
- ♦ A fundamental shift in the way work is credited to encourage examiners to devote a larger percentage of time examining the application early in prosecution. Additionally, examiners will be provided time for substantive examiner-initiated interviews in patent applications.

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- ♦ Work credit will be diminished for applications having a Request for Continued Examination ("RCE") in order to better align credit with the examination effort required and to seek a reduction in the "churning" of applications and instead, promote compact prosecution.
- ♦ Examiners will receive consistent credit for receiving transferred or "inherited" amendments as a result of examiner attrition.
- ♦ Award incentives will be expanded.
- ♦ An increase in work credit certainty for examiners by setting work submission guidelines that are clearly defined for all patent examiners.
- ♦ Enhanced fairness to applicants by implementing a more disciplined examination order of applications based upon application filing dates.

This count system package is intended to lay the groundwork for long-term pendency improvements, in part by shifting the examination focus to concentrate examiner efforts on addressing issues with applicants early in the examination process and producing a quality first action on the merits. In addition, the time granted to examiners in order to initiate interviews, combined with the emphasis placed on quality first office actions is designed to create an atmosphere conducive to the identification of allowable subject matter earlier in prosecution.

PPAC commends the USPTO management and POPA for this significant achievement. We support the goals of the new count system, in particular the goal of a more "compact" patent examination process whereby applicants and the Office can come to a quick and clear "resolution" of each case. This agreement sets the foundation for higher quality patent applications, higher quality examinations and lower pendency. Of course, it is critical that the implementation of the system matches its design. PPAC will join the USPTO and POPA in monitoring the effectiveness of the new system over the coming months. For example, considering that the new count system gives more time for patent examiners to work on each case, it is critical for pendency purposes for cases to be resolved earlier in the process. The system is clearly designed for this but appropriate examiner and applicant behavior is also necessary to achieve the intended result rather than a further increase in the application backlog.

### IV.7 Legislative

The USPTO continues to be affected by the action, or inaction, of the United States Congress. The past year has seen an uptick in legislative activity related to the USPTO, primarily due to USPTO budget challenges and apparent increased Congressional interest in USPTO operational issues. Of course, "patent reform" legislation (S. 515 and H.R. 1260) continues to receive consideration from the Congress and the Senate Judiciary Committee's reported version was the subject of a Department of Commerce views letter.

#### Fiscal Year 2009 Appropriations:

The appropriations act eventually passed by Congress (P.L. 111-8), included authorization for the USPTO to spend its fee collections, as well as directed spending language that has impacted USPTO operations.

To begin with, the omnibus appropriations bill for the fiscal year ending 30 September 2009, authorized the USPTO to spend \$2,010,100,000 in FY 2009, an amount the USPTO originally projected to collect in fees in FY 2009. Thus, the FY 2009 USPTO appropriation appeared to be "diversion free," in the sense that the Congress did not authorize the USPTO to spend less than its projected fee collections. However, the

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Congress did direct the USPTO to spend money in several ways that was left outside the discretion of USPTO management.

Specifically, the bill required the USPTO to:

- ♦ Transfer \$750,000 to the Department of Commerce for activities associated with the National Intellectual Property Law Enforcement Coordination Council.
- ♦ Withhold \$5,000,000 until the Director of the USPTO completed a comprehensive review of the assumptions behind the patent examiner expectancy goals and adopted a revised set of expectancy goals for patent examination. (This was essentially an impossible task given the transition to a new Administration and the time necessary for union approval for a "revised set of expectancy goals for patent examination.") Thus, in an incredibly tight budget year for the USPTO, \$5,000,000 in user fees were unavailable for expenditure and it is uncertain whether the USPTO will ever have access to this \$5,000,000 and whether that amount was or will be diverted to the general U.S. Treasury.
- ♦ Pay for post-retirement life insurance and post-retirement health benefits coverage for all USPTO employees. To the Committee's knowledge, such costs for every other U.S. government entity are paid from the general U.S. Treasury.
- ♦ Transfer \$2,000,000 to the Department of Commerce's Office of Inspector General for activities associated with carrying out investigations and audits related to the USPTO.
- ♦ Spend no less than \$4,000,000 for USPTO selected partnerships with a non-profit organization or organizations to conduct policy studies, conferences and other development programs in support of fair international protection of intellectual property rights.

Additionally, the omnibus appropriations bill for the fiscal year ending 30 September 2009, contained the following "report language":

- ♦ "However, the sustained increase in the number of applications that has given rise to the increasing backlog is largely a consequence of a globalized economy in which applicants are filing in more than one jurisdiction. This means that the USPTO and other national patent offices are duplicating one another's work. The Government Accountability Office has found that the hiring of additional patent examiners has not been sufficient to reverse this trend, and is therefore unlikely to resolve the backlog problem. Therefore, the most likely means of reducing the pendency of patent applications is for the leading patent offices to make more effective use of one another's work. The USPTO is directed to take actions to reduce duplication of work already performed by another patent office in a manner that does not compromise the quality of the examination or compromise the sovereignty of the United States."
- ♦ "The USPTO is also encouraged to review its proposed rules changes so that they fall within the statutory authority of the Director and take into account the concerns of the majority of users of the patent system."

### Fiscal Year 2010 Appropriations:

Congress is currently considering the appropriations bill (H.R. 2847) that provides funding for the USPTO for FY 2010. Both the House and Senate versions permit the USPTO to spend up to \$1,930,361,000, which is the amount the USPTO projects to collect in fees in FY 2010. In the reports accompanying the appropriations bills under consideration, both the House and Senate continue to express concern about patent pendency and quality, as well as patent examiner attrition.

The Senate's committee-reported bill restricts USPTO access to \$25,000,000 until the Director "has completed a comprehensive review of the assumptions behind the patent examiner expectancy goals and adopted a revised set of expectancy goals for patent examination." (As noted above, the enacted FY 2009 appropriations bill withheld \$5,000,000 from the USPTO based on comparable language.) It is unclear

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whether the recent negotiation between the USPTO and POPA, and approval by POPA membership, of a new count system will satisfy this congressional mandate.

The Senate's version for FY 2010 also seeks to transfer another \$2,000,000 from the USPTO to the Department of Commerce's Office of Inspector general for "activities associated with carrying out investigations and audits related to the USPTO."

The House-passed version mandates the USPTO to spend another \$4,000,000 for USPTO selected partnerships to conduct policy studies, conferences and other development programs in support of fair international protection of intellectual property rights.

In regards to the backlog of patent applications, the House Appropriations Committee noted that "The increasing back load is largely a consequence of a globalized economy in which applicants are filing in more than one jurisdiction. This means that the USPTO and other national patent offices are duplicating one another's work." The Committee noted the USPTO's work sharing efforts with other patent offices but concluded that "the USPTO's efforts have proceeded very slowly and have not yet resulted in significant relief for the USPTO," and thus, "The Committee directs the USPTO to enhance its efforts to reduce duplication of work already performed by another patent office in a manner that does not compromise the quality of the examination or compromise the sovereignty of the United States, such as the Patent Prosecution Highway, the Trilateral Strategic Working Group, and technical cooperative agreements with intellectual property offices in other countries. The Committee directs USPTO to provide a report to the Committee on its progress within 30 days of enactment of this Act."

### Legislation to Address the Patent Budget Shortfall

In July 2009, Congress responded to the FY 2009 USPTO budget shortfall by passing legislation (P.L. 111-45) permitting the USPTO to use up to \$70,000,000 in Trademark fee collections to support "the processing of patents and other activities, services, and materials relating to patents." However, the legislation includes a significant qualification that was not widely reported. In order to tap this \$70,000,000, the Director of the USPTO must certify in writing to the Congress that the use of the funds is "reasonably necessary to avoid furloughs or a reduction-in-force, or both, in the United States Patent and Trademark Office." The reality is that the Director must cut every other reasonable area of the budget before such a scenario would kick in. Consequently, this legislation did not prevent the USPTO from having to cut hiring, retention bonuses and other measures that were helping to stem the tide of patent pendency. The "borrowing" authority under this law terminates on 30 June 2010.

### Recommendations:

PPAC continues to strongly recommend the enactment of legislation to permanently end the diversion of USPTO fee collections to other government functions. This will provide the USPTO with the certainty in planning that a performance based organization needs.

Furthermore, we recommend the elimination of language directing the USPTO to spend money in a certain manner or language withholding money (thus, arguably diverting it back to the general treasury) for lack of particular action. These provisions are extremely shortsighted and detract from the USPTO's ability to address the important issues of pendency and quality. Instead, we recommend that if Congress, for example, desires a "revised set of expectancy goals for patent examination," then the Congress should work with the USPTO to achieve this goal or pass legislation mandating what it wants. To take away \$5,000,000 for a requirement that was unrealistic during a time of leadership transition is punitive. It harmed USPTO operations and thus, innovation in America due to the fact that the USPTO had to cut back on hiring, overtime, bonuses and other measures that were making a difference in reducing the patent application backlog. Similarly, the \$4,000,000 directive for "policy studies, conferences and other development programs in support of fair international protection of intellectual property rights" supports an admirable

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goal. However, given that the USPTO already spends a significant amount of money supporting the global protection of intellectual property rights, it is our opinion that the majority of American innovators believe this money could be better spent to ensure more rapid examination of U.S. patent applications.

We strongly recommend that the USPTO no longer be required to directly pay for post-retirement life insurance and post-retirement health benefits coverage for all USPTO employees. This obligation cost the USPTO over \$50 million in FY 2009. It is our understanding that legislation was recently enacted that removed this same obligation from the U.S. Postal Service so that now these expenses are paid from the general U.S. Treasury on behalf of every agency of the federal government except for the USPTO.

Due to the reduced fee collections resulting from the economic downturn, the USPTO continues to face very difficult budget issues. In FY 2009, the USPTO had to cut spending in some very dramatic ways and this has significantly slowed its progress in reducing the backlog of new patent applications and toward a higher quality patent examination process. The outlook for FY 2010 is also bleak, with the USPTO projecting a shortfall of up to \$200 million.

We believe the Congress should provide the USPTO with the short and long-term fee setting flexibility it needs to respond to, or prevent, such a budget crisis. Additionally, in an extremely difficult budget scenario such as the USPTO encountered in FY 2009, and is facing in FY 2010, we believe Congress should provide a direct appropriation to the USPTO to assist with their budget shortfall. This certainly should not be the norm, but sometimes dramatic times call for dramatic action especially considering the critical role the USPTO plays in U.S. innovation and economic growth. We note that such a request comes within the context of Congress recently passing a nearly \$800 billion stimulus bill and intervening in dramatic fashion in the financial services and automotive industries. In this context, a direct appropriation to the USPTO to supplement its fee collections does not seem so radical.

### Additional Legislative Issues and Recommendations:

PPAC believes reform to the judicially created doctrine of "inequitable conduct" is necessary. There should be harsh penalties in place for individuals and/or entities that perpetuate fraud upon the USPTO and thus, the public. However, the manner in which inequitable conduct doctrine currently plays out chills open and productive communications between patent applicants and examiners, and leads to excessive litigation costs. The fact that inequitable conduct is frequently pleaded during patent litigation affects an applicants' ability to interface with the USPTO and share potentially useful information that could lead to a timely and fair disposition of their patent application. In order to facilitate this interaction between the office and the applicant, there must be reasonable reform to the inequitable conduct doctrine so applicant information sharing and arguments are not influenced by or "gamed" for potential future litigation purposes.

Regarding the issue of "post-grant review," PPAC believes there should be effective and efficient procedures in place, aside from litigation, to resolve post issuance disputes regarding the validity of issued patents. We understand there are various proposals under consideration including a new "post-grant review" process within the USPTO. Changes to both inter parties and *ex parte* re-examination are also being discussed. We believe a holistic approach should be taken so there are efficient procedures to challenge the validity of an issued patent without being overly duplicate or creating "gaming" opportunities that leave the validity of an issued patent constantly in doubt. In so doing, it is vitally important to keep in mind the USPTO resource requirements for any new post-grant review mechanism. It is the Committee's view that the decisions made within the Office not be given enhanced deference by reviewing courts under the body of administrative law, whether they were made during initial examination proceedings or during any post-grant review.

## IV.8 International

### Overview

International cooperation between the Office and the intellectual property offices of various foreign countries has been an area of focus for Office for the past several years. The goals of these international cooperation efforts are to increase consistency between the various offices, reduce workload for any given national intellectual property office by allowing work sharing between the offices, and share best practices to improve accuracy and efficiency within each national intellectual property office. The Office has been involved in, and in many instances, has led international cooperation and work sharing efforts for the following programs with encouraging results.

