

**PATENT PUBLIC ADVISORY COMMITTEE  
ANNUAL REPORT 2013**



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**UNITED STATES PATENT AND  
TRADEMARK OFFICE**

4 November 2013



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

November 4, 2013

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

Dear Mr. President:

As Chairman of the Patent Public Advisory Committee (PPAC) of the United States Patent and Trademark Office (USPTO), it is my honor and privilege to present you with the PPAC Annual Report for the 2013 fiscal year. This past year has brought the final implementation of the America Invents Act (AIA), ushering in the most comprehensive overhaul to the U.S. patent system in nearly 100 years. With this, the USPTO experienced budget cuts from the Sequester, and the impact sequestration has had on patent operations. In our report, we have outlined nine areas of interest and concern.

The USPTO has done an exemplary job of maintaining the quality and productivity of the Office under the challenging circumstances that sequestration unexpectedly thrust upon them. However, if sequestration continues for the ten years that the Budget Control Act of 2011 envisions, it is PPAC's opinion that pendency of patent applications will increase and there will be a dramatic reduction in the ability of innovators to start businesses and to create jobs.

As you stated in your September 16, 2011 statement upon signing the America Invents Act:

*Over the last decade, patent applications have nearly tripled. And because the Patent Office doesn't have the resources to deal with all of them, right now there are about 700,000 applications that haven't even been opened yet. These are jobs and businesses of the future just waiting to be created.*

*Remarks by the President at Signing of the America Invents Act, White House Press Release (September 16, 2011), <http://www.whitehouse.gov/the-press-office/2011/09/16/remarks-president-signing-america-invents-act>*

The PPAC echoes this sentiment. Ultimately, it is the American public and the economy that will suffer in the long-term while innovations wait for USPTO action.

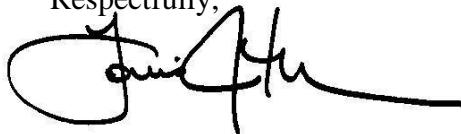
The patents granted by the USPTO drive the economic engine that has helped lift this country from the recession. The ability to prevent others from making, using, or selling an invention is the security inventors and innovators seek, and it provides the incentive to invest the capital in research, development, and to create new businesses. Therefore, it is essential that the Office receive stable and predictable funding to improve operations, support new initiatives, and to work through the backlog of patent applications that has delayed the creation of potential new jobs and breakthrough technologies.

The fee setting authority provided within the AIA accorded the Office the ability to raise fees by 15% and to address the mounting issues in Information Technology and the examining corps. Unfortunately, this was short-lived as the Sequester negated the intended impacts of these new user-generated fees. While we understand that these are the collateral damage associated with the Sequester, we respectfully ask that the Office be allowed to access the fees that it generates, or, at the very least, be provided access to these fees at some point in the very near future.

During FY 2013, the PPAC worked closely with former USPTO Director David Kappos and Deputy Director Teresa Stanek Rea. Their leadership during the past twelve months has allowed the Office to operate with a high level of efficiency while maintaining, and improving, employee morale. The current financial environment of the Sequester raises challenges which threaten to undermine the impressive improvements made by the USPTO over the last few years. Similarly, the Sequester jeopardizes the ability of the next appointed Director to continue protecting inventors' intellectual property rights and to steer the Office through these uncharted waters.

I sincerely appreciate your time reviewing this report, and the PPAC welcomes any questions you or your staff might have.

Respectfully,

A handwritten signature in black ink, appearing to read "Louis J. Foreman", with a long horizontal flourish extending to the right.

Louis J. Foreman  
Chairman  
Patent Public Advisory Committee  
United States Patent and Trademark Office

Enclosure: Patent Public Advisory Committee Fiscal Year 2013 Annual Report

cc: The Honorable Patrick J. Leahy, Chairman, Senate Judiciary Committee  
The Honorable Robert W. Goodlatte, Chairman, House Judiciary Committee  
The Honorable Charles E. Grassley, Ranking Minority Member,  
Senate Judiciary Committee

The Honorable John Conyers, Jr., Ranking Minority Member, House Judiciary Committee  
The Honorable Howard Coble, Chairman, Subcommittee on Courts, Intellectual Property,  
and the Internet

The Honorable Melvin L. Watt, Ranking Member, Subcommittee on Courts, Intellectual  
Property, and the Internet

The Honorable Penny Pritzker, Secretary of Commerce

The Honorable Teresa Stanek Rea, Deputy Under Secretary of Commerce for Intellectual  
Property and Deputy Director of the United States Patent and Trademark Office

Margaret Focarino, Commissioner for Patents

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## EXECUTIVE SUMMARY

### INTRODUCTION

The Patent Public Advisory Committee (PPAC) thanks the United States Patent and Trademark Office former Director David Kappos and Deputy Director Teresa Rea for providing highly positive and substantial opportunities to work productively. The United States Patent and Trademark Office (USPTO or “the Office”) and its personnel uniformly provided updates, in-depth information and detailed explanations of the issues facing the Office and its stakeholders. The open, responsive attitude consistently displayed by USPTO personnel fostered a constructive relationship between the PPAC and the USPTO, enabling all members and USPTO personnel to engage in very open and complete discussion of the Office’s current operations, new initiatives, and challenges.

The dynamic leadership of Former Director Kappos and Deputy Director Rea coupled with the cooperative efforts made by the employee unions have resulted in significant progress this year. Director Kappos created a positive atmosphere, endorsed and extended by Deputy Director Rea, which encouraged increased interactions between the PPAC and the USPTO, the users and the USPTO and most significantly, the examiners and the applicants. This proactive tone fostered an atmosphere of trust and cooperation resulting in productive interactions with all of the management officials at the USPTO. We thank all of the officials of the USPTO and the union representatives with whom we have worked during the past year, and in particular, the inspirational leadership of Director Kappos and Deputy Director Rea. We are extremely grateful for the support accorded us by all individuals at the USPTO, thus assisting us in our roles on the PPAC. We look forward to our ongoing work with the USPTO.

The USPTO has done an exemplary job in FY 2013 maintaining the quality and productivity of the Office under challenging circumstances; however, the utmost concern of the PPAC is the application of the statutorily required spending reductions in the Budget Control Act of 2011 – known as sequestration – to the Office. As PPAC noted in its September 24, 2012 Fee Setting Report, we as a Committee supported additional user fee increases proposed by the Office, above and beyond the prior 15 percent across-the-board surcharge, in large part because we understood the critical need for the Office to make significant infrastructure (including information technology) and human capital improvements, to improve the quality of granted patents, and reduce the time of examination and other process improvements. PPAC approved the set of user-fee increases and changes proposed by the Office based in significant part on assurances by the relevant government stakeholders that the entirety of such user fees would remain available for use by the Office to achieve critical and widely accepted operational goals.



