UNITED STATES PATENT AND TRADEMARK OFFICE

PATENT PUBLIC ADVISORY COMMITTEE MEETING

QUARTERLY MEETING

Alexandria, Virginia

Thursday, November 8, 2018

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P R O C E E D I N G S

(9:00 a.m.)

MS. JENKINS: We're ready. Good morning. We all ready to start? Welcome to the quarterly PPAC meeting. We will be running on time today, I have promised. Can you hear me? Yes, yes, good wonderful, wonderful. Welcome. Hi, I am MaryLee Jenkins, PPAC Chair and I am going to move very quickly today, so my only opening remarks are welcome and to pass the microphone literally to the Under Secretary Andrei Iancu to start our meeting. Welcome.

MR. IANCU: Thank you, that was a very efficient introduction and welcoming remark. Singular.

MS. JENKINS: Keeping my claims short.

MR. IANCU: Yes, so thank you very much and good morning everybody, good to see you all again. I do note that you have a very packed agenda and an impressive lineup of presentations today, so I'll try to move as quickly as possible myself. So, let me start by saying that earlier this week as many of you know, most likely, probably you all know Secretary Ross announced the appointment of Laura Peter as Deputy Director. She starts next week on November 13th. Laura is an experienced IP attorney and joins us from Silicon Valley and we very much look forward to welcoming her when she arrives on Tuesday.

I also want to take this opportunity to thank Tony Scardino for the great job he did as acting director during the transition period. Tony is an incredibly talented executive and dedicated PTO employee. He will now resume his duties as CFO and I look forward to his continued

leadership and involvement at the highest levels of the agency. And by the way, some of us were present last night, but for those of you who weren't, Tony received the prestigious Roger Jones Award last night and it was a very nice and well deserved celebration for him, so thank you Tony.

We are happy to report that President Trump signed the study of Underrepresented Classes Chasing Engineering and Success and Science Success Act, also known as the Success Act on October 31st, just a few days ago. This act will not only extend the PTO's fee setting authority to 2026 which obviously it's very important for our operations, but it's also aimed at promoting innovation for women and minorities in engineering and science.

At the USPTO since the last PPAC meeting back in August, we have been diligently at work on achieving a variety of goals, primarily focused on what I have been talking about with respect to predictability, reliability, of the US Patent -- in the US Patent System. So, let me cover some of those highlights, that we have been working on and

give you some thoughts about what we will be working on in the near future as well.

So, first of all, at the PTAB we issued new rules and guidance related to obtaining balance, consistency and transparency in post grant proceedings. I have recently spoken at the AIPLA Annual Meeting and you may have heard me outline there and summarize there the various things we have done. Let me do it again, here just briefly, so we updated the trial practice guide in August; we published two new standard operating procedures for the PTAB in September; we published a final rule on the Claim Construction Standards in October, changing the claim construction for post grant proceedings from the BRI standard to the Phillips standard that is used in district courts and the ITC. And we most recently published a proposal for an updated claim amendment procedure in AIA trials just a couple of weeks ago. By the way the new claim construction standards will apply to all petitions filed on or after November 13th which is coming up on next Tuesday. As to the new claim amendment proposal, we're currently seeking public comments. The

deadline for submitting comments is December 14, 2018, so I encourage all of you to take a look at the proposal and let us know what you think.

The various changes we have implemented at the PTAB, plus the amendment process we have proposed and will follow-up on, follow the goals that I outlined several months ago, when I first came to the PTO. So, we now need to access carefully the implementation and stakeholder reaction to these various new changes. The overall goal is to take a holistic approach for the PTO obviously, but just in general for the patent system in the United States and fully implement the intent of the AIA and achievebalance in the system. So, in general, we want to increase predictability, improve transparency, and achieve a well-balanced process that is fair to all. So, with that in mind, we want to take some time now and see what the reaction is to the various changes; monitor them very carefully; and, make sure that the system is stable and stabilized and we do achieve the needed certainty and predictability. So, in terms of major initiatives, those were the ones that we have

worked on. And for now, we need to now see how those get implemented.

Finally, on the PTAB as you probably know, we are in the process of hiring a new chief judge. The application process -- the application time frame is now closed and we are reviewing the various applications we have received, and my understanding is that we have received quite a few applications from highly qualified individuals, both internal to the PTO and from the outside.

Okay, so another area that we are trying to provide increased clarity on is patentable subject matter eligibility under Section 101. To this end, we have been providing guidance to the examiners in the past -- in the past few months, but we do know that more guidance is needed. So, in April we issued the Berkheimer -- what's come to be known as the Berkheimer Memo which addresses step two of the Alice Mayo Test. Specifically, this explains to the examiners how to support and document their determinations of what is deemed to be conventional under the Supreme Court test. Then, in June we issued further guidance with

respect to method of treatment claims, the so called Vanda memo, this explained to examiners the method of -- that method of treatment claims maybe patent eligible, if they are directed to a practical application of a natural relationship. So, we continue to strive to create consistency and increased the clarity through the guidance and we are looking and working -- we're looking to issue and working on new guidance within the next few months to address the rest of the Alice Mayo test.

In a speech at the IPO Annual Meeting, I outlined the various considerations for the guidance -- new guidance we are working on right now. So, generally speaking, at a high level, we want to synthesize the various cases -- court cases to identify categories of ineligible matter. We then would consider a practical application of such matter eligible. Finally, we are also considering further Section 112 guidance to improve the applicability of that aspect of the law.

So, clarity and predictability are essential to foster innovation and to allow inventors and investors to reasonably rely on the patent grant, and I do believe that the new guidance we are working on would achieve those goals. We are also focusing our efforts on improving the initial search and availability of the best prior art to our examiners. This aspect takes a variety of forms and we are working on it from a whole host of different ways. But overall presenting more comprehensive prior to the examiners up front will led to more efficient examination; decrease in the information gap between the examination phase and the later challenge -- or litigation phases during the life of a patent; and, increase the reliability of the patent grant overall. This can go a long way toward improving the quality of the initial examination.

We have been working with the efforts by a number of industry groups such as CISCO and MIT with respect to a new prior art archive that they have established. We are also working internally on a whole variety of initiatives to improve the

search for prior art including increased training, increase collaboration, and improved tools for search. To that end, we are also working diligently on potential artificial intelligence tools for the search aspect of our examination. This -- all of this is a long-term project, long-term goal, but rest assured that we are working very diligently on that, I think it is a high priority for the PTO and our attention to the quality of the grant.

Speaking of artificial intelligence and our IT systems in general, we are well aware of the recent IT challenges that our customers have encountered such as the palm outage in August, I've spoken about that in the past. Our legacy systems are old and it is time -- it is indeed, well beyond time frankly, to undertake a fundamental modernization effort and we are doing so. To this end, we are conducting a wholesale review of all of our technology resources and are in the process of changing over our oldest infrastructure. Consequently, we're taking a broad fresh look at our IT systems top to bottom. We have assembled a task force of USPTO leaders

and are all so working with outside consultants to tackle this issue head on as quickly as possible. No options are off the table when it comes to the modernization of these vital IT systems and we are working on this right now as we speak.

We have a unique opportunity in my view, to help us fundamentally transform our IT systems and transition to state-of-the art technology. We also continue to work on releasing our Next Gen Systems such as Patent Center which will modernize our transaction systems by combining EFS web and PAIRin a single interface.

Finally, as you probably know, in this area as well, we are also in the process of hiring a new chief information officer and that application process is also closed. We have received a record number of applications, both from inside government and from industry. It has -- the numbers are remarkable and we are in the process of reviewing those applications. I probably shouldn't have said finally there. A new finally with respect to IT, we have just released a new redesigned home page for USPTO.gov. In

addition to improving the ease of navigation, the new home page focuses the dialogue on innovation and the amazing stories of how technology helps to shape our world. The new modern looking page will include an inventor feature story at the top of the page where we will highlight a new innovator or entrepreneur approximately each month. Watch for our featured historical inventor Harriet Strong coming up next month.

More work needs to be done on our website beyond the front home page and we are working on the rest of the website and the inside pages as well. And I ask all of you to help us test them and let us know what you think of the various pages and how you would like us to improve them. So, at the very high level these are just a few of the issues we focused on here at the PTO in the recent months. And I know that you will hear about them in greater detail throughout the day-to-day, I encourage you to ask questions of all the presenters and we really hope that all of this information is helpful and informative. As always, we very much welcome your comments,

questions, and feedback throughout the day-to-day, but everyday really on an ongoing basis.

So, I'd like to thank all of you once again, members of the PPAC and the public for all of your hard work and contributions to improving the patent system. You serve a significant role in ensuring that a goals, policies and performance of the USPTO are in the best interests of all of our stakeholders across the spectrum. And the guidance that you've provided on a number of issues have been -- has been invaluable. I look forward to continuing the dialogue and receiving further guidance on all of the work that we do here at the PTO. So, I look forward to that continued collaboration. Thank you for the opportunity to be here with you today and have a great rest of the meeting and if you would like I would be happy to answer any questions.

MS. JENKINS: Let me just -- very rarely do I ever put my PPAC Chair hat on, but I am going to do it for this. On behalf of the PPAC we greatly appreciate all your efforts. He has certainly come out of the gate fast and have had

may new initiatives that you have included us on and we have been able to provide input and as chair and on behalf of my fellow committee members, we thank you for this opportunity. One of the things that folks have listened to us for several years have heard me say is, I would like to move the PPAC from being a reactionary committee to an advisory committee and I do greatly thank you, because I feel over the past brief period of time that you have been Director, you have allowed us to do that. So, on behalf of my fellow members, we thank you for this opportunity and we look forward to all the new opportunities that we know you are going to continue to push and implement on behalf of the PTO and the stakeholder and user community, so...

MR. IANCU: Thank you -- thanks Marylee and I really do appreciate the collaborative work. The input you all give is truly valuable and important for us.

MS. JENKINS: Any questions from members before we move on?

MR. THURLOW: So just -- Andrei thank you and I echo all of Marylee's comments, of course. You mentioned a prior art initiative. Are you working with CISCO, a great company and MIT and many others? There was a gentleman, Sean Riley, a couple of years ago that spoke also doing work at the PTO and the patent quality initiative trying to bring prior art to the office. Are you looking for more companies to join that because I think there would be a great deal of interest in a lot of companies wanting to do work with you on that. So, if a patent (inaudible) because of prior art that should be found by an examiner, I think that would be something to consider.

MR. IANCU: Yes, absolutely. I think that every company that has non-patent literature that is publicly available I think it would be very valuable to the entire system for it to be deposited in a database that collects prior art -- such as the prior art archive that Dan Lang, member of the PPAC has been working on with others. Whether it's that archive or some other archive it's important to collect it. It would be preferred -- preferable for it to be all in one

place. Frankly, or a couple of discreet places so that our examiners can easily go to one place, so whether there is the prior art archive that is hosted by MIT, or something else, I think that would be important to do and I do encourage all the companies out there that have such public information and want to see an improvement in the available prior art and the quality of the patent examination for them to deposit it.

MS. JENKINS: Just to be clear, I saw Dan grimace just a little bit. CISCO was providing that, not personally Dan Lang. (Laughs)

MR. IANCU: Yes, that's what I meant.

MS. JENKINS: Anyone else with questions? No, we know we have a very busy schedule. Thank you so much and again we greatly look forward to the coming year. We are already planning as many of you know me, I like to do that. So, I look forward to the next initiative of the coming year so, thank you.

MR. IANCU: Thank you.

MS. JENKINS: We are going to move forward with a couple of procedural comments.

We've changed up and this is to, I commend the director, he's been very supportive of letting us change our format. If you see the agenda has -- is different than it used to be. We are very specific, we go into more detail on topics and we are always looking to get the user community engaged to watch this vital information that the PTO is delivering to the stakeholders. So, any suggestions you have for the coming year are appreciated. We just finished, hot off the presses, our annual report with a snazzy cover, thank you, Jennifer. And addressing many of the points that Andreii mentioned during his opening remarks with recommendations. One of the things that we are going to look to for next year is based on a suggestion from Mr. Knight, is to not only look at our recommendations, but to see how we've done. So, we are going to hold ourselves accountable as well as PTO about the things we have been proposing in our annual report. Another new item to the agenda for today's meeting, because this doesn't come out until the end of November and our next PPAC meeting is not until February. Each committee member will be providing

a short summary of their section before their topic. So, everyone's so thrilled with that. So, with that let us go through and introduce everyone and then we will jump right in to legislative because Dana is first on that topic. So, Pam, you want to introduce an go around and then Dana will start. Oh no, sorry Mike will start then Dana. Yeah.

MS. SCHWARTZ: I'm Pam Schwartz. I'm with the PPAC and Patent Office Professional Association.

MR. SEARS: Jeff Sears, PPAC.

MR. KNIGHT: Bernie Knight, PPAC.

MS. CAMACHO: Jennifer Camacho, PPAC.

MS. MAR-SPINOLA: Julie Mar-Spinola, PPAC.

MR. LANG: Dan Lang, PPAC.

MR. THURLOW: Peter Thurlow, PPAC.

MR. WALKER: Mike Walker, PPAC.

MS. JENKINS: Marylee Jenkins, PPAC.

MR. HIRSHFIELD: George Hirshfield, Commissioner for Patents.

MR. BAHR: Bob Bahr, PTO.

MR. SEIDEL: Rick Seidel, PTO.

MR. POWELL: Mark Powell PTO.

MR. VICLOVICH: And Greg Viclovich, PTO.

MS. FAINT: I'm Catherine Faint, PPAC and NTU 245.

MS. JENKINS: Hey Catherine, thank you. Dana you want to introduce yourselves and then we will go to Mike.

MR. COLARULLI: Sure, Dana Colarulli, USPTO Office of Governmental Affairs.

MR. MILDREW: Hi, good morning, Sean Mildrew, PTO.

MR. WALKER: Okay, well thank you Marylee. I am privileged to go first in our new process to highlight our annual report.

So, the structure of our annual report is we have an executive summary followed with recommendations in it and then, there is a topical

area that goes into a deeper dive in each area so in my five minutes I'm going to cover the executive summary, and the recommendations. So, two pieces of excellent news on the legislative front, one has already been covered by Director Ed Yonker, but I will cover it again since it is such good news and so important.

But first one was the John McCain Defense Authorization Act for fiscal year 2019 was signed on August 13, 2018, for us that Act includes a very important provision to extend the USPTO's authority to conduct the telework program pursuant to the Telework Enhancement Act of 2010, which we love to call TEAPPP. TEAPP, and telework in general has been very successful for the office, we talked a lot about that, PPAC and the ability to attract and retain talent from around the country. So, it's very positive news that was passed on August 13th. And then the second piece of news which Director Iancu already discussed was the Success Act, which was as I think Sean was saying yesterday was a Halloween treat, not a trick since it was signed into law on October 31st and that extended PTOs fee setting authority for

an additional eight years to September 16, 2026. So, I want to say thanks to Dana and his team, and congratulations because it's a lot of work that went into that for a long period of time, so Dana, congratulations to you and your team and thanks to Director Iancu and the senior leadership at PTO for what they have done to drive this forward. Also thanks to the public, we made a big pitch about these things to the public and in terms of the IP professionals out there as well as the trade associations getting behind all very important to get these legislative things across the finish line, as they got across and then also for PPAC, we have been big supporters of this, Marylee has obviously helped drive this.

I look back at our last annual report, FY-2017 annual report and to -- the first two recommendations were both TEAPP and fee setting authority extension, and so both of those. So, the President listened to your report from last year Marylee, so very well done.

Beyond that, today, Congress has not advanced any substantive patent law legislation

during this 115th Congress, but there were a lot of issues that came up on IP, a number of them came up at the House and Senate Judiciary Committees, first of all during Director Iancu's nomination hearing, IP issues obviously came up then. Afterwards, he provided testimony in response to Senate Judiciary Committee Oversight hearing in April and the House Judiciary over hearing that took place in May 2018. And so there were actually -- it's amazing the number of IP related legislative initiatives or bills that were introduced. We have a summary of them, Dana's team does a great job following them, and we at PPAC work to review those, a summary of those is in the topical section of our annual report.

So, we had three recommendations in the report this year related to legislation. The first one is to make sure that -- that the PTO engages decision-makers and other stakeholders to make sure any proposed legislative or administrative changes are appropriately crafted and narrowly targeted without adversely affecting the overall patent system. Again, Director Iancu talked about this because two of the things we

identified in our report, one was 101 and one was PTAB and you heard Director Iancu talk a lot about that already this morning. And he also talked about, I wrote down clarity and predictability which is consistent directly with our first recommendation in our report.

The second recommendation is that as please as we are that the PTO fee setting authority has been extended until 2026, our recommendation is that fee setting authority be made permeant to assure the PTO continues to be able to recover its cost and all future fee collections regardless of any sequestration or any other government limitations. And the last recommendation, another recommendation that came from last year's report continued around the IP Attaché Program, I'm familiar with that. I had discussions about that PPAC this year, but there's a concern that the IP attachés do not have adequate access to their foreign counterparts, so the PPAC support's raising their current rank by one level to counselor to give the IP attachés greater access to senior host government officials

for the ambassadors and their embassies. We think that is very important.

So, that's our report for the year. It's been great working with Dana as it always has been very collaborative with his team and with PPAC. So, with that I will close the first report on the 2018 annual report.

CHAIR FELLER: Great job.

MR. COLARULLI: Thanks. Great, thanks Mike, I think you teed up a lot of the things that I can now talk through. Thank you for the kind words, I think it was a huge effort to try to get legislation moving during this past Congress and we are glad that although there were commitments to do so, we were concerned about the timing. I'll say at the top, as I've been -- since I've been here at the PTO during my tour, the agency has grown significantly. Priority number one that each of the directors have given me is to try to help to provide operational stability as much as we can. Certainly, a lot of that goes to having predictability around our fees, but making sure we have the operational authority and legislation to

be able to do our job. That becomes even more important as we grow -- as we have. So, that certainly has been a priority in TEAPP and fee setting authority has been a key to that. We appreciate the PPAC's recommendation that, that authority becomes permanent. If you think about the comments the director made earlier today about stability and certainty and predictability. The only way we are going to create that type of system is if we have operational stability as well, so, thank you for those kind words.

I wanted to kind of start out there as we move into the next Congress, there will still be some operational issues that we'll want to look at, and talk to Congress about both on the House and Senate. Many of those will probably be on the technical side, but again, equally important. So, what I'll do today, at the very end I will talk about the mid-term elections. We did have an election a couple of days ago, very exciting. Talk a little about what impact it may or may not have on IP issues, but let me go through kind of the round up as I normally do. We have already talked quite a bit about these two items TEAPP and

fee setting authority. We are operating under a CR, Continuing Resolution right now, Sean will talk a little bit more about that. I think in all likely hood we are looking at an additional CR at that point, now that we are past the elections those conversations are starting.

I note that I put signed into law and those two things in green, green means go. That's good for the agency. So, we try to use graphics and color when we can to make things exciting. Sean's laughing at my bad jokes. A Small Business Innovation Protection Act, we hadn't mentioned that this morning. That is another bill that, that did get signed into law by the President. I've been describing this as codifying some of the work that we've done with SBA in past years and encouraging us to do more. Particularly at the regional level, all of our regional offices and here at the national level, we've tried to keep an open conversation with SBA, with the goal of saying, "Look, we both play a role in making sure that innovative companies can be successful. If they have an IP issue, we have the expertise, please refer them to us." If you need general

business advice, you should go talk to our friends over at the SBA. So, this legislation encouraged us to enter into an agreement with the SBA to codify that type of relationship. So, we're both proposing things to the SBA very actively and look forward to doing that in the next few months.

Whoops. I'll just highlight a couple of other things as we talk about what might be in store for the 116th Congress. In 115th Congress, there were lots of proposals, particularly on drug pricing. I expect we'll see more activity on that in the next Congress, particularly with a Democratic House. I flagged this one bill, which is interesting. I hadn't flagged it before. This really goes to -- it was introduced by a Democratic member. And it goes to HHS regulations on timing. I was asked yesterday by the PPAC whether -- if the issue of drug pricing is taken up in Congress, does it necessarily affect patent rights. I think the answer is no. I think there have been other proposals out there that won't, I think certainly the patent rights around a drug or one part of what may cause -- may set the pricing, but certainly, I think in contrary to what we've heard

some of the narrative up on the Hill, it is not the only thing. It is just one piece of why a company may price a drug the way it's priced. Certainly the patent is part of that company's ability to continue to innovate and to recover its costs. So, I expect that we'll be engaged in that conversation. What effect do Patents have in this whole area as Congress looks at these issues? I expect that would be an issue that Congress might look at 116th Congress.

But that gets us -- I did mention another -- one other Senate resolution on the National Academy of Inventors. Just recognizing the good work of that organization. A number of our executive team have been involved with NAI or been asked to speak. Therefore, we were glad to see a nice complimentary Senate resolution on that. So, let me spend the rest of -- a couple of remarks just on the impact of the of the mid-term elections, particularly on IP issues to the musical sounds next door. (Laughter)

I think at a high level, I see the impact is not being too great. Therefore, the impact of

the mid-term elections was the House flipped essentially at the same ratios, as it was a Republican in 115th Congress. We expect it to be in the 116th Congress. That does mean changes in leadership, particularly in the committees that we care a lot about. We spent a lot of time with the judiciary committees, both in the House and the Senate, on the House side, for the Democratic side, you'd expect a Representative Nadler from New York to take the Chair. All things being equal, you would expect the subcommittees to say the same. So, so Hank Johnson from Georgia, although that's still to be determined, what happens now in terms of schedule is that the party caucuses will meet, they'll start making decisions on leadership generally at the top of the committees. The subcommittee chairs might be somewhat later, but both the Republicans and the Democrats will be caucusing here in the next two months. And I think that those issues will likely be resolved at least at the top level of the committees within the next two months.

So, on the Democratic side, it's fairly more certain. On the Republican side has been a

lot of turnover in the House Judiciary Committee. There's -- as of this morning, actually, eight members of the current judiciary committee that will no longer be serving either they lost election or they didn't seek reelection. That includes Chairman Goodlatte, that includes Chairman Issa that includes former Judiciary Chairman Lamar Smith and a number of other members. There was a handle from Georgia this morning, conceded so that brings it up to eight on that side. So, a lot of turnover there. And there's a gap for those leadership positions. Representative Chabot, who currently is the chair of the small business committee, has said he's interested in the Judiciary Committee. Representative Collins as well, who worked tirelessly on the Music Modernization Act and has weighed in on other IP issues. They could take the lead of that committee. So, a lot of change, I think in House Judiciary. I think all that said, the issues that that body will likely focus on are likely not to be related to IP. There's a number of other issues, whether you look at immigration; whether you look at guns. The --

Representative Nadler or a Ranking Member Nadler, this morning actually started talking about that's going to be one of his priorities for the next Congress. So, we'll be watching that.

I think the IP issues are the issues generally that bring people together. So, you could see some divisive issues being discussed and then I'm turning to some of our issues, but I think the House is going to be and particularly House Judiciary Committee is going to be the most interesting to see how the leadership positions fall together and what issues they start to focus on.

On the Senate side, the Senate did not flip. I think we'll know in the next week whether the leadership, Chairman Grassley will continue in that role. He certainly could take the chairmanship of another committee in the next Congress if that happens again, the Republican list of members may move up and there are certainly our members in the committee next in line that may be interested in taking over again. We always look at this as an opportunity for us to

develop some additional relationships. We've built some good relationships already on the Judiciary Committee, but I think there's some more work to be done. But my to do list, it looks like here probably in the first -- the next few months and the first few months of each of the following year.

I think the last thing I wanted to mention or what issues could we expect to be addressed during the lame duck and then, to the extent that we have any idea what issues will be addressed in 116th. I'm in the lame duck in terms of IP issues, there had been some conversations about trademark issues, particularly around seals, or trademarking a state seals insignia. There had been also some discussion about a proposal to create a small claims court at the Copyright Office. I expect both of those to be discussed as we get into the lame duck, in addition to one more, which is making the register of copyrights a political appointee. That again, another piece of legislation that had been discussed over the last couple of Congresses. Nothing substantive that I see on the patent side really being discussed.

Although certainly there had been lots of activity, as Mike pointed to, on patent issues between the Stronger Act and Massey Bill, at Roboca Bill. Lots of good things to be discussed. We should encourage that active discussion. I don't see any action on those legislative pieces. And in fact, as you look at the Stronger Act, I think some of those provisions we're doing here. We're implementing here at the agency and making changes at PTAB.

As you look at 116th Congress, there had started then started an active conversation about whether legislation on 101 is necessary. I expect that to continue. Although again, we haven't seen any legislation being introduced and it is appropriate to look at what the impact is of the guidance that the agencies put out and certainly the guidance the agency plants to put out as the director talked about at IPO. So, I expect that we'll be up there briefing staff on these issues, talking about what the agency is doing before we see any legislation moving, which I think is a good order of operations here. And there certainly is a thirst I expect in the lame duck.

We've already been asked to go up and brief on the PTAB Changes. I expect we'll do the same thing on 101.

That's all I have. Marylee, I'm happy to take any questions.

CHAIR FELLER: But I do want to note for the record that Dana went first. He did not go last, I promise. Yay.

MR. COLARULLI: (Laughs) You did. Thank you for that.

CHAIR FELLER: All this time and then some. So, do we have any questions from the committee for Dana? No. You're doing a brilliant job, brilliant job.

MR. COLARULLI: Thank you. Thank you.

CHAIR FELLER: Yeah, we look forward to seeing what is going to happen obviously in the new Congress. And what the IP issues we're going to be tackling for next year and we always thank all of your efforts on behalf of the Committee and on behalf of the PTO.

MR. COLARULLI: Thank you. It's an exciting time.

CHAIR FELLER: Thanks.

MR. THURLOW: Dana, can I ask a quick question and maybe --

CHAIR FELLER: Okay, they lied.

MR. THURLOW: I'm going to give you a quick update if I couldn't it'll be a quick question because we are going to stay on time today. But from my perspective as the president of the IP Bar Association in New York, I know we have a representative from the AIPLA here today, Ms. Swang. She's sitting in the audience. So, as you know, the IPO and the AIPLA, have the joint 101 proposal. We all understand from a statutory standpoint with 101, it's not going to happen overnight. We appreciate everything the office is doing from an office perspective on 101. Just to give you the update, the New York Bar Association, the Boston Bar Association, the Philadelphia, New Jersey, NAP have signed on to support the IPO, IPO AIPLA language. We are trying to make that more westward bound and use this opportunity for any

other. We're looking for companies to sign up individually. We're looking for other bar associations as we discussed yesterday. We met with Congressman Nadler in New York, Mr. Kaplos and I and several others, worked with the staff. This is more of an educational role just kind of discussing last year Congress asked us to give them something. So, we don't believe that the language that IPO AIPLA has is going to be the final thing if anything has changed, but it's a start and we invite others to discuss it. So, that's the update if you can. When Andrei gives a speech about the IPO, AIPLA language, if you can give a shout out to the other organizations pushing to.