#### Patent Prosecution Highway

The Patent Prosecution Highway ("PPH") system allows work sharing between the Office and other national intellectual property offices in which corresponding applications are being prosecuted. Specifically, if an applicant receiving a ruling from the Office of First Filing that at least one claim in an application filed in that office is patentable, the applicant may request that the Office of Second Filing (*i.e.* an intellectual property office in another country) fast track the examination of corresponding claims in corresponding applications filed in that Office of Second Filing. The PPH allows the national intellectual property offices to leverage fast-track examination procedures already available in those countries to allow applicants to obtain corresponding patents in a second participating country faster and more efficiently, and to allow the national intellectual property offices to grant corresponding patents that are more consistent and that utilize less resources.

#### The IP5 Work Sharing Foundation Projects

Five of the leading intellectual property offices, the "IP5" – the European Patent Office ("EPO"), the Japan Patent Office ("JPO"), the State Intellectual Property Office of the People's Republic of China ("SIPO"), the Korean Intellectual Property Office ("KIPO") and the United States Patent and Trademark Office ("USPTO") – adopted a vision statement of work-sharing among the five offices: "The elimination of unnecessary duplication of work among the offices, enhancement of patent examination efficiency and quality, and guarantee of the stability of patent right." As a step toward fulfilling this vision statement, the offices announced a cooperative framework in the form of ten Foundation Projects. These projects were devised to harmonize the search and examination environment of each office and to standardize the information-sharing process. The projects are expected to facilitate the work-sharing initiative by enhancing the quality of patent searches and examinations and building mutual trust in each other's work.

It was agreed that each office would oversee the implementation of two Foundation Projects. For the first step, the offices agreed that by, at the latest, the end of April 2009 they would exchange detailed proposals on each Foundation Project and strive to identify the areas of agreement as well as specific details of implementation.

The benefits of these work-sharing initiatives are anticipated to be tangible and substantial. The number of applications filed at two or more of the IP5 offices is approximately 250,000 per year. Thus, work sharing between offices for these corresponding applications could lead to significant improvements in patent examination efficiency, cost, and consistency for applicants and for all the IP5 offices.

The work-sharing among the five offices will increase the efficiency of the patent system and minimize the cost and effort of patent applicants with regard to the acquisition and management of patent rights.

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Consistency in the patent process will ensure the predictability of patent results when applicants file applications at multiple offices. Greater simplicity will increase the convenience and savings of applicants.

The lead offices and their assigned Foundation Projects are as follows:

- ◆ Common Documentation Database (lead: EPO) – Aim: To bring together 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 (lead: EPO) – Aim: To enable joint and efficient updating of patent classification and facilitate the reuse of work among the patent offices.
- ◆ Common Application Format (lead: JPO) – Aim: To facilitate the filing procedure of each office by using a Common Application Format; and by using electronic or digitized patent application filing (in XML format) and subsequent processing and publication in XML format.
- ◆ Common Access to Search and Examination Results (lead: JPO) – Aim: To enable examiners to find one-stop references in the dossier information of other offices, such as search and examination results and to conduct the priority document exchange ("PDX") to reduce the cost of ordering copies of priority documents for applicants and the administrative costs of electronic processing for offices.
- ◆ Common Training Policy (lead: KIPO) – Aim: To 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 (lead: KIPO) – Aim: To help the offices overcome the language barrier of patent information and allow greater access to each other's patent information.
- ◆ Common Rules for Examination Practice and Quality Control (lead: SIPO) – Aim: To execute patent examinations at a similar standard of quality through common rules of examination practice and quality control.
- ◆ Common Statistical Parameter System for Examination (lead: SIPO) – Aim: To establish a system of common statistical parameters for all examinations at the five offices; and to conduct statistical tasks and exchange information on examination practices under common rules and parameters, building on the work of the Trilateral statistical working group.
- ◆ Common Approach to Sharing and Documenting Search Strategies (lead: USPTO) – Aim: To promote reutilization by enabling the patent examiners of each office to understand each other's search strategy.
- ◆ Common Search and Examination Support Tools (lead: USPTO) – Aim: To establish a system of common search and examination tools to facilitate work-sharing.

### Patent Cooperation Treaty Work Sharing

Other work sharing initiatives are taking place within the Trilateral cooperation framework of the USPTO, EPO, and JPO. For example, the USPTO is currently in discussions with the EPO and JPO regarding the possibility of integrating the use of PCT international search results into the PPH program.

## Implementation and Progress

### The Patent Prosecution Highway

The Office continued to focus on expanding the implementation of the Patent Prosecution Highway ("PPH") system. In particular, the Office increased the number of PPH work sharing partnerships with other intellectual property offices:

- ◆ In 2009, the USPTO and the Korean Intellectual Property Office fully implemented the PPH on a full-time basis leveraging fast-track patent examination procedures available in both Offices to allow applicants in both countries to obtain corresponding patents faster and more efficiently.
- ◆ The Office also implemented pilots with the intellectual property Offices in Denmark, Germany, Singapore, and Finland.



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- ◆ The USPTO now has PPH work sharing programs with Australia, Canada, Denmark, European Patent Office, Finland, Germany, Japan, Korea, Singapore, and the United Kingdom, for a total of ten participating countries.
- ◆ The USPTO and the JPO worked collaboratively to bring together all the IP Offices participating in the programs to work toward streamlining and improving procedures.
- ◆ Several PPH "Plurilateral" meetings were conducted this year to progress in this area.

The PPH framework is an important step toward the goal of maximizing reutilization of work done by other offices. The results of the PPH programs have continued to be promising:

- ◆ An overall grant rate for the PPH applications of approximately 95% (by comparison the overall grant rate for non-PPH applications is approximately 40%);
- ◆ An overall first action allowance rate of approximately 22% (by comparison a non-PPH first action allowance rate is approximately 10%);
- ◆ Average number of actions per PPH application is approximately half that of other patent applications (1.7 for PPH applications and 2.7 for non-PPH applications);
- ◆ Faster processing for PPH cases (PPH requests are generally decided within 2 months from the filing date of the request and the application is generally examined within 2 to 3 months from the grant of the request); and
- ◆ A decrease of approximately 20% in the number of claims to be examined in the USPTO as compared to average non-PPH cases.

### The IP5 Foundation Projects/Tri-Lateral Partners Work Sharing

The Office continued meeting with the world's five largest patent offices, the EPO, the JPO, the KIPO, and the State Intellectual Property Office ("SIPO") of the People's Republic of China and within the Trilateral cooperation framework of USPTO, EPO, and JPO to advance progress on cooperative work sharing initiatives and to develop foundation tools to support work sharing. A series of meetings throughout the year resulted in an agreed implementation strategy for moving forward on developing the foundation support tools, as well as, increased emphasis on work sharing activities.

- ◆ In June 2009, the EPO hosted a Deputy Heads level meeting to discuss an implementation strategy for the Foundation Projects and the creation of mandate documents for each Project. The offices developed a phased approach for the projects, where goals and anticipated outcomes will be defined for each phase. With this approach, the offices will see benefits delivered early in the process instead of waiting until full implementation for tangible results.
- ◆ A Deputy Heads meeting took place in September 2009 in Geneva, Switzerland. The offices reviewed the Foundation Project proposed mandates, created cross functionally working groups, and reviewed next steps for the upcoming Heads of Offices IP5 meeting in April 2010.
- ◆ An agreement was signed with SIPO for reviewing the possibility of establishing patent related work sharing initiatives and to develop foundation support tools to facilitate work sharing.
- ◆ Additionally, the USPTO and the JPO signed an agreement to enhance the existing priority document exchange service between the two Offices. The USPTO and KIPO continued actions to promote work sharing among the two offices in accordance with their 2008 cooperative agreement.

There have been detailed discussions regarding the scope and timing of the ten Foundation projects, but the projects have not been formally approved by the five offices. These discussions regarding scope and timing are on-going.

### Other International Initiatives

The USPTO also established cooperative agreements with other IP offices and organizations for increased technical cooperation. The USPTO and the United Nations Economic Commission for Europe ("UNECE") signed an agreement to conduct joint capacity building programs and activities for government officials and

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rights owners in UNECE member states on protecting commercialization and for enforcement of intellectual property rights.

### Goals for 2010

The Office has identified the following key goals for international cooperation:

- ♦ Implement a pilot program to integrate the use of PCT international search results into the PPH program and evaluate the results;
- ♦ Promote international work sharing programs among applicants in order to increase applicant participation;
- ♦ Work to continue to improve and simplify PPH procedures through the Plurilateral process;
- ♦ Expand the PPH network to additional national intellectual property offices;
- ♦ Review the possibility of implementing a work sharing system that prioritizes search and examination conducted in the Office of First Filing with the goal of making more of the search and examination work performed by the Office of First Filing available to the Office of Second Filing to further improve prompt and efficient examination.

### New 2009 Committee Recommendations

The Committee commends the Office for its efforts on these international cooperation and work sharing initiatives during FY 2009 and recommends that the Office continue its expansion and improvement of this program in FY 2010. Additionally, the Committee recommends that the Office review these on-going efforts, particularly in conjunction with the Office's renewed efforts to improve accuracy and reduce pendency, to ensure that the Office is pursuing those international work sharing programs that best meet the overall objectives of international work sharing – increase consistency between the various offices, reduce workload for any given national intellectual property office by allowing work sharing between the offices, and to share best practices to improve accuracy and efficiency within each national intellectual property office.

SECTION V – SUMMARY CONCLUSIONS & RECOMMENDATIONS

V. Summary Conclusions & Recommendations

- ♦ **Quality:** Patent quality (including pendency) is at the heart of both the efficiency of the patenting process, and the efficacy of the final product: the patent itself. The certainty of timely, granted patents that provide clear public notice influences investment decisions around the underlying research, development and new product and process commercialization. Certainty around a patent's proper scope and validity makes for less friction (e.g. litigation) and greater efficiency in its commercialization. As such, patent quality was understandably among the most highly rated issues in the USPTO outreach. Patent quality is the product of the search, the examination and the application. So, any effort to improve patent quality needs to include input and effort from both the USPTO and the applicants. Improvement of any process necessarily begins with an understanding of the metrics and measures key to eventuating the desired outcome.
  - **Quality Initiative:** As a major step in improving patent quality, the USPTO, in conjunction with PPAC, is embarking upon an investigation of the process, indicia and sources of quality. PPAC supports this effort, and encourages the USPTO to build upon it – extending this kind of collaborative USPTO-applicant problem solving approach to other issues of interest e.g. pendency.
  
- ♦ **Pendency:** A visible and high-impact issue, pendency and the backlog of patent applications has garnered considerable attention over the past few years. Justifiably so, with average total pendency hovering at 34.6 months and pendency to first action on the merits ("FAOM") only slightly lower at 28.5 months. Pendency on that order has the potential to seriously diminish the value of patent protection itself, or in the worst case render patent protection meaningless. Pendency figured prominently in the USPTO's outreach effort as a topic of serious concern by the innovation community. This year, both Secretary Locke and Under Secretary Kappos have trained their sights on pendency, and the first (of what we hope are a series) of targets for their efforts is to reduce FAOM pendency to ten months. PPAC enthusiastically supports this initial pendency goal, and is in fact working with the Office to execute against it. In addition, however, PPAC would like to see the Office further address **total** application pendency – working with its internal staff and the innovation community to reduce overall pendency to twenty months as the ultimate goal with reasonable intermediate targets and time-lines for total pendency reduction (perhaps a series of targets in a phased manner as resources allow). Further and again, PPAC urges Congress to provide the USPTO with ample funding (and authority) to ensure these goals are accomplished, and not at the expense of other equally worthy objectives of the Office.
  
- ♦ **Finance:** Although not an explicit focus of the USPTO, funding considerations – and deficiencies – impact most of its initiatives. The lack of flexible and responsive funding mechanisms leave the Office essentially hostage to the vagaries of fee revenues, which dropped unexpectedly in FY 2009. As a result, hiring in FY 2009 was held at roughly 50% of target due to funding short-falls, and aspects of the much needed remediation of the USPTO's IT infrastructure were slowed or suspended. Looking forward toward FY 2010, the USPTO is facing into a projected \$200M budget shortfall. It is clear that in order to promote organizational fitness, meet stated performance objectives and fulfill its mission to the innovation community, the USPTO needs more visibility into, and control over its finances.
  - **Fee Authority, Appropriations & Financial Tools:** As such, in support of articulated Office objectives, PPAC strongly supports fee-setting authority for the Office, and its ability to prudently exploit additional financial tools including the ability to establish an operating reserve, to borrow and the ability to invest (e.g. funds, if any, withheld). PPAC also encourages the Office to continue its review and analysis of such tools, and how to best and most prudently exercise them

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on the Office's behalf. Additionally, PPAC recommends that Congress provide an incremental direct appropriation to the USPTO, directed to investment in infrastructure in support of the Office's objectives.