Because of sequestration, \$148 million of collected user fees will be unavailable to the Office. The unexpected reduction in revenues as a result of sequestration had a significant impact on every part of the USPTO's operations. These impacts are detailed throughout this report. Should the sequestration continue for the ten years that the Budget Control Act of 2011 envisions, it is PPAC's opinion that pendency of patent applications will increase and dramatically reduce the ability of innovators to start businesses and to create jobs. Ultimately, it is the American public and the economy that will suffer in the long-term while innovations wait for USPTO action.

This report is to provide readers with a review of the activities of the PPAC during FY 2013, the challenges faced by the USPTO, and the Committee's conclusions and recommendations for continued execution on the goals and objectives stated in the USPTO 2010-2014 Strategic Plan.

## **PPAC PROCESSES**

The PPAC holds quarterly meetings at the USPTO to address patent-related matters. These meetings are announced in advance, are open to the public, are webcast, and have telephone call-in numbers so interested persons can provide real-time feedback and ideas. We encourage members of the public to submit comments and questions via telephone, e-mail, or via the PPAC Website. The Committee also participates in hearings, roundtables and other publically announced events to obtain input regarding matters of significance to the USPTO and the innovation communities. In the past, the Committee held hearings on the new fees associated with the Fee Setting provisions of the Leahy-Smith America Invents Act (AIA). Recently the PPAC participated in the roundtables and focus sessions on reducing the backlog of patent applications associated with Request for Continued Examination (RCEs).

The Committee has several standing subcommittees to address topical areas that are focused upon issues that require action over time. The subcommittees consist of up to four members. Subcommittees meet informally from time to time, either in person or via teleconferences. The topical areas discussed in detail below represent matters of ongoing interest to the USPTO and the Committee. Topical area subcommittees interact with USPTO personnel to obtain information, engage in in-depth discussions, and provide suggestions to assist the Office.

Members of the subcommittees have greatly appreciated the high level of cooperation and trust afforded by Office personnel. For this trust, the Committee sincerely thanks former Director Kappos, Deputy Director Rea and other Office personnel for helping to create a very positive effective working relationship for the benefit of the entire user community.

Brief descriptions of the PPAC's activities and how those have furthered the Strategic Plan are below. More detailed descriptions are provided in the individual sections.

## A. FINANCE

Fiscal year 2013 was an extraordinarily challenging year for the Office with an unprecedented number of potential financially-disruptive events. On March 16, 2013, the United States became a first-inventor-to-file country after two centuries of being a first-to-invent country; on March 19, 2013, a new user fee structure came into effect significantly raising certain costs to applicants that are associated with obtaining a patent.

As PPAC noted in its Fee Setting Report last year, we as a Committee accepted the additional user fee increases proposed by the Office, above and beyond the prior 15 percent across-the-board surcharge, in large part because we understood the critical need for the Office to make significant infrastructure (including information technology) and human capital improvements, to improve the quality of granted patents, and reduce pendency of patent applications and other process improvements.

Had we known that, immediately upon its effect, the increase in user fees would not be fully available for use by the Office for patent-related activities, the purposes for which the increase in user fees were intended, the PPAC might have reached a different conclusion in our 2012 Fee Setting Report. In addition, we note that it is particularly problematic that the sequestration of funding from the USPTO began almost simultaneously with the imposition of the user fee increase.

Sequestration is projected to siphon \$148 million of user fees away from Office-related operations in FY2013. The application of sequestration to the Office was surprising given that the Office a 100 percent user-fee-funded organization -- no tax dollars are used to support any part of the operation -- and clear language signed into law in the AIA in 2011, was specifically intended to ensure stable funding for the Office. The USPTO only collects from users the fees necessary to cover operations and related expenses. Thus, when any of the fees collected are not available to the Office, the Office does not have the funds necessary to maintain operations.

The effects of the Sequester are many. Particularly problematic are the delays in the implementation of critical updates to the fragile and outdated information technology (IT) system, without which the USPTO cannot function; delays in hiring patent examiners with consequently result in delays in reducing patent pendency; and an inability to fully implement the satellite offices.

**Recommendations:** A consistent funding stream and full access to fees for this 100 percent user-fee-funded agency is essential to the operation of the Office. As such, the PPAC urges 1) the Administration to reconsider the application of the sequester to the Office; 2) the Congress to again consider removing the Office from the appropriations process; 3) the Office to be more cautious in order to avoid over-estimating revenues and delay satellite offices implementation until sufficient resources are available; and 4) all stakeholders to delay imposing additional legislative and executive burdens on the Office unless full access to user fees is restored. Moreover, the PPAC

recommends that the Office strike a better balance of IT investment with hiring in order to more quickly improve the IT systems.

## **B. INFORMATION TECHNOLOGY (IT)**

In 2012-2013, the Office of the Chief Information Officer (OCIO) continued its efforts to carry on its mission in the face of a dramatic mid-year budget reduction that resulted from the combined effects of sequestration and other financial factors. As a “discretionary” center, the IT sector disproportionately bore the brunt of these cuts, with a particularly devastating impact on ongoing strategic technology initiatives.

The Office has undertaken a set of modernization initiatives to update aging infrastructure. These initiatives are necessary to create and sustain an up-to-date, stable, reliable and secure technology environment to support the work of employees and the increasingly “wired” user community. These modernizations will not only improve patent quality (for example, through better search capabilities) while maintaining examination efficiency, but also improve the efficiency of communications with users through a reliable IT system.

While these updates may seem to be a luxury in difficult financial times, the outdated IT systems of the USPTO are increasingly at risk of catastrophic failure. As we move to an entirely electronic Office, the work of the USPTO cannot be performed without critical maintenance and modernization of these essential IT systems.

While there were no immediate disastrous effects of the nearly \$80 million in IT pullbacks – no major system failures, nor noticeable declines in patent quality or worker productivity -- the PPAC believes that the delays in IT improvements resulting from the Sequester have already put a damper on further progress in reducing pendency and improving quality.