The other quick comment was on the Medicare drug pricing thing. As we discussed yesterday, I think some members of Congress are talking about compulsory licensing. As we discussed with the international group, my understanding is that we advocate to other countries, Brazil and others around the world not to do compulsory licensing. So, the fact that we would even consider doing that in the U.S. seems

to be to me to be a somewhat wrong, I guess. So, just that's my comments for today.

CHAIR FELLER: Okay. Anything else? Any other questions? No, Dana, thanks so much. Appreciate it. And moving right along finance. So, we're going to start with Dan Lang to provide the finance subcommittee summary from the annual report. You should know it off the top of your head, Dan (laughter).

MR. LANG: Great stuff.

CHAIR FELLER: We had to do, it's two reports this year.

MR. LANG: So, yeah, I think I've learned a tremendous amount in working as the chair of the Finance Subcommittee for the last few years. For any organization to really understand its constraints and opportunities it pays off to learn the finance end of things and we hope that the public, by reading the section of the report will learn that too. And you know, people who are interested in how the patent office operates, what constraints it's under, how we can achieve its goals are going to become much wiser by reading

that. So, we go in, we explain what the patent office is funding model is; how its user fee funded. There is autonomy to set fees, which I think as we discussed, has been extended, but there is still an appropriation process even though user fees cannot be diverted, the funding comes only after being appropriated by Congress.

So, having that understood we talk about something you tactically, and we also talked about sort of the bigger picture and where things were headed. And on a tactical level, part of the finance report is the numbers and you can look at a report, the numbers are pretty much what the patent office said the numbers would be at the beginning of the year. That the PTO is a able to successfully plan its expenditures and project its revenues and be pretty close. I mean, revenues fell short a little bit. I think part of that was the little bit less of maintenance fees. Also, RCE revenue down so that no deed goes unpunished by improving the prosecution operations so that RCEs are no longer is needed. There is a detriment in an income, but overall know tracking pretty closely.

Now, one thing that's not so good when you look at the numbers is the operating reserve that there's a minimum operating reserve in then there's a desired operating reserve. And the operating is very important because it's what the PTO can put plenty away there and it can be used if there are fluctuations in revenue or interruptions and appropriations that had happened in modern day Washington. And right now, the operating reserve is just about, at its, what we call its minimum level, just about I think about a month of revenues or collections. We really want to see it more like three months. So, that's something that we've recommended to be improved. Now, moving on to recent events, I mean, one of the big things, that's what's happened obviously in the last few months is the new fee setting process that the new fee review that, that this is something that happens every couple of years. We just had a fee increase at the beginning of the year, but it in itself was the culmination of a previous fee setting processes that took several years. Now that we've a new fee setting process that's been upon us, the PPAC is taking on its

statutory role. You held a hearing, we collected public input and we issued recommendations -- we issued a report which is -- which we managed to time simultaneously with the annual report and include as an appendix and we've analyzed the proposal. It includes a kind of an across the Board fee increase of five percent for a bunch of fees, but also significant increases to accelerate a design patent examination fees, a very large surcharge for late maintenance fee payment and some targeted adjustments to issue in maintenance fees and then a practitioner fees for being on the roles.

We commented on all of these individually. Overall the PPAC is supportive. It's important that the patent office had the money that it takes to reach its goals. The report is strewn with recommendations. The overall recommendations carrying an amount requires resources. We have critiqued individual proposals. We've, for example, we didn't like so much the big increase in late maintenance -- late fees for our maintenance fees. We recommended more information be provided in certain respects.

Overall, we think a greater linkage should be drawn between the need for more revenue on the one hand, on the other hand, achieving division of reliable in certain patent rights that Directory Iancu is trying to achieve. Our other -- I think the our other key recommendation syncs up with the IT aspects of the PTO's operations. That we are a very much interested in the PTO providing the funds that are necessary or to have a reliable IT operation. And I'm sure this will be brought up again this morning that we don't have the kinds of outages that we had recently anymore; that we provide adequate, reliable, stable infrastructure, but also that we are able to modernize that infrastructure to provide the support to a search and examination that it's going to take to achieve the vision of reliable in certain patent rights. So, that's the finance section in a nutshell.

CHAIR FELLER: Thanks Dan. So, just to reemphasize, I want to just thank the committee because this was a tough to do, having both the annual report which takes us a large amount of time and then having the fee setting report on top of that. And I particularly want to thank Dan for

all of his efforts of getting that fee setting report (Applause) done and completed. Thank you. And I also want to point out, because Jennifer was nice to tell us that we were -- this is the earliest time that the report has gotten done by the committee. So, big applause to the committee too. (Applause) So, yay. It's a real effort. And also, obviously, thanking the PTO for all of their effort and support to helping us create this report. It's a true team, team effort. So, thank you so much to everybody. So, I'm with that. I'm going to segue to the finance report. So, Sean?

MR. MILDREW: Great. Thank you. Good morning everyone and I again echoing those comments. I want to thank Dan as the chair of the finance subcommittee and the entire PPAC for the annual report and the accompanying feedback on the fee proposal. Very informative and as the director said, a highly valued. So, we really appreciate all of that extra effort that went into producing those documents for our use going forward. Really appreciate it.

So today, Jenna, can I give you a high level overview of the budget? Again, it's a sort of a quick view of where we're at from a budgetary perspective. I'm going to -- as my boss Tony Scardino often says, "When we're looking at government financing, it's always three years." So, I know we don't have 2020 up there on the agenda slide, but I will touch on 2020 for just briefly, there is a slide in the deck so we'll go through '18, '19 and '20 and talk a little bit about strategic plan and the fee setting and then any other topics that may -- the committee may want to talk about.

So, in summary, it really is all about the fees. And so that's why we put this slide front and center. USPTO collected a total of 3.3, approximately $3.3 billion in fees in fiscal year 2018, which just concluded on September 30th. And of this, just over $3 billion were a patent fee. This is about $28 million or just slightly below 1 percent of our estimated fee collections. And then if you look at the 2018 column of the 2019 President's Budget, it's about $84 million below or 2.7 percent. So, certainly within a tolerance

that would be expected and tolerable, but when we talk about the $28 million difference between our estimated collection on the actual collections, really is composed of two major categories. Just over $9 million is from the maintenance fee and about half of that is from stage two and then the other half is from stage three maintenance fee and then $15 million of that approximately $28 million difference from application fees with almost two thirds of that amount from the RCEs and about $10 million. So, as Dan mentioned good that, that's actually going down; bad, because we projected to collect more. So it's a good news, bad news kind of thing. But I think overall we would, we would sum that up as a good news, a good effort and payback for extra work.

The next slide, we're talking about a 2018 summary of results. So, here's the rack up of where we stand with regard to Patents. We ended the year with a patent operating reserve level of a $311.5 million, which is just slightly above our minimum requirement of $300 million and this is about $40 million higher than what we projected the operating reserve to be at the end

of 2018 in the 2019 President's Budget. And so, you can see the fee collections of just over $3 billion. Then we have some positive adjustments due to things like timing and refunds, timing of fees and timing of deposits between our accounts in the treasury accounts. So, it's an upward adjustment. Then we had our prior year operating reserve balance added to that and then, additional other income which are generally recoveries and parking and miscellaneous. And then the infamous OIG transfer directed by Congress that's the patent share of that $1 million. Trademarks has a about 10 percent of that amount of the $1 million. And then we come down to an available income minus our spending, gets you the operating reserve. So, all-in-all, a fairly good year. So moving on to the '19 status, as discussed, we're currently operating under a continuing resolution or finally known as a CR through December 7th. This means that PTO is held to an adjusted spending level calculated off last year's authorized and appropriated amount of $3.5 billion. And I'll get to some specifics here in the next slide.

Bottom line is we're in good shape for this fiscal year so far through the CR and as Dana had mentioned, we're anticipating a potentially another CR. Stay tuned. We'll have to see how that all shakes out. As I mentioned earlier, at the top of my comments that would talk just very briefly about 2020, so we're in the process of building the fiscal year 2020 budget, we submitted our 2020 OMB submission, as you can see on September 10th. And we're working with the administration on a pulling together the President's Budget, which will be available to the public in February of 2019 and then we'll provide a copy an advanced draft to the PPAC for review. Before that happens and strategic planning, we obviously appreciate all the comments we -- that were submitted on the 2018 to 2022 strategic plan. It's still in draft and we're currently reviewing all of the input and making recommendations to the director on how those comments should impact the final document. We anticipate the release of the electronic version of the document to be later this month. And then we'll follow by a printed

copy, so we're actually going to print a few paper copies as well.

Moving right along to the fee rulemaking, the proposed fee changes again, which the committee is very familiar with. We had a public hearing. PPAC hosted a public hearing on September 6th. We received all public comments by September 13th and we also received, as I mentioned earlier, the PPAC recommendations. And we're currently assessing the comments and recommendations and our rulemaking is ongoing. So stay tuned for that. More to come.

And as mentioned, a fee setting authority. The Success Act passed on -- as Mike mentioned on October 31st, which was certainly a Halloween treat and no tricks, giving us an additional eight years of authority, which is great news for us and a little less than, I believe the President's Budget requested a 10-year period. But we'll certainly take what we can we can get and this is certainly good news for us. And as everyone is I'm sure aware of the agency's fee setting authority under Section 10 of the AIA

expired on September 16th. So, this closes that gap now that the law has been enacted. And that's, again, very good news for us. And so with that, I'll conclude and open it up for any comments or questions you may have.

CHAIR FELLER: Questions, questions? No, no. Oh, you guys are being good. Okay. John, thank you. Again, it was a real team effort with PTO to get all of this orchestrated and done according to our statutory requirements and I think we pulled together some good comments and concerns with respect to the proposed fees in particular. So thank you for your team for all of their effort during that time.

So, moving right along. Okay. So, we're now transitioning to IT. Mark Goodson, who's our subcommittee chair for IT, unfortunately, couldn't stay for the whole meeting. So, Mike is pitch hitting, so we're going to hear from Mike.

MR. WALKER: Okay. We've got David in the hot seat there. (Laughter) No, we're a little ahead of schedule. Keep Rolling. You want me to keep rolling?

CHAIR FELLER: Yeah.

MR. WALKER: Keep Rolling. All right. So, it as Mary Lee said Mark's not here. So, for the next five minutes, just pretend that I am Mark Goodson, my good friend.

(Laughter) So let me do what I did with the legislative section and that is really give a summary of the executive summary and the recommendations from the PPAC annual report as relates to information technologies. So there are two faces to what takes place for IT at the USPTO with the agency personnel seeing a different set of it functions than what the public sees. So, in the last year, the examining corp put into place new tools and new functionalities that have received very positive reviews. And I'll just add a comment here. I'm on this IT subcommittee and there are a lot of improvements that have

been made, but for the examining corp, they may be invisible to the public, but there are certainly going on.

There's a less positive image seen by the public when the USPTO IT systems or accessed, for example, it's difficult to reconcile fee increases with recent patent system outages, slow access times on paired data, erroneous messages that are given to public users. The user community rightly expects the patent data will be readily accessible and accurate. In that vein, there's need for system improvements and for retirement of legacy systems. It's felt that these two actions will improve response times and increased system stability, both of which public users must be able to realize, and as Mark goes on the say, the importance of this public face can't be overemphasized for many people in the IP community that IT interface with the Patent Office is the primary interface other than dealing with the examiners. And so, it's important that that interaction paint a positive image for the users of the PTO.

And while the PPAC attributes some of these issues to growing pains, it's understandable why the user community and stakeholders get frustrated when they have those problems. The PPAC is reviewed with IT leadership, the plans for exiting legacy systems and PPAC believes that this pathway for the exit is sound and that an immediate effective and stable transition is greatly needed.

So, a couple things on that. One is, well we heard Director Iancu this morning, say very clearly about the wholesale review of IT systems and no options are off the table. And I will say that working on this IT subcommittee with Mark and with David Childs and his team that we have worked through, as Mark said in the report, plans for these legacy systems. One thing that's been very helpful, David and his team have done is with our monthly calls for the IT subcommittee, the progress for we're rolling out upgrades and exiting legacy systems is much more transparent for the IT subcommittee for PPAC. So, we thank David and the team for doing that. That's something we requested. I may have mentioned that

at our last meeting. So, in that respect, it's very positive improvement in working with the IT team.

There are four recommendations from pack in the report. The first one is another one that Director Iancu mentioned this morning during his opening comments. And that was the search for a permanent leader for the IT group. He talked about that. So, the agency has been functioning with interim leadership and to get a new CIO in place would help settle things. So, so that's one of our recommendations and one that's clearly already being acted on by the office.

Second recommendation is for the PTO to continues its investment in not just upgrading it capabilities, but updating them so they're ahead of the curve so it's not just kind of catch up and then we're behind the curve, but throughout in catch up mode. Third recommendation from PPAC is that the PTO leadership prioritize projects that have been undertaken, so as to ensure timely releases and upgrades fit with the overall mission of the PTO. And again, my personal view is I

think that, that has happened that the number of upgrades and has been targeted so that the timelines are being met. So, we've seen certainly improvement in that.

A the last recommendation is around IT metrics. And this is something I know that Mark has been passionate about and that's the PTO needs to understand the reasons for changes in patent system demands by public users because our improvements in the PTO IT system performance needs to be measured as restraints in the system. For example, given an increase in public pair, how can we meaningfully measure successful sessions on the site? How many users are sessions over a given period of time? What types of queries may affect performance because only one when an accurate assessment of current IT performance made will the PTO have the ability to measure improvements in such performance?

That's a summary of the IT report, executive summary and the annual report and the four recommendations from the PPAC in the report. Really, I'll finish with that.

CHAIR FELLER: Great. And with that, we're going to segue to the IT update. Thank you. Thanks Mike. Thanks Mark/Mike.

MR. CHILES: Thank you, all. I appreciate it. Thank you all for having us here this morning. I'm going to pass it onto Tom, but I want to introduce to folks here. Tom, you know, Tom Beach is our portfolio manager and William Stryjewski is here. He works for the Patents business unit. So, at the end, all three of us available for questions. Tom will actually walk you through the presentation. Okay.

MR. BEACH: Thank you, David. We'll go ahead and take a look at sort of the overview and then we'll sort of drill down on each them one of these topics and talk about a few things. And then I want to leave some time for questions if anyone has further questions as we go. So, in terms of efforts, the docket application viewer or DAV, one of the things to take note of is that our next step is something that I think the business finds great value in as well as our public user community and stakeholder, which is the relevant

prior art pilot, which is the ability to have domestic prior art citations and family, domestic families already be populated in the DAV tool for the examiners' ready use to have access to that information. So, we're are trying to, as stated before, trying to not only sort of build the same tools that we had before, but we're going to try to build them so they're enduring for the years to come in terms of having better and improved technology there for the business value.

So, moving forward with that, official correspondence, the training has been completed for all the entire examining corp and we're looking at a full migration in January of 2019. That means, OACS will no longer be used by those that in the examining corp using currently OACS. And so that's a pretty good milestone or a good achievement. I think that's two of the three major tools in the examination lifecycle that are ready and apparent that we're going to migrate to a new platform on. And regarding that, also a search, we'll touch on a little bit more. So, I won't drill down too much into that just yet, although we've been training more and more folks

in the User Center Design Council and then I'll talk some more about that when we get to that side. And then CPC, we're continuing to provide enhancement tools to improve the classification, the accuracy, the quality, and the efficiencies around that -- those efforts.

So, moving to the drill downs on official correspondence, it's important to note that in September, getting something like 508 Compliant while it just looks like a number and a word is no easy task. So, that's actually quite an accomplishment for this tool in particular to be 508 Compliant as well as full parody. And so we're proud of the fact that we're going to have folks migrating and using the tool fully. Like it says here by January of 2019. And --

MR. KNIGHT: Tom?

MR. BEACH: Yes.

MR. KNIGHT: Just so -- there's probably a lot of people who don't know what, 508 Compliant means.

MR. BEACH: Okay, sure.

MR. KNIGHT: Which is to make the --

MR. BEACH: So, 508 Compliant means that it's -- any type of user can use it. So, it's for anybody that has any disability or of any types of sight, vision, color, audio, things like that. So, it's a process that is -- has to be all encompassing. So, yeah, thank you for that, Bernie.

Next, we'll move on to search and we're excited about the fact that we're going to get ourselves through another stress tests, which is our ability to sort of test the system in a controlled environment that looks like the examination environment in order to sort of shake out any issues which has been successful as a staircase sort of strategy on scaling. So, we kind of do it, shake it up a little bit and see how further we can go.

We're excited about the -- also the inclusion of the Plus Foreign Data Collection as part of the so data sources for search. I think that's also an excellent point to bring out. And also in starting of Q2 of FY-19 is the planned

rollout, of course, working with POPA in terms of a planned and successful rollout that allows both the examiners to be able to have access to the tool and grow us with scale as well as from a CIO perspective, understand what's going on, on the back end. That's sort of been the strategy that's so far been successful on scaling. All right.

Regarding Patent Center. So, we've talked a lot about the Auerbach, the transition from, that's the roles- based access control and talking about how we're now sort of in this, as the phrase is, one foot in two, two tools right now. We're kind of transitioning from the my USPTO to the roles-based access away from the PKI certificate process in order to file applications. And so we're looking forward to our November 30th deployment. I think that's going to be a timeframe where as far as I know when it comes around the issue of capture and recapture that has come up before, we should move past that on those dates. So, we look forward to getting through this transition. I know for the public and for the council, we appreciate your patience and understanding on focusing on this transition from

the PKI certificates to this new way of sort of doing business. So, I know that's been a little bit of a communication effort and I applaud the Patents team I'm particularly open for working aggressively on communicating to the public on what does this mean and how do I get to continue to file and do my job on whether it's the attorney themselves or are the paralegals on their behalf. So --

MR. WALKER: Tom, can I just interrupt here --

MR. BEACH: Sure.

MR. WALKER: -- and just make a quick comment. I just want to thank you and the team for that communication because I think at our last PPAC meeting, we talked about how important the role out would be and the communication plan and so it's been communicated, communicated, communicated which people need in these busy days. So, it was a really good job there and seeing the statistics, it looks like it's gotten off to a really good start.

MR. BEACH: Yes.

MR. WALKER: So, thanks for following up on that request.

MR. BEACH: Absolutely. I think a Patents team -- the team has done in particular, like I said, OPM and Patents have done and along with CIO and AED, our Application Engineering Development team to really provide the nuanced answers to sort of the anxious questions of why can't I get where I need to get to. So, thank you for that. We appreciate it.

CHAIR FELLER: I'll echo that too. I mean, communication on all levels, calling the office, looking at emails and all of that has helped. I know for our office. So, yeah, echo Mike's comments.

MR. BEACH: Thank you. We appreciate that. And so we thought, I know we've presented, so, we're going to communicate again. We're going to communicate some of the same information, so are, if it's a repeat for some folks, but we want to make sure we do no harm. And so for those out there listening and those that have not made transitions yet, it's -- we're doing it at a pretty

fast rate right now, which we're proud of that as mentioned before, but the steps are to create your MyUSPTO account and then migrate your certificate and beginning November, we'll have the sponsorship tool. And of course, so to reiterate what that means is for those that have been using PKI certificates that are the same PKI certificates among several folks, every individual is going to have to have their own, MyUSPTO account and their own roles back roles-based access or our back control set in place in order to work through our EFS web and soon to be Patent Center environment. So, with that said, we look forward to this retirement as well.

A lot of retirement parties going on, I think this year, I hope. So, again, we'll go to the next sort of whether the benefits, again, to reiterate the fact that we don't have the requiring of sharing of accounts. I think that eliminating that as a good thing. It modernized our security processes with a two-step authentication, which of course, is an important and near and dear to all of our hearts. And also, saves time by granting access across systems

because once you have a, My USPTO account, it's an enterprise roles- based access. So, if you do other things within the office, you'll be in there as well. So, it's with F, P and G the fee payment processing system is already using that as well. And for any questions or concerns, obviously here's the number for folks to call in and talk to us about that.

MR. WALKER: Tom, just before you move to that, sorry to interrupt again.

MR. BEACH: No, no --

MR. WALKER: But at our subcommittee meeting yesterday, questions come up about the roles-based access for sponsorship.

MR. BEACH: Mm-hmm.

MR. WALKER: Could you just say a couple words about that so people know that if their admin has access, what they -- how you can control who gets access under that sponsorship?

MR. BEACH: Sure. Do you want to take that Bill?

MR. STRYJEWSKI: For the act of filers in the room, there's a concept of customer number and the customer number links the application to an address or a series of email addresses and also, attorney registration numbers and that allows you to kind of control the client base or the matter information at the firm level. So, it's the one to many relationships between the attorneys that are working on those cases and that also allows for that access for either filing or receiving data. So, simply put, the customer number allows access to the admins by allowing the attorneys to give sponsorship to the admins. Is that a little -- did that make sense or no?

MS. MAR-SPINOLA: Is that a one-time setting or do you have to do it each time for access?

MR. STRYJEWSKI: For It's a one time -- sorry, it's a onetime setting. When you do your filing, you have a customer number already associated with it and then you assign a customer number to the admin and for all those matters onto

that customer number, the admin has access to it. So --

MS. MAR-SPINOLA: Somewhat related, but I think it might be an interesting -- if you can answer this. So, one of the things going on, on the trademark side is the falsification of email and transferring of applications and registrations to unauthorized entities. It also impacts Amazon with the registry system they have as well. So, can you address how this is not going to let that happen with respect to Patents? Because that actually is a question that has been asked by the user community of, "Well, if it's happening to trademarks, how is it going to -- is that also going to affect Patents? So this is kind of related to that, right?

MR. STRYJEWSKI: Sure. I'll give it a shot. So, right now, 97 percent of our filings come through electronically. To file electronically, you can file without a certificate today for just the initial filing. Any subsequent filing you need a certificate. And as we migrate from certificates to role-based access, you'll

still need that compliance. So, any changes to the application downstream you will need that secure connection with the office, identifying who you are. Attorneys who are the majority of those filers are -- have to give a notary to receive their certificate. That certificate is then shared right now, today with their admins. The attorney needs to know the control of that certificate. What we're doing in the future state is we're separating that shared certificate to individual accounts. So, then attorneys are going to sponsor those admins who are going to get their own accounts with their own identification. So, what we're doing is getting a chain of identification all the way through from the attorney of the filing to the admins who are filing on behalf and also receiving information. So, obviously, there are some people that do malicious events, but we will have a record of those malicious events. Did that answer your questions?

MS. JENKINS: Yeah, question, no. Okay. Thank you.

MR.BEACH: Okay. All right. And we're moving along here pretty quickly. We'll get to the CPC collaboration tools. This is the ongoing good work to ensure that we get quality classification between offices and in particular, with the EPO and the USPTO in terms of enhancing these editor tools and the ability to change between offices and alert one another about the current or the pending CPC classification that's going to be assigned to a particular application.

So, this effort just has more enhancements to the already given a structure that's in place for CPC work to be done between offices and so we also talk about the management side of these tools and that's -- this is somewhat a detailed in terms of the minutia of how we exactly go about the process of reclassification and managing reclassification in classification of applications and documents. And so the tools or the management side of it is really the database side of it. How do we store this information; how do we make it readily available between offices to be authored and edited? So, that's really the

effort or behind CPC collaboration and tools. Any questions there? No.

MS. JENKINS: One question I have and this is maybe something that might be of interest for future meetings is we do the collaboration. I'm looking at Mark right for -- with Japan and Korea, obviously it's this -- the work sharing collaboration makes a lot of sense. So, how is this going to be developed so it has a broader global reach because really touching on Andrei's point is, I could be wrong, but my crystal ball says at some point we may have a global patent system of some kind, right? Maybe not in my lifetime, but you never know. And so how are we trying to plan for the future for collaboration; Global Patent System; for search; one search? Can you imagine one database? I just said, oh my God. That would be fun I think, but that I'm such a geek, I love to search. So anything that's been going on in the office and maybe this is the next -- maybe this is a February meeting or a May meeting for us.

MR. BEACH: Sure. And I'll let Mark speak here a little bit. So, some of this is the IT side of the thing.

MS. JENKINS: Yeah, yeah, yeah, but by the way, important though.

MR. BEACH: Right, right. So, we want to make sure that's clear partnership between what the business is doing and the IT side. So, I'll let Mark answer that.

MR. POWELL: Yeah. So, this particular collaboration tool is for the revision process of the CPC between us and the EPO and our examiners and so on. However, you're referring to, for example, collaboration on examination. Yes. And that's probably what would it be worthy of updating at our next meeting, I would think. We are -- we do have the programs with Japan, Korea and then the IP-5 offices now, in PCT. During these pilots, we're really trying to clearly identify what are the tools or features or business needs, work collaboration among examiners and hopefully, as time goes on and build the tools into them or build them into the tools. Right.

But I totally agree with you as far as collaboration being a know very fundamental way forward for equality and other inefficiency, really.

MS. JENKINS: I think -- my point though is, is that I think people take for granted that it just magically happens and I think especially when you're talking about the certificates on the past lives, it's helpful to go into a little bit more detail so people understand it's not just your wave the magic wand and it just miraculously appears and is -- it's a combination of systems and so I think that would be something of interest --

MR. BEACH: Okay.

MS. JENKINS: -- for us for next year if you're ready to present on it. So --

MR. BEACH: Yeah, I think that that sort of venue of the international data strategy construct where you've got multiple offices saying, I think this document belongs here. Well, who's right now, where's the reconciliation on where to find documents because downstream for embedding it in the search tool that's now put

there and not over here. And so, we got your point right that the -- it's very much an ongoing conversation around the office in terms of quality classification leading to the ability to quality search because now you're finding documents where you think they should be. So, I think that's a continuous activity and we'd be happy to look at some ways to, certainly in the subcommittee, maybe we could talk about some ways to represent this information and in a meaningful way. I think that that could help the public say, "Oh, maybe we're moving in the right direction in terms of if I search here it means I've searched in other countries the same way they would have searched." So that consistency across agency offices would be an important aspect, in our opinion.

MR. THURLOW: So, just real quick, it came up yesterday during the committee meeting was we all want more collaboration, but there's a cybersecurity that seems to be affecting every area of what we do. Actually, I saw on the news this morning, a type of security concerns or medical devices and people hacking into different devices that may have some ill effects. So, it

came up as far as collaboration with all the different countries about that concern. I know that's something that the office is looking at. If you could talk more about that.

MR. POWELL: Yeah, I just wanted it to and we actually have agreements with three other offices to do some -- to do a collaboration program, but what's holding this up as I understand it, is their requirement for two-stage authentication and getting past that hurdle. But yeah, IT is obviously involved with everything and then here it is. So, kind of on both points.

MR. BEACH: Yeah, and I'll flip Bill too, if you want to elaborate. The short of it is, is when you negotiate these agreements, it's sort of how does the rubber meet the road. Do we put routers and other locations or do we have an open ended connection and the real issue happens to be really around the pre-pub confidential applications, is the real issue, right. Once they're public, they're public, so it's really not of issue per se, but the pre-grant publication is as the concern of data sharing prior to

publication among offices because you gain efficiencies by sharing search strategies among offices. But again, we're concerned about the cybersecurity side of the house, which is how do we actually create these connections and that is certainly some of the efforts that are important to this -- with the Patents Investment Team.