PPAC commends the USPTO for responsible and responsive financial management in the face of unexpected shortfalls with few levers of control at their disposal. Additionally, PPAC appreciates the work the USPTO has done in service of exploring the financial options and tools it needs to have at the ready.

- ♦ **OCIO IT Infrastructure:** The IT infrastructure at the USPTO has been neglected from both a resourcing perspective and from a lack of holistic strategic attention. In response, the USPTO initiated the OCIO "Road Map" five-year plan in FY 2008 to address its IT infrastructure needs. The Road Map initiatives focused on both the "remediation" of existing issues, but also forward-looking strategies for taking the Office into the next decade.

Despite having a well considered and approved plan in place to effect this much needed remediation, declining fee revenues hampered progress on many aspects of the Road Map.

- **Funding:** In FY 2009, the OCIO took a \$66M reduction in funding *vis-à-vis* planned levels. Clearly this is not a sustainable situation. As such, PPAC recommends that any budget formulated for the USPTO by Congress contain sufficient incremental funding (or direct appropriation) for the USPTO to execute against the Road Map at its original five-year pace.
- **Process Improvement:** To complement the Road Map work to stabilize the IT infrastructure, PPAC also encourages the OCIO to explore and implement process improvements in cooperation with the patent side of the Office.
- **Hiring:** As technical competencies are clear enablers of all of these programs and benefits, PPAC strongly recommends that the USPTO be given adequate funding (fee/funding authority) to hire as needed to fulfill their promise.
- **New Technologies & Approaches:** Where possible, PPAC also encourages the Office to explore new technologies to increase productivity and enhance functionality. As a complement to, or replacement for these internal efforts, PPAC also recommends that the OCIO continue to explore and implement new approaches and business models in search of efficiencies and productivity gains e.g. external hosting and no-cost contracting to achieve OCIO and Office infrastructure objectives.

It is important to note that the OCIO has made significant progress on its Road Map objectives, despite the external funding limitations. PPAC encourages the OCIO to continue its excellent work.

- ♦ **Human Capital:** People are at the core of all USPTO activities, the import of human capital in the Office's execution against many of its objectives, including pendency and IT capabilities is hard to over-estimate. PPAC is concerned that funding difficulties stalled planned hiring and training efforts at the USPTO.
  - **Hiring:** By year-end FY 2009, the Office was able to hire slightly less than half of the 1200 examiners it had planned to bring on board. Increased training has the potential to increase the productivity and effectiveness of those employees in place at the USPTO, and PPAC encourages the Office to continue to explore and execute training programs. Here is another instance where funding has hampered the Office's progress.
  - **Retention:** However, on a positive note, PPAC applauds the reduction of the USPTO's attrition rate to 6.3%, even more so as it compares favorably to the industry average of 7.9%. So, where funding allows, PPAC recommends retention bonuses to solidify this positive attrition trend.
  - **Distributed Workforce:** In addition, PPAC encourages the Office to continue its examination of its distributed workforce options – ranging from brick & mortar to virtual presence – and implement the best-mode taking advantage of the national workforce.

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- ◆ **Outreach:** Pro-active outreach efforts by the USPTO during FY 2008 and FY 2009 have helped the Office identify the top issues and concerns for its constituencies in the innovation community. Though the 2008 outreach effort identified many topics of interest, across a broad spectrum of areas, the top-five issues which seemed of greatest import to the largest number of respondents were:
  - Innovative Hiring and Retention Programs: In support of reducing pendency, backlog and also for assembling the requisite skill-sets to execute against other challenges facing the Office such as IT systems expertise.
  - Enhanced Search Systems: Replacing older and stand-alone search resources with new search technologies, including federated search to create a more robust and accurate search capability.
  - Rules Package & Deferred Examination: Many respondents to the 2008 outreach effort by the Office indicated that they did not support the "Claims & Continuations Rule Package" advanced by the Office. To its credit, and the credit of its outreach effort, the Office took this feedback to heart, and rescinded the Rules Package in October 2009. In an expression of business practice behind patent practice, some respondents indicated that a deferred examination program would provide them with an opportunity to stake out their territory, and wait to decide upon patenting.
  - Examination Practices: Examiner interviews at various stages of patent prosecution emerged as a favored means of advancing and enhancing prosecution. Stakeholders also expressed considerable interest in a more lenient approach by the Office with regard to certain Office examination practices, notably restriction practice and final rejection practice.
  - Pendency Reduction: Seen universally as a burden to the systems and patent-holders, pendency has also been identified by the USPTO as a top priority in another example of responsiveness to its constituencies. Secretary Of Commerce Locke and Under Secretary Kappos have together targeted ten months to first action on the merits (down from 25.8 months)

PPAC recommends that the Office continue both this kind of pro-active outreach, and "re-active" listening to its constituencies to keep aligned with their needs and perspectives on matters of import to the Office and the innovation community at large.

- ◆ **Process:** PPAC supports an internal management structure and process for addressing agency-wide issues.
  - Continuous Process Improvement: PPAC continues to believe that the USPTO must consistently endeavor to elevate the effectiveness of USPTO programs and process. Several activities were concluded to standardize processes and the CPIO has been the undertaking of steps to adopt the Baldrige principles to improve organizational performance practices, facilitate communication and sharing of best practices, and serve as a framework for understanding and managing performance.
  - CPIO Position & Staff: In support of process improvement goals, PPAC recommends the USPTO take immediate action to fill the permanent CPIO position, associated staff positions and press forward with full and effective deployment of the USPTO Strategic Management Process – facilitated by CPIO.
  - Count System: A significant example of the USPTO's recognition of the importance of process and systematic change is the recently enacted Count System for patent examiners. PPAC commends the USPTO management and POPA for this significant achievement. We support the goals of the new Count System, in particular the goal of a more "compact" patent examination process whereby applicants and the office can come quick and clear "resolution" of each case. This agreement sets the foundation for higher quality patent applications, higher quality examinations and lower pendency. Of course, it is critical that the implementation of the system matches its design so as to achieve the intended result rather than a further increase in the application backlog.

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- ◆ **Legislative:** The USPTO continues to be affected by the action, or inaction, of the United States Congress. The FY 2009 and FY 2010 appropriation bills that set USPTO spending levels appeared to be "diversion free" in the sense that the Congress did not authorize the USPTO to spend less than its projected fee collections. However, the Congress did direct the USPTO, to spend money in several ways outside the discretion of USPTO management.
  - **Permanent End Of Fee Diversion & Directed Spending:** PPAC continues to strongly recommend the enactment of legislation to permanently end the diversion of USPTO fee collections to other government functions. Further, we recommend the elimination of language directing the USPTO to spend money in a certain manner or withholding money for lack of particular action. We strongly recommend that the USPTO no longer be required to directly pay for post-retirement life insurance and post-retirement health benefits coverage for all USPTO employees.
  - **Fee-Setting Authority & Direct Appropriation:** Furthermore, in light of the current budget situation, we believe the Congress should provide the USPTO with the short and long-term fee setting flexibility it needs to respond to, or prevent, such a budget crisis. Additionally, in an extremely difficult budget scenario such as the USPTO encountered in FY 2009, and is facing in FY 2010, we believe Congress should provide a direct appropriation to the USPTO to assist with their budget shortfall and provide for dedicated investment in infrastructure in support of the Office's objectives.
  - **Inequitable Conduct Reform:** PPAC believes reform to the judicially created doctrine of "inequitable conduct" is necessary. Regarding the issue of "post-grant review," PPAC believes there should be effective and efficient procedures in place, aside from litigation, to resolve post issuance disputes regarding the validity of issued patents, but that any new or amended procedures administered by the USPTO must consider USPTO resource limitations.
  
- ◆ **International:** PPAC supports continued efforts by the Office in the international area, both in service of the efficiencies to be gained from such cooperation and USPTO's standing in the international community. Several major initiatives in the work sharing domain are:
  - **Patent Prosecution Highway:** Provides for work sharing and fast-tracking of applications between patent offices where some of the work done in the office if first filing is leveraged in the second office.
  - **IP5 Work Sharing & Quality:** An attempt to capture the work sharing potential in the 250,000 applications per year filed between two or more of the offices, which include: JPO, EPO, KIPO, SIPO and the USPTO. There are currently ten "Foundation Projects" underway exploring different facets of the process and cooperation.

These initiatives clearly involve a continued investment by the Office, and provided they continue to yield results and/or hold promise commensurate with that investment, PPAC supports the USPTO's efforts.

**SECTION VI – SCORE CARD**

This Score-Card captures the Office past activities vis-à-vis a series of previous Committee recommendations:

**VI.1 Quality & Pendency Score-Card**

2008 Recommendation	USPTO Actions Taken
<p><u>1. Quality</u>                      Create a definition of what is meant by a "quality" patent – The definition of a "Quality" patent has been jointly agreed to be the ultimate validity of the patent and the time it takes from filing to grant or final disposition. Quality as so defined is not related to commercial or economic value of a patent. Quality as defined refers to the thoroughness, effectiveness and efficiency of USPTO search and examination and the thoroughness of applicant's initial application and responses to Official actions. Quality is interrelated with overall pendency, final office actions, and continuing application practice since the time it takes for the Office and applicant to jointly come to the final disposition of an application has important implications for optimal effectiveness of the patent system as a whole.</p>	<p><u>This initiative has made progress in 2009. Excellent cooperation between PPAC and USPTO has resulted in substantial progress.</u></p> <p>In February the USPTO and PPAC exchanged documents describing the elements of a quality patent. USPTO and PPAC agreed upon a working definition of quality; focusing on the ultimate validity of a granted patent and the effectiveness the patent examination process including pendency. USPTO and PPAC discussed a limited number of measurable indicia that can be used to simultaneously improve quality and reduce overall application pendency. These indicia are not intended to be the only indicia of quality but rather key indicia that will improve ultimate validity and reduce pendency. Initial discussion of Quality was presented for discussion at a public PPAC/USPTO meeting on 15 October 2009. Subsequent regular follow-up conversations with the PPAC and USPTO team were held to focus on key measurable indicia of quality. PPAC provided a straw man list of 3 key quality initiatives: search, exam and initial application completeness USPTO is preparing a Federal Notice requesting comments from the public on the key quality indicia with the goal of scheduling a focused public roundtable discussion for later in 2009. The plan is to obtain feedback on the key indicia and establishing a tracking mechanism with feedback to examining corps and the public to track progress. USPTO is also separately evaluating examiner quality metrics and data that could be discussed at the roundtable and potentially be woven into the quality process.</p>
<p><u>2. Quality &amp; 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.</p>	<p><u>USPTO actions</u> - The Office piloted pre-1<sup>st</sup>-Action interviews. The Office collected data from the initial pilot and as a result of the initially positive results achieved (lowered pendency in cases where applicants had conducted first office interviews). The USPTO and POPA agreed to expand the scope of the pilot to more art units.</p> <p><u>PPAC Proposal</u> – The PPAC commends the Offices actions on this recommendation and is awaiting the results of the expanded pilot. PPAC hopes that the results of the expanded pilot are as positive as the results of the initial pilot and that first office action interviews can further be expanded to all applications as soon as possible.</p>
<p><u>3. Quality &amp; Pendency</u>                      Establish virtual regional offices - We recommend that meaningful study of this issue take place in FY 2008, with a conclusion and recommendation at the end of the fiscal year.</p>	<p>The Office is reviewing and updating information on the use of regional work centers as part of our Distributed workforce initiative</p>