**Recommendations:** The dramatic mid-year cuts in 2013 have significantly compromised mission-critical IT systems at the Office and derailed modernization efforts aimed at improving quality and reducing pendency, among other strategic objectives. The PPAC recommends that the USPTO provide increased funding for IT, protect IT from future cuts, resume and accelerate Patents End-to-End, continue to stabilize the legacy IT systems, expand support for the global IT community, and continue to upgrade and expand links with stakeholders.

## **C. REQUESTS FOR CONTINUED EXAMINATION (RCEs)**

The PPAC is pleased to report that progress was made during FY 2013 in reducing the backlog of RCEs and the implementation of several changes which are anticipated to provide further improvements during FY 2014.

Following the move of RCEs from the examiner's amended docket to the special continuing docket, the backlog of RCEs ballooned from about 17,000 in October of 2009 to over 110,000 in March of 2013; however, changes to the count system and focused attention on RCEs has reduced the backlog to 78,272 at the end of September 2013. The USPTO reordered the work on examiners' dockets to focus efforts on examining RCEs while making continued progress towards reducing the unexamined new patent application backlog. The USPTO significantly reduced the backlog of RCEs while simultaneously also reducing the backlog of unexamined applications to about 586,000. These are impressive achievements.

The USPTO had implemented two programs, the After Final Consideration Pilot (AFCP) and Quick Path Information Disclosure Statement (QPIDS), which had been well received by the patent bar as innovative procedures to facilitate consideration of amendments or new references and avoid the need for the filing of an RCE. During FY 2013, the AFCP was adjusted with a follow-on program AFCP 2.0, expected to continue providing other options to applicants than filing an RCE.

Also, USPTO is working with the examiner union to implement a goal of four months on average from filing the request for an RCE to completion of a first action on RCEs.

In order to identify causes of RCE filings, the USPTO sought comments through a Federal Register Notice and held roundtable and focus sessions in Silicon Valley, Dallas, Chicago, New York City and Alexandria, Virginia. The received comments were categorized into themes for the development of actions and initiatives including education of examiners and users about available programs; possible extension of Quick Path Information Disclosure Statements (QPIDS); internal training regarding final rejections and aspects of quality examination; and possible options for prosecution flexibility. The twin goals are to reduce the backlog of RCEs and find ways to avoid the need for future RCEs.

The USPTO demonstrated flexibility and creativity in identifying initiatives to address the RCE problem. The PPAC applauds the actions taken and efforts directed to the improvement of the RCE filing and backlogs.

**Recommendation:** PPAC recommends exploring an avenue for resolution of issues in prosecution other than an appeal to the Patent Trial and Appeal Board (PTAB) such as permitting applicant participation in the pre-appeal brief conference or a new program that would permit an interview with multiple primary examiners in addition to the examiner of record. PPAC also recommends that the Office consider the appropriateness of designating as final rejections, those rejections over newly cited prior art when only minor amendments were made following a first office action.

## D. HUMAN CAPITAL

Human capital remains a significant area of concern for the PPAC. During FY 2013, due in significant part to budget constraints as a result of sequestration, only 559 new examiners were hired instead of a planned 1,000 (which had already been reduced from the 1,500 planned in the FY 2013 President's Budget). Furthermore, the planned hiring of new examiners in FY 2014 has also been revised to 750. The improving economy and the recent surge in new hires have also led to a higher attrition rate. In FY 2013, the preliminary attrition rate was 4.22 percent, compared to a 3.07 percent rate in FY 2012.

In FY 2012, the first Satellite Office in Detroit, Michigan, opened for business, and at the end of FY 2013 had hired and trained 101 patent examiners and brought on 10 PTAB judges. Satellite Offices in Dallas, Denver, and the Silicon Valley were also announced. While several judges for the PTAB have been hired, no patent examiners were hired for these offices in FY 2013, and hiring in FY 2014 is on hold for these offices until permanent space can be procured.

Efforts at attracting and maintaining a skilled corps of examiners is critical to effective examination of applications, reducing patent pendency, and reducing backlog.

**Recommendation:** The PPAC recommends that the Office have full access to its user fees as soon as possible to allow for the hiring of at least 750 new examiners in FY 2014. The PPAC recommends continuing to target experienced IP professionals for the available new examiner positions and to advance geographical expansion of the work force and telework initiatives to attract a larger pool of well-qualified candidates and further enhance retention of experienced examiners for an entire career. Finally, the PPAC recommends that the Office be given sufficient funding to permit targeted overtime and restore the previous levels of outsourcing of Patent Cooperation Treaty (PCT) searches to allow compliance with the Treaty deadlines while enabling the Examiner Corps to focus on domestic applications.

## E. QUALITY AND PENDENCY

The issuance of high quality patents with a reasonable pendency remains the most important priority for the USPTO. The Office made positive strides in addressing both patent quality and pendency during FY 2013.

### Quality

Improvements were made in patent quality by focusing on after final practice and aspects of 35 U.S.C. 112. For one such initiative, the Office held a number of successful outreach visits, one in Silicon Valley and one in New York, to the patent community to gather comments regarding patent quality specifically related to software patents. Each meeting focused on establishing clear boundaries for claims that use functional language and employing certain techniques in the

preparation and prosecution of patent applications. The common discussion points included Section 112, paragraph (a) requirements directed to written description, paragraph (b) requirements directed to indefiniteness, and paragraph (f) requirements directed to functional claiming. In conjunction with the meeting, a Federal Register notice requested comments from the public. The Office emphasized that any lessons learned would be applied to patent applications in every technological field and to the entire examination process. Stemming from these comments and input, the USPTO has begun implementing training of examiners on these issues.

Overall, the evaluation of quality, as represented in the Quality Composite, revealed that the quality continues on an upward trend.

### **Pendency**

The USPTO continued to make improvements to decrease pendency to first action and total pendency during FY 2013 with achieving 29.1 months for total pendency and 18.2 months for pendency to first action. This reflects a reduction from FY 2012's 32.4 months and 21.9 months, respectively, which are laudable improvements, showing significant progress towards the goals of 20 months total pendency and 10 months pendency to first action.

Instrumental in these gains was a focus on moving the oldest new applications, hiring new examiners, and several initiatives, including Track One, After Final Consideration Pilot 2.0 (AFCP 2.0) and the Patent Prosecution Highway (PPH), implemented by the USPTO.

**Recommendation:** Although pendency is a very high priority for applicants, ensuring that the USPTO can accomplish its work is essential. The PPAC recommends that funding of IT be appropriately prioritized and properly balanced with hiring so as to more quickly improve the IT systems in FY 2014. Patent examiners are essential to achieving a reduction in pendency, but without IT systems, no applications will be completed.