MR. STRYJEWSKI: Just to add a particularly to the point that Mark made, our challenge is we have to follow the federal security model and that defines a boundary, a very distinct boundary of electrical circuit to a point. And when you start talking about crossing information and working on the same information that might be confidential for two offices, that's where the boundary gets blurred and it blocks that point of intention and where you've been trying hard to get into a situation where we already able to exchange and work with these boundaries. So we're, we're continuing to address the challenge.

MR. BEACH: Yeah, we'll keep you posted.

MR. THURLOW: Okay.

MR. BEACH: And we'll head on Global Dossier, the big thing here is to look forward to next year. We have -- do have a project for Global Dossier which is to create a signup for alerts and notifications on changes of applications. So, we're glad to start reporting again on some new enhancements to global dossier. And lastly, I think this is the last slide, is the legacy retirements and I'll go back to the point that our content management system is now providing the images for DAV, IAFW is no longer providing the images. So, we've successfully -- we're going to run that for a couple more months and then, do the full switchover. And so we're really looking forward to that accomplishment and fully retiring OACS, CDS as sort of an internal tool, so to us, kind of the magic wand theory, right, word to us to get done, but may not show up as something really exciting from the public's perspective. And, of course, the continued effort and focus once we get through the migration of certificates, really focusing and doubling down on search. So, we look forward to that. So, with that said, any follow on questions?

MR. THURLOW: Just two quick questions, if I could.

MR. BEACH: Sure, sure.

MR. THURLOW: So, on the relevant (inaudible), Andrei spoke about it this morning in his opening comments. Maybe requesting a few, but a bigger request for Drew and Rick and Bob and others is, I really think the -- we mentioned CISCO and MIT, I think there will be a lot of excitement from the user community if they can be involved in it. So, the extent you can blow that up some more, make it an issue of a notice of or requesting comments on that just to highlight it because quite frankly, the first time I heard of it was this morning and I think it's a great thing and that could really have a partner in the user community on the quality issues. That's so critical. So, that's my first comment.

MR. HIRSHFELD: Peter, can I adjust that?

MR. THURLOW: Yeah, okay.

MR. HIRSHFELD: So, thank you for the comment. There's really multiple paths we're addressing these types of issues. One is the

relevant prior art, which I believe you've spoken to about bringing in art from related cases and what you're referring to is making sure NPL is put in databases that we can get and it's something that we definitely want to build on the great efforts of CISCO and what they've started with a database. So, we absolutely are and will be looking into these issues. I don't know what the next steps will be yet, but it's something that we are discussing it and have every intention to move forward to see what's possible on that regard.

MR. BEACH: I think the issue came up a few years ago. I think the issue maybe an IT issue about if third parties, outside parties bring -- build up this database for review that the examiners or others are going to need the search IT capabilities to do that and all that stuff. So, it's a new issue. So, I'll just -- something to --

MR. HIRSHFELD: I think from a while back, I mean one of the challenges was how do you ingest documents like brochures and the multitude of non-patent literature technically to be digested

and turned into OCR. There's a little bit of an issue.

MR. BEACH: Yes.

MR. HIRSHFELD: I think it's a bit of a technological leap -- and Bill, you want to fill more into that, but it's certainly something near and dear that we've always looked at ways of trying to introduce those documents.

MR. STRYJEWSKI: So, I know he engaged and I'm sorry, it's a little foggy, a couple of years ago with a CISCO is them providing us access to their brochures and what we did is we shared our syntax for searching. So, this way an examiner could search our own system and it's particularly around the router art and then, also be able to search their brochures in the router art. So, if they have the common syntax, then there was an efficiency for the examiner to pull the information. This is pretty standard technology of federating searches. So, one of the key things about getting into a new search system, it will allow us to bring in a federated concept. Where not all the data has to reside on our

campus, it can be in a cloud or in another situation and we can bring that efficiency because the examiner doesn't want to use four different systems to resolve the prior art. We want to give them the most relevant information at that time with all the features and functions that they've come to expect in the current systems. So, from a long-term planning perspective, I definitely agree we need to engage our outside partners. It's just not economically feasible for us to have every piece of data inside of our data center.

MR. BEACH: Great.

MR. POWELL: I'd also like toss in that the Golden Dossier, for example, draws the data from the other offices besides ours, right. And also, there is going to be an update on the prior art project this afternoon. So --

CHAIR FELLER: Anyone else? Any other questions? No, I also want to thank you, IT. You've been very patient with us. I know often at times, we have been demanding in our questions, but it's really about getting a good system for everyone, both in, as I say, inside and outside.

And so I think one of the things I've noticed over the past several months is how responsive the IT group has been, particularly during the outage. That wasn't happening when I first was on PPAC. I know I was having to ask why are you not telling us what's going on? And that has really changed, and I pick up on Tom's -- communication is so important. People need to know that they're being listened to and that they can understand so they can plan accordingly. So, I really commend the group for acting very responsively to many questions from the user community. Also, want to give a plug for you. I put you in early morning of the program, so not to take away any time, so if we have any other questions, but if not, thank you and appreciate all the efforts for the past year. So --

MR. CHILES: Thank you very much. Thanks.

CHAIR FELLER: Okay. I'm not going to say it, but we are early, but the PTAB folks are okay. Help me with what's the -- what's the sports analogy, on deck? Right? Isn't that what it is?

I'm not a baseball girl. Hockey, yes. Baseball, no. (Laughs) So, all righty. So we're going to start. Julie, why don't you -- you want to start us off? So --

MS. MAR-SPINOLA: Yes.

CHAIR FELLER: -- the summary for PTAB, for annual report?

MS. MAR-SPINOLA: This is the good stuff. So, thank you. Good morning. And I'm Julie Mar-Spinola as the Chair of the PTAB Subcommittee for PPAC this year, it's my pleasure to provide the public stakeholders a brief summary of the most salient points from our PTAB section of the annual report, much of which we heard Director Iancu mentioned earlier this morning. Acting Chief Judge Boalick's presentation. We'll expand on the topics and a few minutes.

In fiscal year 2018, the PTAB focused on addressing a number of stakeholder concerns regarding procedures before the PTAB, AIA panel, assignments and composition compliance with recent federal circuit and US Supreme Court decisions. And its continuing commitment to reduce the

overall inventory across technologies and the pendency of appeals. Also, the Board revised its standard operating procedures, SOP 1 and 2 which cover the formation of a new precedential opinion panel referred to, I believe, as POP, the process for assigning or replacing judges to AIA panels; procedures for designating or de-designating AIA decisions and more hands on involvement by the director in setting USPTO policy.

Further, the PTAB has provided guidance in light of two precedential opinions, namely Aqua products versus Mattel in which the federal circuit held that the patent owner does not bear the burden of persuasion of showing that substitute amended claims are patentable. And SAS Institute versus Iancu in which the US Supreme Court ruled that the PTAB must institute all petition challenges or no challenges in IPR proceedings. Again, I will defer to Chief Judge Boalick to expand on this topic.

Additionally, in response to the director's mandate to streamline the free flow of information between the PTAB and the Office of the

Commissioner for Patents OCP, PTAB and the OCP is collaborating to find and implement solutions and training programs for examiners, ex-parte matters for the overarching purpose of improving overall patent quality.

Further the PTAB and the OCP or collaborating or will soon be collaborating on two additional studies. One, I believe is in the process which is parallel proceedings involving AIA trials, reexaminations and slash or reissues. And secondly, the AIA trials where the petitioner raises the same or substantially the same prior art as presented during prosecution before the examiner. I'm glad to see heads are nodding there. Thank you.

There's also the rather significant change to the claim construction standard to be applied in AIA trial proceedings, which is moving from the broadest reasonable interpretation BRI to Philip Standard, which is used by the federal courts and the ITC. Also, the PTAB has released an update to the AIA trial practice guide in August 2018. All these changes reflect a welcomed

evolution of practice before the Board that should streamline processes, increase patent quality, and improve the transparency and predictability of its proceedings.

Finally, in the annual report, the PPAC made the following recommendation. The PPAC is optimistic that the PTAB's changes made in fiscal year 2018 will advance the directors and the stakeholder's objectives of creating a more balanced system of vetting and securing quality patents. To this end, the PPAC encourages the PTAB to continue soliciting stakeholder feedback as often as possible and seek input from both parties on -- sorry, from parties on both sides of the patent challenge so that it can measure its performance and compare outcomes before and after the implementation of these changes. More details and links to information on the PTAB website or provided in the report. And I encourage the stakeholders to read it because there are significant changes that I think, as a middle child, that sees everything from the middle is that it is fair and balanced. And so, I thank you to PTAB for the subcommittee and PTAB for a its

cooperation and its willingness to work with people.

MR. WALKER: Okay. Thanks very much for the update. Julie. Let's turn it over to Scott and the PTAB team.

MR. BOALICK: All right, well, thank -- and thank you, Julie. So, welcome everyone. Thank you for being here today. I have with me that our acting deputy chief judge Jackie Bonilla and together we're going to be presenting the PTAB update. We also had in the room a couple of members of our senior management team of Vice Chief Judge Weidenfeller and Vice Chief Judge Tierney are here with us as well. And the other vice chiefs are on online. So, to start, let me just go over quickly what the organizational structure is currently at the Board as you heard Director Iancu mention, now, there's currently, the process of filling the chief judge vacancy is underway, but in the interim, I'm the acting chief judge and Jackie Bonilla is our acting deputy chief judge. And filling in for her as an acting vice chief judge is one of our lead judges from

the Denver office, Melissa Haapala. And the rest of our senior management team is the same. We have four vice chiefs who focus on judicial operations. Another vice chief who focuses really more on, I would say, strategy than engagement, but the current title is engagement. And then we have Dave Talbot who's in charge of our Board operations division that really makes the Board work. It's all the people who get the decisions processed mailed; take care of all the administrative and IT functions that are needed to operate the Board.

The Board size over time, I just thought I would show you this because you do recall a few years ago, we were in this period of really rapid growth. We had reached sort of a peak size of just over 270 judges and we are now in a period where our judge core is pretty well matched to the workload. We are just completed a round of judge hiring to fill in for attrition, some retirements. We anticipate if there's no further change in the workload that, that's what we'll be doing again this year is basically hiring to account for people who retire or otherwise leave. But we have

a fairly low attrition rate at the Board. It's only two to three percent. So, we don't anticipate massive hiring absent some change.

Locations this just shows you where are the judges right now, and we have judges in each one of the regional offices of USPTO. We also have a number who are on full-time telework, but in this chart they're all represented as being part of Alexandria, even though about roughly 20 percent of the Board is a full-time teleworking and maybe in other locations around the country.

So, for our agenda today, we'll start out talking about the statistics and then we will update you on all of the various initiatives that are underway that Director Iancu spoke about and that Julie also mentioned. And so, to start out, we'll talk about the statistics for the appeals and the appeals inventory is in a pretty good place. It has come down significantly from where it was just back five, six years ago where it was a very high and going in the wrong direction. That's been turned around and it's now, fairly stable. It's coming down, but it's not coming

down rapidly now. It's a relatively stable, as you see, we closed out fiscal year '18 at just over 11,000. I can tell you today, it's just under 11,000. It's in the high 10 thousands is where are our inventory stands. We generate about that many decisions in a year, just to give you a rough sense of how that compares to our output.

The pendency of decided appeals. This is the measure from the time the Board takes a receipt of the case until the Board decides the case. And you can see that there's some variation by technology center. Right now, the electrical technology centers in blue have the lowest overall pendency and the mechanical business methods has the highest, but overall we have decreased pendency from a fiscal year '16 -- from '17 to fiscal year '18. It went down from 15.7 months to 14.5 months overall, if you look at the far right hand bar. An initiative we have underway is one that we call the Technology Rebalancing Initiative where because of this disparity in pendency among technology center, we are trying to, as best we can, shift work from the technology centers that are overloaded and give those cases to a broader

spectrum of judges and ones where we are up to speed looking to use those judges to help out in areas that the technology is trailing. Of course, we still have the goal of having judges who have experienced in the technology on that case. So -- but within those constraints, we are continually now rebalancing the dockets to try to make the pendency as even as possible across technology centers. We also initiated what we called a quarterly appeals close out initiative last year. And this is where every quarter we look at the oldest cases, we set a target to decide all cases of that age or older and thus, sort of managing the overall pendency.

MR. KNIGHT: Scott?

MR. BOALICK: Yeah.

MR. KNIGHT: Do you have a goal for where you would like to see pendency in the future, like overall tendencies, a 12-month goal?

MR. BOALICK: Our overall goal, currently, Bernie, yes, is 12 months, so that's where we're targeting the head is about a 12-month dependency in our models show that within about a

year or so we should be at 12 months. So, we'll keep an eye on that because, of course, that depends on what happens. It's very sensitive to what happens in the AIA trials. And if AIA trial work increases, then we have to divert resources to take care of the statutory deadlines, but we anticipate fairly soon within the next couple of years we should be at the 12-month a goal.

Just to give you a sense of the appeal intake. You can see one of the reasons we're running a little behind in the business method areas, we received quite a few business method appeals. So, we've redeployed judges to -- additional judges to work on business method cases. As far as the appeal outcomes, this is last fiscal year the examiner was from affirmed nearly 60 percent of the time in total; an additional 10 percent, there was a partial affirmance of the examiner; and under 30 percent of the time was there a complete reversal in our appeals and we have a few administrative categories for things that were remanded or dismissed. Just because we haven't spoken of this for a while, just so you know, there are still

interferences in the inventory currently, there are 16 of them. Now, we'll turn to the AIA trial statistics and just to let you know from the beginning of the AIA trials through the close of last fiscal year, we've received just over 9,000 total AIA petitions. Over 90 percent of those are IPRs. And you can see that 6 percent were CBM, but as you'll see soon, the CBM component is dwindling. A PGRs comprise only 2 percent that's slightly on the rise, but not dramatically. So, let's take a look by fiscal year and trial types. So, what you see here is the total in each of the fiscal years from 2012 to 2018. The IPR's in blue at the top. You can see that since about 2015, the filings have been relatively stable in IPRs. It was up slightly in 2015, it was just over 1,700; dropped a bit in 16 to just over 1,500; back up again in '17 to 1,812; and then down again in '18 to just over 1,500 again. So, but it's been relatively stable those few years. You can see the PGR is on the increase, slow, but steady and CBMs are somewhat on a downward trend. Currently, CBMs are set to sunset in 2020 unless Congress takes action to extend them.

So, this is just a snapshot of the last 12 months, so you can sort of see what happened in fiscal year 2018. And you see there's a dramatic dip a there about midway through the year, just a little over 88, that corresponds to the month of April, which, as you know, is the month in which oil states was decided and also SAS, so we saw a pre-Oil States drop-off. May, the 160 occurs in the month of May, after April 24th of 2018, which was the Oil States and SAS decision. And so you could see it, it bounced back to 160, then has been relatively stable. We saw a slight decline. And then at the end of September we had 159 IPR petitions. You don't see any such trends in PGR or CBM. The numbers are really low. So you're talking less than double digits in most months for those.

So, the technology breakdown of the petitions filed, you can see that about 60 percent were in the electrical computer area about 25 percent, roughly; mechanical business method, 6 percent chemical; and 10 percent biotech. And there's still a slight -- we show it there just

because there are 44 design petitions just to make the number whole.

To jump back briefly, in case you really like this breakdown by fiscal year, we now have a breakdown by technology and fiscal year. So, these are all petitions, of a certain technology filed by fiscal year and you can see that, that variation from 2015 to 2018, we experienced in the IPRs tracks pretty closely to the filings in the electrical computer area, which probably is not too surprising because that makes up about 60 percent of the overall filings in the other technology areas. They've been fairly steady since 2015. Just some slight decrease in mechanical business methods, a slight -- well, an increase and then a decrease in biotech and relatively steady in chemical.

Now, we're going to go through a whole bunch of institution rate slides. So, bear with us here. So, this is the first one. This is the overall institution rate of all trials broken down by fiscal year since the beginning of the AIA trials. And you can see that started out on 2013

at a 87 percent rate. It's decreased over time to closing out last year at a 60 percent overall institution rate. That's for all technologies -- what I'm going to do now is just sort of break it down for you by technology and show you how things fared technology-by-technology. The first slide is the electrical computer technology is again, remembering that this dominates our filings. And so it's not too surprising when you compare this to the faint gray line. It's a little hard to see, but there's a gray dotted line for all technologies. You can see the electrical computer institution rate pretty much tracks the overall institution rate. Mechanical and business methods also similarly tracks the all technology line, just some slight variations. Where we started to see some large variations as when you go to the biotech and pharmaceutical area, you can see that some years that substantially below the overall average and some years it's above and we closed out last year below, but the year before it was above. One thing that may be going on here is there's a smaller number of filings in this area, so variations tend not to be averaged out as much.

So, I think you'll see this effect to in the chemical area where some years it's above and then some years it's below the overall average. I don't know that we see anything in particular going on here other than what we do see is in general, parties have gotten more savvy in both how they prepare and defend petitions and we've had some evolutions in terms of guidance, for example, the general plastic factors on institution, so that it's been made a little more clear when the Board's going to institute when it might not. Most of this is also a pre-SAS. So, we don't have this broken down by pre and post-SAS, although some point that's likely a data slice that we'll be showing.

MS. JENKINS: Scott, remind me why you lump mechanical and business method together. I know there's a reason, but it seems odd.

MR. BOALICK: It's just TC, 3,600; 3,700. So what we do, that's a shorthand that we use just to describe technology center because it's relatively easy for us to categorize the patents by the technology center from which they issued.

I mean, there's always a few that are over where the TC has changed, but that's a relatively small minority of petitions. So, we -- what we do when we produce these is we look at the TC that originated the patent that's being challenged. So, we don't break it down within the TC to say, "Oh, well, this is the group that handles business methods and this is the group that handles other more mechanical." So, that's why we're lumping them.

MS. JENKINS: Yeah, Thank you. Thank you. Yes.

MR. KNIGHT: Scott, would you anticipate with the SAS decision requiring you to make a final written decision on all the claims in the petition if you institute and then switching from the BRI to the Philips claim construction, which you anticipate the institution rate to continue to go down?

MR. BOALICK: That's an interesting question, Bernie. I don't know for sure, but I mean, one thing -- one way to think about it is for SAS partial institutions are now full

institutions. So, as far as being an institution or not, that decision is still the same. But one area what that may be impacted is, for example, when you have filings where, let's say there's one claim -- that there are say, 20 claims challenged and only one of those challenges meets the threshold and the other challenges clearly do not meet the threshold, then what the Board is going to have to ask itself; and this was in the guidance we put out on SAS, but as an institution decision, the Board really needs to make a choice as to whether this is going to be a good use of the office resources and will that impact our ability to complete the proceeding on time. Does it make sense to do that as opposed to a petition that has, say, 19 out of 20 challenges that meet the threshold and we don't have a numeric formula or any sort of formula for that. It's a balancing test, but -- so there maybe -- I guess all this to say, there may be cases in the past where you would've seen a partial institution on one claim that you may see a denial. And so you might see the rates sink a little bit more, but I know that parties are smart and they adjust the way that

they file petitions and they defend. Patent owners have -- they know how to defend against petitions. So, it's hard to say exactly how this plays out.

MR. KNIGHT: I'm glad you raised that point because I don't think -- I think a lot of people in the user community believe that as long as the standard is met, that at least one of the claims -- there's a reasonable likelihood in an IPR that at least one of the claims is un-patentable that the Board will then institute and I don't think a lot of people in the user community fully understand that the Board has complete discretion whether to institute a proceeding or not, even if that standard is met.

MR. BOALICK: That's right. Yeah. Thank you, Bernie. And that's right. And that's something that we're looking to perhaps continue to provide further guidance on is that particular aspect. The general plastic was never meant to be an all-inclusive set of factors and know we've intended to provide future guidance on a what the Board takes into consideration. So, I'd look for

more decisions of that nature to come out to provide guidance. One thing I would like to say though is the judges of the Board when they're sitting down to make the institution decision, because I know we all like statistics, but just remember each case is an individual case. The judges are just looking at the evidence, the arguments that's before them what's been put into the record and the strength of the attorney arguments. So, they're making a call based on the record and the advocacy in that case. And so the statistics are what they are, but they are that just because that's what's in the cases, I guess is what I'm trying to say.

MR. WALKER: Scott, so, we're getting quite a few questions from the public.

MR. BOALICK: Okay.

MR. WALKER: So, I will try to intersperse these as I'm looking at your slides --

MR. BOALICK: Okay.

MR. WALKER: -- and see where they fit.

MR. BOALICK: Sure.

MR. WALKER: But one question is just to comment about the -- sorry, between messages here about the overall institution rate which -- don't go back -- but it was back a couple of slides.

MR. BOALICK: Okay.

MR. WALKER: The overall institution rate of 60 percent, the comment about that being high and this reaction, that was the reaction from the public, do you have any response to that? Is --

MR. BOALICK: I don't know that I know what is high and what is low because it really depends to me on the particular challenge. If there are people who have said, I don't know, for example, if this is true, but people said, that at least early on there were a number of challenges that were what were termed low hanging fruit. I'm not using that term. I'm just saying people have said that, but that may account for some of the drop. I think that the parties have gotten smarter about how they do that. Is that high? I don't know exactly how to characterize that because it's really a very selected group of patents. You just don't take a random sample of

the 350,000 or 360,000 patents that issued last year, randomly sample them and put them into IPR, sort of a selected group. And I know there's a lot of effort and money that goes in, so I'm not quite sure how to respond to the institution rate if it's high or not.

MR. THURLOW: Can I just add to that? When I joined PPAC six years ago, the institution rate was 90 percent, 95 percent or somewhere. When we worked with you and Chief Judge James Smith and others, the feedback was we expect over a period of time, it to come down. So, although if you have a particular patent that's subject to an IPR and it gets instituted, then that 60 percent is high. But what I'd say a very simple answer is 60 percent is much lower than the 90 percent or so on for many years ago.

MR. BOALICK: Right.

MR. WALKER: And you know --

MR. BOALICK: And one thing to keep in mind is so that's an institution that's not based on the complete record, right. So the patent owner gets a chance to respond, to bring in

additional evidence and argument. And I think when you see sort of the overall result, not all -- an institution does not mean that a claim and the patent's going to be found unpatentable, it just means that at least one of those challenges met a threshold most of the time, that's the reasonable likelihood threshold. That's all that signifies. There's a lot more that goes on afterwards before you get to a final result.

MR. LANG: Yeah. I'm going to add to that a few points. I mean, one is, as you mentioned, that the patents that are challenged in IPR, a very small percentage of the patents in force, but they're also some 20 percent of the patents that are actually litigated for somebody to come forward with an IPR petition, they've already taken a considered decision that it's worth the resources to do that. This is a highly self-selected population. Not self-selected selected by many people with resources that they have to spend. Your group of patents, so the 60 percent figure, I don't think it should be considered high at all.

MR. BOALICK: Right.

MS. MAR-SPINOLA: I would add that I think, at least for me and more important, and maybe because we just talked about the annual report and a year from now, we'll be talking about another annual report. Now, I think what's important is to look at the trend and if the trend is downward that's significant. The question I think is still up there is because the PTAB has so many changes being instituted or implemented, the question will be how is that going to impact the results? It'd be interesting, maybe not in a good way if the rates stayed the same. That's just my view, but at the same time I think there's a good possibility that they go down. So, I think looking at trends will help. And certainly the trend since the period that Peter spoke about, it's been downward 60 percent is still high, I'm sure for a lot of people. And they have reasons for that, good reasons. Some, maybe there's no reason, but it's perceived that way. But at the same time, I think, if the goal -- it's not if, since the goal for the patent office as a whole is quality, then hopefully the trend will continue

downward, not only with the new rules and practices, but also because of the fact that more quality patents are being -- coming out of the system.

MR. BOALICK: Right. And I guess we don't have any target number in mind, as I say, really this is just the statistic ends up being the aggregation of each individual decision that's made by the judges based on what the attorneys have put in front of the judges by way of their arguments, their evidence and then the decision kind of comes out the way it comes out. And so, it's hard for me to say because this isn't something we -- it's something we observe and I mean, as a director mentioned, we're going to be observing all of the changes to see if it has achieved the goal of predictability and balance. But I would say that that's really the thing that we're focused on is not -- is this statistic at the right level, but is the process fair; is it balance for all the parties; does it present appropriate opportunities giving due process to all. That's sort of where our focus is --

MS. MAR-SPINOLA: Right.

MR. BOALICK: -- and hopefully the number is reflective of a process that is appropriately balanced.

MS. MAR-SPINOLA: And I would just say that as one of those besides balance and fairness is transparency in that entire process, right. Because it really does depend on all the things such as the panel expansion or substitution or whatever it is, all of those things matter. And it's the bigger picture. That's the bigger, clearer picture is what's going to give the stakeholders on both sides more confidence about the predictability. And it's -- even though facts are very important, I think what happens is perception overrides all of that. And so that transparency factor I think could help this whole discussion. Not to suggest there hasn't been transparency --

MR. BOALICK: Right, no.

MR. MAR-SPINOLA: -- but I just think that transparency is as critical as the other things.

MR. BOALICK: Thank you, Julie. We're definitely committed to that.

MR. WALKER: Scott, let me just get another question.

MR. BOALICK: Okay, sure, yeah.

MR. WALKER: Could you move your micro maybe just a little closer too? I was having a little trouble hearing you.

MR. BOALICK: Okay, sure.

MR. WALKER: Perfect.

MR. BOALICK: How's that?

MR. WALKER: So the question here, and maybe Drew pay attention, is if the PTAB rules that patents should never have been issued because they cover subject matter that is not patentable, then why doesn't the patent office refund the inventor all the fees it collected in issuing the patent that should never have been issued?

MR. BOALICK: So maybe I'll start out and say, so I'm not sure I completely understand the question however, I mean, one thing is that sometimes the rules change. Let's look, for

example, at 100, one if you had say a CBM and at the time of issuance, the rules are one thing; at the time of challenge, the rules, a Supreme Court law, the case law has changed to a point where under that application of the then current law there's a different result. So, there is that part of it is that --

MR. WALKER: This question was about CBM, by the way.

MR. BOALICK: Right, okay, yeah, so I think that's perfect illustration of look, sometimes the rule and the law applied changes over time and what would have been upheld in an earlier time is not upheld at a later time or sometimes the pendulum swings back to where something that would not have been upheld would then later be upheld. So, that's just, I think the nature of the case law in -- especially (crosstalk).

MR. THURLOW: Just to add to that, it goes back to the core principle that Andrei, Director Iancu always speaks about in certain things --

MR. BOALICK: Right.

MR. THURLOW: So, there's a strong feeling that you have one group at a patent office that's issuing the patent, then several years later through a lack of certainty you're your points are well taken, a due to a lack of uncertainty, you have another part of the patent office has taken away. So, it's just -- it's something, it's a common frame where we hear a lot in the public and I think you answered the question well, but it's troubling.

MR. BOALICK: Right.

MR. POWELL: I just wanted to jump in and say that --

MR. BOALICK: Yeah.