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2008 Recommendation	USPTO Actions Taken
<p>4. <u>Quality &amp; 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.</p>	<p><u>USPTO Actions</u> - The Office currently has 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. The Office is reviewing where fee adjustments may be appropriate.</p> <p><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.</p>
<p>5. <u>Quality &amp; 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.</p>	<p>Currently examination time is adjusted as to account for unusual application filing situations on a case by cases basis. Regarding fees, as noted above, the Office is reviewing where fee adjustments may be appropriate.</p>
<p>6. <u>Quality &amp; Pendency</u> Retain Office Capability in the Face of Decreased Allowance Rates.</p>	<p><u>USPTO Actions</u> - The Office is analyzing ramifications of current statutory approach whereby maintenance fees defray costs of (all) filing fees.</p> <p><u>PPAC Proposal</u> - The PPAC commends the Office for its work in FY 2008 in ensuring that needed programs have been continued in face of decreasing budget resources. The Office is continuing to analyze the ramifications of the current statutory approach whereby patent issuance and maintenance fees subsidize other fees such as initial filing fees. We are also looking at the overall feasibility of restructuring fees and as well as seeking additional flexibilities to adjust fees as appropriate to support a sustainable business model.</p>
<p>7. <u>Quality &amp; 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 distributed workforce and must be abolished by any appropriate procedure.</p>	<p><u>USPTO Actions</u> – Ongoing work 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 Distributed workforce model. The Office will continue this effort in FY 2009. The Office is reviewing the existing USPTO telework program requirements including reporting to duty station for employees living in the local commuting area. In addition, legislation is pending that proposes pilot authority for the USPTO which includes changing travel regulations to allow employees to pay for travel costs when visiting the Alexandria Headquarters.</p> <p><u>PPAC Proposal</u> – The PPAC believes that this issue must be resolved quickly and that a distributed 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</p>



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2008 Recommendation	USPTO Actions Taken																																														
<p>8. <u>Quality &amp; 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.</p>	<p><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.) The Patents Hoteling Program (PHP) offers employees the option to work from home to experienced Examiners and members of the Technical Support Staff who are most able to work independently. In FY 2009 the PHP added 449 new hoteling participants to bring the total to 1,654 participants to date.</p> <p><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.</p>																																														
<p>9. <u>Quality &amp; 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.</p>	<p>The USPTO considered a student loan repayment program, however choose to implement an examiner recruitment bonus program which would apply to more new hires regardless of whether or not they had outstanding student loans.</p>																																														
<p>10. <u>Quality &amp; 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.</p>	<p>In FY 2004, the USPTO began tracking employees who had a law degree upon hiring. 3.6% of employees (220) hired since 2004 had a law degree when hired. Note: we do not track employees who obtain a law degree after being hired, and this number also does not include those hired before FY 2004.</p> <p style="text-align: center;"><b>2<sup>nd</sup> and 3<sup>rd</sup> Career Employees</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2">FY</th> <th rowspan="2"># New Hires</th> <th colspan="4">Years Experience</th> </tr> <tr> <th>2<sup>nd</sup> Career</th> <th>%</th> <th>3<sup>rd</sup> Career</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>04</td> <td>455</td> <td>76</td> <td>17%</td> <td>52</td> <td>11%</td> </tr> <tr> <td>05</td> <td>979</td> <td>116</td> <td>12%</td> <td>74</td> <td>8%</td> </tr> <tr> <td>06</td> <td>1213</td> <td>218</td> <td>18%</td> <td>71</td> <td>6%</td> </tr> <tr> <td>07</td> <td>1208</td> <td>194</td> <td>16%</td> <td>102</td> <td>8%</td> </tr> <tr> <td>08</td> <td>1202</td> <td>192</td> <td>16%</td> <td>156</td> <td>13%</td> </tr> <tr> <td>09*</td> <td>490</td> <td>95</td> <td>19%</td> <td>73</td> <td>15%</td> </tr> </tbody> </table> <p>*Please note that the FY 2009 # of new hires does not include the 7/6/09 class.            2nd career = greater than 3 years and less than 10 years experience            3rd career = greater than or equal to 10 years experience</p>	FY	# New Hires	Years Experience				2 <sup>nd</sup> Career	%	3 <sup>rd</sup> Career	%	04	455	76	17%	52	11%	05	979	116	12%	74	8%	06	1213	218	18%	71	6%	07	1208	194	16%	102	8%	08	1202	192	16%	156	13%	09*	490	95	19%	73	15%
FY	# New Hires			Years Experience																																											
		2 <sup>nd</sup> Career	%	3 <sup>rd</sup> Career	%																																										
04	455	76	17%	52	11%																																										
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07	1208	194	16%	102	8%																																										
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09*	490	95	19%	73	15%																																										

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### VI.2 OCIO: IT Infrastructure Score-Card

2008 Recommendation	USPTO Actions Taken
<p><b>1. Funding Support Of OCIO Road Map:</b> In 2008 PPAC strongly encouraged USPTO Management Counsel continue its support of the initiative, and that the Road Map continue to be fully funded and followed through its full term.</p>	<p><b>USPTO Actions Taken:</b> Despite the considerable reduction in patent fee revenue, the Management Council remained supportive of the Road Map Portfolio by agreeing with minimal funding reductions in this area. In addition, despite an Office-wide hiring freeze, the Council approved 11 hiring exceptions, greater than for any other USPTO organization.</p> <p><b>USPPAC Commentary:</b> PPAC recommends that the USPTO Management Counsel – in consideration and support of the broader USPTO objectives, priorities and attendant trade-offs – expand its efforts to provide the OCIO with select relief from the USPTO hiring freeze to meet both critical operational needs, and also invest in future capabilities.</p>
<p><b>2. Pre &amp; Post Processing Efficiencies:</b> PPAC recommended in 2008 that the USPTO 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.</p>	<p><b>USPTO Actions Taken:</b> With the reduction in funding and extension of the Road Map implementation to seven years, the OCIO ability to pursue this recommendation has been severely constrained.</p> <p><b>PPAC Commentary:</b> PPAC understands and agrees with the OCIO assessment, but still strongly encourages them to be receptive to integrating new technologies where stable platforms and efficiency gains do exist. PPAC further encourages OCIO to continue its revisit of extant processes to identify efficiencies, which may come without the need to integrate new technologies into an unstable operating environment.</p>
<p><b>3. New Technology Integration:</b> The final 2008 recommendation of the PPAC was for the USPTO to 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.</p>	<p><b>PTO Actions Taken:</b> With the reduction in funding and extension of the Road Map implementation to seven years, the OCIO ability to pursue this recommendation has been severely constrained. However, one of the new projects identified as part of the Trademarks Next Gen is an analysis of search tools. It is our intent to leverage the lessons and result of those efforts to the patent business unit.</p> <p><b>PPAC Commentary:</b> PPAC understands and agrees with the OCIO assessment, and applauds the introduction of the NextGen analysis tool as a first step in the direction of exploiting the potential of new technologies to facilitate the USPTO's mission. Again, PPAC strongly encourages the USPTO to be receptive to integrating new technologies where stable platforms and efficiency gains do exist. PPAC further encourages OCIO to continue its revisit of extant processes to identify efficiencies, which may come without the need to integrate new technologies into an unstable operating environment.</p>

### VI.3 Human Capital Score-Card

2008 Recommendation	USPTO Actions Taken
<p>1. The Committee recommends that the Office and the Unions place this issue amongst the highest priorities and look for concrete resolution before the next PPAC meeting in March 2009.</p>	<p>The Office is supporting the pending Telework legislation which could provide the USPTO the ability to create a telework pilot providing increased flexibility in the number of return trips to main campus. The Office is revisiting the concept of Satellite offices. However, the feasibility of moving forward with a Satellite office program, depends heavily on budget and other work force issues. No other progress has been made this year, primarily in light of the budget constraints and the resulting partial-year hiring freeze.</p>

## Patent Public Advisory Committee 2009 Annual Report

2008 Recommendation	USPTO Actions Taken
<p>2. The Committee recommends that the Office present a tabulated set of results of the exit interviews with all departing examiners along with an analysis for the reasons for attrition and responsive plans to reduce attrition.</p>	<p>No progress has been made this year with regards to the review of exit interviews.</p> <p>To best utilize the time and resources unfortunately made available by the partial-year hiring freeze, the Office focused on several improved training and human capital initiatives to increase retention and employee satisfaction.</p>

### VI.4 International Score-Card

2008 Recommendation	USPTO Actions Taken
<p>1. The Committee recommends that the Office expand the PPH to as many other countries as possible.</p>	<p>In 2009, the USPTO and the Korean Intellectual Property Offices fully implemented the PPH on a full-time basis.</p> <p>The Office also implemented pilots with the intellectual property Offices in Denmark, Germany, Singapore, and Finland.</p> <p>The USPTO's now has PPH work sharing programs with Australia, Canada, Denmark, European Patent Office, Finland, Germany, Japan, Korea, Singapore, and the United Kingdom, for a total of ten participating countries.</p>
<p>2. The Committee recommends that the Office propose a timeline to the other offices for implementation of the Foundation Projects.</p>	<p>In June 2009, the EPO hosted a Deputy Heads level meeting to discuss an implementation strategy for the Foundation Projects and the creation of mandate documents for each Project. The Offices developed a phased approach for the projects, where goals and anticipated outcomes will be defined for each phase. With this approach, the Offices will see benefits delivered early in the process instead of waiting until full implementation for tangible results.</p> <p>A Deputy Heads meeting took place in September 2009 in Geneva, Switzerland. The Offices are reviewing the Foundation Project proposed mandates, creating cross functionally working groups, and reviewing next steps for the upcoming Heads of Offices IP5 meeting in April 2010.</p>

SECTION VII – APPENDICIES

VII.A Transmittal Letter

Voting Committee Members:

**Damon C. Matteo**  
Chairman  
Palo Alto Research Center

**Marc S. Adler**  
Marc Adler, LLC

**Louis J. Foreman**  
Enventys

**F. Scott Kieff**  
George Washington University

**Stephen M. Pinkos**  
PCT Government Relations, LLC

**Maureen K. Toohey**  
Toohey Law Group, LLC

Non-voting Representatives:

**Robert D. Budens**  
President, Patent Office  
Professional Association (POPA)

**Vernon Ako Towler**  
Vice President  
National Treasury Employees  
Union (NTEU, Local 243)

**Catherine Faint**  
Vice President  
National Treasury Employees  
Union (NTEU, Local 245)



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

12 November 2009

The President  
The White House  
Washington, D.C. 10500-0001

**Re: Patent Public Advisory Committee Annual Report For Fiscal Year 2009**

Mr. President:

As Chairman of the Patent Public Advisory Committee ("PPAC") of the United States Patent & Trademark Office ("USPTO"), it is my great pleasure and privilege to convey to you the PPAC Annual Report for the 2009 fiscal year. To aid in your review, you will find an *Executive Summary* in Section II (page 5) which provides a snap-shot of the current situation at the USPTO and PPAC's recommendations, which are further detailed in Section V, "*Summary Conclusions & Recommendations*" (page 40).

This report comes at a pivotal time, one of transitions in the world economy, the innovation ecosystem, the intellectual property landscape and at the USPTO itself. And now, perhaps more than ever, we find all of these factors linked and essential in achieving economic success. Yet, a key link in that chain, the USPTO, currently faces serious funding and infrastructure challenges that threaten its progress on several important initiatives, including improving patent quality and reducing pendency.

Challenges inevitably create opportunity, ours is to ensure and enhance the U.S. patent system's ability to support U.S. innovation and economic success. PPAC is dedicated to achieving the promise this opportunity holds, and to working collaboratively with the Under Secretary and USPTO in support of the U.S. innovation economy.

PPAC welcomes any questions or comments you might have regarding this Report.

Sincerely,

Damon C. Matteo  
Chairman  
Patent Public Advisory Committee  
United States Patent & Trademark Office

Enclosure: Patent Public Advisory Committee Fiscal Year 2009 Annual Report

### VII.B Committee Members

The Patent Public Advisory Committee, by statute normally contains nine members, but as of the writing of this report has a complement of six, with three vacancies. Current PPAC membership is (list alphabetically):

- ♦ **Marc 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.
- ♦ **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 24-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 the Emmy Award winning PBS TV show called *Everyday Edisons*, which is currently in its third season. Mr. Foreman is also the Entrepreneur in Residence at the McColl School of Business at Queens University in Charlotte.
- ♦ **F. Scott Kieff** is a law professor at George Washington University in D.C. and a senior 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 (Chairman Of PPAC)** is vice president and chief intellectual property officer of the Palo Alto Research Center. 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.

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- ♦ **Stephen M. 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** 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.

**VII.C PPAC Charter: 35 U.S.C. §5 – Patent & Trademark Office Public Advisory Committees**

(a) **Establishment Of Public Advisory Committees**

(1) **Appointment** – The United States Patent and Trademark Office shall have a Patent Public Advisory Committee and a Trademark Public Advisory Committee, each of which shall have nine voting members who shall be appointed by the Secretary of Commerce and serve at the pleasure of the Secretary of Commerce. Members of each Public Advisory Committee shall be appointed for a term of 3 years, except that of the members first appointed, three shall be appointed for a term of 1 year, and three shall be appointed for a term of 2 years. In making appointments to each Committee, the Secretary of Commerce shall consider the risk of loss of competitive advantage in international commerce or other harm to United States companies as a result of such appointments.