## **F. INTERNATIONAL**

The Committee applauds the USPTO for its ongoing efforts and achievements in the international arena. The Committee notes a few highlights for the past year - the productive global meetings of the Tegernsee Group and the Five Intellectual Property Offices (IP5) (which includes the European Patent Office, Japan Patent Office, Korean Intellectual Property Office, State Intellectual Property Office of the People's Republic of China and the United States Patent and Trademark Office), the growth and continued acceptance of the PPH by the patent user community, the launch of the Cooperative Patent Classification (CPC) and the implementation of new online international searching tools, such as the Global Patent Search Network (GPSN).

The Committee supports the strides made by the USPTO in its international cooperation and work sharing initiatives among multiple patent offices and encourages the continued development and expansion of these efforts. The PPH and the Global Dossier are excellent examples of such strides

and the continuing need and importance for an effective and user- friendly patent application platform across multiple patent offices.

The Committee cannot ignore the funding issues for the USPTO with respect to its ongoing international initiatives and programs. For example, the recent budget cuts have greatly limited the number of USPTO representatives who can attend important global meetings with other patent office officials. Not providing a complete delegation of USPTO representatives at these meetings only further complicates the USPTO's efforts.

**Recommendations:** The PPAC encourages further outreach through a variety of forums to extend discussions among multiple patent offices – not just the Tegernsee Group and IP5. The Committee supports ongoing education and updates regarding the USPTO's international initiatives and programs via roundtables, webcasts and e-mail notices to the patent user community.

## **G. PATENT TRIAL AND APPEAL BOARD (PTAB OR BOARD)**

As of September 23, 2013, the Board includes 177 judges. Although staffing of the satellite offices with patent examiners has been delayed as a consequence of the sequestration, each of the satellite offices does include PTAB judges. More specifically, the Dallas office has five judges, the Silicon Valley office has eight judges, the Denver office has eight judges, and the Detroit office has ten judges. The placement of these satellite offices around the country has expanded the ability of the Board to employ qualified individuals to meet its growing workload. The Board continues to review candidates and plans on hiring additional judges in FY 2014.

The backlog of *ex parte* appeals pending at the Board stands at 25,554 applications, down from a peak of 26,896 applications in February 2013. The growth of the backlog has been halted for now as more decisions were issued by the Board as compared to new appeals received by the Board in the last six months.

As of September 26, 2013, the Board received 579 total petitions – 522 *inter partes* review proceedings (IPRs), 56 covered business method review proceedings (CBMs), and one derivation proceeding. The majority of the petitions were in the electrical/computer software area. In particular, the petition filings by area of technology were: 68.7% electrical/computer software; 13.8% mechanical; 9.3% chemical; 7.3% biotechnology/pharmaceutical; and 0.9% design. With respect to IPRs and CBMs, patent owners have submitted 247 preliminary responses and waived their rights to submit a preliminary response in 61 cases

**Recommendations:** With the implementation of the AIA, the PTAB was statutorily required to handle significantly more work and provide entirely new services for new programs, and at about the same time, the sequestration made unavailable some of the fees provided by users to the USPTO. PPAC feels strongly that the USPTO should be accorded full access to all user fees so

that they may secure the resources necessary to do the work with continued high quality and in the statutorily required time frames.

## H. LEGISLATION

While the past few years have been focused on the passage and implementation of the AIA, the majority of legislative activity in the current year seems focused primarily on so-called patent litigation abuse. Both the White House and the Congress have proposed a number of both administrative and legislative actions to address various issues raised concerning abusive litigation tactics. While sometimes ascribed pejoratively to “patent trolls” or “non-practicing entities” (NPEs), the PPAC notes that a consensus seems to be forming that it is less the status of a particular company rather than the particular abusive actions taken that bears the most fruitful attention.

The PPAC will be working closely with the Office as it reviews and enacts any of the particular recommended administrative changes. The PPAC remains concerned that these new mandates have been placed on the Office, even as a significant amount of its funding has been taken away under sequestration. The PPAC also remains concerned that the implementation of any such administrative actions are carefully and thoughtfully tailored to attack exactly the right sorts of abuses, without unduly burdening both patent applicants as well as rightful assertions of patent rights, which after all, provide lawful rights to exclude others from practicing new, non-obvious and useful inventions.

**Recommendations:** The PPAC will continue to monitor and consult with the USPTO as the legislative and administrative processes continue to address abusive activities. The PPAC recommends that the USPTO ensure that any proposed administrative changes are appropriately and narrowly targeted for any such alleged abuse without unduly harming our overall patent system, the smooth operation of the examination process, the quality of patents issued, or the overall costs and burdens to applicants.

The PPAC remains concerned that the OMB has made the determination that USPTO user-fees are also subject to sequestration. The PPAC recommends that the USPTO continue to work with the Administration and Congress to ensure that the USPTO has access to all of its fees.

## I. OUTREACH

In addition to the robust outreach activities conducted by the other outreach teams at the USPTO, the Office of Innovation Development (OID) oversees Patent’s efforts to support American innovation, entrepreneurship, and job creation. Often working closely with other U.S. Government officials and agencies, OID designs and implements outreach assistance programs to a wide range



of stakeholders including independent inventors, women, small business concerns, university affiliates, minorities, and other underserved communities.

OID also assists the Office's educational outreach programs that promote intellectual property protection and the valuable role it plays as a key driver of the American economy. These programs are designed to educate the public about intellectual property in general, as well as about the specifics of the patent application process, including the intricacies of patent prosecution and post grant patent issues. Post patent grant education includes the importance of patents, and other forms of IP, in starting, building, and growing a business.

In addition, OID and the office's other outreach teams work collaboratively on the development of educational materials, activities, and programs to promote intellectual property for students, educators, and young inventors and innovators of all ages, including a particular focus on Science, Technology, Engineering and Math (STEM).

It is noteworthy that the USPTO creatively maintained a full portfolio of education and outreach throughout FY 2013 even when challenged with budget constraints. Though these constraints necessitated a nearly complete reduction in travel, OID staff maintained exemplary levels of service to stakeholders through web cast opportunities, use of on-the-ground resources or other Federal colleagues where possible and efforts to move distant events to the USPTO main campus where possible.

**Recommendations:** The PPAC commends the Office on the significant outreach efforts to the entire user community from women entrepreneurs and independent inventors, to bar associations and national organizations. Nonetheless, sequestration has negatively impacted the amount and form of outreach that was possible. The PPAC recommends that the Office continue to make itself available to all aspects of the user community and continue to be creative in finding ways to provide outreach even under sequester.