MR. POWELL: -- one of the other offices, either the EPO or JPO has actually talked about that and I don't know whether they've instituted that in their opposition process, but I'll see if I could follow up on that and get back to you. That's just an interesting comment I've never heard of before.

MR. WALKER: You mean, concerning the piece, Mark?

MR. POWELL: Yes.

MR. HIRSHFELD: Yeah. Now, I'll just also add, I think we would need a rule change before we can even do that to begin with because I don't think we have the provision to be able to do it. Not getting to the merits, whether it's the right idea, wrong idea, just I don't think we can technically do it right now.

MR. THOM: Just to be clear, you'd need a statutory change, okay.

MR. WALKER: Right, so that would be the reason why we can't do it. Back to you, Scott.

MR. BOALICK: All right. But thanks. But I understand the sentiment so, all right. So moving on and this one just is kind of showing interesting statistical anomalies, if you notice, this is a design patent institution rate and you'll notice that for FY '18, there was exactly one decision that instituted and thus, 100 percent. If it had gone the other way, it would have been zero. And if we'd had two decisions

that were split, it would have been 50 percent, thus showing that statistics aren't always terribly meaningful. In case you didn't get enough of the institution rate statistics, here's kind of the summary to takeaway. We've overlaid all of them on one chart. I won't spend any more time on this, but it's in the pack that is available by the web if you'd like to just see them all overlaid on top of each other.

The settlement rates for the AIA trials been relatively steady against since about, well, 2014 actually was a little higher, but the last three years certainly it's been right around 25 percent overall settlement, both pre and post institution. They're color coded by a pre and post institution, both red and the blue. I would just put this up here, but I know we want to get onto the actual initiatives, but I will just point out that this is the status of all petitions. The graph that we've been calling the waterfall chart and so what you see is out of those 9,170 total petitions that are filed, we have 876 that are still awaiting an institution decision. If you just jump ahead a little bit over into the blue

section, you see that there's another 670 that have been instituted, but are awaiting some sort of final decision.

The rest of them have been disposed in some fashion or other, which is what is shown here is how all the petitions have been disposed, both in terms of the settlements, pre and post institution. And dismissals, requests for adverse judgments, you see that there have been 2,329 denials and 4,714 institutions, but again, keep in mind there's about 876 cases awaiting an institution decision. Out of all those who have been instituted, we've reached final decision -- final written decision in less than half of those 2,336 have reached final written decision. Again, keep in mind that there's 670 that are still open and undergoing trial. So, that's just sort of a quick, quick run through of where are all the petitions, what's happened to them. And if you'd like, I think this would be a good time to start switching to all of the various initiatives that have been going on at the PTABS. I'm sure there'll be more questions on some of those.

So the first is our standard operating procedure one which we came out with a in September. It really does explain a longstanding practice of how the PTAB panels it's judges on both appeals and trials. We have, if you recall, the first slide that I showed with the Board Operations Division, we have a number of administrative staff within that Board Operations Division that are dedicated full-time to paneling cases. Recall that we get over 10,000 appeal decisions mailed every year, which means there's over 10,000 paneling decisions that get made in appeals and well over a 1,000, 1,500 petitions and trials that come in. So, again, about 1,500 or more initial paneling decisions that have to be made throughout the year. So, we have an administrative staff dedicated to doing that, but SOP 1 shows you the framework under which they operate and it's essentially a multifactor analysis that they use to put a panel together and they have considerations.

The first consideration really is conflicts. Each judge gives a paneling group a list of conflicts, but one thing to keep in mind

is that sometimes conflicts are after arising. So, when you're initially paneled on a case, you might not have one, but if, for example, and this has actually happened, a judge's spouse, which is companies and joins a company that happens to be on a case in front of that judge, then the judge will recuse themselves after they've already been on the paneling. If you look at our ethics guidelines, that's one of the reasons for a recusal.

MS. JENKINS: That's interesting. So, is that related to the parties? Oh, by the way, as a conflict or is that -- does it (crosstalk)

MR. BOALICK: So, that -- so, I'll get to that. So, yes, the answer is yes. We will now relay that. So, this is something new. So, the longstanding practice of recusal for conflicts has been always present. The thing that we didn't used to do is tell the parties that (a) your judge changed and (b) they changed because there's a conflict. So, that's the new part of this is, when there's a panel change after that panel has appeared to the parties. Meaning you've had some

sort of a decision, say a decision on institution, you now know who your panel is, and you have judges A, B and C, and judge B has an after a rising conflict and has to recuse themselves. We will now notice the parties that there has been a panel change. Judge B's no longer on the case. Judge D is on the case and the reason was for a conflict. The other reasons are for unavailability, for example, the judge has some sort of a medical procedure or some sort of family emergency that's come up and they're unable to continue working on the case or in the case of deadlines, if there's a case where the judge just because we operate in trials, especially under statutory deadlines, if they have figured out that they're not going to make all their deadlines as currently paneled, they may have to adjust for workload reasons. So, we will tell the parties that your panel changed after it's been made public to you. And we'll tell you the reasons. And those are really the three reasons that will be changing the panel.

MR. WALKER: Yeah, Scott, a question here from the public was about, how is it possible to

move judges between PTAB groups and keep subject matter experts in line with technology? And not exactly that, but it's kind of related.

MR. BOALICK: So we have -- so generally we have a pool of judges. This paneling group has a number of, well, spreadsheets or matrices that says, "Hey, here are all the judges that have chemical expertise. These ones are ones who we normally a panel on appeals. These ones we normally panel on trials. There's some transition or ability to switch between those." But they sort of go back and they look at the judges workload, their expertise in choosing a replacement. They will try as best as possible to match that. Now, sometimes it's not possible and we have judges who have expertise in multiple areas.

For example, they may have a primary expertise, say in biotech, but there's a secondary expertise in chemical or mechanical. So, you sometimes go and use that. What we generally try not to do, and I think at fairly rarely happens, is a judge who has absolutely zero experience or

expertise on a case. So -- but just do recall the statute doesn't require the cases if you want to say what's legally required, there's no legal requirement, although it's certainly our best practice and that's what we tried to do in every case. So, the tricky one, I think is sometimes business methods people get -- say, "Wait a minute, there's a chemical judge on my business method case." I would say, "I don't know of anybody who has a degree in business methods and that some of the judges have been working in this business method areas for decades and have, I would say, tremendous expertise in business methods. So, that's our paneling SOP.

The other thing it does is just kind of explains given the next SOP, we're going to talk about number two on precedential opinions. How does panel expansion play in? There's still sort of envisioned a very narrow role a four panel expansion, which is basically a to resolve conflicts and come out with a consistent outcome in a case if, for example, you had a number of related cases such that single panel couldn't decide and the extra judge you had to bring in for

that other panel may see things differently. We want to make sure the parties get consistent results. It hasn't happened yet since we've issued SOP 1. It's envisioned to be very rare.

So moving on, where can you find SOP 1? It's on our website. We have just the way that our website's currently laid out, we have the newest items are in a column on the far right, but eventually, those get replaced by other things that are new. So, once that rolls off the front page, it'll roll in -- it's always available in the resource and guidance under SOP 1. If you look at standard operating procedures, that's where you will find it. The next SOP is number 2, which deals with a new procedure and this is brand new for how the Board makes opinions precedential. So, there used to be a process by which the judges would undergo voting and recommendation process and it got to be just rather too cumbersome to continue to operate.

So, we have a new procedure that has a, what we are calling the precedential opinion panel or indeed POP is how we refer to it and it is

meant to create binding precedent for the Board and normally, it will be done on rehearing so that we don't have statutory deadlines running. So the normal way that POP comes up is on a rehearing, which can be a sua sponte rehearing. So, if the parties don't ask for it, but the POP appears to think this is an interesting case, they might sua sponte grant rehearing in order to decide at three members of the POP, as Director Iancu, as a Commissioner Hirshfeld and currently, myself, as the chief judge of the PTAB are the three members of the POP.

And so, a few things to know about this in the interest of transparency. If a POP request is granted, we will notify the parties about it. So the parties will know. Currently, we have not -- so to cut a head a little bit, we are reviewing a number of nominations. So far, no POP requests have been granted. So, if you were wondering, there haven't been any grants yet, but I anticipate soon and very likely by the next time we meet in PPAC, I would anticipate there may be some granted POP requests.

MS. MAR-SPINOLA: Scott --

CHAIR FELLER: I'm glad if you wanted to ask if they popped?

MS. MAR-SPINOLA: I did want to say that. Did you pop?

MR. BOALICK: Yes. Yes.

MS. MAR-SPINOLA: Good one.

MR. BOALICK: We have -- there's not been any popping yet, but just wait.

MS. MAR-SPINOLA: Scott is there a way for a stakeholder to request POP review?

MR. BOALICK: So, right now the external mechanism is generally reserved to the parties in an active case. However, we do get suggestions from time-to-time. I will say if we get a suggestion from an outside stakeholder, we'll consider it. There's sort of two mechanisms that are at play in the -- in this process. So, one is for active ongoing cases that are done under rehearing with the three-member panel that I mentioned. There's another process that we refer to sort of unofficially as a ratification process.

So, if there's a decision that's already been made by the Board and the time for rehearing his passed, you -- we can still a convene the POP, the three members of the POP can have a look at it and the director can decide that this case that was already decided should be made precedential. So there's still a mechanism to make cases precedential even if they're not active. But if it's an active case, we'll not only notify the parties, we'll give the parties an opportunity to brief because as part of the POP notification we will say what issue that the case has been taken up under; what issue it is that the presidential panel wishes to decide. So, it'll be an opportunity for briefing. In most cases there will be an opportunity for amicus participation. So, there will be that opportunity for amicus participation in a lot of the pop cases, especially ones that are actually underway. If it's one that was already decided we're not going to reopen or for ask briefing on that, generally.

MR. KNIGHT: Is there an ability or a procedure by which other judges besides the chief judge can sit on a POP?

MR. BOALICK: There is. So -- and the SOP 2 itself, explains just in terms of trying to be transparent and predictable, tells you who's going to be on that panel. So, you have the default three-member panel. Any of those three members can delegate their seat on the panel to -- and then there's a listing within the SOP itself of who all would be someone that could be delegated to. So, for example, the director could delegate to the deputy director; chief judge could delegate to the deputy chief judge; or any of the vice chief judges. So, between all those folks we think that, that should allow us to have a properly constituted panel even if some of the members are either conflicted out because that does happen from time-to-time. Somebody will be -- one of the members is conflicted from being on a case, but there is a delegation procedure built into the SOP and we lay out precisely who was in line to pick that seat up if one of the original members has to bow out.

MS. JENKINS: Scott this, I mean you've done the group and the PTO has done so much over the past couple months. Truly appreciate that,

but we have a lot of content still then. And I know a lot of people are very interested in the motion to amend practice.

MR. BOALICK: Right.

MS. JENKINS: So, can you -- can we kind of jump there?

MR. BOALICK: We have a lot slides on motions to amend and I'm --

MS. JENKINS: Yeah, yeah, yeah.

MR. BOALICK: And I'm happy to get there. You've anticipated pretty much what's coming next, so let me quickly --

MS. JENKINS: Yeah, thank you.

MR. BOALICK: Advance the slides on to motions to amend. You can see where to find SOP 2, the POP Trial Practice Guide. I'll just mentioned that it hit on a number of areas. Here they are and now -- and here's where to find it. And now, onto the -- well, let's skip ahead because maybe, we can come back to claim construction if we wish because that's pretty straightforward. I think generally, just remember next week is the

week, the 13th -- November 13th that goes into effect. So, the big takeaway before we skip ahead to motions to amend is if you file a petition November twelfth, it's under BRI, November 13th. It's a under Philips. So, that's the big takeaway. So, we'll skip ahead here to -- whoops, motions to amend and I'm going to ask a Acting Deputy Chief Judge Bonilla to talk about motions to amend.

MS. BONILLA: Good morning. As you likely know, we issued a request for comments on our emotion to amend practice. We did that, I'm just a few weeks ago on October 29th, prior to that we had actually done a requests for comments just generally on AIA proceedings including motions to amend. We asked for comments back in 2014 and 2015, but generally the types of feedbacks that we got then were far more general. It was things like where should we place the burden in relation to the patentability of substitute claims which was subsequently addressed in Aqua the scope of prior art that partner needs to, to bring forward. And just -- there was a suggestion of using an examiner, that type of

thing, but there wasn't really any specificity in terms of what we should do in terms of changes and how we should do it.

For us to better understand what was going on in relation to motion to amend. We -- the Board actually underwent a study in early 2016 and that study is actually up on our website and we have updated it through March 2018. So, you can see that there and there's a bunch of information in there, including how many were filed; how many motions were filed; what happened to them; whether they're granted; granted in part; denied; and, the reasons why. And what you can see in this slide, this is some information that we got from that study. You can see how many motions to amend had been filed every year since we started in 2012. And what you can see is on average there haven't really been a whole lot of motions to amend filed. On average over the years, less than 10 percent of cases have, as a patent, filed a motion to amend in an instituted trial. And what you can see is they've hovered around between 50 and 100 a year. There is a little bit of a spike that occurred this year in fiscal year 2018 at 101. That is an

all-time high for us. And notably Aqua Products actually came out on October 4, 2017. So, that coincides with the issue of Aqua Products. We can see sort of before and after Aqua Products, so it does -- at least creates the impression that, that case might have had an impact on filings, but again, this is still pretty low compared to the number of petitions that are filed and the number of cases that we institute on.

As I mentioned, Aqua Products came out in October of 2017. Thereafter, we issued guidance following Aqua Products. There was subsequent case law by the Federal Circuit. We issued an informative decision in the form of Western Digital to explain how the office is going to implement Aqua Products. I'll talk about that in a little bit. And basically, in light of a great deal of information that we've received over the years; in light of changing case law; in light of guidance that we put out, we decided to do a request for comment that was specific on the motion to amend practice itself. And what will see in the motion to amend requests or comments is that what is there is a very specific proposal for

changes to the motion of practice. And that specificity is done deliberately, it's done with the idea of stimulating conversation and stimulating comments of have the same kind, meaning with a very specific specificity. That is our hope to get that kind of level of specificity.

So again, the request for comments seeks input from the public on AIA proceedings. It proposes a new process for how we would do motions to amend, as well as a pilot program. I'll talk about that in a little bit. And it also seeks input regarding whether we should do rulemaking in relation to the burden of persuasion after AQUA Products and if so, how? And again, the goal is to address stakeholders' concerns and provide a process in motions to amend that's fair and balanced. And you'll see that comments are due December 14th. So, mark that on your calendar, that's a big date. And you can send comments. The best way to do it is through that email mailbox that you see there on the screen.

The hallmarks of the process that we have put forth in the request for comments, they're

several things. The first is that it does occur doing during the AIA review itself. So, an AI Review his inner parties, which means both parties will participate and also that it will be the entire review, including the motion to amend process itself will be completed within the 12 months statutory deadline. As part of the process, the Board will provide an initial assessment of that motion to amend pretty early in the process. The Board will issue a nonbinding preliminary decision addressing the motion to amend and any opposition that's filed by petitioner. It also provides, this is something that is definitely new, a meaningful opportunity for the patent office to revise its motions to amend afterwards in light of information it received from the petitioner and its opposition and also from the Board in that preliminary decision.

One thing that you'll, note when you look at the process and the timeline which I'll show you in a little bit, is that the motion to amend and opposition are filed earlier than they are in the current process. So, a motion and amend is

due one and a half months after institution. And the petitioner opposition is do one and a half months later after that, and then a month later the Board will issue a preliminary decision that provides an initial assessment.

Here is the timeline. You'll see this timeline and the request for comments itself. So, just to run through it again, the motion to amend is filed after a month and a half. You see the opposition a month and a half later. There's a preliminary decision after a month after the preliminary decision comes out, the patent owner gets to make a choice. They have a month to either file a reply, which is what normally happens in our process after an opposition to patent filers reply or if patent owner wishes, they could file a revised motion to amend. And then thereafter, if patent owner files a reply, petitioner gets a sir reply just as normal. If patent and or files a revised motion to amend, then petitioner gets a chance to file an opposition to that revised motion to amend. And if that happens, then patent owner gets a reply and petitioner gets a sir reply. And one thing I

want to point out about this process is that it's basically adding an additional paper for each participant in the proceedings, so it's adding a preliminary decision by us and it's adding an opportunity for patent owner to file a revised motion to amend and for petitioner filed a second opposition to that revised motion to amend, but otherwise, what you see there, the papers that are filed are very similar to what we have in our current process.

And this is the layover that we have. What you see on the top is the normal process that we have in relation to the original claims that are challenged in the petition. And just to point out under our current process, you see that the patent owner response is due after three months. That's when motions to amend are due under our current process. Then three months later is the petitioner reply and also the petitioner opposition. And then you'll see a month later is that, in addition to the patent owner's sir reply, you see the patent owner's reply to the motion to the -- sorry, to the opposition to the motion to amend. And then also there is a sir reply that's

a month later. So, you can see the overlay. So, you can see that in order to fit in the three additional papers that I just mentioned, it is a little -- the timeline itself is a little bit more compacted.

So this provides some information about what the patent -- the preliminary decision actually will provide. And what you can see first off is that it's a nonbinding initial assessment of -- based on the record that the Board has so far about what they think about the motion to amend and the opposition that's filed. So, it doesn't provide any dispositive conclusions and it's not binding on any subsequent decisions by the Board, including what they do in the -- what the panel does in the final written decision and similar to a decision to institute, the preliminary decision is somewhat similar to a decision to institute, but this time on the motion to amend, and so what you see is the panel will assess whether there's a reasonable likelihood that the patent owner will establish that the motion to amend meets the regulatory and statutory requirements for a motion to amend and you can see the statutes and the

regulations there and also will assess whether the petitioner would prevail in establishing the unpatentability have any substitute claims.

So, again, that's assessing under reasonable likelihood standard based on the information that we have at the time. If the preliminary decision determines that there is a reasonable likelihood that either the patent owner won't prevail and what it needs to show or petitioner will prevail or what it needs to show. So, in other words, if the patent owner -- if it looks like in our preliminary decision that the patent owner is going to lose on even a single one of the substitute claims, it has a choice at that point. It can either, as I mentioned before, file a reply to the opposition and the preliminary decision or it can file a revised motion to amend.

Now, the motion to amend itself, the revised motion in amend, it can fix any statutory or regulatory requirements that are identified. It can propose new substitute claims, but the amendments and the arguments and the evidence, they must be provided in a manner that's

responsive to the preliminary decision itself. And they may not the revised motion to amend may not include any amendments or arguments or evidence that are completely unrelated to the preliminary decision or the opposition that was filed. And then the final written decision when it comes out, it will address obviously, the originally challenged claims, but also the substitute claims that are in the revised motion to amend.

MR. KNIGHT: I'm Jackie under this proposed new process, could the patent owner file a conditional motion to amend on saying that, I want to amend the claims only if the Board finds that my original claims are unpatentable so that you go through the whole process and you only amend the claims of the Board would not uphold the original claims. Can you still do that or?

MS. BONILLA: Yes. You can still do that. Right now, under the proposal, we would continue the practice that we have now that the motions to amend would be contingent. So at the end when we get to the final written decision

stage, we would only address the substitute claims if it turns out that the corresponding original claim was found unpatentable by a preponderance of the evidence, so that would still be in place. And actually, one of the questions that we have in the requests for comment is whether we should continue to have motions to amend be contingent, or whether they should be noncontingent, meaning the patent owner has to make a choice. Do they want to go forward with original claim or their substitute claims?

MS. MAR-SPINOLA: Jackie, does that also mean that the intervening rights wouldn't trigger until the final decision on the motion to amend?

MS. BONILLA: I would assume so that innovating rights to the extent that they would impact, have anything to do with what's going on with us. It would only kick in after the final written decision in relation to both the original claims and the and the substitute claims, same thing.

MR. THURLOW: So we're going to be running short on time here, but it's a pretty --

with considering the holidays and stuff coming up, the turnaround is pretty good. I guess my question is, there is now a PTAB Bar Association, as you know, and for the New York Bar Association and many others, there's different PTAB groups. Are you able to do maybe a two presentations of those particular groups not to -- due to the short timeframe and --

MR. BOALICK: Send an invitation.

MR. THURLOW: Like a web -- make a phone call or --

MR. BOALICK: Right. No, we're happy to do that. We did a Board side chat yesterday, but we're happy to go. We were at AIPLA earlier. Happy to do other groups who would like to invite us just send us the invitation and we'll process that.

MS. BONILLA: And that can be really useful way to facilitate comments. I mean, obviously it's very helpful if we get the comments in writing, but sometimes if you have a conversation it can help really hone what comments might be the most helpful. So, I do think that

would be helpful to have those conversations. So just to move on, if --

MR. WALKER: Dan, have a --

MS. BONILLA: Sorry, I'm sorry.

MR. WALKER: Dan, did you have a question or --

MR. LANG: Are we moving on from the motion to amend process or --

MR. WALKER: No --

MS. BONILLA: Pardon?

MR. LANG: Are we moving on from the motion to amend --

MS. BONILLA: No, I was just going to continue presenting it, but go ahead, if --

MR. LANG: Well, I think you know, there is going to be a significant commentary from the community of folks who file petitions. These timeframes are very short in which to a search and analyze and develop arguments that were liberalizing, potentially liberalizing enrollment procedures while I'm not providing for examination

of claims as I think other people suggested in the past that it could be a significant number of patents coming out of the office with unexamined claims. I appreciate that the office is open to hearing commentary on this point. I expect and encourage it to happen.

MS. BONILLA: We definitely have asked that as a comment what do you think of the timeline? Do you have suggestions for how we could change it? And we're open to comments on this proposal in any fashion. We have, I was going to talk about this. We have 17 different questions, some of them compound, just really trying to get into the weeds about what you think about this proposal. But I do want to reiterate that we're not limited to those questions in terms of feedback. So, if you have any comments on the proposal, we do welcome that. This is a little bit of a challenge to fit this in, to make sure that we're having the different papers in and making sure that we're fair and balanced in terms of who we give an opportunity to respond. I will tell you that under the motion to amend practice, generally speaking, the claims cannot -- they can't

be broadened. So, the idea is in a motion to amend, is that generally, you would have the limitations of the original claims and you would add a limitation. So, the hope at least is that when you do searches on the substitute claims that it wouldn't be quite the same with it. It might be on original claim where you're going in there wholesale, that what you're really looking to see is whether that amendment takes it out of the -- whether it is still unpatentable or it is patentable and whether there's reasons to combine the elements and things like that.

MS. MAR-SPINOLA: I think and I don't recall when I heard this from the director, but I wanted to repeat it, which my understanding was that he welcomed the comments, but he also wanted suggestions, right. And I think that, that's a much more effective way of getting through all of these issues. One last question from me. Well, I don't know if it's last, but one more question, which is will there be automatically a reissue in the event they're amended complaints, amended claims? Would there be a reassure of the patent, a certificate of reissuance or anything like that?

MR. BOALICK: It just be the regular certificate.

MS. MAR-SPINOLA: Okay.

MR. BOALICK: And it's the same certificate you get now --

MS. MAR-SPINOLA: Right.

MR. BOALICK: -- if you successfully amend your claims, it's just the one provided for that says which claims are patentable and including which amended claims.

MS. MAR-SPINOLA: Okay, great. Thank you.

MR. BOALICK: Yeah.

MS. BONILLA: And I just wanted to reiterate to follow up on what you said earlier that we absolutely do welcome suggestions and if people have ideas of how to do it better, we welcome them. And again, part of the reason why we were very, very specific in this proposal was because we were hoping that, that would prompt very specific feedback because, as you know, the devil's in the details. You can have grand ideas

about what we should do, but when you start getting in the weeds of how to actually implement it, that's the kind of information that would be very helpful to us.

So, just to keep going. If a patentor files are revised motion to amend, the petitioner can file an opposition, obviously, if they file a reply, the petitioner can file a sir reply. If the patentor files a reply rather than a revised amendment, then there would only be two papers after the preliminary decision. This talks about what can you can be accompanied by in opposition to apply or sir reply. This does mirror what you normally see with oppositions and replies, sir replies in our trial practice guide and basically, in an opposition to reply there, there can -- you can rely on new evidence, you can cite to it as long as it responds, it's responsive to the preliminary decision, the revised motion to amend and/or the opposition as applicable. In a sir reply, however, there really isn't going to be new evidence at that stage other than deposition transcripts from the cross examination of the reply witnesses. And you really can only respond

to arguments that are in the reply. Make comments on the declarations that are made by the reply witnesses and point to cross examination of their testimony.

So the request for comment itself, talks about two alternative paths. And it depends on the how the patentor responds to the preliminary decision. Alternative one, is basically, the one I've been talking about, so it's the, it's the timeline that are already presented to you and I'll talk to you a bit about alternative two. This is basically a repetition of what I already presented to you. So, I'll skate through that. This is what you see in relation -- in the request for comment in Appendix 1A and sorry, A1 and A2. That's really, that's alternative one that's in the situation where a patentor files a reply or revised motion to amend.

In an alternative two, we wanted to address the situation where if the preliminary decision basically says that it's a full win for patent or. They're going -- there's a reasonable likelihood that we -- that they have shown that the

motion to amend meet statutory or regulatory requirements and all the substitute claims are -- there's a reasonable likelihood they will be upheld as patentable. So, in that situation or in the alternative situation, if patent owner chooses not to file any paper in response to the preliminary decision. So, even if it's not a full win, they may for whatever strategy reasons decide they don't want to file any paper at all. In either of those situations, patent -- petitioner can actually file the first paper after the preliminary decision and again, it can be accompanied by new evidence as long as it's responsive to the issues that are raised in the preliminary decision. The petitioner can't use this as an opportunity to raise brand new arguments of patentability that was not in their original opposition to the motion to amend. And then, of course, patent owner has an opportunity to file a sir reply.

In this situation where a patent owner chooses not to file any paper after the preliminary decision, we might accelerate the briefing period at that point because there won't

be any new claims that will be considered. Right now, which you'll see in the request for comments, one of the questions that we were struggling with, and you'll see that as a question in the requests for comment itself, is what to do about depositions of witnesses that are making in response to the declarations. And so, in the request for comments itself, it clarifies that all cross examination of witnesses will occur after the preliminary decision comes out.

We also addressed in the requests for comment, the situation what if the petitioner drops out of the proceeding altogether, but the Board decides to go forward, for example, the patentor actually wants us to address the motion to mend, but the petitioner drops out. In that situation, the Board can solicit patent examiner assistance. For example, from the CRU or from examiner from the corps. I'm in that situation, the examiner would likely issue an advisory report, if asked. Would issue after the motion to amend is filed, likely in place of the petitioner opposition. It's not binding; it's not a final determination of any kind and it's basically the

idea of it is to be assistance to the Board and also, the patent owner itself, so, they can decide, for example, if they want to follow a revised motion to amend.

So, in this advisory report, the examiner may, if the Board asks them to assess whether the motion to amend meets the regulatory and statutory requirements and also the patentability of the proposed substitute claims. The examiner in this situation actually can conduct searches, but those searches would be limited to the substitute claims, not a full-blown search on all the original claims. The examiner would consider the relevant papers of record including declarations, but examiner would not consider cross examination testimony, generally speaking; wouldn't engage in witness credibility determinations; or, address the admissibility of evidence. And they also wouldn't conduct interviews like you see during ex parte prosecution.