(2) **Chair** – The Secretary shall designate a chair of each Advisory Committee, whose term as chair shall be for 3 years.

(3) **Timing Of Appointments** – Initial appointments to each Advisory Committee shall be made within 3 months after the effective date of the Patent and Trademark Office Efficiency Act. Vacancies shall be filled within 3 months after they occur.

(b) **Basis For Appointments** – Members of each Advisory Committee

(1) shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory Committee, and with respect to trademarks, in the case of the Trademark Public Advisory Committee;

(2) shall include members who represent small and large entity applicants located in the United States in proportion to the number of applications filed by such applicants, but in no case shall members who represent small entity patent applicants, including small business concerns, independent inventors, and nonprofit organizations, constitute less than 25 percent of the members of the Patent Public Advisory Committee, and such members shall include at least one independent inventor; and

(3) shall include individuals with substantial background and achievement in finance, management, labor relations, science, technology, and office automation. In addition to the voting members, each Advisory Committee shall include a representative of each labor organization recognized by the United States Patent and Trademark Office. Such representatives shall be nonvoting members of the Advisory Committee to which they are appointed.

(c) **Meetings** – Each Advisory Committee shall meet at the call of the chair to consider an agenda set by the chair.

(d) **Duties** – Each Advisory Committee shall

(1) review the policies, goals, performance, budget, and user fees of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory Committee, and with respect to Trademarks, in the case of the Trademark Public Advisory Committee, and advise the Director on these matters;



## Patent Public Advisory Committee 2009 Annual Report

- (2) within 60 days after the end of each fiscal year
  - (A) prepare an annual report on the matters referred to in paragraph (1);
  - (B) transmit the report to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and
  - (C) publish the report in the Official Gazette of the United States Patent and Trademark Office.

(e) **Compensation** – Each member of each Advisory Committee shall be compensated for each day (including travel time) during which such member is attending meetings or conferences of that Advisory Committee or otherwise engaged in the business of that Advisory Committee, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5. While away from such member's home or regular place of business such member shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.

(f) **Access To Information** – Members of each Advisory Committee shall be provided access to records and information in the United States Patent and Trademark Office, except for personnel or other privileged information and information concerning patent applications required to be kept in confidence by section 122.

(g) **Applicability Of Certain Ethics Laws** – Members of each Advisory Committee shall be special Government employees within the meaning of section 202 of title 18.

(h) **Inapplicability Of Federal Advisory Committee** – The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to each Advisory Committee.

(i) **Open Meetings** – The meetings of each Advisory Committee shall be open to the public, except that each Advisory Committee may by majority vote meet in executive session when considering personnel, privileged, or other confidential information.

(j) **Inapplicability Of Patent Prohibition** – Section 4 shall not apply to voting members of the Advisory Committees.

(Added Nov. 29, 1999, Public Law 106-113, sec. 1000(a)(9), 113 Stat. 1501A-578 (S. 1948 sec. 4714); subsections (e) and (g) amended Nov. 2, 2002, Public Law 107-273, sec. 13206, 116 Stat. 1904; subsection (i) amended and subsection (j) added Nov. 2, 2002, Public Law 107-273, sec. 13203, 116 Stat. 1902.)



**VII.D OCIO IT Supporting Details**

**High-Level OCIO Issues**

■ **Funding:** Due to a decline in patent fee revenue of \$224.1 Million (10.8% decrease) received by the USPTO over the course of Fiscal Year 2009, the OCIO was in turn subject to a 23 percent reduction in its budget in the amount of \$66 million. As expected, this reduction impacted broadly across many aspects of OCIO operations including compensation, operations and ongoing projects: both business unit projects and those covered under the Road Map – the focal point of the IT remediation efforts for the USPTO. The detailed impact of the reductions across these areas is as follows:

Program Area	Original Plan 1 October 2008 <small>[Millions Of Dollars]</small>	Actuals 31 September 2009 <small>[Millions Of Dollars]</small>	Reduction From Original Plan <small>[Millions Of Dollars   Percent Reduction]</small>	
Compensation	\$67	\$62	-\$5	-7%
Business Projects	\$44	\$7	-\$37	-84%
Road Map Projects	\$37	\$30	-\$7	-19%
Operations & Maintenance	\$140	\$123	-\$17	-12%
<b>Totals</b>	<b>\$288</b>	<b>\$222</b>	<b>-\$66</b>	<b>-23%</b>

- ◆ **Overall Impact:** Key areas that have been impacted by funding reductions include:
  - Organizational Strengthening – The Human Capital Plan was not adequately staffed
  - Disaster Recovery – The additional infrastructure servers and switches for the remote facility were not purchased
  - Desktop Stabilization – Desktop Management tool selection & core configuration deployment did not occur

For additional details about which programs have been affected by the funding reduction and the specific impact, please see the "Detailed Program Funding Impact" table below..

- ◆ **Road Map Impact:** The OCIO Road Map was developed in August 2008 to address many of the pressing issues facing the USPTO from an IT infrastructure perspective, and considered a critical element in executing against these initiatives. It was originally envisioned as a five year effort estimated requiring \$99.6 million in non-compensation investments for projects and \$62.5 million in non-compensation investments for capital equipment replacements. Due to the broader budget cuts at the USPTO, the Fiscal Year 2009 allocation for Road Map projects was reduced from the \$37M planned spend to a \$30M actual spend, a 19 percent decrease in available funds.

Among other impacts, the result has been the need to extend the completion of the work slated under the Road Map from the originally planned five years to seven years. With the average life of systems being approximately seven years, there is a heightened desire to complete the effort before that time to avoid having to immediately undertake a new Road Map. Extending the time of completion also extends the time over which the USPTO is to system performance issues and availability vulnerabilities. In addition, the reduction in OCIO funding has impacted the progress of necessary staffing to support the OCIO and necessary skill-sets.

The Road Map funding shortfall is expected to continue, at least in the near-term, as the post budget adjustment for FY 2009 *versus* FY 2010 comparisons for Road Map funding suggest:

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	Actual Spend (FY 2009)	Current FY 2010 Plan	Original FY 2010 Plan	FY 2010 <u>Reductions</u>
Road Map Projects	\$27,931.77	\$26,244.65	\$37,097.48	\$10,852.83 (29%)
Capital H/W Replacement	\$1,267.62	\$3,880.70	\$22,000.00	\$18,119.30 (82%)
<b>Totals</b>	<b>\$29,199.39</b>	<b>\$30,125.35</b>	<b>\$59,097.48</b>	<b>\$28,972.13 (49%)</b>

Greater detail on the specific programs and specific impact follows:

### Detailed Program Funding Impact

Program	Project	Reduction	Cause
Org Strength	Skills Development Training Plan (SDTP)	\$(1,018.96)	It was determined that employees would not have sufficient time to sign-up for and attend in FY 2009 the technical training envisioned with these funds.
Org Strength	Strategic Human Capital Implementation Plan (SHCIP)	\$(613.00)	Funding reduced due to budget shortfalls.
Process Standard	EPMS	\$(93.00)	Funding reduced due to budget shortfalls.
Data Center Stabilization	Physical and Logical Mapping of Data Center Components	\$(59.00)	Funding reduced due to budget shortfalls.
Data Center Stabilization	Fire Suppression System	\$(1,725.00)	The City of Alexandria plays a considerable role in approving such a system: Deferred to FY 2010
AIS Stabilization	Advantage Gen Development Upgrade	\$(350.00)	It was determined that an upgrade to Advantage Gen would not be the proper action to take.
Desktop Stabilization	Desktop Stabilization (DSV1)	\$(780.00)	Funding reduced due to budget shortfalls.
Desktop Stabilization	Technology Refresh Desktop Management (SW Tool Set) - TRDM	\$(1,186.00)	The level of effort required was determined to be a larger undertaking than expected: Deferred to FY 2010
Service Desk Stabilization	Service Desk Tool Suite	\$(90.00)	Funding reduced due to budget shortfalls.
Disaster Recovery	Disaster Recovery Program Planning and Coordination/Support	\$(40.00)	Funding reduced due to budget shortfalls.
Disaster Recovery	Data Bunkering	\$(81.50)	Funding reduced due to budget shortfalls.
Disaster Recovery	Disaster Recovery Infrastructure	\$(2,247.42)	Executed with fewer resources than planned.
Disaster Recovery	AIS Failover	\$(1,215.53)	A number of "foundational" tasks needed to be completed first: Deferred to FY 2010
Enterprise Architecture	SOA Strategy	\$(100.01)	Executed with fewer resources than planned.

#### ■ System Aging

- ♦ **Overview:** The USPTO is operating many of its key database systems on hardware and software platforms well beyond industry averages for platform age. Vulnerabilities to system availability, security breaches and system failures increase with system age, so this is an important focus of the OCIO efforts.

A primary initial focus of the Road Map is the identification and scheduled replacement of older technology. During the FY 2009 Road Map execution 79 new servers were installed replacing 110 servers. The following chart highlights the current distribution of servers by broad age category:

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Years of Service	Server Count	Percentage
Five Or More	553	36%
Less Than Five	1001	64%
	<b>1554</b>	<b>100%</b>

For a more detailed break-out of the system aging details:

Years of Service	Server Count	Percentage
11	11	1%
10	11	1%
9	71	5%
8	79	5%
7	118	8%
6	201	13%
5	62	4%
4	207	13%
3	290	19%
2	307	20%
1	141	9%
0	56	4%
	<b>1554</b>	<b>100%</b>

- ♦ **Plan & Progress:** Based upon an assessment of the systems, loading and priorities, the OCIO has established a prioritized list of technology (servers, storage, network equipment, operating software, etc...) that will be reviewed at the start of each budget year. This integrated plan will drive OCIO's continued investment in automated information systems ("AIS") and the technology that supports them.
- ♦ **Challenges:** Many of USPTO's software applications have a direct relationship and dependency with the technology infrastructure and the baseline software products that support that infrastructure. As such, the development of an integrated technology plan which marries the appropriate hardware and software with the proper staging is critical to the successful execution the OCIO revitalization program.
- ♦ **Kudos:** Prior to instituting the OCIO Road Map, on the order of 69% of the USPTO hardware servers were over five years old. That number has since dropped to 36% (or, 553 of the total 1554 servers) and raised the level of reliability, service and ease of maintenance for those systems – key accomplishments to be applauded and continued.

### ■ Platform Proliferation

- ♦ **Overview:** Over time, the USPTO has seen an enormous growth in the number of different platform configurations in operation at the USPTO. Attendant to this kind of highly variegated systems environment are myriad support, interoperability, and compatibility considerations that add to an already heavy IT load at the USPTO, and even have the potential to hinder introduction of new and more effective systems.
- ♦ **Plan & Progress:** OCIO has developed the first strategic plan (SITP) which will serve as a base for investments for FY 2010. Further, the USPTO is in the process of revising and revitalizing its Federal Enterprise Architecture standards to ensure that future systems are built and managed according to standards.
  - During FY 2008 – FY 2009, OCIO implemented a fully integrated Systems Development Lifecycle (SDLC) to provide overarching control for all development and deployment efforts to

## Patent Public Advisory Committee 2009 Annual Report

ensure that projects are managed to requirements; delivered on budget; built to standard; tested to ensure quality and deployed operationally ready.

- In FY 2009 OCIO also initiated an effort to implement the Information Technology Infrastructure Library (ITIL) standard. ITIL is an industry and government accepted set of operating and service standards that support the day-to-day engagement of the technology organization and the business community. USPTO has also enhanced its use of Configuration Management through the integration of a fully functional tool suite.
- ♦ **Kudos:** All of these OCIO efforts in concert promise to significantly reduce proliferation and complexity through processes the support and inform acquisition and development going forward.