## TOPICAL AREAS

### I. FINANCE

#### A. INTRODUCTION

Fiscal year 2013 was an extraordinarily challenging year for the Office with an unprecedented number of potentially financially disruptive events. March 16, 2013, the United States became a first-inventor-to-file country after two centuries of being a first-to-invent country; March 19, 2013, a new user fee structure came into effect significantly raising certain costs associated with obtaining a patent. Both events were predicted to be disruptive to user filing behavior. We applaud the Office for taking into account, at the time of the development of the budget, the compound problem of the uncertainty of the effect on user behavior of the fee increase and the conversion from a first-to-invent to first-inventor-to-file system. Specifically, the Office's models considered

the elasticity of an increase in revenue in the short-term early in the year with precipitous drops post implementation. However, the siphoning of 8.6 percent of the user fees as a result of sequestration, starting on March 1, 2013, was completely unanticipated.

The Office planned for, and the users would have paid for, approximately \$227 million (\$202 million for patents) more in revenue in FY 2013 than FY 2012. This increase in revenue due to the increase in fees was slated to go toward implementing a sustainable funding model, reducing the current patent application backlog, decreasing patent pendency, improving patent quality and upgrading the Office’s patent business information technology capabilities and infrastructure.

Sequestration is projected to siphon \$148 million (approximately \$135 million for patents) of user fees away from Office-related operations. Thus, instead of the originally projected \$227 million increase in revenue, which was adjusted to \$207 million based on the downward revision of the fee increases, the Office will only receive roughly \$80 million (\$68 million for patents and \$12 million for trademarks). Taking into account the most recent adjustment in spending undertaken by the Office in response to the implementation of the sequestration and other factors, the Office will endure a \$267 million (9.5%) reduction in planned spending from the Office’s requirements in the FY 2013 President’s Budget.

Department of Commerce  
United States Patent and Trademark Office  
FY 2013 Operating Plan  
Per requirement in the Consolidated and Further Appropriations Act, 2013  
(dollar amounts in thousands)

Comparison by activity/subactivity:	FY 2012 Budget Authority	FY 2013 Budget Authority less all Recissions	Sequestration Amount	FY 2013 Post- Sequestration Budget Authority <sup>1</sup>	FY 2013 Post- Sequestration minus FY 2012	% of Change
<b>Salaries and Expenses</b>						
Patents	2,466,406	2,668,317	(134,235)	2,534,082	67,676	3%
Trademarks	239,907	264,924	(13,327)	251,597	11,690	5%
<b>Total</b>	<b>\$2,706,313</b>	<b>\$2,933,241</b>	<b>-\$147,562</b>	<b>\$2,785,679</b>	<b>\$79,366</b>	<b>3%</b>

Transfer: Budget Authority includes actual transfers from USPTO to the Office of the Inspector General in FY 2012 (\$1.0 million) and appropriated transfers for FY 2013 (\$2.0 million).

**Note:**

<sup>1</sup> The budget authority amounts above only reflect the spending authority for the corresponding year and does not include prior year carryover and other income. Prior year carryover is \$237.9 million and other income is projected to be \$26.6 million for FY 2013.

The application of sequestration to the Office was surprising given that the Office is fully funded by user fees and clear language signed into law in the AIA in 2011 that was specifically intended to ensure stable funding for the Office. The sequestration is a reversion to the old days of user-fee diversion.

To most observers, user-fee-funded agencies fall into an exemption from sequestration provided for in the Balanced Budget and Emergency Deficit Control Act of 1985.<sup>1</sup> The exemption excludes from sequestration “[a]ctivities financed by voluntary payments to the Government for goods or services to be provided for such payments.”<sup>2</sup> Fees paid by users of the patent systems are such fees.

<sup>1</sup> 2 U.S.C. § 905

<sup>2</sup> 2 U.S.C. 905(g)(1)(a)

Moreover, the Office of Management and Budget (OMB) Report on the sequestration specifically stated that the sequestration would apply to the appropriated level, \$2.95 billion.<sup>3</sup> Since the Office was projected to, and did, collect less in user-fees than the appropriated levels, it was thought that no funds would be sequestered, as the Office’s user fee collections would never reach the level of the agency’s appropriated spending authority less sequestration.

Despite both of these rational potential implementations, and considerable confusion for months as to how the sequestration would be applied to user-fee-funded agencies, the OMB made clear that the sequestration would apply to the Office and subsequently clarified that it would be taken from actual fees collected.

**B. OFFICE RESPONSE TO THE ESTIMATED 5% REDUCTION IN REVENUE DUE TO SEQUESTRATION**

**1. Impact of Sequestration on Pendency**

At the start of FY 2013, the Office was on target to meet its patent application pendency goal of 10 months to first action by 2016 and 20 months total patent application pendency by 2017. The Office was also on track to draw down the patent application backlog and reach the optimal inventory level in FY 2016. As a result of the unanticipated decrease in funding in FY 2013, the Office had to revise these timelines. The pendency goal of 10 months to first action has been delayed until FY 2019.three years. The pendency goal of 20 months for total patent pendency has been delayed until FY 2018.

**2. Impact of Sequestration on Personnel**

All non-critical hiring was placed on an indefinite hold including the hiring of patent examiners that were necessary to manage the predicted 5 percent annual increase in patent filings. The Office intended to hire 1000 examiners in FY 2013. The sequestration resulted in a significant reduction in hiring. Additionally, travel and training were scaled back to only include mission critical activities.

**3. Impact of Sequestration on Information Technology**

Although information technology support and modernization is a mission critical activity, it is the largest source of discretionary funding within the Office. To ameliorate the effects, the information technology budget was severely reduced. The Office’s modernization efforts, including PE2E and Fee Processing Next Generation were delayed indefinitely. Contracts with expertise in the Office’s systems and operations were terminated.

**Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account – FY 2013**

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
<b>U.S. Patent and Trademark Office</b>			
006-51-1006 Salaries and Expenses			
Nondefense Discretionary Spending authority	2,951	5.0	148

#### 4. Impact of Sequestration on Satellite Offices

The hiring of employees for the existing and planned satellite offices was eliminated from the budget. Contract awards for existing and planned satellite offices and the planned transition to permanent space for the offices in Denver, Dallas and Silicon Valley were delayed indefinitely, with the exception of funds needed to sustain previously negotiated commitments with other Federal agencies and industry suppliers.