So, also what you'll see in the request for comments is that right now, the office anticipates that it will implement a program

basically implementing the process that you see in here or some revised version of it. So, the program would probably commence sometime after the request for comment period ends on December 14th. So, we would get all the comments we would take it into account. We would figure out whether we're going to revise this process in some way or whether we would do away with it altogether.

If we have the program, we would issue a public notice about that. So, there wouldn't be any surprises that the public would know exactly when it's going to kick in. And it would also provide any additional details about how the pilot actually be run if there are any changes. The idea is that the pilot program would run for at least a year and we may extend, as we wish and that it would apply to any cases where there's a decision to institute that takes place after the implementation date of the pilot itself and because it's a pilot, then the office would potentially modify the program over time as we get more information from the parties and from how it works at the Board itself.

Another thing that you'll see in the request for comment is, it's basically in response to Aqua Products. Some of the judges in Aqua Products itself indicated that to the extent that the office is going to allocate burden that it should be done by rulemaking. So what you see here is this -- Western Digital is a case that came out in April that we made informative a couple months later, which outlines what the Board is doing right now in relation to the burden of proof in regard to the substitute claims, whether those claims are patentable or not. And following Aqua Products in subsequent cases, it states the burden of persuasion will ordinarily lie with petitioner. That said, the Board itself can justify a finding of unpatentability by reference to evidence of the record in the proceeding and they must do so if they're going to make that finding they have to do so by showing a preponderance evidence based on the entirety of the record though, is before the panel.

So, the questions in the request for comment include, should we engage in rulemaking on this issue of allocation of burden? If so, should

the burden allocate the burden as set forth in Western Digital, as I just discussed? And also to drill down a little bit more, under what circumstances should the Board be able to justify findings of unpatentability? Should it only be when the petitioner drops out; should it be when they don't address the claims; or, should it be in any situation where the petitioner is involved or not involved?

So what you see here again, is the date December 14th. That's when the requests or comments or due. This is where you send those comments. And again, as I mentioned before, there are about 17 questions in the request for comments covering all sorts of issues that those questions are in there for the purpose of letting the public know the types of things in particular, that we're interested in knowing about. But I just want to reiterate that we're not -- that nobody should feel limited to those questions. We welcome any feedback on the motion to amend process and any suggestions that anyone has. And this is just a location of where you can find it on the website.

MS. JENKINS: Jackie, can we jump back just --

MS. BONILLA: Sure.

MS. JENKINS: We're running -- we're over time. We've got a very busy afternoon. We're already over. So, can you just touch quickly on the claim construction? Can we just spend five minutes --

MS. BONILLA: -- on claim construction? Sorry, but --

MR. BOALICK: Sure. Yeah, I'm happy to do that because I skipped over that in order to get there. So, right. So, the claim construction, as you know right now, as of today, any petitions filed or construed under the broadest reasonable in light of a significant number of comments to our proposed rule, there were 374. The significant majority of those urged us to adopt the proposed rule, which is what was done in the final rule. A final rule will replace BRI with the standard that's used in the federal courts and this will lead to more harmony in the system between the federal district courts, the

ITC and the PTAB because there's significant overlap in a least IPRs and district court proceedings. We will also take into account any prior construction that's timely made of record in the proceedings of the parties point the Board to a construction from a prior or current district court case, or an ITC case. We will consider that. I would say we do that now, but it's now formally going to be in the rule for how we construe the claim.

November 13th, as I mentioned before, is the big date. It's not going to be retroactively applied. The one question that came up previously was well, what about a joinder? So you have an ongoing case today and let's say at the end of November, there's a joinder request to a case that originally was proceeding under BRI. The answer to that is that we will be proceeding under the claim construction standard in effect for the earlier filed case that you are seeking to join to which most of the time will be BRI. Now, if you seek to join, if the base case you're trying to join to is a Philips case, then it will be done under Philips. So, that's how we're going to work

joinders. And as I say, "Well, why don't we do this?" Is basically greater system harmony, predictability of the patent rights. It also prevents patent owner from having to defend in under different claim construction standards. And there were some gamesmanship that was going on in terms of arguments in the -- before the district court saying, well, what the PTAB did, your honors under a different standard and therefore, you pay no attention to that. So, it's really just trying to bring greater uniformity, predictability to the system overall and there's where you can find it. So, was that sort of what you were looking for?

MS. MAR-SPINOLA: Scott, but I do have a question please, if you go back to --

MR. BOALICK: Okay, do you want to roll back. Okay.

MS. MAR-SPINOLA: If you go back to slide 44 and 43.

MR. BOALICK: Okay.

MS. MAR-SPINOLA: A question. Let me ask you this. The first question is, if, let's say

that it is viewed under the old rule because it was filed before November 13 --

MR. BOALICK: Mm-hmm.

MS. MAR-SPINOLA: -- if it's appealed after the rule, which standard will apply --

MR. BOALICK: Right, so what we've found --

MS. MAR-SPINOLA: -- before their move to consider? Yeah.

MR. BOALICK: Well, so that's a good question. What will the federal circuit -- it's hard for me to predict what the federal circuit --

MS. MAR-SPINOLA: Right.

MR. BOALICK: -- will do, but often they interpret under the standard that they want to interrupt under.

MS. MAR-SPINOLA: So, let me fix my question. That was my bad. Let's say a reconsideration to PTAB --

MR. BOALICK: Right.

MS. MAR-SPINOLA: -- right, what standard would be --

MR. BOALICK: It'll be the original standards. So, if you have, let's say you have a decision that was instituted under -- you have a trial that's instituted under broad is reasonable.

MS. MAR-SPINOLA: Mm-hmm.

MR. BOALICK: It goes through to final written decision. There's a request for reconsideration that happens after the final written decision. Then it will be reconsidered under the standard under which the trial was conducted. We're not going to switch --

MS. MAR-SPINOLA: Okay.

MR. BOALICK: -- standards mid trial.

MS. MAR-SPINOLA: So, if and then I would point to your second bullet on slide 44.

MR. BOALICK: Okay.

MS. MAR-SPINOLA: The second point, which is why there's a change or why the change now, which addresses the concern about potential and fairness could result in using the broader

standard. So, I don't know if it's cast in stone, but one of the things that I would offer up is a request to think about whether you stick to the BRI after the fact, because if you recognize that the reason for doing that, then it seems appropriate that you apply the broader one. Not the broader one, the Philips one, especially if it's possible that the federal circuit may in fact do that on appeal. So, that's just a comment, but I think that if it's not cast in stone, I would ask that, that be a thought -- reconsidered maybe.

MR. BOALICK: Right. And we've always had the ability to reach out in individual cases where it makes sense. I would encourage the parties to get together and jointly request a conference call with your panel to discuss that if you think that's something that makes sense in your case. So, that's always an option.

MS. MAR-SPINOLA: That's good to know. Thank you.

MR. BOALICK: Sure and just quickly to see if I could skip to the very end because I just wanted to give you kind of the quick outlook, what

is on the horizon for this coming year? There it is, there are the binoculars. So, what's coming up? Well so we're going to continue the collaboration. Julie mentioned from the report with patents on a number of things and we've been collaborating. That's going to continue on things like a training; data studies; other initiatives. So providing that kind of feedback both ways. So that's going to continue. As a director mentioned this morning, the Board's going to be implementing and observing what's happening as a result of all the changes that have been made. We're going to be collecting feedback from all the stakeholders on that. We're going to be monitoring and seeing if things do settle out to achieve the vision of a more balanced, a predictable system. The one thing that I will say that I do think you can look for in the coming months, I don't have an exact time, but I'd say in the next say, three to six months is perhaps one more update of the Trial Practice Guide to encompass certain changes that have been going on since the August update because there've been some other changes. That's the one thing that I'd say maybe it's a little bit new,

but it'll just being capturing what's already occurred. That's all I have.

MS. JENKINS: Great. Thank you. I just want -- I do have one minute, so I just want to say thank you to David and to you, Scott and you Jackie and your team. The PPAC has found this to be a very exciting and informative and new development year for us. We continue to work with you to find new ways to better understand the whole practice and the process and make recommendations and we truly appreciate everyone on your team listening and working collaboratively with us. So, many thanks. So, please tell David we said -- David, we say thank you.

MS. MAR-SPINOLA: And as the chair of the subcommittee, I want to thank you as well. I think there's been great progress. It's, as I said earlier, I'm very optimistic. The PPAC's very optimistic and there's some exciting things coming through. Thank you.

MS. JENKINS: With that, we're going to break for lunch? So, Committee, if you would come

back here and eat because we have to start promptly at 12:30. Okay. Thank you.

(Recess)

MS. JENKINS: You'll get to watch me eat potato chips, sort of. 12:30, we must start. Peter, are you ready to give your --

MR. THURLOW: I am ready. I'm ready.

MS. JENKINS: Annual report summary? Thank you.

MR. THURLOW: So, good afternoon everyone. I hope you had more time to eat your lunch than me. I kind of eat very fast. So, just a general comment. I've been onto PPAC now for six years. Started really on PTAB and Patent Quality and this last year, I'm happy to say that I was able to work with the International Committee for the last year and really appreciated everyone's input. Mark, of course, here; Mary, terrific and just the whole team. It's been a real pleasure working with the group. I really enjoyed it. And then I'd say from a bigger perspective, one of the things I think coming from the public and working with the patent office, I

think few practitioners realize the extent of the international work that the Patent Office does, so ways that we could always inform and get that word out even more between the IP attaché a program and all you do with WIPO and all these different agreements and so on. It's something I've learned and I hope others can get that information in the future. So, as far as the report itself, obviously, we supported all the initiatives. Oh, we laid out three of them, but there's so many, quite frankly, that we only -- we focused on three, the intellectual property policy discussions, but other US agencies as well as other counterpart governments, intellectual property offices. The number two is a Global Patent Work Sharing Programs such as the Expanded Collaborative Search Pilots and the IP-5 Cooperation Treaty Collaborative Search. I think Mark mentioned earlier this morning that you will be discussing that today. And then the last point of overall support was the outreach activities to bring subject matter experts to applicant's around the United States in order to help applicants be

better informed about ongoing international patent related developments.

I added a note there. The office was very helpful, especially, Peter Wong, Elaine Moo Kelley. We just hosted up in New York, the US, China, IP roadshow. They're going on around the country. We had it at Cardozo Law School. We had a hundred plus people there and really focused on intellectual property rights in China. I think that in many programs was really well received. As far as certain recommendations that we made, let me -- as I look here. We said with respect to the advisory role in development of intellectual property and trade agreements, the PPAC requested additional and regular updates to the stakeholder community with respect to these. I will say Mary and Mark and others, Shira have sent me some of the updates and we just got the one today with respect to the United States, Mexico, Canada agreement. So-called the USMCA. Now, that I see that, I always have that song in my mind, YMCA. So, I'm looking forward to getting that out of my mind a little bit. So, we have that.

So those developments, especially with a business being global in nature, any update on that in the future would be particularly helpful. And then I think a major thrust of the past year has been at least from the public standpoint on China IP issues, everything we read in the paper and so on. So, we said with respect to intellectual property issues involving China, the stakeholder community has been actively following implementation of the tariffs on certain goods and the allegations of intellectual property theft by China entities as detailed in the special 3A1 report. And due the importance of this subject, the PPAC recommended additional information be provided to stakeholders of the community with respect to this important matter. And I'll note that I specifically remember Shira and Mary kindly given us an update on CFIUS changes and the role that the Patent Office plays in that.

Also with the FERMA. That's the acronym for the law in that area, so I thought that was particularly helpful and then I'll just say it from my perspective, these issues as we read articles in the Wall Street Journal and the Times

are really critical. China, again, 1.3, 1.4 billion people, lots of interest in US companies having access to that market and all the challenges presented today or in the current environment. And then up in New York recently, I attended meetings with the director of the FBI, Christopher Wray. He came with -- there's about 200 people in a meeting and constant refrain is US trying to trade talk even on IP issues and concerns with cybersecurity. The following day in New York the former director of Michael Chertoff from the Homeland Security came up, gave a similar talk on those concerns. And then through work I used to be in the military work we do with DARPA and different innovations they have. They also have raised similar concerns. So, from the public standpoint, there's a real focus on the US - China and all these issues and to the extent you can continue to update us on your role and so on. I think there would be a very valuable.

And then just so I like to -- I'll end on this point is I like to kind of get both perspectives. So, we met -- I met on Tuesday. Well, let me take a step back. I met in New York,

with representatives from a very large Chinese IP law firm, to discuss some issue issues, how we can break through some of this. Then on Tuesday, I came down here, I met with the representatives in their Crystal City, I think future headquarters of Amazon at least one or two. And we discussed how we can kind of work together on some issues. And then they brought up certain points. I brought up certain points with the GE engineer that was arrested by the FBI in New York and recent challenges with MICRON and the summit conductor issues in the chip technology. So, these issues -- whenever anyone, as Andrei said, as the Director Iancu has said many times in the past, the US Patent and Trademark Office is the center of the intellectual property. So, when we hear of IP theft and other issues knowing the PTO is involved in that and is given the best guidance possible to the government is a really appreciated. So, again, from my standpoint as chairman, just really, really enjoyed last year working with the team, Mark Shira, Mary and the team and thank you very much.

MS. JENKINS: Okay. Who's taking the oar? Shira?

MR. POWELL: I believe Shira's up first. I just wanted to thank Peter for his kind sentiments and I think it's both from the operational and from the policy side, we have a very good team here at the PTO. We're very fortunate today to have all the resources that we have.

MS. PERLMUTTER: Okay. And I also would add, it's been a pleasure working with Peter and the international subcommittee because they're so engaged and interested in hands on, which always makes our jobs much more fun. So, thank you.

All right, we're going to talk about the USMCA. And this in all of our prior reports had been called 2.0 or NAFTA renegotiation. And I actually like Peter, think about the song, YMCA when I try to remember the new acronym ended actually is very helpful in remembering which letter comes first. So the USMCA, the successful agreement was announced October 1st and we're very pleased that we were able to achieve this result

in the IP chapter. What we're going to cover today is we'll talk a little bit about particular aspects of the agreement dealing with multilateral treaties because USMCA either mandates or encourages adherence to a number of different multilateral treaties, which is a big step forward.

We'll talk about patents where the IP chapter has rules on standards, obligations on standards, has provisions on transparency and on patent revocation and on patent term adjustments. Pharmaceutical and agrochemical products and there are separate for these, including regulatory data protection, which, of course, in many ways was the number one hot political issue dating back to TPP. Industrial designs, this is the first of our free trade agreements to really setup a whole framework for industrial design protection. So, that's another step forward. And then other non-patent provisions, we'll talk about trade secrets and enforcement, both of which contain major developments as well.

The agreement, of course, also has provisions on trademarks and geographical indications and on copyright. If anyone's interested in those, we'd be happy offline to give you a background. So, just to go to the second slide, the IP chapter started looking at IP obligations and other trade agreements, of course, the original NAFTA and the Trips Agreement, but in many ways it updates them because they're 20 years old now and also improves on them drawing on language that we had negotiated in other trade agreements, including the Korea-US trade agreement and some elements of TPP negotiations. And overall, I would say these are significant improvements and modernizations and updates, not just minor ones.

If you look at the IP chapter, it establishes enhanced standards in all areas of IP. It improves transparency in many respects in terms of process; it balances the development of innovative, lifesaving drugs with affordable access to generic medicines. It establishes a common regional standard, as I was saying, for the first time, for industrial design protection. It

establishes -- this should really say a civil cause of action for trade secret protection. So, our past FTAs have looked at criminal protection because we didn't have a federal civil cause of action. Now, that we have the Federal Trade Secrets Act, Defend Trade Secrets Act, DTSA, we were able to get more in the USMCA. It also improves substantially on existing IP enforcement mechanisms, especially with regard to border enforcement. And we did want, I mean, this is in red at the end because this is important. None of these provisions would require changes in US law, although they will require changes in various respects in both Mexico and Canada.

So, let me just start with multilateral treaties. The agreement requires all three countries to adhere to a number of modern multilateral treaties and in the patent area that includes UPOV 91 and also the Geneva Act of the Hague Agreement. It also adoption of the Patent Law Treaty. So, this will really help set up a cutting-edge framework that harmonizes various aspects of patent procedures and simplifies filing procedures in the North American region.

So, if we go to the next slide, I'm now going to turn it over to Mary Critharis, who was personally very involved in the negotiation of the patent treaty -- patent provisions in the treaty.

MS. CRITHARIS: Thanks, Shira. Before I begin, I'd also like to introduce my colleague, Jesus Hernandez. He was also part of the USPTO negotiating team with particular respect to patents and the data protection provision. So, if you have any questions later, hopefully, he can help answer the questions. Before I begin, I received this question a lot, so I wanted to make sure that I answered it for the group. Many people have asked, when will NAFTA go, when will this new agreement USMCA go into effect. We've been calling it NAFTA 2.0, so it's going to take some time for me to convert to the new acronym. And so, I just wanted to make clear that the agreement has not been signed yet. It is scheduled to be signed November 30th. Once the agreement is signed, it'll have to be adopted and approved by Congress and also the respective legislatures of Canada and Mexico. According to US law, once the agreement is signed, it has to go

to the USITC, the International Trade Commission for review; for economic analysis and they have a maximum of 105 days to turn around the report on that. And then the legislative process can proceed. So, we're looking at a timeframe, possibly in early 2020 when this agreement may go into effect. So, I just wanted to get that out there.

So, we're talking about some of the patent provisions. I've kind of lumped them into four categories. I'm trying to give you a highlight as in the provisions. Obviously, there's more detail in the text which is available on USTR's website, but one of the main goals is to harmonize and establish some global Patents standards. And this agreement in particular does that with respect to two areas. One is on patentable subject matter and the other one's respect to grace period. And as Sharon mentioned, one of the overall goals of the USMCA across all IP provisions is to enhance transparency. So, for the patent provisions, this includes opportunities due process, like procedures that allow for applicants to have certain amendments and

corrections and observation be part of the examination process. And then there are also other transparency provisions that are directed to the offices where they have to publish their patent applications and corresponding patents as well as some information relating to those public applications.

The other two provisions that are also very important for industry are patent revocation and patent term adjustment. So, starting with patentable subject matter of this agreement ensures a much broader scope of protection for patents. The last major trade agreement that Mexico and Canada were part of was the Trips Agreement which allowed parties to exclude certain types of inventions from patent eligible subject matter. This agreement confirms that parties are required to provide patents for new uses of a known product, new methods of using a known product or new processes of using a known product. And one of the real benefits to that is really in the pharmaceutical sector because it was particularly in the South American region, there was a lot of problems with getting patent

protections for new dosing regimens, new methods of administrating and new product as well as new indications of known products. And as we're seeing more and more in the pharmaceutical sector, new indications of known products are really beneficial. We're finding that these products have uses in addition to the initially beneficial properties that they are helpful to the industry. They don't have to go through the same safety trials and there's fewer clinical trial. And we really want to encourage innovation that area. So, this provision will hopefully help. The other important provision in the USMCA is the confirmation that plant derived inventions are patent eligible, and so while the agreement does not confirm that plant adventures as a whole are eligible, plant derived inventions are eligible, which means that plant cells, plant tissues, plant genes, are -- will be eligible for patent protection and that's really important to the pharmaceutical area because a lot of the pharmaceutical compounds are derived from plant sources, but I think it's also important to some of the other areas, particularly in agricultural

and renewable energy because this will allow for patenting on say, DNA probes that perhaps will detect microorganisms and our food supplies or DNA catalysts that are used to make biofuels. So, hopefully, this will spur innovation in that area as well.

So, the other area on patent standard is grace period. And the US has been advocating for a 12-month grace period. Not just in this agreement, but throughout the world. And so, this confirms that the region there will be a 12-month grace period. Obviously, we're pushing for this provision in all our free trade agreements and it's also part of our harmonization efforts with Europe in order to encourage them to adopt a 12-month grace period.

So the other provisions on transparency, as I mentioned, the first provision to really do process related provisions. These requires parties to provide an opportunity for applicants to make amendments, corrections and observations to their application, so they can better prosecute their application. Not just get final decisions

without having an opportunity to really prosecute their applications. The second provision relates to the publication of patent applications. I know we spoke a little bit about this yesterday. I'm the obligation in the USMCA is that parties are not obligated to publish their applications, but they shall endeavor to publish their applications 18 months. This shows a commitment to the benefits of having a publication system and for those applications or corresponding patents that were not published within 18 months, they shall be published as soon as practicable. And that really has a lot of benefits. Even though we understand that certain parties don't want to publish that application, especially if they're not filing abroad, this does really enrich the body of prior art. It facilitates higher quality examination and it hadn't in certainty and predictably for businesses. One of the concerns that we've always heard from Europe opposing a grace period is that they're not -- there's no certainty, legal certainty, vis-à-vis the patent rights. So, patent publication really goes to enhancing that patent certainty.

So the other transparency obligation of the parties is that they're required to make available publicly their search and examination results, non-confidential applicant communications and the relevant prior art citations. And again, this will facilitate work sharing, which is very important to the offices, to our office and also, I think to the global patent community, but it also helps in ensuring transparency in the patent examination process. And I think it also helps to add to a certainty in the public community because third parties can go online and see what the rejections are being made against either other, against other applications.

Now, this is a new standard. This is -- once the patent has issued, there's provisions in the agreement that parties may only revoke a patent on grounds that would have been available for the party to refuse the patent application. So, you cannot make any new or additional grounds that would not have justified refusing the application in the first place. Basically the patentability standards, there were certain exceptions, obviously, there's fraud or an

equitable conduct or misrepresentation before the office that cuts through the patent rights and so you are able to revoke for those grounds and another grounds for revocation is permitted under the Paris Convention and that's something that we really haven't seen used much, but the Paris Convention allows parties to revoke a patents if a compulsory license failed to address abuses and intellectual property for failure to work. So, you can see a very narrow circumstances, but it's something that isn't a Paris Agreement, so we had to incorporate it into the USMCA.

Patent term provisions, I think, are really important and a cornerstone of most of our free trade agreements and this is to make sure that offices that have lengthy delays in the patent examination process, the applicant is able to ensure that they have a substantial period of patent protection. So, under the USMCA, the parties must adjust the patent term to compensate for those delays. They defined delay as in the issuance of a patent of more than five years from the filing date or three years after request for examination has been made. And there are some

exceptions to that. If the applicant took too long to process their application, those delays will not be added to their term -- the term adjustment. And the three years after requests for examination is for countries who have deferred examination, something we don't have in the US, but other parties do have a deferred examination system. So, it'd be three years after a request for examination has been made. And I just would like to point out that for countries like Brazil that have very long delays in their examination system as well as some of the other Latin American countries, this sets kind of a global precedent that when offices do have delays, they should try to compensate the applicant for those delays at least to some extent, so that they don't erode their entire patent terms.

The next section we're going to talk about is pharmaceutical and agricultural chemical products. This is not really related to patents, but this is part of the IP chapter which addresses mainly regulatory data protection. So, this is really trade secret like protection for the data that's submitted in order to get marketing

approval. So, there's regularly protection for agricultural chemical products as well as pharmaceutical products. So, we're going to talk about those regular data protection provisions. And then, also some additional provisions that are specific only for pharmaceutical products. This is regulatory review exceptions. It's called the Bolar Exception. It's a response to a case in the United States patent or term adjustment, not for office delays, but delays in the marketing approval process, a patent term resolution mechanisms and public health considerations.

So starting with the regulatory data. Again, this is the period to protect against unfair competition by third parties who want to get on the market using that data and that's really what we think about generic and biosimilar competition. They have to wait a period of time before they can actually apply and get approval for marketing approval for their generic or biosimilar product. So, the key obligations emanating from the USMCA is there's a five-year data protection period for pharmaceutical products and for biologics, there's a 10-year data

protection period and this is really important. That's why it's bold because this is the first agreement that has included biologics in the data protection provisions of a free trade agreement. This was also the subject of much controversy in the TPP agreement. There was a lot of concern. The TPP agreement had a hard five-year data protection period with an additional three years of protection like measures. So of market exclusivity type measures, but it was not a hard eight years of data protection and so, the pharmaceutical industry was not happy with that provision. So, this having a hard 10-year provision, I think, sets a standard not just in the agreement, but more of a global standard of what the parties think is a reasonable time period for data protection for biologics and for agricultural chemical products. It is 10 years of data protection and clearly the benefits here are to reward and compensate the innovator for their time for going through the very lengthy cost and risk in obtaining marketing approval. Cost have estimated at as high as almost a billion dollars

in the pharmaceutical area and that takes almost eight to 10 years to get marketing approval.

Another key benefit from the USMCA is the definition for biologics. As I mentioned, we don't have a free trade agreement that even includes biologics, but the definition in TPP was very limited. It only covered proteins. But in this agreement, as you can see, it's a much broader and it contains not just proteins, but viruses, therapeutic serums, toxins, anti-toxins vaccines, blood derivatives, allergenic products and proteins as well. So, there's a much broader scope or protection which would really help to ensure that right now most of the innovation is in the protein-based space, but we see that's really changing. And so hopefully, this will be forward thinking and encompass a broad range of biological products.

So, now, specifically with pharmaceutical products, there are some other provisions that aim to balance some of the interests between the innovator and the generic. This is one key provision that we call the BOLAR Provision that

this allows the generic or biosimilar to use the patented product during the term of the POP -- during the term of the patent, but only for purposes of generating information in order to obtain marketing approval. And so this is something that allows them to file for marketing approval during the term, even though the approval will not be granted until after the term. But it also allows them to enter the market very quickly thereafter. So, there's not this delay period, they don't have to wait to do the testing in order to get on the market, they can do their testing, they can get their approval and they can enter the market. So this is something that really benefits the generic industry and this is part of that balance that we're talking about and we want to spur innovation, but we also want to encourage access to generic and biosimilar medicines.

Another provision though to help the pharmaceutical sector is to make sure that there is, again, some type of compensation for the lengthy marketing approval process. Again, we can take eight to 10 years, sometimes it takes 14 years to get a marketing approval and that really

cuts into the patent owner's period of exclusivity. So, the USMCA requires that there must be some kind of restoration for this patent term lost to compensate the patentee. Another important provision which is a very complicated provision that deals with the intersection of Regulatory Law and Patent Law. And so this is normally referred to as patent linkage. I like to really refer to it as the relationship between marketing approval and patent rights, so the concern is that during patent term, other products, biosimilar and generics shouldn't be able to go on the market during the patent term, but the question arises is what if the generic or biosimilar feels that the innovative drug product is invalid or they don't believe they're infringing? So, this process sets up a mechanism that allows for early resolution of patent rights, so there doesn't have to be an actual infringement, but there's an opportunity for the generic and biosimilar and the patent owner to communicate to try to resolve these rights. So, the first requirement is that there has to be a system in place in the parties to provide notice

to the patent holder that a generic or biosimilar is seeking to go on the market. And then there has to be a sufficient time and opportunity for those parties to seek some type of remedy. Perhaps seek injunctive relief to stay the marketing approval process. In the United States, we have two different regimes. We have our Hatch-Waxman regime, which has a 45-day period after notification for the patent holder to initiate a lawsuit. Under the biosimilar law, there was a different kind of regime where the patent owner and the biosimilar applicant try to resolve them amongst themselves, but can seek for injunctive relief if they feel that the biosimilar is going to the market. So, this is a system that allows for the resolution of these rights and makes sure that the patent owner has some opportunity to resolve them then to seek some kind of relief, either administratively or through a court proceeding.