### ■ Overall System Loading, Availability & Performance:

- ♦ **Overview:** As the law of unintended consequences suggests, the USPTO's increased hiring to accommodate examiner requirements has additionally put an increased load on what are already old and over burdened systems. Increased load on systems is not in and of itself a problem provided system capacity at least keeps pace with the load. If not, system availability and productivity both suffer.
- ♦ **Plan & Progress:** The collection of COTS products, homegrown systems, and sheer variety of technologies coupled with lack of consistent architectural or enterprise vision currently in place at the USPTO has rendered even simple changes both arduous and expensive. Through AIS Stabilization, OCIO made a concerted effort to analyze and review 10 percent of its systems to chart a short-term and long-term technical remediation path toward reducing complexity and raising quality.
  - **Quality Initiative:** A key objective of OCIO is shifting the focus from quantity to quality in its efforts. FY 2008 and FY 2009 each had 200 releases resulting in little more than basic enhancements and minor improvements to existing broken systems. In FY 2009 OCIO added code reviews as a quality step in releasing its systems resulting in fixes including 44 memory issues, 10 threading problems, and 10 averted security vulnerabilities. OCIO will continue this practice and institute additional standards to drive up quality and increase defect detection earlier and cheaper in its processes.
- ♦ **Looking Forward:** OICO is also establishing development and testing practices which will be built into all contracts to ensure receipt of consistent and industry best practice results from its contractors. OCIO instituted training and tools to monitor requirements, provide consistent development environments and build software so that metrics can be measured across systems.

### ■ Human Capital:

- ♦ **Overview:** Headcount at the OCIO had been steadily trending downward (7.5%) since 2001. Despite increasingly aggressive hiring efforts, consecutive yearly attrition rates of up to 12% resulted in compounded erosion of the employee skill-sets needed to meet the increasing demands on USPTO IT infrastructure. Declining revenues in FY 2009 resulted in an agency-wide hiring freeze and presented additional human capital challenges. In response, the OCIO concentrated workforce development on non-hiring "compensatory strategies" to mitigate skills gaps.
- ♦ **Plan & Progress:** As of 15 August 2009, the OCIO position headcount was 456 and the year-to-date attrition rate was 6.36%. As the end of the Federal fiscal year draws near, total attrition will be approximately 7% as compared to 12% in prior years. In FY 2009, the OCIO lost 29 people, but was able to complete 33 hiring actions. The majority of these hires were accomplished prior to

## Patent Public Advisory Committee 2009 Annual Report

the imposition of hiring restrictions. However, the USPTO recognizing the import of OCIO hiring in support of its mission, provided OCIO with the ability to make 11 exception hires. In addition, the OCIO employed the following compensatory strategies:

- **Optimal Resource Management:** Skills analysis techniques developed by OICO for training under the Road Map will be leveraged to improve the efficacy of future hiring efforts.
  - **Temporary Detailees:** In the interim, to address critical IT skill shortages, OCIO arranged for the temporary detail of 30 technical resources from the Patents and Trademarks business units.
  - **Training:** In FY 2009, the average number of hours training per employee was 24.4 hours. This more than doubled the prior year with only a modest 20% increase in training funding.
- ♦ **Kudos:** OCIO has made significant progress in its human capital capabilities in the face of funding and hiring constraints, including creative stop-gap measures, training efficiencies and optimizing the effectiveness of existing hires. In addition, the reduction in the attrition rate might well be attributed to a rise in the quality of the working environment within the OCIO as progress is being made and necessary skills are being developed – another positive step.
- ♦ **Requisites For Success:** To continue the progress in the human capital domain it's clear that OCIO and USPTO management should continue to work together to identify and execute against key hiring into critical areas within the OCIO.

**VII.E Federal Register Notice On Quality**

DRAFT PUBLIC NOTICE RE: Quality 10/05/09

[3510-16-P]

DEPARTMENT OF COMMERCE: United States Patent and Trademark Office

[Docket No.: USPTO-P-2009-00XX]

**Request for Comments on the Quality of Patents**

**AGENCY:** United States Patent and Trademark Office, Commerce.

**ACTION:** Request for Comments.

**SUMMARY:** The United States Patent and Trademark Office (PTO) has in place procedures for measuring the quality of patent examination, including the decision to grant a patent based on an application and of other Office actions issued during the examination of the application. In an effort to improve the quality of the overall patent examination and prosecution process, to reduce patent application pendency, and to ensure that granted patents are valid and provide clear notice, the USPTO would like to focus, *inter alia*, on improving the process for obtaining the best prior art, preparation of the initial application, and examination and prosecution of the application. The USPTO is seeking public comment directed to this focus with respect to methods to enhance the quality of issued patents, to identify appropriate indicia of quality, and to establish metrics for the measurement of the indicia. This notice is not directed to patent law statutory change or substantive new rules. It is directed to means for improving quality and reducing pendency within the existing statutory and regulatory framework.

**COMMENT DEADLINE DATE:** To be ensured of consideration, written comments must be received on or before [Insert date 60 days after publication in the FEDERAL REGISTER]. **No public hearing will be held.**

**ADDRESSES:** Written comments should be sent by electronic mail message over the Internet addressed to [patent\\_quality\\_comments@uspto.gov](mailto:patent_quality_comments@uspto.gov). Comments may also be submitted by mail addressed to: Mail Stop Comments--Patents, Commissioner for Patents, P.O. Box 1450, Alexandria, VA, 22313-1450, marked to the attention of Kenneth M. Schor and Pinchus M. Laufer. Although comments may be submitted by mail, the USPTO prefers to receive comments via the Internet.

The written comments will be available for public inspection at the Office of the Commissioner for Patents, located in Madison East, Tenth Floor, 600 Dulany Street, Alexandria, Virginia, and will be available via the USPTO Internet Web site (address: <http://www.uspto.gov>). Because comments will be made available for public inspection, information that is not desired to be made public, such as an address or phone number, should not be included in the comments.

**FOR FURTHER INFORMATION CONTACT:** By telephone: Pinchus M. Laufer, Legal Advisor, at (571) 272-7726, or Kenneth M. Schor, Senior Legal Advisor, at (571) 272-7710; by mail addressed to U.S. Patent and Trademark Office, Mail Stop Comments--Patents, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450, marked to the attention of Pinchus M. Laufer and Kenneth M. Schor; or by electronic mail (e-mail) message over the Internet addressed to [pinchus.laufer@uspto.gov](mailto:pinchus.laufer@uspto.gov) or [kenneth.schor@uspto.gov](mailto:kenneth.schor@uspto.gov).

**SUPPLEMENTARY INFORMATION:** This notice is directed to the quality of the examination and prosecution of patent applications in the USPTO and the quality of patents resulting from that examination and prosecution.

**I. PURPOSE OF NOTICE:**

The USPTO is responsible for the granting and issuing of patents. See 35 U.S.C. 2(a)(1). The USPTO examines patent applications to determine whether an applicant is entitled to a patent under the law, and issues a notice of allowance if, upon such examination, it appears that the applicant is entitled to a patent. See 35 U.S.C. 131 and 151. The USPTO examines applications for compliance with the applicable statutes and regulations, and for patentability of the invention as defined in the claims. See 37 CFR 1.104(a).

The USPTO is seeking to maintain and improve the quality of the examination of patent applications and patents resulting from that examination.

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A quality patent is defined, for purposes of this notice, as a patent (a) for which the record is clear that the application has received a thorough and complete examination, addressing all issues on the record, all examination having been done in a manner lending confidence to the public and patent owner that the resulting patent is most likely valid; (b) for which the protection granted is of proper scope; and (c) which provides sufficiently clear notice to the public as to what is protected by the claims. The present quality improvement effort has, as one goal, reduction of overall application pendency and is thus also directed towards identifying quality issues that give rise to process inefficiencies. The term "quality patent" as used herein does not include the economic value of the resulting patent, which is a result of market conditions and not the patent process itself. Rather, providing the strongest quality patent possible in the shortest time permits making the best use of a patent, given any set of marketing conditions.

Maintenance and improvement of the quality can reliably be achieved by a four step process:

- (1) Identification of the key aspects of the examination process that affect quality. These key aspects are the quality items - i.e., activities and actions carried out by the USPTO, by the applicant, or by both;
- (2) Identification of indicia of the presence (existence) of the desired quality items;
- (3) Establishment of a process that can meaningfully measure such indicia (establishing the metrics that can measure the indicia); and
- (4) Establishment/modification of policy and USPTO operations to optimize successful performance of the quality items (activities and actions carried out) to bring about desired improvements in patent quality and reductions in patent application pendency.

The patent community is being requested to comment on items that affect patent quality, as well as addressing patent process inefficiencies with the aim of simultaneously improving patent quality while reducing overall application pendency. It is preferred that comments be provided in the manner set forth in the "Public Comments Requested" section of this notice (which immediately follows this section) and address the criteria for evaluating such comments set out below in section III of this notice. In this regard, the USPTO is seeking comments from the patent community on improved methods of identifying indicia of existing quality items, and additional metrics for the measurement of indicia of existing quality items. Improvement to the monitoring of existing quality items should include methods of more reliable and efficient monitoring, as well as methods for making procedural changes based on the results of the monitoring. The USPTO desires to assess whether existing measures are reflective of the quality items they are designed to measure, how these measures can be improved upon, whether other measures could better assess the same quality items, and whether there are other aspects more indicative of quality that can be readily measured and used to improve quality and reduce application pendency.

The patent community is also being requested to comment on suggested quality items of particular interest identified below in Section V of this notice by which the examination process can be meaningfully enhanced, or to suggest other key quality items; to identify appropriate indicia of quality provided by the quality items; and to establish metrics for the measurement of the indicia. These quality items of particular interest, which will be discussed below, include (but are not limited to) identifying and analyzing the best prior art and evidence bearing on patentability, facilitating the presentation of the positions of the USPTO and the applicant to each other, coming to a definitive resolution of the issues that are presented which resolution is clearly stated, and presenting a clearly identified scope of the patent coverage, to provide the strongest quality patent possible in the shortest time.

### II. Categories of Public Comments Requested

For ease of organization and analysis, the areas for which the Office is requesting comment by way of this notice is divided into specific categories. The categories for which public comments are solicited are as follows:

Category 1 - Quality measures used: The USPTO is specifically requesting feedback on the quality measures that it is currently using, and new measures that it may adopt in the future. As to quality measures currently in place, the USPTO desires to assess whether these measures are reflective of the quality items they are designed to measure, whether these measures can be improved upon, whether other measures could better assess the same quality items, and whether there are other aspects more indicative of quality that can be readily measured.

Additionally, areas in which the USPTO is particularly interested are those of (A) finding the best prior art, (B) obtaining a comprehensive initial application, (C) providing a comprehensive first Office action on the merits including a clear

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explanation of all issues raised, (D) obtaining a comprehensive and clear response to Office actions on the merits, and (E) proper use of interviews. These are discussed in Section V of this notice. The public is invited to comment on those areas, including suggesting modifications of the USPTO's suggestions. In addition, the public is invited to suggest other areas of the process which are believed to have a significant bearing on quality. Any such suggestions should be accompanied by an explanation of the basis for the belief that the suggested area(s)/modification(s) has/have a significant bearing on quality.

The USPTO is requesting that such feedback be provided in terms of the following information:

A. Identification of the key items, i.e., the activities and actions that are carried out by the USPTO, by the applicant, or by both that bear on quality. What is the nature of activity, action, or conduct that increases quality, and why is it believed to do so?

B. Identification of indicia of the presence of the desired quality items. How do the proposed indicia show that the desired activities and actions were indeed carried out, and show the quality or effectiveness of that activity performed by the USPTO and/or the applicant?

C. What metric(s) should the USPTO use to measure each indicium, and what is the nexus between the measured indicium and the metric(s) used (why is the existence of the indicium proved by the metric)? Based on that nexus, why is the proposed metric believed to provide a practical combination of reliability and efficiency?

Category 2 - Stages of Monitoring: With a view toward reducing patent pendency, the USPTO is considering the monitoring of quality at each step, or at as many steps, in the patent application, prosecution, and examination processes as is feasible, and as close in time to when the step whose quality is being measured is performed as is feasible. The USPTO is specifically considering monitoring quality at each of the following stages of the patent application and examination process: (1) when the application is filed in the USPTO; (2) when the initial search for the application has been completed; (3) when the first Office action for the application has been completed; (4) when an interview for the application has been conducted; (5) when a reply to the first or any subsequent non-final Office action has been filed; (6) when an Office action (non-final or final) or notice of allowance in response to a reply to a non-final Office action has been completed; (7) when an after-final submission has been filed; and (8) when an appeal brief or other appeal-related paper as been filed.

The USPTO is requesting comments on the choice of these stages, and the practicality of measuring quality at each one of these stages. It is requested that the public point out at what step or steps in the patent application and examination process the USPTO should measure the quality obtained by the identified activity, action, or conduct that increases quality. While measuring quality at each stage may yield much information, it seems credible that increasing quality of the application in the early stages would be most effective in reducing pendency, and the USPTO is seeking comment on this hypothesis.