### C. CONCLUSION

This situation is of utmost concern to the PPAC. In the PPAC's opinion, this is the resurgence of a crisis in funding that will significantly and adversely impact the efficiency and effectiveness of the Office.

The USPTO only collects from users the fees necessary to cover operations and related expenses. Thus, when any of the fees collected are not available to the Office, the Office does not have the funds necessary to maintain operations. Bluntly, this means that sequestration resulted in insufficient funds for the Office to do the job for which the user paid. That is the situation in which the Office *yet again* finds itself. According to the Office's audited financial statements from FY 1992 to FY 2012, over one billion dollars of the user fee collections were not available to the Office. This, combined with a steady increase of application filings, led to a significant backlog of applications awaiting examination and an information technology deficit.

Traveling down that path again, whether by Congressional or Administration (as is the case now) action, erodes the progress made toward improving patent quality, reducing pendency, and toward achieving the goal of 10 months to first action and 20 months total patent pendency. The United States faces many challenges in the increasingly competitive global economy. Now is not the time to hinder the Office that provides the fuel to the engine of this Nation's creativity.

In its review of the fee-setting process, the PPAC endorsed the set of user-fee increases and changes proposed by the Office based in significant part on statements of assurance by the relevant government stakeholders that the entirety of such user fees would remain available for use by the Office to achieve critical and widely accepted operational goals. Had the PPAC known that, immediately upon its effect, all such new voluntarily paid user fees would not be available for the Office for patent related activities, for which the increase in user fees were intended, the PPAC might have reached a different conclusion in the report. It is particularly problematic that the sequestration of funding from the USPTO began almost simultaneously with the imposition of the user fee increase.

This reversion eviscerates a compromise agreement that was made to the users regarding the increase in fees and undermines user confidence in the system. The users accepted the additional user-fee increases proposed by the Office, above and beyond the prior 15 percent across-the-board surcharge, in large part because of the critical need for the Office to make significant infrastructure (including IT) and human capital improvements, to improve the quality of granted patents, and reduce time to examination and other systemic losses.

Quite simply, the PPAC believes should the sequester continue for the statutory ten years and the Office continue to be subject to it, not only will the gains made in quality and pendency be erased,

long-term damage to the effectiveness and efficiency of the Office will occur that will take even longer to overcome. As President Obama stated in his September 16<sup>th</sup> 2011 statement upon signing the AIA (the Act that enabled the user-fee increases):

*“Over the last decade, patent applications have nearly tripled. And because the Patent Office doesn’t have the resources to deal with all of them, right now there are about 700,000 applications that haven’t even been opened yet. These are jobs and businesses of the future just waiting to be created.”*

Ultimately, it is the American public and the economy that will suffer in the long-term while innovations wait for USPTO action.

Fortunately, the Office did benefit from other events. Filing and the associated revenue were better than expected (with a filing rate currently trending at 6.5 percent patent filing growth level compared to the estimated 5.0 percent planning assumption). Post fee increase revenue recovered more quickly than planned and the Office worked as a unit to minimize the near-term operational impacts of the sequestration. Nevertheless, the Office will end FY 2013 with \$148 million less than users paid (approximately \$135 million for patents) solely attributable to sequestration. This action brought the total monetary amount of user fees paid, which were unavailable to the Office to \$1.2 Billion since FY 1992.

## **D. RECOMMENDATIONS**

### **1. PPAC urges the Administration to reconsider the Application of the Sequester to the Office**

The USPTO is a 100 percent user-fee funded organization. No tax dollars are used to support any part of the operation. The users of the systems pay for salaries and benefits including retirement, equipment, infrastructure, contracts, and every other aspect of the operation. These users who pay patent application, issuance, maintenance and other fees entirely support the system. One result of such a user fee funded agency is that fluctuations in the economy and user behavior, which are difficult to predict, can have an immediate impact on operations. Predicting accurately the revenues of the Office in advance on a year-to-year basis is thus a challenging, if not impossible task because it includes within the analysis a guessing game on the behavior of multiple players in the process and the strength of the economy.

Congress recognized that 1) fluctuation in user behavior, and 2) the inability for the Office to respond to these fluctuations, was increasingly a stress on the efficient operation of the Office.<sup>4</sup> In response, in the AIA, the Congress responded by temporarily granting the Office the statutory authority to set its fees and concurrently established within the Treasury of the United States a reserve fund, the United States Patent and Trademark Fee Reserve Fund, where all funds collected in excess of the annual appropriation would be deposited in the account and would be available to the Office without further legislative action, to the

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<sup>4</sup> See United States House of Representatives Report accompanying H.R. 1249, the America Invents Act, Rept. 112-98 Part 1 pg. 49.

extent and in the amount provided in the Office's annual appropriations language, which enables the Office to access these funds during the fiscal year through a reprogramming action.

The Fund was established because the drafters of the legislation believed that the Office could operate more effectively if it had full access to all of its user fee-generated revenue such that the Office could keep all of the user fees until expended. The drafters also noted that since the early 1990's more than \$1 billion in user-fees paid to the Office for services were instead "diverted from the agency and spent on non-USPTO initiatives."<sup>5</sup>

Having been assured that the result would be a more stable funding environment and thereby the Office would be able to better plan for the future, PPAC was supportive of the enacting legislation.<sup>6</sup> However, PPAC specifically noted concern over the possibility of the resurgence of fee diversion.<sup>7</sup> Such resurgence, in the form of sequestration, has come to pass.

## **2. PPAC urges the Congress to Remove the Office from the Appropriations Process**

A consistent funding stream and full access to user fees is essential to the operation of the Office. Given the failure of anti-fee diversion language to assure the Office full access to all user-fees, the PPAC (again) recommends that Congress develop an alternative funding and budget process for the Office. In the PPAC's view, removing the Office from the appropriations process or creating a revolving fund are essential steps to permit the Office to develop multi-year planning and maintain Fee Reserve.<sup>8</sup> While some events, such as the current implementation of sequestration, would still present a challenge to the agency, removing the office from the appropriations process or creation of a revolving fund as previously passed by the Senate would decrease the likelihood of this reoccurring problem of the unavailability of user fees.