There's two different ways that applicants can do this. They can take advantage of our Hatch-Waxman regime where our marketing approval is not granted to the parties, to the

BIOS, the generic until there is a resolution of the patent rights, or you can have a court mechanism. So, it allows for both, but this ensures that patent holders are protected against infringers from going on the market. So, it's a really important provision for our pharmaceutical sector. And then also, there are public health considerations. Obviously, there are times when even though we have regulatory data protection, that there may be some kind of procedure or measures so that they cannot go through with the provisions of the agreement to protect public health. We've already have some mechanisms in place. There's a declaration that takes agreement in public health. There's also a waiver of any provision of the TRIPS Agreement granted by the WTO and the amendments at WTO. And I don't want to go into all the details of these, but basically, these agreements allow parties to circumvent the procedures and times of a national emergency; a public really health crisis, perhaps in the AIDS crisis, to circumvent some of the patent and data protection provisions in order to promote and protect public health.

And all of these, the declarations and the waivers and amendments are available on the WTO website. And if you want anymore information on that, we can clearly go into them. But this provides the parties with the flexibility to ensure that they have access to affordable medicines during a public health crisis. Now, I'm going to switch over to industrial designs and as Shira mentioned, this is also a big victory for the US industry. There weren't a lot of provisions in previous agreements that are addressing industrial designs. So, I'm going to talk briefly about scope of protection, grace period of electronic systems as well as a term of protection for designs. So, the first, provision relates to scope of protection and this is -- was really done to update some of the industrial design regimes to make sure that partial designs are recognized because many times creators and designers only are innovating a certain portion of a device or an article of manufacture. So, we wanted to make sure that they can get protection for that partial design. It doesn't have to be for the whole article of manufacture. We can see

that in our new cell phone technology or automobiles. It could be for offender and not the entire car. So, this ensures that the owners can get partial design protection. And then we also make sure there's a grace period for designs as well. This parallels the grace period in our patent law provisions and again, this creates a harmonized standard across the region for designs as well.

The other thing that is introduced into this agreement is an electronic system for making the information publicly available to applicants. Again, these are our transparency provisions similar to the ones in the patent side to make sure that applicants can file their applications online as well as access all the information and the public can access that information as well. And the other substantive provision is, the parties agreed to provide a period of protection of at least 15 years. We have a period of protection of 15 years that is measured from the actual grant date. And so this again is a harmonized term of protection in the region.

I just wanting to talk a little bit about trade secrets because I think there is just sufficient overlap with patent rights that we want -- I wanted to just highlight some of the key provisions in the trade secret area. Again, as Shira mentioned. this is a real victory for the US. There is some discussion of trade secrets in NAFTA and TRIPS Agreement, but this really goes into much more detail and it also includes civil protections and remedies. They have to provide a civil cause of action for misappropriation of trade secrets. The agreement goes on to define what misappropriation means, is the unlawful acquisition use or disclosure of a trade secret in a manner contrary to honest commercial practices. The agreement also does require parties to provide for criminal penalties and procedures for unauthorized and willful misappropriation. I did also just wanted to touch briefly upon the enforcement provisions which apply to all of the IP provisions, but really the with respect to patents, there is a presumption of validity that's included in the agreement. And then the remedies are some of the remedies that you'd see for all of

the other areas. Injunctive relief, adequate compensation for infringement, including lost profits, for example, in the patent community and provisional measures to safeguard against infringement during the course of any litigation.

So, that was a quick overview of the provisions. Obviously, if any questions at this time, or at a later date, please feel free to reach out to us. Thank you.

MR. WALKER: I have a quick question, Mary, because I know Marylee always wants to ask you questions, so you're going to miss these UPOV questions when I leave PPAC. So, what is the UPOV -- it says requirement to move the UPOV-91? Is there like a -- that's got to be Mexico, right? Yeah. So, what's the -- is there a timeframe? Is it --- you said there's a requirement that they move, but I didn't know what the what the enforcement mechanism was or whether --

MS. CRITHARIS: Sure.

MR. WALKER: -- there's a timeframe involved.

MS. CRITHARIS: What I did not -- was that once the agreement goes into effect for parties, each of the parties has certain time period to actually comply and implement the obligations. So, with respect to UPOV-91, it is four years from the date of enactment for that party. And so most of -- some of the provisions have about a three or four-year transition period.

MR. WALKER: Mary --

MS. MAR-SPINOLA: Mary, I have a question. Oh, sorry, Peter.

MR. WALKER: It's all right.

MR. MAR-SPINOLA: Oh, thank you. Will there be like a uniform code for penalties or criminal proceedings among the signatories or is it each -- everyone does their own standards, so some can be pretty lightweight, some can be heavy duty, yeah?

MS. PERLMUTTER: Well, there's always a question of whether countries have adequately implemented, but there's not going to be any separate code. They'll just be this agreement and then discussions over the years as to whether

implementation is adequate. So, we'll work very closely together because the implementation portion of any trade agreement is equally as important as what the agreement itself says.

MS. CRITHARIS: Yeah And we will be part of that implementation team as well. So, we will try to ensure a good, high standards.

MR. THURLOW: So I'm not a cynic, but a cynic could argue that the 101 Provisions in this agreement maybe a better than what we have in the US. That's an afternoon, you know. Hey, how are you?

MS. CRITHARIS: Well, we feel that our provisions are consistent with US law because of the way some of our court cases have held, but these were not really inventions because laws of nature, natural phenomena are not inventions. And so, this agreement which follows the TRIPS Agreement says that you have to protect inventions and if you don't feel it's an invention, it doesn't really qualify for patentable subject matter. So, that's how that would be the distinction there.

MS. CAMACHO: Mary, thank you very much. This is great, great summary. I just have a quick question about the definition of biologics and whether the intent was to be liberal, liberally applied as far as what it falls within biologics. So, for example, cell therapeutics, which doesn't -- I can make an argument either way based on the literal language of the common definition or immunotherapeutics. You could just talk a little bit about that.

MS. CRITHARIS: Sure. So, that definition comes from US law. We also work very closely with our sister agency, the Food and Drug Administration. So, they were involved in it. So, this is the actual definition, I think one or two words were missing, but that is a definition for what qualifies for biological product. So, when you're talking about some of the other therapies, those aren't really technically biological products.

MR. WALKER: Okay. Thank you very much, Mary.

SPEAKER: Thank you, Mary.

MS. JENKINS: So, okay, so I need internet. So, we are in a very tight timeline. I do apologize. So -- and we have three more topics, but we don't have enough for three more topics. So, what I'm thinking is Mary, either we do your topic at the next meeting in February or we do your topic and then do Mark's topics in February because I don't think we have enough time. It's just how -- we have to give out plaques and everyone's leaving me. So, on this side and we have to give the plaques to the people who are leaving. So, how do you want to do this? Do you want to pass on subject matter or and do it for February meeting?

MS. PERLMUTTER: We're happy to do it either way, I mean I don't know what PPAC would want to hear, but happy to defer to Mark and let him take the rest of the time.

MS. JENKINS: This is a negotiation.

MS. CRITHARIS: Why don't -- why do we do this? I just wanted to make you aware of that we had this dialogue. We can do that next time. So, you have the slides. I mean, the main message for

this was just to say we hosted this dialogue to have a better understanding, especially in light of Peter's question, to really see how different offices examine their applications, vis-à-vis 101, so it was a really good program and we have a lot of information on that, but we can definitely do that next time. I just wanted to give you that notice.

MS. JENKINS: Yeah, we're doing something different just -- we're for giving out recognition plaques to the leaving, departing committee members so that we normally don't do that and it's something nice and everyone's leaving to catch a train or a plane. So, I know I need to give it to them while they're still here. So, we'll make a note -- we made a note to touch on that for the next one.

MR. POWELL: Right. We can do ours on like 15 minutes.

MS. JENKINS: Perfect. Thank you.

MR. POWELL: And then plus maybe by February there'll be some more news in the US

about eligibility guidance that we can talk in depth about it.

MS. JENKINS: There we go, a whole new discussion. Great. Thank you.

SPEAKER: Yeah, exactly.

MR. POWELL: So this is Mike Neas, one of our deputy directors in the International Patent and Legal Administration.

MR. NEAS: Mary, do you have a clicker?

MS. CRITHARIS: Now, you have the clicker.

MR. NEAS: So good afternoon. In the interest of time. I'll go quite quickly. So, three areas to talk about. First, is this information communication technology roadmap meeting? It's, it's quite a mouthful. I don't want to say too much about it other than this is a meeting that's kind of building momentum. And you heard this morning from CIO, a lot of this stuff about data exchange and how important data exchanges today. The USPTO was the host this year at WIPO, 26 participating IPOs. That's twice the

number that participated last year. There are plans to have a meeting next year. It's likely that the EU IPO will be the hosting office. Really, it's about data exchange between offices and, of course, data dissemination to the public and, of course, identifying new technologies that we can leverage in that regard. And, of course, AI and Blockchain or what people think about.

Just to talk a little bit about one of the possible collaborations over the next year and a pilot that was discussed at this most recent meeting because it was part of the discussion this morning was a proposal from IP Australia for a real-time electronic collaboration tool and we have so many collaborations pilots going now, but we don't really have a tool as was discussed this morning for real-time collaboration. But there was discussion that the most recent meeting about doing a pilot to see how this would work. Generally, the meeting is focused on moving beyond document exchange to data exchange because data can be leveraged in many more ways than documents themselves. So, we're looking at standardizing things like APIs and XML formats and, of course,

even looking at filing formats. Many offices are moving to filing in text and we need to kind of get on the same page with that. So that's a quick overview of that meeting. We'll have more next year, I think as the years roll on more concrete things and some of these things are happening in various forums and not just this meeting, but areas like the IP 5 or the PCT or things like that.

Okay. Access to relevant prior art initiative. So, you probably saw a Federal Register notice on this a few weeks ago. Just to give a quick overview of what this is about. This is about leveraging electronic resources that are available to us today; to retrieve information for now from applicant's other patent applications and bring them into the file of a US patent application under examination. So, we bring in the prior art found in those prosecutions into a US application under examination and they would come from sources such as related US applications and related and counterpart foreign and PCT applications.

Although it's not really a specified goal of the project, one of the bonuses to users that this will likely reduce your burden under the duty of disclosure. So, this project is going to be a multi-year project and so we have just started phase one and let me tell you about the scope of phase one. This is really a bit of a baby step to be honest with you. But I'll try to highlight what we think the most important achievement in phase one is. So, in phase one we will be automatically importing references from immediate US parent applications into continuing applications or the child application. The biggest part of the phase one development is creating a new tool for examiners in their docket and application viewers. So, it's a whole new page, which as I described it as a living, breathing list of all the prior art in the prosecution. So, the examiner will open the file and they'll be able to see this list that includes not just the prior art submitted by applicant in that application, but also the prior art that we have automatically sourced from other

applications. And in phase one, the source is just the immediate US parent application.

So phase one, the scope of it's small and the release is small as well. So, it's not a core wide release. We call this a targeted release. On November 1st, this was released to one art unit and on January 1st it will be released to eight additional art units, so that as of January 1st we have one participating art unit in every technology center. The slides say that subsequent phases we'll focus on importing from additional sources, but really it's going to focus on expansion into different areas. First and probably as a priority, expansion to more users, more patent examiner users. So, that means to more art units, we have to get this exposed and available to more of the patent corps. Generally, at the same time we'll be looking at bringing in prior art from other applications. Probably the next targets are corresponding PCT and IP-5 applications. If you look at data, what's available; what work is available in related applications for any US application under examination? It's not a US parent application,

it's actually the most rich source is actually a PCT application. So, very often I'm just under 50 percent of the time. There's a PCT application that has search and examination results that we want to bring in.

Okay. And just some contact information on that project. As I said, there was a federal register notice the out the last week of October that announced the November one start. So, as a person filing a continuing case, how will you know that your application may be in this program? You may be able to guess because we tell you in these slides and on our website what our units are affected by this. So, you might say I have an application pending and art unit 2031 -- 2131 and I'm filing a continuing case. So, you have a good guess. But on the front end of that prosecution, as that application comes out of pre-exam, when it's determined that, that application qualifies for the project, we will import this art into this master reference list. And you, the applicant, will be noticed that we have done this. So, you'll get on the front end of prosecution of notice of imported citations. On the first office

action, you'll get a corresponding notice indicating that the examiner has considered those citations and any patent issuing from that application will include those citations on the front page with a unique identifier that if I'm not mistaken, is a double dagger, so to differentiate it from examiner discovered applicant provided third party. This is a new category, imported priority.

MR. KNIGHT: Will the employee you import all prior art in the parent application or just that that was considered by the examiner.

MR. NEAS: So, everything comes in a regardless of consideration. There's some technical aspects to how this work that make it difficult to know and the parent application in an automated way, what was considered and what was not considered, so all the citations and all the copies effectively come into the continuing application. If by chance in the parent, for example, the applicant submitted an IDS, but they did not hand over a copy of a foreign patent document or a piece of non-patent literature, that

will continue to be the case in the child. That copy will not be there when you get, even though your notice of important citations says that we've imported that citation. When you get the corresponding notice on first action, that thing will be -- that piece of prior art we stricken (sic) and through just like it would an IDS to say the examiner didn't consider it. The reasons for non-consideration almost always no copy present will be in the office action.

MR. POWELL: I just wanted to toss out something really quickly so we can move on and that is I think in response to something that either Marylee or Peter mentioned this morning. When we started this, we started by looking at what are the sources of priority, so it's a very open-ended list. So, if in the future there some database or some AI search that really good, then that could possibly be added as another source. So, right. So, we've created a landing spot. In case in the future, there are such awesome sources of prior art relative to that patent application that we can say this is a new one that we're compelled to add that will import automatically.

Now, there's a landing spot for it and now there's a process, deal with it.

MS. JENKINS: So just a quick. So, it -- so, for this process we'll see double dagger, is that what you said?

MR. NEAS: Yep.

MS. JENKINS: Okay. And then is -- so, is there a requirement that we have to proof that to make sure that everything from the parent to sort of lead onto Bernie's question, everything from the parent did get included?

MR. NEAS: So, we chose the scope of phase one kind of intentionally because today the examiner is under an obligation to consider the prior art and the parent application, regardless of whether you submit it in an information disclosure statement and a child, you likely do that for a couple of reasons. You want consideration to be record in that continuing application and you want it on the face of any issuing patent, but regardless, the examiner's under an obligation to consider that art anyway. Now, if by some chance the automated system does

not import a citation, then the obligation remains with the applicant to get it to us if they want it considered. So, there's no -- to say it another way, there is no specific defined safe harbor being handed over to say you're out from under your obligation in this regard.

MR. POWELL: Right. And that's another, I mean, these are all new mechanisms. It's new to the examiner; it's new to the applicants and it's a new piece of IT. So, we really want to be measured in rolling this out. You want to roll it out to the whole corps and there's some major problem with it that holds it up, which has happened in other (crosstalk).

MR. NEAS: Yeah, as I say, it's a baby step. I mean, ultimately we would want this master reference list that the examiner will see to be outward facing and so there'll be even more transparency so, that you'll know right away whenever anything changes in that list, but that is quite downstream.

MS. JENKINS: So don't -- question, are other countries doing this already?

MR. NEAS: Yeah, some. The EPO does it in a similar way on the back end of prosecution, actually the IP-5 offices. If we have -- we had a long time, we could talk about a project that the IP-5 offices are doing under what's called the patent harmonization expert panel, which has procedural harmonization projects. They're doing a project very much like this, that intends to offer to the IP-5 offices a data set that comes essentially from global dossier so, that they can leverage it in whatever way they want to leverage it. And we would leverage it in a way as I've described, other offices we'll leverage it in whatever way they want.

MR. KNIGHT: But in the continuation you have to submit an IDS, they have those imported references on the face of the child patent, right?

MR. NEAS: No.

MR. KNIGHT: Oh, that's just a benefit.

MR. NEAS: So, if you, as I said it, so you file the continuing application, it comes out of pre-examination phase. You get a filing receipt. Shortly after that, once we determine

it's a qualifying application, then you'll get a notice saying we've imported this prior art and the examiner will consider it as long as it's compliant with things like copy present. Yeah. So yes, it would alleviate the burden that you, some of the burden you faced today.

MR. POWELL: Hopefully, more and more as time goes on.

MR. NEAS: Right.

MR. POWELL: And again, it just probably always prudent to for applicants to check on what's going on in their case, even if they didn't get a notice on there isn't this common practice and prosecution. So, this is very -- this holds a lot of potential Bernie, a lot of potential as we move forward with it.

MR. NEAS: So again, some contacts, if you have any questions, please let us know. We intend to get user feedback throughout this project in a lot of ways. One of the ways is idea scale that's already set up on our website for this project, so you can submit information to me or to my colleague, Jessica Patterson, or to the

prior art access email, but also on the website via idea scale. So, it's very important that we get input on this project from both sides, from the examiner side and the applicant side. So, we do the right things moving forward after this baby step. Okay.

MS. JENKINS: Yeah, next. So, a lot of practitioners are unhappy with this to be fair because it's taking away money from them. Yes, believe it or not, I think it's great. I think that's great. But on the applicant side, this is just a win, win. So, yeah.

MR. NEAS: Yeah, people whispered these things to us. We knew that.

MS. JENKINS: All right, I'm brave and I'll say it. Okay, so next topic.

MR. NEAS: Okay, so, this is really a status update. The IP PCT collaborative search and examination pilot has been going on since July 1st of this year. This is a PCT work product, the international search report and written opinion with the contributions of all five of the IP-5 offices contributing. In the interest of time,

let me just go right to the process model, which is a number one, this doesn't cost you anything. You pay the standard search you would for whatever international searching authority you choose. When you file your international application, if you want this collaborative search done, you file a request. It's an unfortunate name, but a request to participate in this pilot. The receiving office ultimately hands what we call the search copy off to the international searching authority. And they decide whether you're in the pilot or out based on certain criteria. They then, if you're in a draft search report and written opinion along with a copy of the record of the search and they upload it to WIPO's ePCT System. The other four offices are then noticed, "Hey, this application's part of the pilot draft work is there." The other four officers that do whatever it takes you think is appropriate to supplement what's done by the first office. Could be a full search; could be a focused search; could be something in between. And they load subsequently, what we call peer contributions. Then once the four peer contributions are loaded,

the chosen ISA that originally created the draft work products looks at all the peer contributions, decides what's valuable, what's not and issues to final work product, which is the search report and written up and you see in every PCT application. And it's their opinion, but it is the contributions of all five offices. So, this is really a test to see if there would be applicant interest in this going forward. And if there are really efficiency gains to be seen downstream in the designated offices.

So it's important to know where we are in this pilot because there are limits. So, applicants are asking can we still participate? Where are you with respect to the limits set for participation in this program? So, let me just say that as a receiving office, the USPTO has received to date. or this is actually as of October 25th, 61 PCT applications that had request to participate in this pilot. Of those applications, 31 were destined for USPTO is the international searching authority, 22 EPO, one to JPO and nine to Korea, none to China because China is not an available searching authority for USPCT

applicants. There's a first year limit on how many applications are accepted into the pilot. Each ISA in the first year will accept 50 for a total of 250 applications in the pilot in the first year. The first year running from July 1st of this year until June 30th of next year. So, this is important to know what's available to you now if you want to be in the program. So, the bottom set shows in their capacity as international searching authority, how many applications have they accepted? The important one here is the EPO. They've accepted 40 applications in English and that's their quota for the first year. So, you, as representatives or filers of PCT applications here in the US, if you want to use this pilot, you can no longer, at least not until the restart in July 1 of next year, can no longer select the EPO and get into this pilot. The EPO has, I said 50 in the first year. They've reserved 10 for when they expand the participation languages to French and German as of January 1st. There's still time for you to pick us as the ISA and get into this pilot. Our best guesstimate is that we will hit our case

limit a first or second week of December. JPO has lots of room. They are an available ISA to USPCT filers, so feel free to use them and, of course, Korea has room as well.

So this is just to look at data from our perspective and our role as an international searching authority. We've had 40 requests to participate in the pilot. We've granted 32, we've denied three. There are five outstanding. Most of these applications are coming from our own office as receiving office, but a few are coming from the international bureau as receiving office. There are US applicants that choose to file there as opposed to here. Maybe some of those were filed during the outage when e-filing was available there and not here. I'm not sure. Just to look at the technical fields. Some of the offices, not the USPTO have set limits on how many applications will be accepted for each technical field. We did not set such limits, but this is just a quick look at the technical fields that are -- the applications fall in. So, just interesting that business methods in biotech are the lowest.

I will mention that the one limit that we do set for participation is that in each year we only allow a unique applicant to have 10 applications in the pilot. So, I believe we have one applicant that I can't name because the applications aren't public yet, but they are on the verge of hitting their 10th application before us. And if you have any questions on that contact my colleague Dan Hunter, who's sitting behind me here.

MR. POWELL: Yeah, I just wanted to toss out a couple of things. First in response to Mary's comment about the prior art project and not costing practitioners money. We still remain of the opinion that if you can save money for case, you'll get more cases filed and the more intellectual work for the practitioners.

MS. JENKINS: Money away for the practitioners. That's the people who are unhappy. Gee, I can't file an IDS anymore. Darn, I've gotten no response.

MR. POWELL: And the other thing, if you look at today we've got bilateral pilots with JPO

incorporating (inaudible) in Paris route cases. This is going to involve five offices at once. Hopefully, we'll have some data as we're moving forward, is how many offices is the right number is it? European and North American and one Asian or what has the effects of improving quality to the extent that in Africa it's not getting repeated novelty killing first rejections and every different office. Right? I mean, what is the balance? I think we should be able to find that out. Mike, did you have a question?

MR. NEAS: Yeah. So, there's this idea of diminishing returns. You have three offices contributing. Maybe the contributions are actually substantial, but when you get to contributions number four and five, maybe there's significant decline in the value of the contribution. So, this would really affect if this system went into production, it would highly affect the cost of this system for applicants because the cost for five offices participating could be significant and it's obvious -- it's been proposed by some of the offices that it be literally the aggregate of each offices' full

search fee plus an administrative fee. And we have some issues with that because we just think nobody would use it. But it's really important to figure out exactly what Mark's talking about so that we can get the cost in a range where the cost benefit, it works out in everybody's favor.

MR. POWELL: Right and adding to that often that even if we, if there was a fee for such a program instituted in the future, it may well be that savings and prosecution costs offset that because they're not having -- an applicant is not having to respond to so many different offices all the arts in front of the applicant, in front of the offices. So, overall it's a money saver. A PPH, for example, really showed that it, even though we never charged a fee for it, but it paid for itself clearly in prosecution costs.

MS. JENKINS: International you know you're my favorite. Okay, sorry, sorry. And you are our future. And so I am always very -- even though I passed to Peter, I'm always watching because you are just where it's at and where it's going to be. And I know you are incredibly

dedicated and so what I did for legislative and IT, you all are going to go first in February, so you have all the time that you want. I know, woo, who, who. This is my new method, my new goal. But thank you. I mean, we could have spent the entire time on the agreement discussion. I mean, it's so exciting to -- I remember years ago, what's a patent attorney? And now, it's like, "Ooh, we're patent attorneys." So, it's all very exciting and interesting. So, so thank you all and I appreciate you accommodating. So, we must move quickly because we're going to do a demo too of the archive search. So, quality, you're on board now -- on deck. I got it, board, deck. Thank you. And quality, I'm going to need a little time from you if you don't mind. So, who's going? Oh, so let's see, Bernie, you're going to go, right.

MR. KNIGHT: Right.

MS. JENKINS: Okay, go.

MR. KNIGHT: Okay. So, Marylee, I'm talking about where it's at and where you want to be. It's actually probably at the Special

Projects Committee. I want to thank my subcommittee members Jennifer, Julian, Peter, and this last year in the annual report, we basically looked at several issues. We worked with Associate Deputy Commissioner, Bob Oberleitner, to select those issues. And then we also looked at a couple additional issues we wanted it to look at. So, first we looked at two new provisions that were enacted in the AIA that was supplemental examination and third-party submissions. And with respect to supplemental examination, you'll see it in the report, but from fiscal year 2013 to 2017, there was a low of 34 requests and a high of 59 each year. So, it's not really being utilized by the user community even though it's a way for a patent owner to basically submit new information to the office and have the application reexamined and avoid an inequitable conduct defense if you want to enforce your patent. So, I recommendation there was for the commissioner to kind of look at supplemental exam; to kind of see if there's any reasons why it's not being used; and if there might be some legislative suggestions to make it a more effective tool for patent owners. But when

we met with the patent group, we also came to the conclusion that the Commissioner for Patents and his team are doing an excellent job with this new provision. All of the supplemental examinations are being processed within the required statutory time periods. So, we thought that was an excellent accomplishment by Drew and his staff.

Second, with respect to third party submissions, there have been more than 7,000 submissions since the AIA. The submissions have -- bottom line have been found to be helpful by examiners and have an and in actuality been included in many office actions to date. The second thing that we looked at was design patents. There's been a huge influx in the number of design patent applications that have been filed. We met with Karen Young, who is the group director for the design patent unit, and she explained to us what she's doing in her unit with respect to additional hiring and other measures to handle the increased workload. And we really thought that Karen and her team were doing an excellent job when we looked at it. So, and also kudos to you, Drew. We thought it was being handled well then

you're putting sufficient resources in that area. And so we were really happy with that as a subcommittee. And we note that in our report.

Next on a couple of other issues we looked at plant patents, and there's some new legislation which basically would give more authority to the Department of Agriculture and explain -- expand the Plant Variety Protection Act to basically give dual authority for protection to the USPTO and the Department of Agriculture for a certain plants. We discussed that in our report. Our bottom line recommendation was we asked the Commissioner to kind of work with Drew and his team and Congressional Affairs to see if it might be more practical to have all of the plant patent protections under one roof, specifically, the USPTO rather than having it be divided between Agriculture and the USPTO. And we're a little biased, but the USPTO is the agency who really has the expertise with respect to patent protection and plant protection.

Finally, we looked at a new proceeding in the Office of Enrollment and Discipline. It's

called the Diversion Program. What it does in a nutshell is that if a practitioner is subject to a disciplinary action, if the action is the result of a medical issue or a mental health issue or a minor management issue, the person can avoid discipline and enter into kind of an agreement with OED. And if they can change their circumstances, for example, if they're addicted to alcohol or drugs, if they can show that they've been rehabilitated, they will not be subject to discipline or have they have fixed a minor management problem, they will not be subject to discipline. We thought this was great. We really commended Sarah Harris, Wil Colby and Dalia George in the OED Office for spearheading this program because if you take away registered practitioners' ability to practice than they don't have the funds available to really rehabilitate. And we thought this was really excellent and helpful to the patent community as a whole.