The public is also invited to provide information on how quality is affected by action taken in the above-identified eight stages, or in other stages in the patent application process and to identify the nature of activity, action, or conduct that increases quality in that stage – such information would be included as "other areas of the process which are believed to have a significant bearing on quality" in the comments responding to Category (1) of this section. Also included would be how the USPTO should measure the quality obtained at each such step, and the nexus between the targeted quality aspect and the measured indicia of the activity, action, or conduct that increases quality in that stage.

Feedback from the USPTO: In connection with this category, the USPTO is requesting input on the timing of the USPTO's assessment and reporting of various measures of quality in relation to the stages of monitoring. For example, should the USPTO await final disposition of the application before reporting on the quality measure obtained for that application? Or, would there be a practical, cost-effective way for the USPTO to report quality measures, during certain identified stages in the proceeding to be identified in the comments (with an explanation of why it would be practical and cost-effective)?

Category 3 - Pendency: The USPTO is also requesting comments on whether the quality of the prosecution and examination of the application and quality of the resultant patent can be improved at the same time as reducing the overall pendency of an application. This category also includes input on how the use of continuing applications (continuations, voluntary divisional applications) has affected overall pendency and quality. For example, where specific claims are allowed in a given application, does the filing of a continuation application to address the broader rejected



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claims add to or detract from the quality of prosecution and examination of the applications and the quality of the resultant patents?

Category 4 – Pilot programs: The USPTO is interested in receiving feedback regarding the effect on patent quality and examination quality resulting from various pilot programs (e.g., Peer-to-Patent, Pre-Appeal Brief Conference Pilot, First Action Interview Pilot, Continuing Education for Practitioners (CEP) Pilot) either expired or currently in effect. This quality effort does not include at this time providing selection options for different examination procedures such as deferred examination. Input as to what metrics could be used to measure enhancements of quality due to any of these pilot programs is also solicited.

Category 5 – Tools for achieving objectives: The USPTO is requesting identification of existing tools which are, or can be made, available to users and the USPTO to enhance the quality of the USPTO's processes. Such would include, for example, software tools that will provide meaningful monitoring, search tools, claim analysis tools, and case law identification tools. In addition, the USPTO is interested in data mining tools to help monitor its quality items and other useful statistics.

Category 6 – Incentives: The USPTO is requesting comments on means to incentivize applicants and Office personnel to adopt procedures and practices that support the achievement of patent quality. It is recognized that additional efforts to increase patent quality may have associated costs or cost savings.

The criteria used to evaluate comments and proposals are set out below in section III which immediately follows. Comments should consider these criteria and address them as best possible to enhance the value and impact of any proposals and comments.

### III. Criteria for Evaluating Comments and Proposals:

Public input which is received will be evaluated in terms of:

- a) The feasibility of implementation of each proposed enhancement;
- b) The relative value of the proposed enhancement -
  1. Will it affect a statistically significant number of cases, as compared to other suggestions?
  2. Will there be any negative consequences of proposed enhancement to the Office and practitioners that could outweigh the benefits of its implementation?
  3. Will cost/expenditure in Office resources outweigh the benefits of its implementation?
- c) The ability to provide clear indicia of successful quality enhancement, and metrics that will meaningfully measure the results of such enhancement -
  1. Are there associated metrics that accurately reflect the indicia?
  2. Are there indicators associated with the metric that are capable of accurately reflecting meaningful progress?
  3. Do the indicia and metrics reflect a behavior that can be, in response to its being tracked, affect a statistically significant number of cases or apply only to certain technologies?
- d) Practicality of implementing a process to obtain data reflecting the indicia, including –
  1. Will cost/expenditure in Office resources be too much or how should it otherwise be paid for?
  2. Will the tracking of the metric require major overhaul of USPTO internal process in order to gather the appropriate data?
  3. Will there be any negative consequences of using the indicia or its metrics to the Office and practitioners (e.g., chilling affect on other actions taken) that could outweigh the benefits of its use?

### IV. Background for the Requested Information

#### A. Current Quality Monitoring:

The Office of Patent Quality Assurance (OPQA) currently conducts in-depth reviews of examiner work products, evaluates findings, and assists the Patent Examining Corps in the development and implementation of quality improvement initiatives. The OPQA reviews are currently used to generate the official USPTO examination quality metrics. Prior to fiscal year 2005, the USPTO official quality metric was directed to only the final output of the examination process: an allowed application. The USPTO now has two official metrics of examination quality: (1) the Allowance Compliance Rate (the final output); and (2) the In-Process Review (IPR) Compliance Rate. Thus, OPQA's

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current quality reviews focus on actions within the USPTO's control in the patent process: namely the quality of the decision to allow an application and the quality of the Office actions issued during the course of examination of an application.

Allowance Compliance is determined by performing a review of a randomly selected sample of allowed applications drawn from all Technology Centers. The reviews are conducted on applications after a notice of allowance has been mailed in an application but prior to patent grant. The focus of this review is on the examiner's decision to allow the application. If any allowed claim is found to be unpatentable for any reason provided in the patent laws, the allowance of the application is considered to be in error. The review findings are reported as the Allowance Compliance Rate, which is the percentage of reviewed applications whose allowance is not considered to be in error. In addition to the assessment of the patentability determination for the claims, the record is reviewed for completeness and clarity and to ensure compliance with procedural and formal matters. The review also evaluates the quality of the examiner's search.

IPR Compliance is determined by performing a review of a randomly selected sample of applications containing Office actions issued prior to allowance or appeal of an application, primarily non-final and final Office actions, drawn from all Technology Centers. The focus of this review is on indicators of quality that were determined on the basis of feedback from patent practitioners obtained prior to the development of the IPR program and includes, but is not limited to, determining: (1) whether the rejections made in the Office action are proper; (2) whether the Office action fails to include rejections that would have been appropriate; (3) whether the examiner has responded to all matters of substance in the applicant's reply; (4) whether the examiner has clearly set forth his or her reasoning; (5) the propriety of the finality of a final Office action; (6) the propriety of any restriction requirement; (7) the quality of the search; and (9) the propriety of the examiner's handling of formal matters. If there is a clearly erroneous action on the part of the examiner that would cause the applicant or USPTO unnecessary rework or expense in the examination process (such as a clearly erroneous rejection of a claim, failing to include an appropriate rejection where institution of the rejection would necessitate an additional Office action, failure to substantively treat applicant's reply, or improperly making an action final), the action is considered to be an error. The review findings are reported as the IPR Compliance Rate, which is the percentage of reviewed applications in which no clearly erroneous action is found.

Information obtained through the various reviews is analyzed to identify trends in examination quality, areas where improvement is needed, and strategies for gaining improvements.

### B. Looking to the Future in Quality Monitoring:

The USPTO has, in the past, reviewed quality studies obtained from the public and those generated internally, and it has included the input from such studies in its effort to continually improve the quality examination process. Recently, however, the USPTO has received feedback that its current quality measures do not accurately measure the quality of patents issued by the USPTO or the quality of the USPTO's examination process. In addition, the USPTO has received feedback that some measures it has taken to improve the quality of the patents it issues have resulted in prolonging the prosecution of applications. The USPTO is continually seeking ways to improve the quality of its examination of patents, to improve the means used to measure that quality, and to reduce application pendency. Thus, the USPTO is seeking public input (as above requested in Section II of this notice) on the best ways to improve quality, and measure that improvement, without extending the examination/prosecution process, and in fact to shorten the process. It is preferred that the improvements proposed should be directed to (a) ways of identifying and analyzing the best prior art and evidence bearing on patentability and presenting that information "up front," (b) a clear presentation of the positions of the USPTO and the applicant to each other at each stage of the process, and (c) coming to a definitive resolution of the issues that are presented which resolution is clearly stated, and presents a clearly identified scope of the patent coverage. Comments that focus on specific issues which apply to certain technologies are also solicited.

### **V. Some specific areas of particular Office interest, addressing shared responsibility**

Enhancement of the process and its quality, as well as monitoring of same, are best accomplished when process changes are a product of input from the USPTO and from the public patent community, as a shared responsibility stemming from the partnership between the patent community and the USPTO in the patent process. This notice is focused on that shared responsibility. In that context, and in the interest of making this request for comments more focused for subsequent action, five specific areas in which the USPTO is particularly interested in receiving comments will now be discussed. The completeness and quality of action taken in these areas prepares the application for an efficient and reliable conclusion in its evaluation, and furthers the goal of providing valid patents.

This notice makes no representation that these five specific areas are the only areas where quality can be improved. The USPTO welcomes any further suggestions to address the details of improving quality in the five areas specifically

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identified below, as well as suggestions to address any other specific areas of concern which may be included in this or follow-up quality improvement efforts.

### 1. Prior Art:

Recognizing the essential need for having the best prior art before a patent examiner during the initial examination of a patent application to the quality of the examiner's decision on the patentability of the invention as defined in the claims and the ultimate validity of a granted patent, the USPTO provides specific instructions to examiners for identifying the most pertinent prior art for an application. These instructions are designed to furnish patent examiners with sufficient information to make appropriate novelty and non-obviousness determinations.

Examiners are instructed to conduct "a thorough investigation of the available prior art relating to the subject matter of the claimed invention." See 37 CFR 1.104(a). More specifically, the Manual of Patent Examining Procedure (MPEP) instructs examiners that prior art searches are to include not only the field in which the invention is classified, but also analogous arts. See MPEP § 904.01(c) (8th ed. 2001) (Rev. 7, July 2008).

To assist examiners in obtaining the best prior art, the USPTO has invested a substantial amount of resources in the search and retrieval of a wide variety of prior art documents. Patent examiners can readily search classified files, microfilm, and CD-ROMs, comprising United States patents, foreign patent documents, Patent Cooperation Treaty (PCT) publications, as well as a large selection of non-patent literature, including technical journals, books, magazines, encyclopedias, product catalogues, and industry newsletters. In addition, patent examiners have access to in-house and commercial online databases providing convenient access, from their desktop, to millions of United States and foreign patent and non-patent literature documents. Furthermore, all patent examiners have access to the Internet to search relevant Web sites for prior art.

The most rapidly changing technologies, for example, in the telecommunications and the computer-related arts, present challenges in searching and identifying the most relevant prior art. This is because often the best prior art with respect to these emerging technologies is available as non-patent literature months to years before it is available in the form of United States or foreign patents. Accordingly, searching the non-patent literature in rapidly changing technologies is vital to the quality of the patentability determination. To ensure complete coverage, the USPTO is working on assembling a larger, more complete non-patent literature prior art collection in emerging technologies and is working on providing patent examiners with better access to non-patent literature in new areas of technology, as new areas continue to emerge.

In addition to the prior art uncovered during the search conducted by the examiner, applicants have a duty to submit all information known to them to be material to patentability of the claims. See 37 CFR 1.56. Applicants are also encouraged to review certain types of information, e.g., prior art cited in search reports of a foreign patent office in a counterpart application, to ensure that material information is disclosed to the USPTO. See 37 CFR 1.56(a)(1) and (a)(2). It is also helpful for applicants to perform a search on the disclosed invention prior to drafting claims for presentation for examination. This applicant contribution is important to high quality patent examination because inventors often are in the best position to be aware of the state of the art and are in possession of, or have access to, the most pertinent prior art. The quality of patent examination increases when applicants assist the examiners in identifying prior art information, particularly non-patent literature, which is material to patentability. This is especially so when the information is identified to the USPTO as early as possible in the examination process, so that issues can be clarified, defined and resolved at an early stage in the examination process.

Given the above, comments are being solicited to improve upon the performance of the shared responsibility of applicants and USPTO in identifying relevant prior art. In this regard, the USPTO would like to address the difficulties involved in locating the best prior art, and any perception that the best art is not being found with particularity regarding gaps in certain technology areas. Comments are also being solicited regarding search techniques and procedures which can improve the success of identifying relevant prior art, as well as how the parties' efforts in bringing this about can be better achieved and measured. Comments are further being solicited how the success of identifying relevant prior art can be measured, as well as how the parties' efforts in bringing this about can be measured.

### 2. Comprehensive Initial Application:

The patent acquisition process is best streamlined when the applicant presents a comprehensive initial application. It is suggested that such an application could include the following elements.

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Applicant's representative practitioner would present a reasonable number of claims upon filing that cover the broadest and narrowest claim coverage the application clearly supports under 35 USC 112 and the applicant is willing to accept. The claims would be drafted taking into consideration the relevant prior art and evidence available, and the closest prior art (e.g., 5-10 most relevant references) and evidence would be presented to the Office as early as possible.