## **3. PPAC urges the Office to be More Cautious in Revenue Projection<sup>9</sup>**

The Office is estimating a 6.0 percent patent filing growth level for FY 2015 and a 15.4 percent growth from FY 2013 to FY 2017.<sup>10</sup> We encourage the Office to be more cautious in their predictions for growth in filing rates and utilization of new programs. Given activity in the courts<sup>11</sup> and several proposed pieces of legislation that may have a downward

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<sup>5</sup> *Id.* pg. 55

<sup>6</sup> See Public Patent Advisory Committee Annual Report 2012, November 2, 2012. Pg. 15.; Public Patent Advisory Committee Annual Report 2012, September 24, 2012 Pg. 11-12 and <http://judiciary.house.gov/issues/Patent%20Reform%20PDFS/CRPT-112hrpt98-pt1.pdf>

<sup>7</sup> *Id.* Public Patent Advisory Committee Annual Report 2012, September 24, 2012 Pg. 11-12.

<sup>8</sup> PPAC understands the importance of the current Title 5 provisions. We think that these protections should remain intact.

<sup>9</sup> PPAC is not suggesting that the Office underestimate revenue projections. Currently the Office creates projections that articulate a range of projected revenue. PPAC is recommending that the Office spending plan consistently comport with the lower range of that spectrum.

<sup>10</sup> <http://www.uspto.gov/about/stratplan/budget/fy13pbr.pdf> pg. 12

<sup>11</sup> See Mayo Collaborative Servs. v. Prometheus Laboratories, Inc., 132 S. Ct. 1289, 1296, 182 L. Ed. 2d 321 (2012); Ass'n for Molecular Pathology v. Myriad Genetics, Inc., 133 S. Ct. 2107, 2114, 186 L. Ed. 2d 124 (2013); Ultramercial, LLC v. Hulu, LLC, 657 F.3d 1323, 1326 (Fed. Cir. 2011) cert. granted, judgment vacated sub nom. WildTangent, Inc. v. Ultramercial, LLC, 132 S. Ct. 2431, 182 L. Ed. 2d 1059 (U.S. 2012); and CLS Bank Int'l v. Alice

force on filing<sup>12</sup>, it is the PPAC's opinion that projecting the growth in filing rates more conservatively will decrease the likelihood that mid-year adjustments are necessitated or that long-term goals require adjustment. Unlike concerns in the past, where any collections in excess of budget authority were lost to the Office without Congressional intervention, because of the AIA's Fee Reserve Fund, revenue above the projected budget will remain available to the Office until expended and without fiscal year limitation. The Fee Reserve Fund is not a complete solution to fee diversion because it still requires Congress to appropriate USPTO access to the Fund. The current appropriations language permits reprogramming, however, it involves a year-to-year determination and could change in the future. The challenges of accurately forecasting user behavior over extended periods of time could be eliminated by Congress removing the USPTO from the appropriations process.

#### **4. PPAC urges the Office to Prioritize Information Technology in 2014**

The PPAC recognizes that the cuts to IT in 2013 were necessitated by the unanticipated sequestration requirement that the Office cut \$148 million dollars from its FY 2013 budget. The PPAC does not dispute that the cuts to information technology were a reasonable action to minimize disruption in the face of sudden budget cuts. However, despite its appearance on the discretionary side of the balance sheet, fully functioning and up-to-date information technology systems are not a luxury in the 21<sup>st</sup> Century. Rather, it is a requirement for continuous improvement in reducing pendency, improving patent quality and empowering a growing and more technologically capable workforce.

The PPAC strongly believes that the information technology needs of the Office should be prioritized in the FY 2014 and FY 2015 budget. Quite simply, hiring more examiners is insufficient if the examiners' productivity is hamstrung by antiquated information technology. Stabilization and enhancement of information technology is a mission critical activity that for the foreseeable future should be prioritized.

#### **5. PPAC urges the Office to Delay Satellite Offices until Sufficient Resources are Available**

The PPAC believes that satellite offices are an essential component of an efficient and effective USPTO that serves the needs of its users. The PPAC supported this initiative by the Office. However, the realities of the sequestration clearly necessitate that core functions must be prioritized and the stresses of additional burdens should be deferred. While satellite offices will reap substantial benefits in the long term, we recognize that initial - start-up costs for creating these offices could be difficult to manage in the current fiscal environment. Therefore, we support the Administration and the USPTO working to routinely monitor fee collections, assess a new timetable that would help bring these projects online at a later date without undercutting core operations, and in interim, engaging in sustained outreach and stakeholder engagement in each community to the extent possible. The PPAC is in complete agreement with the Administration that until there are sufficient

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Corp. Pty. Ltd., 685 F.3d 1341, 1356 reh'g en banc granted, opinion vacated, 484 F. App'x 559 (Fed. Cir. 2012). The court's attention to patentable subject matter may decrease the incentives to file and/or decrease the allowance rate.

<sup>12</sup> See proposals to address abusive patent litigation: H.R. 845, H.R. 2024, H.R. 2639, H.R. 2766, S. 866 and S. 1013. Reducing the ability to enforce and/or providing additional mechanisms to invalidate existing patents may reduce incentives to file.

funds and a stable funding source, the Office should indefinitely delay all further expenditure of funds for the satellite offices that divert funds from mission critical core activities.

#### **6. PPAC urges all Stakeholders to Delay Additional Legislative and Executive Burdens on the Office Unless Full Access to User Fees is Restored**

On June 4, 2013, the White House issued five executive actions and seven legislative recommendations to improve future innovation in high-tech patents, a key driver of economic growth and jobs. These initiatives were designed to protect inventors from frivolous litigation and ensure the highest-quality patents. Both are laudable goals with which PPAC and nearly all interested parties agree. However, so long as the sequestration is siphoning funds from the Office, the additional burdens articulated by the White House Task Force are of great concern. The five executive actions each require resources that are in short supply given the realities of the sequestration. Executive actions one, three and four (making “Real Party-in-Interest” the new default, empowering downstream users, and expanding dedicated outreach study) are information technology heavy activities. Mandating additional information technology activities concurrent with a reduction of nearly a quarter of the information technology budget is incompatible with maintenance of critical existing core activities.<sup>13</sup> Changes that result in a decrease in revenue further compound the challenges under which the Office currently labors. PPAC recommends that the Administration restore the Office to full funding so that the Office can implement these important executive actions and proposed legislative actions.

## **II. INFORMATION TECHNOLOGY**

### **A. INTRODUCTION**

In this section of the Report, the PPAC describes the Information Technology (IT) initiatives undertaken by the USPTO and the continued progress made this year in supporting the Office’s overall objectives and strategic goals. Under the direction of the Office of the Chief Information Officer (“OCIO”), the USPTO selects, integrates, implements and maintains information technology in support of improving patent quality, reducing pendency and backlog, advancing intellectual property leadership in the United States and internationally, and building and maintaining a 21<sup>st</sup> century work environment.