So, that's what we looked at this year. Just kind of binoculars ahead like a Judge Boalick had. Next year, we're going to look at the

regional offices and we're going to look at the Success Act as suggested by Julie Mar-Spinola.

MS. JENKINS: This is a new concept for PPAC where we said to Bernie, "Bernie, what do you want to do; what do you want to talk about; what do you want to review?" And so Bernie having an insider knowledge to the office based upon it as many years as GC really has spearheaded this. And I really appreciate all the efforts that you've done on it. So, thank you Bernie. So, Jeff, you're next. Yeah.

MR. SEARS: Thanks very much, Mary Lee. I've had the great privilege of working with Andy and his team in Pendency and Operations. It's over the past few years, truly been a very educational experience. What I've learned is that Andy and his team really have a fantastic operation to process the hundreds of thousands of applications that come in every year. It's extremely sophisticated, extremely well thought out, and he and his team and Drew and his team deserve a lot of praise for it.

Our annual report this year with respect to pendency focuses on a few topics very briefly, filing volumes and backlogs, prosecution options, including options for expediting prosecution and also, options for differing prosecution and pendency. I'm going to spend just a minute on pendency. Pendency can be measured and is often measured in two different ways. Pendency as an average across the office, this is very traditional and also pendency in absolute terms. How many months did it take for my application to get, for example, a first action on their merits.

The office has made consistent progress year-over- year in reducing pendency in average terms, first action pendency continues to drop; traditional total pendency continues to drop. It's truly a fantastic achievement when you consider each year the office is getting year-over-year, the same, if not more new applications, yet pendency continues to drop. Truly an impressive achievement and I mentioned it over and over because it's hard to really overemphasize it. It's truly a great work result.

What we noticed last year in subcommittee was while there's great progress in reducing pendency on average, there's room for improvement in improving pendency in absolute terms. When we speak about absolute terms, we're speaking about the guarantees of the American Inventor of Protection Act, the 14 months to first action; four months to issue from the right time period; and 36 total pendency. When we look at these time periods, we see wide variations in absolute pendency across the office. That to us, doesn't quite seem right even though there's great progress on average. So, last year, we recommended to the office that the office consider giving some attention towards meeting the AIPA goals and we're very pleased to be able to report this year that the office has indeed given some consideration to meeting those goals. Two things I'll call out, in last year's performance and accountability report by the office. The office actually committed itself to looking at how to improve operations to reduce patent term adjustment. Patent term adjustment or PTA is what results from when the office does not meet the

AIPA guarantees and also earlier this year, in his testimony on one of the oversight hearings Director Iancu committed the office towards examination within the PTA guidelines. So we're very pleased with that progress has been made. Again, our hat is off to the office and this year we recommend that the office continue to spend some time thinking about the AIPA guarantees and in particular, develop a plan and a timeline for meeting those guarantees, publish the plan, and publish the timeline and publish the results. Just like the office publishes the results on its progress towards traditional average pendency measures. Thank you.

MS. JENKINS: Okay. Remember we're going to follow up on that, right Jeff? Great. Okay. So, now let's see who's going next.

MR. THURLOW: Can I make one quick comment. Just thought of it today. As you walk in the building, there's a lot of things for support for the Veterans and so on. I was in the navy and Veteran, I guess. So, I don't know if you ever thought about expert review, a certain

amount of applications for Veterans or something like that. Just a new thought since you -- it's one thing to promote it. It's another thing to consider with something. Thanks.

MS. JENKINS: Okay. Who's going on? Who? Jerry? Jerry. Right. Join the table. Thank you. Thank you.

MR. LORENGO: All right, so I get to do the meat and potatoes and these are pretty high level. There's not a whole many, many slides here so if anybody has any questions in the middle of them, jump right in. I will try to give you an intelligent answer as best I can. All right. I'm Jerry Lorengo. I'm one of the group directors in TC-3700. There are two other groups directors there, Tim Callahan and Keisha Bryant and we cover everything from osteotomies and MRI to turbo machinery packaging. It's a huge diverse area and it's my pleasure to be here. Okay.

So here are the key points of interest and this is for fiscal year ending 2018. First action pendency was at 15.8 months and this is down compared to 17, which was 16.3 months. And

our first actually pendency goal was that 15.4 months. Total dependency is, Jeff was just kind of talking about those sorts of things is 23.8 months, which is down from 2017 to 24.2 months. And the total dependency goal we had for the year was 25 months. So, we made that and as Jeff also mentioned, we're very popular. It helps to be, have a monopoly and we get all the applications filed for United States and our growth was 1.7 over the year and we're still working really well on our pendency. Attrition rate continues to be very low. There's a differential amongst. How long have you been in the office? But at 3.97 percent. That's pretty good. Any questions on that? Cool.

All right. So for 2018 pendency, first action pendency reduced from 16.3 months at the beginning of the fiscal year to 15.8 at the end. Total pendency fell from 24.2 point two to 23.8 and again, despite the 1.7 percent filing growth.

All right, filing trends. Again, our serialized filings were up 1.7 percent, a little higher than we projected. Greg Mills and the

budget shop spend a lot of time trying to figure out where it will be in the future. They picked pretty darn good this year at 1.5 percent growth. So, it worked out well. And this is in line with both the model forecast and the trends we've been seeing in the last few years. I'm RCEs filings are down 7.7 percent and that's compared to 17 with a 3.8 percent decrease. And this decrease was expected. And, of course, when you're not working on our RCEs, that's less rework. You can focus on the first applications coming in the door.

MR. HIRSHFELD: Jerry, I'm just going to chime in real quick. I want to give kudos to the folks who predict this both within Patents and within the CFO shop --

MR. LORENGO: Yeah.

MR. HIRSHFELD: -- because it was an, I believe, the most bizarre year in terms of filings. We started off the first month or two with very, very high filings up, I think around 6 percent or so. And then we had a level -- then we plummeted and then we came back at the end and I

just don't know how we ended up right where it was predicted. So, the people who are looking into that, both on my team and the CFO shop have done a great job. Ironically, I think this year we're seeing trends similar to last year, but -- which was a new trend. In any case --

MR. LORENGO: As was mentioned by Bernie, my colleague, Karen Young, is very busy and the design group, her filings are up 3.7 percent and our provisions are up a little bit too, to 1.2 percent. So to examiner attrition, it's 3.97 percent in 2018 and that is down from what we saw last year, 4.1. If you exclude the transfers and retirees we're at 2.8 and then if you just exclude the transferees, but include the retirees, you're at 3.7 and as I mentioned, it's usually kind of a progressive trend downward, the longer you've been at the office. We have a probationary system here. We hire brilliant people, but for the exception, not many people say I want to be an examiner when I grew up and it's a brand new job, so it's tough. It's a lot of learning and our attrition rate is the highest in the first year. After about three years it goes way down. People

find that this is a great place to work; the mission is amazing; they liked the people they work with and they stay for their career. The highest attrition rate of again, continues to be among the new examiners.

Okay. Variations from estimates. And really this is kind of talking about things that happened this last fiscal year. Specifically, we had higher than expected serial filings, .3 above the -- our model that we predicted. Lower than expected RCE filings. This is in part, I think that the wave of Alice has come through, the waters have settled a bit so people have a little more idea about what they want to be doing prosecution's strategy-wise, going forward. We have lower overtime usage and some reduction in productivity. That means lower promotion rates. Lower award achievement. These last three, there's a lot of possible inputs to this, but are this, we have a staff that is becoming very senior. As staff become senior, they start to hit a statutory cap and with that statutory cap they can't necessarily work overtime. Of course, they're not going to have a promotion because

they're almost at the ceiling of that. And also, I think we're looking at kind of a shift in demographics. The millennial generation, it seems to me, from my experience within the TC, they're really kind of working to live. They're not living to work. They enjoy what they do, but when they're done with what they do, they go home and they enjoy their time off. You're a very --

MR. THURLOW: They're very smart.

MR. LORENGO: Yes, they are.

MR. KNIGHT: Jerry, I was wondering, do you have any like idea why there is a reduction in our RCE filings?

MR. LORENGO: Other than my -- I have a couple opinions. A part of it is again, with the shift with the Alice. The other part is I think, at least in my technology center, we're really focusing on making sure that the first action that goes out as complete as possible. I'm always talking to my examiners, especially on SIG panel, that you know, you're only for arguments waive to Supreme Court, but for the applicant you wouldn't be here and close calls have to go the applicants,

so give them the information so they can make good decisions. So, really strong and tight first action. So, when it goes to the attorney and it comes back perhaps after first action to final, they're making really good decision on what they want to do. Clear arguments, maybe amendment decisions. So, we're also tightening up the after final practice. So, I think if you move the focus in those areas, there's less likelihood that an applicant might feel the need to file an RCE. That's what my kind of instinct is what I've seen at least in five years in TC-1600 in the last year and a half in 3,700.

MR. THURLOW: So Bernie definitely, Jerry got the answer right on. It's us trying to make sure that our office actions initially are sufficient and clear and proper. So, to minimize RCEs and then the after final programs, but definitely, that's been a an area of focus all throughout Patents and I think we're seeing the benefit to that because we were trying -- we are trying to continue to minimize the desire or need, whatever you want to call it, of people to go to RCE and what we're seeing is the RCE filings are

going down like we would like them to go down. I'll also just note that, and this is maybe a pet peeve of mine, that's why I'm bringing it up, but we're deliberately separating the serialized filing rates from the RCEs because I think there was confusion when we lumped them together. It painted the wrong picture, that overall filings were dropping off, so serialized are all the new cases we come serialized because they get a new serial number. Those are all the new cases that's been increasing almost a year-after-year. I think in the last 20 or 21 years we had a single year back in either 2008 or '09 where it wasn't an increase. All the other years have been an increase. That being said, RCEs in recent years have been going down like we want. So, from my perspective, we want new case filings to go up. We want America to be inventive, we want people to be filing applications and we want RCEs to be going down because we don't want the need -- people to have feel the need to extend prosecution.

MR. LORENGO: Another aspect I think is the culture around reaching out and having collaborative conversations between the attorneys

and the examiners has really gone up. The number of interviews that happen on an application basis is higher. The tools which allow the connectivity are a lot more efficient and quick. In the office, we use a video conference element in every one of our meetings and we offer those services outside. So, I'll be real interested when there's kind of an uptick in (inaudible) saying, I really will try this WebEx thing. You get a lot more kind of the body language information when you're talking to someone that you can see their face and things move forward after all like I said, without applicant's, there wouldn't be much point as being here. So, collaborating is really a big thing. Any questions on this? Okay.

So track one -- we granted a little over 9,500 track one applications in fiscal year '17. Dependency continues to be extremely low. Average time from filing the grant is 1.5 months. Then from grant to first action is 1.7 and the average time from grant to final disposition is right around 7.1 months.

MS. MAR-SPINOLA: Okay. May I ask a question?

MR. LORENGO: Sure.

MS. MAR-SPINOLA: Jerry, right here? I haven't been tracking track one for a little bit. Is that now a permanent program or is it still have a threshold?

MR. KNIGHT: It still has a threshold of 10,000.

MR. MAR-SPINOLA: Okay.

MR. KNIGHT: And it seems like that's about right. We've, it seems like right now we're either at the ceiling of 10,000. We don't go over, it seems right sized for what it is. I think it's a balance between cost, expediency and what the applicant's need. I don't know if anybody else has insights on that.

MS. MAR-SPINOLA: So is that a refresh on the $10,000 or that's it? That's the maximum of --

MR. KNIGHT: I think that's what it is.

MS. MAR-SPINOLA: Okay. Because I think it is a popular program, right?

MR. KNIGHT: Mm-hmm.

MS. MAR-SPINOLA: And it's been effective and I think the fact that these -- your numbers are still consistent means that it's -- to me it means it's a successful and popular --

MR. KNIGHT: Right.

MS. MAR-SPINOLA: -- program. If it's something that can be extended, it's added revenue for the agency.

MR. LORENGO: Right.

MS. MAR-SPINOLA: It makes stakeholders happy. It's one of those that make them happy.

MR. KNIGHT: It's 10,000 a year though, right?

MR. LORENGO: Yeah, yeah.

MR. KNIGHT: Okay.

MS. MAR-SPINOLA: So, it's a refresh not.

MR. LORENGO: Not, it's not. I misunderstood. I apologize. It is. It is a yearly cap.

MS. MAR-SPINOLA: All right.

MR. LORENGO: Not a sum cap.

MS. MAR-SPINOLA: Okay, then that's good. Thank you.

MR. LORENGO: And personally, I'm a fan of this as well and I wish we got more per examiner and the reason being is anytime you're doing one of these, you want to make sure you're getting enough so you're not relearning your processes. Once people get more kind of understanding of how it works, when a track one comes in, they can pick it up more effectively, address them more effectively, and a lot of this really, these numbers are really a testament to our speeds. I mean, these are kind of cases that aren't necessarily undocumented management, so they have to be kind of shepherded through the examining corps and that speaks to the relationship our speeds and examiners have together.

MS. MAR-SPINOLA: Has track one been around enough to be in a study to see how many track one patents survive challenges post AIA challenges yet?

MR. LORENGO: I'm not aware of a study on that, if we've done, but I'm sure if we have the data we can always look.

MS. MAR-SPINOLA: Because there's a quality issue.

MS. JENKINS: Good question.

MS. MAR-SPINOLA: I think that that would really make it a successful program if that shows up well.

MR. THURLOW: I think that's a great idea. There's lots of ways I think we can look at track one to study it. That is one of the great ideas. Another idea that we've -- that I've been thinking about and I think others have as well is, the idea of I get a lot of people saying that, "Oh, examiners are doing higher quality on these track one cases." And my response to that is, "I think the application coming in the door isn't higher quality." And so I would actually love to get to the bottom of that and see why there's a perception that these cases are going so well. I'm hoping that's reality, but maybe it's a combination of everyone really focusing on these

cases in a shorter period of time. They're important. Maybe more resources are going into them even before they come into PTO, but I think it's right for a lots of areas to study. I do think I'm talking fast because I know Marylee and I both wanted to stay on time, but I think track one filings we expect to start to come down a little bit as our pendency will come down. So, when people will feel the need less to go faster when we're -- when our first action and total pendencies are reduced anyway.

MR. KNIGHT: Is the action allowance rates still higher for the track ones?

MR. LORENGO: I'm going to have to look at. I don't know.

MR. THURLOW: I was looking for Marty who walked -- who just walked out, but well, Marty, you're in the back. Do you know the answer to that? Sorry to put you on the spot.

MR. LOROENGO: It's right on track ones, is it higher than typical?

MR. THURLOW: What, well, we'll have to check. Yeah. No, that's a good question.

MS. JENKINS: One thing though that I'd like to consider for the coming year is to do a PPAC study and so we really haven't talked about what that PPAC study would be, but that might be a really interesting PPAC study to do. So, obviously with the office. So --

MS. MAR-SPINOLA: Yeah, and I just want to add, I think I would give a lot of credit to the examiners who do track one four for the reason why it's so far so -- being well received by the stakeholders, but I think one might be a time factor the longer you have it, you put it down, you have to refresh yourself. Maybe the condensed schedule makes everybody stay focused on it. And in our own matters, I like to have our prosecution counsel respond to office actions as soon as they get them instead of waiting for the deadline of whatever. So, before that reason. So, but thank you. I first time I had a great idea.

MR. LORENGO: I'm sure that's not true. Cool. We're going to talk about PTA performance really quick. I have like three slides. On average, 56 percent of the first actions are being

completed later than 14 months from filing. This is our poorest performing category, and this is what Jeff was talking about, the 1444436 framework. We're doing really well in the middle of 444s, which are amendments, appeal decisions and issues. 11.3, 2.6 and 1.4 percent respectively. The other half of it, we still have some cases going over 36 months, about 16 percent. The real attraction's going to come with the 14-month. They are directly proportional. If we can get the 14-month down within the scope, 36 will pull in as well. And the 14444 kind of live in the middle. So, that's where we're going to be shooting for.

PTI results, the most uncomfortable slide for me, given I'm in 3,700. The overall affirmance rate is 60 percent for FY '18; 4 percent increase over fiscal year '17 affirmances in part have gone up 10 percent versus 12 percent for FY '17. You can cut that either way I suppose. Tech center ranges, sadly 43 percent for my TC up to 76 percent for 3,600. This is consistent, and I often get the question why such the variance? And the truth is, technology

centers such as my own, are incredibly diverse and averages within the TC will vary. A glamour at the TC level versus the corps level. The point here again, is what we said before, if we do the right thing at the right time in the most effective way in first action, things go the right way. And then the decision to either go to appeal or not to go to appeal, it's going to be made on the right decision, you could argue should win half and lose half. But I would rather be in a position that the examiners are going up with an open-eyed view of what the case is and they're being open to challenges when they come. Any questions on this?

Okay. And that's it. I won't go through the supporting data they're in the slides. Some people are more kind of visually, you can absolutely go right through those. But in the respect of time, I'm happy to be finished. But any questions.

MS. JENKINS: I just said you're wonderful, but you didn't hear me because my mic

was off. Let's see. Hold on. We do have a presentation, so a live presentation so, just --

MR. LORENGO: I can go through a little if you have any questions, sure.

MS. JENKINS: Wave at it.

MR. LORENGO: There you go.

MS. JENKINS: What -- out of these slides, what do you think it is interesting, right, so --

MR. LORENGO: The one that I find interesting the most is actually, oh, where is it? This one, and this is the one we always talk about the tail. The statistical truism of the statistical tail, always trying to move the oldest into the system and we've made a lot of progress. This started back in 2011 with COPA. Every single year we have a page goal. We're trying to move that forward and you know, TCs, such as myself, we have tons of filings and we're trying to move that away as well. So, it's kind of making sure that you're hitting the fresh and stuff as soon as possible while making sure these things do not get older with -- do not get better with age? I always say old applications kind of like roadkill, are

not going to get good moving forward. We owe it to the applicant, they paid it, they need to get their applications done because innovation, kind of these things held up too long, it's not fair to the applicant. So, do the oldest first, get the applicants what they need. So, but that's my favorite slide because we're making progress, but it's a big ship.

MS. JENKINS: Thank, Jerry.

MR. LORENGO: Yep.

MS. JENKINS: Questions? No, thank you so much. I appreciate you.

MR. LORENGO: Thank you.

MS. JENKINS: Concise, to the point and moving on. So, we're going to do Philip, I know you have to sort of do some magic. It's magic today, waving the wand for your presentation. So, I'm going to -- you ready?

MR. CHEA: Yep.

MS. JENKINS: And then I'm going to have Jennifer do her presentation just to save a little time. Mic, mic. Start again.

MS. CAMACHO: I'll start my presentation with a quote from my esteemed colleague earlier today. Julie mentioned that the goal of the Patent Office as a whole, is quality. I think that's an important -- that's something that's important to consider because every single facet of the Patent Office operations bears on quality. So, this is a very huge realm of subject matter that falls within the quality subgroup. I have five words to describe the focus of the quality initiative for 2018 and that search, collaboration, search, education and search. Would you say that's fair, Greg? So before I talk about some of the highlights of what happened with respect to search and education over 2018, a word about collaboration. If you were listening closely today, you would have heard the word collaborate or some conjugation of collaborate 25 times today. That's a really important thing that happens at this office and what I'm referring to is collaboration within the office. You'll see when I described some of the initiatives that it's in collaboration with, for example, the international group or the IT group or the PTAB

and collaboration with our foreign counterparts offices in other IP-5, for example. And then this year, there were two initiatives and those initiatives both focused on collaborating with the applicant on quality issues. So, this again is a -- is not just a single party issue. This is something that the applicant can play a part on as well. So, collaboration is a big part of the quality initiative.

So, with respect to the search prior searching and sourcing Director Iancu highlighted that this morning is obviously a key to the patent initiative that goes to the reliability of the patent that ultimately issues. It's getting the best, most relevant prior art in front of the examiner at the outset of the examination. So this year, we saw the implementation of the IP-5 collaborative search and exam tool is as Mark Neas spoke about. There were upgraded search tools and the new P2PE software suite and that was discussed by Tom Beach earlier and the IT group. And also, in connection with the Post Grant Outcome Program, there was the addition of a notice and accessibility, a function on the examiner's

toolbar which allows the examiner to be alerted to when a related patent isn't an AI trial. And being able to access the materials with respect to their related to application that's on the docket. And in fiscal year 2018, we had 1,400 Patents in AI that were linked to applications with -- that had pending applications for the examiner and of those linked applications, 50 percent of the examiner's cited a piece of prior art that was in the AIA trial in an office action in the pending application, so that it's being used. And that's important, that's the sourcing of the prior art and accessibility. And we've also had a good discussion with respect to access to prior art and the implementation of phase one there. So, that again, is something that's really quite important.

Now, one new initiative that we had was the diagnostic interview program, which was a setup to allow the examiner to request an interview pre-search in an application so the examiner can have access to the inventor. He learned the relevant terms of art, get up to speed on the field and the state of the art. This is very different than, in my opinion, different from

the first action interview program. In this case, this is done pre-search. It's at solely at the request of the examiner. So, if the examiner feels as though this may a benefit the examination, this is available to them. And importantly, this doesn't require a pre-interview communication, which was a tremendous time burden on the examiner. So this -- I am hopeful would encourage examiners to do this more often and again, it opens the dialogue between the inner -- the applicant and the examiner. I think that's an important aspect.

With respect to education guidance, again, this goes to predictability is as a Director Iancu spoke about this morning, and particularly the guidance on the subject matter eligibility with Bruckheimer and the Banda memorandum, the office noted that after the Bruckheimer memo, that there was a decrease in the subject matter eligibility rejections of approximately 18 percent. That's interesting. It'll be interesting to watch whether that continues downward or whether that remains static at that decreased level. And then, a new

initiative, this is the Application Readiness Study, which is the first step in collaborating with the applicants. And in this case, the office sought to identify attributes of patent applications as filed that actually enhanced the examination process.

The goal at the end of the day is to be able to wrap this up into best practices for the applicant so that the applicant understands what they might do to improve their quality of the examination and the efficiency of the examination. Drew your comment just a few minutes ago about the quality of the track one applications, and whether that is contributing to the efficiency of the examination. That may well be. This is an interesting initial step on collaborating with the applicants on really getting this the examination in the most efficient and effective manner. So, with respect to the metrics this year, this is the second year of the review under the statutory compliance framework and what we found was under 101 rejections, and then Greg is going to speak about it in more detail, but under the 101 rejections, the overall statutory compliance was

on par with the target of 70 and 97 percent. 102 was a blue above the target, at a 95.2, the target was 93, 103 was below the target at 93 percent when the target is 95 and 112 was on par with the target of 93 percent. An interesting part about the 101 rejections with respect to those that were actually made. So, not whether or not they were compliant as omitted rejections were in fact, or improper rejections were in fact omitted. These are with respective rejections that are actually made. The office found that 89 percent were compliant, but that's actually very different than what the customer survey perception -- customer perception surveys showed where a only 26 percent of those who received 101 rejections felt that they were reasonable in terms of correctness most or all of the time. So, that is one area where we suggested that the Patent Office take a look at the disparity between those two numbers and identify whether it's a perception issue or something more going on there.

So with respect to recommendations, we asked the Patent Office to explore ways to bridge the knowledge gap between the relevant prior art

that might be submitted in AIA patent challenge, and the prior art that was identified during the prosecution of application that issued as the patent. For example, by conducting a retrospective review of the patent application and patent as a whole holistically as Greg has mentioned before, also to track the patent office investment in specific quality initiatives to identify programs that provide the -- or at least produce a positive return on investment so that the funds are well deployed. And also to share the quality of metrics for the public on the USPTO website, and to formalize a process to maintain and update those metrics so that the public has access to the most current quality metric data.

So that's that. I'll hand it off to Greg to go through that. Then I also wanted to thank you. Thank Greg and Marty Raider who's here as well. As well as Valencia, Martin Wallace and the good work that you're doing on this tremendous project in front of us. Thank you.

MS. JENKINS: Hello. We're going to do Philip first, but thank you, Jennifer. Thank you.

No, no. We were trying just to make it all work. So, to segue to an item that the director mentioned this morning, we asked actually timely, I didn't ask him to put it in his comments, but he did. The prior art archive demonstration that we're going to do now with CISCO and an unnamed PPAC committee member that will remain nameless though Julie's pointing at him and MIT. So, Philip, it's all yours. Thank you.

MR. CHEA: Good afternoon everyone. My name is Philip Chea. I am a supervisory patent examiner in TC 2400. I'm here to show you and demonstrate to the prior archive that we've been working on with CISCO. Before I get started, I'd like to personally thank Dan Lang and his team at CISCO for spearheading this initiative because without them none of this would be possible. So, thanks Dan.

So, part of examination deals with searching, lots of examiners are faced with digesting mountains and mountains of papers and patents and everything out there on the Internet and what we wanted to give them the best tools to

be able to find what they need. Examiner searches usually start off with East and that's a database for finding patents and patent publications and they use a specific syntax to dial in their search to an exacting degree. With the priority archive, we wanted to give the exam or a very comfortable and familiar approach to searching non-patent literature. But non-patent literature is one of those things where it's necessary to search through because if think about it, there's a lot more references out there online versus patents filed. So, we wanted to put that -- the references online in the hands of the examiner and some of those references though they can be old or outdated or maybe not published anymore because the Internet filters things, most of the newest stuff comes up first. Sometimes these things that they actually need to find like manuals or white papers are buried because they got offline or they were maybe copy written, but never published. So, what this repository allows tech industry to do and what we're encouraging them to do is supply all the references that they maybe have taken offline that they'd want access for the examiner

to have. And we're hoping that they want to upload and use a crowdsourcing type of capability to provide the examiner with all the references that they can.

So this is what the examiner is greeted with when they click on the prior to archive. And we wanted to make a super simple interface so that wouldn't be too scary. But I'm going to -- so earlier I said the examiner starts with East to search the patent applications and publications and I'm actually copying, pasting, copying, pasting, one of my examiners -- this is a random search string that I found on his search history. So, I'm going to copy something that he put into East into this private archive. And what it's going to do is allow me to use all these proximity key words and extensions and things that will be translated into whatever MIT's repository, how they search and it will be translated into what they do in order to get --

MS. JENKINS: Philip, why don't you read the -- where are you searching? Can you tell us what the words are?

MR. CHEA: Oh, yeah, sure. So this looks like another language really, but to an examiner. So, this is what I'm looking for. So, this is -- they're plugging in different search strings. So, depending on how broad or narrow their search -- they want to search, they can provide a number of different key words, but let me change this right here, real quick. So, this is the and -- this is different searches that they could do, or default searches, if you type two words together with a space, it could be like your adding them together or (inaudible) putting adjacent and things like that. But I'm the switching to or because the search string works better with that. But for this instance, the examiner is looking for something that's going to upload, transfer, clone, copy, some kind of memory to a computer device. So he has upload transfer, clone, copy, download near seven years, like we want the words to be within seven words of each other. So it's going to be near a computer terminal device and that -- we want that one to be near a storage or storable memory. And we want that to be near -- setting and configuration. And so someone they could use

near; they could use with; they could use same. It's just depending on how granular they want their search to be. They could make it really, really narrow or semi-narrow, or really broad. So, this, enter this in, we get some results here. Some things to highlight that they do get. So, one of the biggest challenges they faced with non-pound literature is a date. Some of this stuff is online, but there's no publication date. They have no idea actually when, it was actually put on the internet or whatever. So, we wanted CISCO to make sure that whatever metadata they provided, it provided -- had something to do with the date.