Applicant's representative practitioner would present a clear and complete specification that provides clear written description and support that provides antecedent basis for all claim language. The specification would be readily understandable, with terms or phrases that are not clearly defined in the state of the art having special definitions so that the applicant, examiner, and the public share a common understanding of scope of the specification and claims,

Comments are being solicited as to the various aspects of the initial application. In addition, input is sought as to what guidelines the USPTO can disseminate, to best assist applicants in preparing applications in a manner that the USPTO can most efficiently and completely examine the applications; and how the completeness of filed applications can be measured. In particular, the Office is interested in suggestions as to what features of an initial filing can be used as indicia of the quality and completeness of the submitted application and how to measure the effect these indicia have on pendency of the application and quality of the final result.

### 3. Comprehensive First Office Action on Merits, With Clear Explanation of All Issues:

After reviewing the entire specification in detail, the examiner construes the claims and searches the disclosed invention defined by the claims as construed. The examiner then reviews the entire application for compliance with all the relevant statutory and regulatory requirements, and communicates his/her findings to the applicant in an Office action on the merits. The examiner provides a clear explanation of all issues in the Office action. See 37 CFR 1.104(a).

A comprehensive initial Office action (which is geared toward eliciting a comprehensive response from applicant) is important to streamline the effective resolution of issues between applicant and examiner. It is suggested that initial Office action could include the following. When warranted, the examiner may explain in the Office action the examiner's claim construction as compared with the scope of the disclosed invention, and how the prior art is being applied to the claims. In those instances, the examiner would explain how the prior art is applied against the claims given their broadest reasonable claim construction, as that construction was explained by the examiner. The examiner would also apply the prior art to the claims, as they may be interpreted in light of the specification. The examiner would point out any issues of claim clarity and support for the claims (as well as any other statutory or formality deficiency in the claims and disclosure as a whole), and how to address the issues, as appropriate.

It is contemplated that examiners be explicitly instructed not to always rely solely on form paragraphs, and to modify any form paragraph used, when such is appropriate to a given situation. In general, when using a form paragraph, the examiner should be familiar with any statutory, regulatory, and case law cited in the form paragraph and discuss it in detail as it applies to the specific facts of the case.

It is also contemplated that the Office action would be structured to not only clearly define the issues that are raised, but also to explain any subtleties that an applicant might not recognize. Likewise, the action would not only respond to all points made by applicant, but also would address applicant's assumed logic on which those points were based. Finally, the action would provide suggestions to resolve any issues, whether clearly raised or not, that the examiner believes can and should be resolved, to facilitate the process and resolve issues at the earliest point possible.

Comments are being solicited as to the aspects of the initial Office action that will enhance quality, how one can measure the particular suggestions, whether any aspect of the suggestions should be mandatory or be otherwise procedurally handled, and further addresses the cost impact and how and whether any resultant additional costs to the system of implementing the suggestions can be dealt with or whether the costs exceed the perceived benefits. Comments are also solicited as to how examiners can best communicate the information discussed above, to best assist applicants in responding to Office actions; and how the success of that communication can be measured.

### 4. Comprehensive and Clear Response to Office Action on the Merits:

Following the Office action, the process is most efficiently advanced when the applicant's response presents all the information at applicant's disposal bearing on the patentability of the claims and desired issuance of a patent. It is desirable that the response place the application in a position where applicant has addressed all the examiner's points as well as all of applicant's needs, while at the same time preparing the application for final resolution of the issues. It is suggested that the response include the following elements.

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In responding to the Office action, applicant would address the examiner's explanation of claim construction to the extent it is given, including explaining any disagreement between the USPTO and applicant as to the claim construction. After reading the USPTO's position in the Office action, applicant would provide all needed independent and dependent claims to cover all aspects of coverage desired - prior to the need for a final Office action; this set of claims should include claims that would result in the coverage desired should the examiner's claim construction be adopted (i.e., define patentability over the examiner's claim construction and the examiner's overall position). Applicant would not assume that arguments directed to independent claims will be persuasive, but rather would also argue all meaningful dependent claims individually and explicitly point out which limitations do define patentability, and which do not. Also, all evidence to address the examiner's position would be presented as early as possible and before final Office action; it should not be assumed that if applicant's arguments are not accepted, the evidence can later be presented.

Comments are being solicited as to the various aspects of the above suggested response. In addition, comments are being sought as to what guidelines the USPTO can disseminate, to best assist applicants in preparing responses in a manner that the USPTO can most efficiently and completely resolve issues, and bring the examination of the application to a rapid, yet comprehensive, conclusion; and how the success of this can be measured.

### 5. Proper Use of Interviews:

It is highly desirable that the examiner encourages, and is prepared to conduct, an interview whenever it will facilitate resolving ambiguities and issues, or will otherwise allow for a more effective examination.

As to applicant's role, it is suggested that (to obtain maximum benefit from the interview) whenever the practitioner requires clarification of an Office position, the practitioner have an interview on the application prior to submitting the response and after comments on Office actions have been received from the client. Before an interview, the practitioner would provide the examiner with an agenda for the interview, including copies of any proposed amendments, exhibits, or other information that would be beneficial to review in advance.

After the interview, both the examiner and applicant would independently set forth in detail what took place at the interview (as required by current procedure). Prior art, and other information/evidence discussed would be specifically identified and the points regarding the claim limitations and/or the disclosure and teachings of the references would be made part of the record. The response to the outstanding Office action would make reference to the points noted in the practitioner's interview summary. Likewise, the response would also address the examiner's interview summary, if it is already of record; if there is conflict with attorney's summary, that conflict can be explicitly noted and clarified as needed.

Comments are being solicited on how to improve upon the carrying out of the shared responsibility of applicants and USPTO in conducting meaningful interviews, to resolve issues at the interview, and to make the full substance of the interview of record; and how the effectiveness of the interview, as well as the completeness of its recorded summary, can be measured.

### **VI. Guidelines for Written Comments**

Written comments should include the following information: (1) the name and affiliation of the individual responding; and (2) an indication of whether comments offered represent views of the respondent's organization or are the respondent's personal views.

As discussed previously, the USPTO prefers to receive comments via the Internet. Information provided in response to this request for comments will be made part of a public record and may be available via the Internet. In view of this, parties should not submit information that they do not wish to be publicly disclosed or made electronically accessible. Parties who would like to rely on confidential information to illustrate a point are requested to summarize or otherwise submit the information in a way that will permit its public disclosure.

Date: 10-05-09

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David J. Kappos  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office

Supporting Draft Documents On The Quality Initiative

Topics:

- A. Federal Register Notice-Gather Input from Public on Enhancing and Measuring Patent Quality
- B. Outline of the Federal Register Notice
- C. Internal (PTO) Focus Sessions/Analysis, etc.
- D. Possible Quality Roundtable with Public Participation

**A. Federal Register Notice to Gather Input from Public on Improving and Measuring Patent Quality**

1. Draft a Federal Register Notice - "Request for Comments on Improving the Quality of Patents." (See Public Notice 10/03/09 draft)
2. Review, Finalize and Publish the Notice in the Federal Register, setting a period for public comment.
3. Collect the public's comments provided in response to the "Request for Comments" Notice.
4. Review, analyze, and evaluate the comments.
5. Prioritize the suggested improvements and "metrics" submitted in the comments based on at least:
  - a) Defining measurable criteria or indicia to meaningfully improve the quality of issued patents and reduce the pendency of patent applications.
    - 1) Prioritizing the criteria and metrics; properly linking them to maximize improvement, and estimation of statistical number of cases to be effected, and
    - 2) How will the metrics be used by the USPTO to demonstrate progress

The comments should also address:

the practicality and feasibility of implementation of the enhancements;  
the relative value of the proposed enhancements - the cost or any negative consequences of proposed enhancement to the Office and practitioners that could outweigh the benefits

6. (Possibly) Publish a Federal Register Notice of Intent to Implement Proposed Measures, based upon the analysis above. (may lead to a further round to refine proposals)
7. Implement proposals that show meaningful measurable benefits

**B. Outline of the Notice**

1. Title - "Request for Comments on Improving the Quality of Issued Patents".
2. Required Preliminary Information:
  - Agency: Patent and Trademark Office
  - Action: Request for Public Comments
  - Summary: The USPTO is seeking comments to obtain views of the public on issues associated with improving the quality of issued patents and reducing application pendency, identifying appropriate indicia of the improvements, and establishing metrics for the measurement of the indicia.
  - Comment Deadline Date
  - Instructions for providing Comments
  - Contact Information for further Information.

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3. "Supplementary Information: This section sets out the purpose and motivation of the Notice and what the Office expects from the process. It will have (at least) the following subsections:

### I. Background:

- a. Discuss the function of USPTO: Examine patents for compliance with the patent statute.
- b. State - The USPTO is continually seeking to maintain and improve upon the quality of its examination of patent applications and the patents resulting from that examination and to reduce the pendency of patent applications
- c. Give proposed examples, with explanation, of quality items – activities having potential to enhance quality, indicia of enhancement, and metrics to monitor the indicia.  
e.g., focus on identifying and applying the best prior art -
- d. Request public comments on the proposed examples of quality items, indicia, and metrics.
- e. Request public input re proposals of other quality items, indicia, and metrics.

### II. Issues for Public Comment

- a. List proposed examples of quality items, indicia, and proposed metrics for which USPTO is seeking comments and input.
- b. General call for other proposed quality items, indicia, and metrics from public. This to include an explanation of how these indicia reflect the quality of either prosecution or the final product, and how the metrics provide an accurate measurement of the indicia.

The request should identify specific quality indicia for the public to address:

Prior to filing

The drafting of an application

The associated prior art known and found

1<sup>st</sup> Examination (completeness, accuracy and clarity)

Response to 1<sup>st</sup> OA

Final Rejection

After Final (amendment/argument, examiner action) and continuing applications

Allowance (accuracy and clarity of allowance, including RFA)

- c. Ask for procedures for the process of obtaining the indicia of quality, and measuring the indicia.
  1. USPTO is looking for identifiable indicators of measurable quality indicators.
  - 2 All quality measures that would be tracked must be measurable as to their indicia, show a proven link to quality (or at least a reasonable basis for a link to quality, which can then be ascertained through review of data), and be a measure that could reasonably be attributable to a source that could be held accountable for that measure.

### III. Specific Questions for the Public to Consider when Providing Comments

Cost Effectiveness

Implementation

Effect on Applicants

Effect on USPTO process

Pendency and Backlog

What data needs to be collected

### IV. Guidelines for Written Comments

Boilerplate as to how to submit information, and what identifying and contact information should be included with the comments

C. Internal (PTO) Focus Sessions/Analysis, etc.

The USPTO and PPAC should set up a committee to brainstorm on quality indicia and related metrics that can reflect these indicia in a reasonably accurate manner. The team should include people familiar with examination quality (such as TQAs, or Directors, or SPEs), the reporting systems, and statistical methods and reliability. The team should also have a coordinator (support staff).

Focus sessions with patent managers, examiners, and support staff should be held to gather ideas and feedback on ideas. This will (a) generate more ideas, (b) give insight into how certain proposals will be dealt with in actual practice and (c) allow the committee to factor in data on effects on morale and what type of behavior a given proposal may incentivize or deter (either intended or unintended; positive or negative).

D. Possible Quality Roundtable

A quality roundtable could be conducted with a variety of practitioners and Office personnel. The roundtable could be subsequent to, or concurrent with, the internal focus sessions.

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Initial 3 Quality Metrics

1. Overall **pendency** in office

- time from initial filing to final o/a
- time from initial filing to allowance/appeal incl. continuations
  - was final o/a withdrawn
  - was there an appeal or refiling in resp to final
  - was there an interview in case
  -

2. Quality of **search and application of art**

- Did applicant identify closest art relied on by examiner
- Was new art found/submitted after initial examination?
  - Source of new art
- If case appealed/reexamined or litigated: was new art cited?
- Did Combination of prior art properly support unobviousness
- Were claims denied in Reexam or Federal Circuit on prior art grounds
  - Were grounds same or different from examiner

3. Quality of **claims and initial filed application**

- Were initial filed independent claims amended
  - In response to art
    - In response to 112 rejection
- Were allowed independent claims litigated
  - If so were claims invalidated – reason
- Were claim term elements defined in specification
  
- Did applicant conduct prior art search:
  - Was closest single reference and point of novelty identified

- Internal consistency: claim terms and specification
- Sufficiency of data and supporting description alignment with claims.