So we have an uploaded date of the actual document and then we have a published date if that is known, that's a publish date and the examiner is mostly concerned with the publish date. But for instance, if this just copy written at least we have an uploaded date for the examiner to use in the future five years from now or something, maybe when it comes prior art or they could use that uploaded date because this is available to the public. These are just the, some of the hits you could see that it provides, I guess, the

little brief summary of where the keywords were found. So, the examiner can scroll through and look and see, okay, does this look familiar? This -- you see a lot of these repeating because it's actually a website, so all these different links are coming, showing up at the same thing, but luckily, you could filter by file type as well, like if you're only concerned with papers, they're usually found in PDFs.

So we can click on a pdf here and we just want to highlight the PDFs that we find so the examiners can find, just look through the PDFs and if you notice here, we have the copyright symbol here from 1988, but we don't actually know if it was ever published. So, we put an uploaded on December 27, 2015, so that at least they know that they could use that concretely as the prior art date.

MS. JENKINS: So, Philip, if I'm an examiner -- I need a little bit more clarity here. So, if I'm an examiner, why would I go and use this search tool? What is this providing me as an examiner?

MR. CHEA: So, yeah, examiners do have access to a lot of non-patent literature, they know they can click on IP.com. They use google searches, Google scholar, IEEE, ACM Digital Library, all these things, but they don't actually provide a robust enough capability to search.

We're limited here with the repositories. Right now, it's only CISCO and AT&T participating, but hopefully, more people will upload stuff. So, the number of documents is kind of small compared to all the other non-patent literature databases. However, they can't search quite to -- they can't make such a specific search in those other non-patent literature databases. They're sort of at the mercy of the database, guessing what they want. But I'm specifically telling this database to bring me back documents that have certain words here that are close to each other depending on how many words I want.

MR. THURLOW: Yeah, if I can just chime in also. So, an examiner has the ability to search a patent documents much easier. We've got a whole classification system and it's -- they know

where to find certainly US applications and it's easier for foreign applications as well. The non-patent literature is all over, scattered and it's growing and growing. And so one of the challenges we have, and I know we hit on this earlier with more that USPTO can do in this space, but one of the challenges we have is how do we make sure that examiners have access and can search through that the non- patent literature. So, this tool at a very high level, lets an examiner take the search terms that they're using in our USPTO systems, put it in here and have access to the non- patent literature databases that have references that they might not otherwise be able to search through. Does that, did that answer your question?

MS. JENKINS: I ask leading questions, I'm sorry.

MR. THURLOW: No, that's okay.

MR. CHEA: Another useful function of this search tool. Google has provided a CPC sort of translation. They -- all the documents are scanned by Google and they try to place a CPC

classification to the document. So, that's something that examiners don't have access in non-patent literature. This way they can at least sort of gauge -- they can search with CPC and come up with non-patent literature as well through the database. Like I could write copy one of these CPC classes here and here I searched for this particular classification and everything comes up that at least has that particular classification in the non-patent or associated with that non-patent literature. So, that's one of the many benefits of this particular search tool that we have -- that they have over IEEE or ACM Digital Library or things like that.

MS. JENKINS: Will you be able to track the number of examiners that use this tool?

MR. CHEA: They have analytics at CISCO, I think, or MIT. They have that somewhere stored. I can get that from them. I've got it from Baskar my CISCO counterpart and they track all those analytics actually. And I could find out from him how many people are using it. But it's right now, it's on the stick website of TC 2400 because all

these are tech related documents and mostly concerned with networking types of documents. So, it's basically, it's really a small group of people that are -- that would be interested in this prior art, but with the growing number of companies that want to upload, then it'll be a little more relevant to everyone else.

MS. JENKINS: Any other questions?

MS. CAMACHO: I have a question. What happens with all of the documents that are submitted and IDSs when they're submitted electronically? Are those available to examiners in the same art unit or I would think that that would be a rich source of relevant prior art. It's already associated with the classification.

MR. THURLOW: It's really not at this point. It's actually a conversation we were having with Director Iancu yesterday. There -- that's something that we've been looking to how we can capture that and put it into the classification system so that all other examiners can benefit as well. We've run into many issues including copyright issues, IT issues, but that is

something that we literally we were talking about yesterday that we would like to reinvigorate our look into that because there is such a ripe area.

MS. CAMACHO: Great. Thank you.

MR. WALKER: So, I have one quick question. So, you mentioned, let's call it company X, we won't say the name of the company, but they have information about the number of -- something that the patent office examiners are doing? Is that what you said?

MR. CHEA: Oh no, the MIT hosts all the repositories. It's a third party so, it doesn't have CISCO affiliated with it at all, but they have the analytics of how many times someone will access the repository just because serving -- if you're hosting the website, you're going to know those types of things. They can't say how many people from the PTO access it probably, unless they look at the IP address where it came from, but they can find out how many people are actually looking at it because this is a public link. Anybody can use it.

MR. WALKER: So, no details about what the searches were are available to anybody outside the office?

MR. CHEA: No, I'm the search history is stored on the browser itself. There's a little history option for examiners keeping a good record of their search history is important. So, we wanted to make it easy also for them to remember what they searched for, so they can access their history through the browser, but it's all locally stored on their computer. They can clear their browser history and it'll be gone.

MR. HIRSHFELD: And examiners do search all the time on public, IP.com, Google, et cetera. I can list a whole bunch of them. They are trained to make sure that they're not putting in any information for any confidential applications that they shouldn't be.

MS. MAR-SPINOLA: At what point to do the references once reviewed, become part of the file wrapper, file history?

MR. CHEA: Am I allowed to just answer that or --

MR. HIRSHFELD: Yeah.

MR. CHEA: When an examiner finds a piece of prior art that he wants to use, he'll upload it when he when he examines the case. So, if you find something from the Private Archive, you can click that link and then print it out, PDF, upload it to their file wrapper. And it should be there available with their office action if that was a reference that they found useful. Yeah.

MR. HIRSHFELD: When an office action goes out, we actually, there's search notes so you can see what the examiner's done as well.

MS. MAR-SPINOLA: But that usually just can contains information about the ones that the examiner relied on as opposed to all that the examiner might have reviewed and rejected or relied, right? And the reason why I ask that is to -- from my perspective, those that are rejected by the examiner are relevant as well as rejected prior art.

MR. CHEA: Yeah. Well, their priority --

MS. MAR-SPINOLA: So, maybe that browser history shouldn't be purged.

MR. CHEA: Oh well, in order for them to supply their search history because they always want to be able to prove this is my search history, this is what I searched NPL, these databases, this provides them the ability to, for one particular application, to do a bunch of searches. They can clear it out when they work on another application. So, you don't want to combine a bunch of search histories from different applications and that makes sense. Look, I want to be able to start fresh when I start a new application.

MS. MAR-SPINOLA: Right? That's not quite where I was going. Where I was going was, for that one application, is there a record of what the examiner has considered and there's two piles, right. One pile is cited because they relied on it as a rejection in an office action and the other pile is I've looked at these because they came up on the search and -- but they're not -- it's not relevant or it's not helpful.

MR. HIRSHFELD: So, what there will be a record of in the case is the search history,

meaning, the process that the examiner took to search, so where they searched. That won't have any references, but theoretically you should be able to repeat that on any database and know exactly what references came up. So, they'll say, I used these search terms or I searched in this classification area. And then you'll additionally, of course, and I'm stating the obvious here, you also see the references that they took out of that to cite, some are used, some are not used, but the more important point is, in addition to those references being part of the public record, the search history is as well. And we do that so that literally anybody who should be able to know exactly where they searched. To actually list the references that they considered, would be an impossibility because they can literally go through thousands and thousands of references depending on the application. Did I think, did that answer your question?

MS. MAR-SPINOLA: That answered the question? It's -- you answered the question.

MR. JENKINS: Okay, Phil, thank you. We're going to be watching this and it's going to be interesting to know how hopefully expands and more people use it. So, thank you very much. Appreciate it.

MR. CHEA: Thank you. Greg? Marty? Marty, Greg, I guess I could try to combine it in some fashion. Garty, Garty.

SPEAKER: It's more.

MR. RATER: All right, let's jump right into this. I think it was genius to keep quality in stats for the last part of the day. Wake everybody back up.

MS. JENKINS: Garty, Garty, Marty, Drew has suggested I tell you that we need to end at 2:45. Okay because we've got to do plaques and stuff. So, okay, 15 minutes, yeah?

MR. RATER: Absolutely. As long as there's a plaque for me, we can be out here at 20 of.

MR. HIRSHFELD: Marty loves a challenge.

MR. RATER: Actually, Jennifer covered a lot of the stats already, so that's great. So, we wanted to start out with the customer perceptions this time, just because this is ultimately our end goal is, we can measure compliance all we want, but if it's not meeting what our customers and what the perceptions are of what we think we're producing, then we still got more work to do. We are showing improvements. We've got about a 51 percent right now. Our rating is good, it's excellent. We're seeing a decline in those that are, say, poor and very poor. So, these are continuing trends that we want to see and again, we kind of look at this as a ratio between customers to see how many of you are working, how many say it's good versus how many states bad to kind of look at that balance. For the reward for being here late in the day with this, we gave you a new slide and this is one that is -- we really kind of want to take a little bit deeper dive into what is going on and what are some of these customer perceptions that we're going to talk about it in a few minutes here. Just what is driving perceptions of quality. But before we get

to that, we actually just want to know, well of those 51 percent of our customers that say it's good or excellent. Are they also willing to say, "Hey, we are seeing improvements. That's an important piece to us." Those that are saying it's poor or very poor, are we at least starting to change their mind? Are they starting to say, "It's -- we're seeing slightly or significant improvements," even if they're not willing to give us that higher rating yet, is the direction going right? And what we're really learning right now and what we've seen over two waves of doing this is those folks that are very dissatisfied with us, we have not done anything yet to change their perception of us at least to acknowledge that we're moving in the right way.

So yes, that's important for us to continue to monitor him. We've got to find what's going to be that thing that's going to drive them to do an improvement and see them to raise their perceptions of us. We do want a monitor all groups. Those that are in the fair group, are they more likely to go up to saying us are those the ones that are saying slightly significantly

improved so that we can see more of that flowing up to the above as well as are we losing? Are we doing anything to lose those of us -- those customers that currently say we're good and excellent. We don't want to take them for granted. We want to kind of monitor what are those things that are driving their satisfaction levels.

So what are driving perceptions of quality? This is some odds ratios we're starting to run to say, "Hey, if they're satisfied with the 101 -- 103 rejections that they're seeing," they're 4.5 times more likely to say that they think are quality overall is good or excellent. and you can see that changes and we run correlation analysis so well and we measure consistency, we measure clarity, we measure correctness and really 103, all three of those items are number -- are the top of our list of terms of what's driving. So, it's not just correctness, but it's that consistency, it's that predictability of what that examiner is going to do. Or when I go to this art unit, am I going to get the same behaviors as I see in this next art unit? You can see one-on-ones it's got a

healthy driver as well. You get down into the 112 areas in terms of correlations, but we're really seeing 103, 102s being the key drivers, we're going to show you a few data points in a minute that talk about our quality findings and we're going to say there's a reason for that. We're seeing those are the biggest opportunities for improvement. And it goes back to what Jennifer said and there's a reason why search, search, search, right. There's a lot of reasons for putting our apples in that basket for that -- for a lot of things, not only improving our quality upfront, but customer perceptions down the road.

We're not shocked that 103s are the key driver of perceptions amongst customers. This slide simply says, hey,76 percent of our finals and non-finals have a 103 rejection in them. So, customers are seeing a lot of those, 101s, about 16 percent. We shared a slide at the previous PPAC and we'll share it again, the stats again. We've seen decline in the 101 rejections made sense Burkheimer, but it does continue to be a pain point in certain areas and that is still a driver of some sorts. But it's a reason why 103

and 102s just because that's what our customers are seeing and a little more likely.

We mentioned collaboration. So we wanted to throw you a slide here on collaboration. This is from an examiner survey that we do twice a year. When we asked about internal and external factors impacting quality. These are some examiner perceptions of what they see in terms of our applicants providing what they need for quality. And this is their perceptions of a moderate or a large extent. They're seeing the clarity completeness of specs. Sixty nine percent art cited in IDS's material to patentability only 42 percent of the times do our examiners say that they see that to a large or a moderate extent. So, again, something we're monitoring as we move forward in this collaboration effort.

How am I doing? Still got a few minutes? Okay. Overall quality. We're going to show you some of the compliance stats. Jennifer mentioned compliance stats were slightly below goal on 103. We're slightly above and some of the others right around our target ranges. There are sampling

errors. One of the things we want to look at though is what are general perceptions by discipline. We've seen a slight increase in in chemical perceptions. We've seen slight trends going up in the electrical; mechanical showed us the largest improvement in terms of customer perceptions. We only point this out because this is something we want to monitor because as Greg and I and everybody else in the Patent Quality Review Shop start looking at what are we doing in our -- we calibrated with what everybody thinks we should be able to predict these trends based on some of the findings we see. So, that's the only reason we're kind of really pointed this one out.

OPQA quality reviews, we just wanted to point, we're going to go into some stats in a minute. These are big ticket items that we felt that we walked out of here this year is really no different than probably what's in the quality report, correct Jennifer? Improper 103s; improper 102s; corps- wide training was conducted in this past fiscal year. We'll save on the search thing. This is improper 103s and improper 102s. We actually saw a pretty sizable improvement in a

reduction in omitted 102s and omitted 103s by examiners this year. So, it was never a huge error category, but within that we saw sizeable reduction in omitted, so that's a good nod to the examiners. The one area we are seeing an increase or a little bit more -- enough to raise to our attention is in the area of 112 and a large number of 112b, large being relative for all of our compliance numbers and there is 112 training scheduled for this upcoming fiscal year to address some of those issues. And again, I'll note that key finding the change, the reduction in 101 rejections made since the Burkheimer memo. Since the last time we met, we just had kind of started seeing that difference, that decline. We have maintained that. That wasn't an anomaly, it hasn't shot back up. We track that through the rest of the fiscal year and we'll continue to monitor it. It hasn't dropped much significantly more, but at least that trend we saw right after the memo has been real. These, again, were what Jennifer mentioned, some of our 101. This is by the rejection type and really what we're looking for here is do we have a sizable gap? Are we

making the errors and allowances or we make them room in the non-finals? And this is really where we want to put some of our focus in upfront and this is really the second full year of a sizable review sample; 15,000 reviews per year where now, we get into the pendency stats when we can look at that and say, well, what were they -- I was glad Jeff pointed that out on some of those absolute values is, well, what was the quality on those that had a pendency of 12 months; 18 months; 26 months; and seeing if something better quality upfront had that impact. So that was good to hear. That's 101s; 112s I mentioned. Again, it's in the non-finals, we're seeing a lot of this. We get to the allowance. I will point out these aren't necessarily fatal errors. A lot of these things can minor corrections and it's not preventing something from becoming a patent. Just for an example, on the 112s, we did a quick look at it. About 50 percent of our 112 issues that we were seeing. We're independent claims, so it's not always in that first independent claim.

So again, there's a little bit, there's always got to be that second look to see, well,

how severe are these? Keep in mind, our compliance measures we use right now, are pretty rigid standard for calling something as an error or not error or non-compliant. 102, this is when, again at goal, again, you see the same thing. We get a little bit better in our application of 102s we get through prosecution, which is what we want. We don't want these be making the sizable number of the problems on the backend of the prosecution. If we're going to make them least, let's make them upfront and we can address them. 103s, this is the biggest gap and this is the one area where we see similar number of similar volume of errors, whether it is in the non-final or the final. So, again, part of that is just because this is such the 73 percent of these office actions contain a 103, but that is something that we're going to be looking into again for this fiscal year.

And then finally we just wanted to at least point out the corrective and preventive actions we are taking. This is one of the reasons why we think quality is improving and trending upward. We might not see those demonstrative gains yet. Thirty-three thousand hours close to

33,000 hours of technical training provided by technology experts to our examiners this fiscal year. Fifteen thousand hours on over on the right of refresher class training and these are the refresher class training that examiners can request and take. We've listed what some of those popular topics are that they took. Then down below there, we've got 4,000 hours of quality chats. That was something really expanded in this fiscal year and each and every one we setup now has -- sells out immediately in terms of signing up and then we also want to --

MR. KNIGHT: Hey, Marty, can I ask a question?

MR. RATER: Absolutely.

MR. KNIGHT: One the 103 rejections, is it based on the prior art that the examiner found in the record or does the quality review person also look for art and that's included as an error as well?

MR. RATER: Both, both.

MR. KNIGHT: Both. Okay.

MR. RATER: And we've seen a reduction in the reviewer in the amount of times a reviewer might find some art that shouldn't have -- that was not there.

MR. KNIGHT: Okay. One other quick question is, with respect to the error rates, tell me -- I may be off on this, but to me like I would expect the error rate to be lower for 112 then like for 103 because for 103, it could, you can find art anywhere maybe they misinterpreted or prior art reference, but for a 112 problem, it should be within the four corners of the patents. So, just I'm a little bit surprised that the error rate for like the 112 errors is like as large as it is for the 103 errors. What do you think, I guess?

MR. RATER: I think a little bit of is the overall scope of what we're measuring and what we determined compliance, right. It's not only was it proper to do so, but did we provide the evidence? Did we provide that clarity? Did we do everything to make sure that somebody could respond to this? So absolutely. There's

different things and it varies by area too. Part of what we could see in the 112 is the totality and the summation of across the board is why we see so many of it. We might have a particular area -- I know in our chemical area, we have very few 103 errors. So -- but they probably got the 112s, so by the time you stack up the eight art units and there would be some benefit looking at that by discipline.

MR. KNIGHT: Okay. That makes sense. Thanks.

MR. RATER: Late in the day, I don't always make sense, but the last thing I wanted to point out is on the lower lap is the 5,300 hours of examination of practice -- examination practice and procedure training that the office provides to external stakeholders and sign up and that's, we're seeing a more and more of that and I'll defer all questions of that to Greg, but that's a sizable number. A lot of education, a lot of training hours and we really think that this is a lot of what's going to prevent future errors, but

also drive quality where we're at. And I've got two or three minutes to give this to Greg, right?

MR. VICLOVICH: I just want to -- just real quick, I just want to add one nugget on that. Marty likes nuggets. He likes to be fed.

MR. RATER: I go to meetings too.

MR. VICLOVICH: So, we just launched one of the external stakeholder things we do in Step. You guys are familiar with Step. We just had this week, today's the last day, but we launched it in Chicago. It's the first time we held one of these events away from the mothership or one of the four regional sites and I think that's pretty cool. We're looking at Boston and New York for the next one later on this year. We also have these things called VILTS, the Virtual Instructor Led Training is terrible acronym. I get it, but we recently, we started off initially we had about 50 to 75 people registering. We have a class in December, we still have registration open, we have over 700 registered. These are all patent attorneys signing up to take the training that we deliver to the examiners. So, it's pretty fresh. Once we go

to the examiners, we then roll it out to the external folks. It's total transparency to show what we're doing and it's that program has just taken off a wonderfully. So, any feedback you would have on that for further growth? We're all ears for that. All right. Thank you.

MR. THURLOW: If I can just add a couple of really, really quick thoughts. Sorry, Marylee. I just -- I want people to recognize that when we talk about error rates and specifically with our allowances, we are not saying we're issuing invalid patents here. What we're saying is we are catching these. We are finding something in a case that we think needs to be addressed and that gets corrected before any action actually takes place. So, so we are making sure that, that is something that we're very focused on. And additionally, what is categories and we actually struggle with is a great deal of PTO. How to, what next step of what is the right way to categorize this, but any singular problem in a case. So, if you have 100 claims and we find a problem in one of them that gets calculated in here as a problem. Similarly, if there were 100

errors, right? And out of 100 claims that gets calculated the same way. And that's something I believe we need to focus on. I think we all agree that we need to make sure that we're capturing that data too. That being said, I just wanted to put this in context.

MS. JENKINS: Any other questions? We're not done yet, but we will be soon. First of all, I want to thank, actually, that's how it's working. I like to think this side of the house, a PTO. This has been a, I think a great year. I was kind of chortling to myself because when Louis Foreman was chairman, we had breaks. Do you remember, Peter? Remember the old days we had breaks and we even had lunchtime speakers. Jeff was one of our lunchtime speakers. Now, we have no breaks and barely any time for lunch and so -- but all in all, I think that's a very positive thing because I have felt over at least the past two years that there's been really a wonderful exchange of information on the PTO side; on the committee side; and so I think it's good that we don't have -- we have all this wonderful information that we're trying to get out to you,

the stakeholders and so I think that's all good. So, I applaud both the office and the committee for striving for that. I also just want to quickly do a huge, huge, huge shout out to Jennifer. (Applause) Jennifer Lo is our -- is the best, is the best. She keeps me on track. She makes me look good. Thank you, Jennifer. And we could not do this without her. She is just fabulous. I'm also going to give a shout out to my assistant Rachel Shaparito. She may be watching. So, "Hey girl, thank you so much." She is the best as well and she keeps the other end of my house in order as too. So between the two of them, I am really blessed. I'm also so thankful from everyone on the PTO side. Andrei, I know he couldn't be here this afternoon. Drew, Andy, Rick, Bob, Mark, Greg, Valencia, I mean on and on and on. It's such a team effort. You make us feel I'm included, encompassed and just, it's a wonderful experience coming here every quarter though. It seems like it passes so quickly. So -- but today, I'm going to flip to this side and we have a couple of people who are unfortunately, I hate to say leaving the committee, but at some

point in time, Peter, you got to go. (Laughter) And I know, I know. And so it's just -- it's been six years and it just seems like yesterday. So, and then Mike Walker is retiring, my vice chair is retiring and so we're going to deeply miss the both of you. Two other folks on the committee had been re-nominated, but technically we are going to recognize their commitment to the office and that's Julie and Jennifer. So, you will also be recognized.

One of the things I did a couple of years ago, Russ was actually in the audience a little while ago and he ended when Wayne and Esther were going off the committee and he talks about claims. And so, at that time I also felt the value of words. So, just a couple of quick words for you guys. Diligent, dedicated, I'm going to steal a little bit from Andrei, fair, well-balanced, thoughtful, committed, persistent, innovative, creative, collaborative. That was a big word for today. Strategic, humorous, teamwork -- really teamwork, I felt teamwork this year was, was really just a wonderful achievement for this committee and friends. So, oh and great. And

Julie's great, great suggestion. So, noted. Noted into the record. So, with all of that, we're going to do -- oh, good, the photographer's here.

So we're going to take a couple of pictures and you all are going to get a nice plaque and Drew and I are going to present it to you.

MR. WALKER Well, let me say --

MS. JENKINS: But actually, would you like to say a few things with Peter?

MR.WALKER: Well, yeah, I will. And I'll let Peter do it too. First of all, Marylee. Thanks for your leadership. I think with PPAC under your leadership, we made a lot of changes, made a lot of changes to these meetings. Just today, for example, all the changes you made where you had the annual report, which before it was kind of put under the -- I don't use it as a doorstop or something, but now we really went through those recommendations. So, you've done a great job leading the committee and you brought the team together. So, really good. And the last

thing I'll say is a great teamwork with the PPAC. I'll miss the PPAC members. They're wonderful people, everyone. Everyone dedicated to pursuing what their role is on PPAC to help the office. But really the big thing for me here was about the office. We're really given a privilege of getting a deep insight to the people who work in the office and their dedication and it's a shame that more people in the IP community don't get to see what PPAC to see in terms of the dedication, hard work of these people who work, government service because it's really outstanding.

I've been very privileged to work with you all over these past four years. So, thank you for everything you've done. (Applause)

MR. THURLOW: So it's six years have gone by pretty quick. Drew and I were talking today, beforehand that I think I was in coming down here for actually like 10 or 15 years because I represented the New York IP Bar Association. That's when Drew and I first met. And I consider him a friend and so on, like many others at the Patent Office, I really admire Marylee, as Michael

said, a thank you for everything. We actually go back. I first started working with Marylee when she was president of the NY IPLA. She a kind of lead the way from me and now I'm president, so it's kind of our I've always kind of whatever Marylee is doing, I want to do so -- but you are a true leader and I really thank you for everything. And then just everyone in the office still the list is just too long between Andy and everybody over the years. It's just been a real pleasure. And as Michael said, this is a unique position and it really gives you the insight into how the office runs. And I think the greatest compliment I received when I'm out in practices, people say, "Are you USPTO employee because you talk so passionately the Patent Office and the system. And they say, "No, I'm not, but I know a little bit. I'm a PPAC. I'm a special employee for a certain time to the year. So, it's been a great run and thank you, again, to my compatriots, my colleagues on PPAC over the years now and over the past couple of years and you'll -- I'm sure to see you in the future in and around. I think Marylee, I'm seeing you next week. So, so thank you all,

again, and it's been a great, great pleasure of mine.

MS. JENKINS: Wants to say a few words. Yeah.

SPEAKER[I BELIEVE THIS WAS MISTER HIRSHFELD]: So, no, I'd like to say thank you to all of you. I know that when Marylee became the chair, one of the first things she did was reached out to me and we started to talk about how we can really raise the bar and I give you a lot of credit for focusing on raising the bar and continuing to make PPAC a more effective grouping for all of us, which helps us make the mission better for everybody. And that's our mission is to, to foster innovation. So, I really think that we are doing a great job as a team. And I commend to all of the PPAC members. It is -- I know what a sacrifice, it's heartwarming to hear you talk about how great it is to be on PPAC. But I know what a sacrifice it is for all of you. You're certainly not doing this for the money. It is a lot of time. It is a lot of work on your part when you have busy lives and we are very grateful

on the PTO side for everything that you all do for the betterment of us and hence, the whole entire system. So, thank you for everything you do. And I do want to say to Julie, I made a note when you said I have never been told I had a great idea. Well, the note that I wrote myself was I think all of you had a great idea. And that was when you accepted to be onto PPAC. So, thank you very much for that.

MS. JENKINS: Let's do some sort of certificate. So, you all stay there. Yeah. Okay. Other side. Right here. Okay. Let's do a couple more. (Laughter) Of course.

SPEAKER[I BELIEVE THIS WAS MISTER HIRSHFELD]: Come on down.

MS. JENKINS: Come on down, get your certificate. Okay, yeah. So everybody, we're not done. I have one more presentation, so if you could just give me one second. Okay. One more presentation. Okay. Don't leave. Hold on. Don't leave. I have a special gift from Mike. I had a flag flown over the US Patent Trademark Office for him last Thursday and so, this is a

special thank you for being vice chair and so, I'm going to take him for a couple of pictures.

(Applause)

(Whereupon, at 3:00 p.m., the PROCEEDINGS were adjourned.)

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

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