In 2012-2013, the OCIO continued its efforts to carry on this mission in the face of a dramatic mid-year budget reduction resulting from the combined effects of sequestration and financial factors described elsewhere in this report. As a “discretionary” center, the IT sector disproportionately bore the brunt of these cuts, with a particularly devastating impact on ongoing strategic technology initiatives. This section discusses the effects of the budget cuts as well as highlighting the OCIO’s accomplishments during the year.

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<sup>13</sup> \$80 million was cut from the information technology budget representing a 23% reduction in the annual budget. However, due to the timing of the sequestration mid-year, the \$80 million reduction applied to only six months of activities, not the full year. Thus the cuts were even more severe than the yearly percentage indicates.



## **B. MISSION OF THE OCIO AND STRATEGIC IT OBJECTIVES**

In alignment with the USPTO's overall strategic goals of improving patent quality and reducing pendency, the OCIO is responsible for deploying and maintaining modern IT systems and infrastructure that improve quality and efficiency; for example, by helping examiners to work productively and effectively and by supporting communication and coordination with the user community and international stakeholders.

As the PPAC has reported in previous years, the Office has undertaken a set of modernization initiatives to drive these objectives, with a portfolio known as "Patents End to End" (PE2E) as its mainstay. PE2E, as its name indicates, is a set of IT systems aimed at streamlining the processing of patent documents and actions from their inception to their downstream archiving.

At its core, PE2E implements an advanced data architecture based on open, text-based industry standards such as the Extensible Markup Language (XML), moving away from proprietary, image-based approaches that are behind some of the USPTO's legacy data-handling systems. In addition to offering opportunities for enhancements to patent quality (for example, through better search capabilities and consistency in office actions), the PE2E portfolio comprises part of the Office's need to upgrade an aging IT infrastructure, a challenge faced by all large-scale organizations.

While many of the initiatives discussed here are aimed at IT modernization and improvement, and particularly focused on improving patent quality while maintaining efficiency, it is important to note that much of the IT budget must be devoted to creating and sustaining an up-to-date, stable, reliable and secure technology environment to support the work of employees and of the user community. The Office's IT systems must, for example, quickly and efficiently process an increasing number of filings and other transactions, support examiner and user searches, and handle the workload of an increasingly "wired" and diverse community of stakeholders.

In 2013, the OCIO continued to support USPTO's overall mission by modernizing technology and processes, stabilizing legacy technology systems, supporting the growth of the workforce as well as the geographic and global reach of the organization, and responding to changes driven by international agreements as well as to policy changes such as those implemented by the AIA. As a result, the Office had numerous continuing modernization initiatives as well as new internal and external requirements, which it had to conduct in the face of budget uncertainty. An independent verification and validation (IV&V) consultant retained by the USPTO concluded in 2013 that, while the Office has made significant progress, IT at USPTO must shift its emphasis from monitoring and reacting to continuous improvement. The PPAC agrees with this assessment, and notes that it may become increasingly difficult for OCIO to improve service and efficiency in the face of these changing and increasing demands without adequate budget growth and clarity of direction.

### C. MID-YEAR BUDGET REDUCTIONS

As discussed elsewhere in this Report, the USPTO underwent a series of budget setbacks in March and April of 2013. This resulted in a reduction of nearly \$80 million in planned expenditures for IT for the remainder of the fiscal year. OCIO's project portfolios bore a disproportionate burden from the cuts because a significant portion of the projects are deemed "discretionary" in that they are not linked to payroll expenditures or staffing, but rather rely heavily on outside contractors, and for this reason funds are not already committed and reductions can take effect quickly. Certainly, the Office did not have good options, and worked hard (and successfully) to avoid cuts that might have had a catastrophic impact on examiner productivity, retention and future revenue, for example.

However sound the rationale might be for eviscerating technology programs under the circumstances, the effect of the March and April reductions was a derailment of many technology improvements deemed essential for USPTO's future. Eleven million dollars was cut from PE2E alone, representing over 60 percent of the planned activities for the remainder of the year in a portfolio that commands top billing in the Office's strategic plan and is featured in the FY 2013 President's Budget. Virtually all contractors were told to stop work. Most of the projects in the portfolio, including Text2PTO (see below), were put on hold indefinitely. Resources had to be shifted in order to deploy projects that were nearing completion.

The sheer dollars and percentages, while dramatic, actually understate the impact of the sudden reductions on IT. Some of the projects that were cut involved upgrades to aging systems, notably Patent Application Location and Monitoring (PALM), the backbone enterprise data system that handles all of the Office's critical processes. Delaying upgrades not only increases the risk that legacy systems or their integrated components will fail, but also wastes resources by requiring suboptimal solutions to ongoing reliability issues. Furthermore, while the cuts could be implemented quickly, they cannot be reversed so easily. Most of the contractors involved in the strategic work had special knowledge and skills gained from development to date, and many will not be available if and when projects resume. This compounds the inevitable delays with procurements aimed at getting new contracts in place. The OCIO estimates a minimum of 18 months' delay (probably more) due to the cutbacks.

While there were no immediate disastrous effects of the nearly \$80 million in pullbacks – no major system failures, nor noticeable declines in patent quality or worker productivity, the PPAC believes that the delays in IT improvements resulting from the sequester have already put a damper on further progress in reducing pendency and improving quality, and that this may have been a contributing factor to the current plateau in the quality metric. The OCIO and other parts of USPTO should be recognized for continuing, in general, the improving trends in pendency and quality in the face of AIA, a rise in applications, and a volatile and uncertain budget environment.

Yet the PPAC has no doubt that this situation will impede further gains and urges that work should resume on PE2E and other strategic IT initiatives.

#### **D. OCIO PROGRESS IN 2012-2013**

Since our last Report, the PPAC has noted that substantial progress has been made in the following areas.

##### **1. Patent Examination Tools and Infrastructure**

The Patent Examination Tools and Infrastructure projects include a set of integrated workflow, case management, viewing and search tools to help examiners work productively and effectively. Some examples of the new functionality included in these tools are advanced claims management (including claims tree and claims analysis), reference management, and the ability to search within a pending patent application. During 2012-2013, the tools were released in three stages to pilot groups representing all the technology centers in USPTO. Ongoing work includes further deployment, and enhancements including the integration with evolving PE2E tools (see below).

##### **2. Patents End-To-End (PE2E)**

Patents End-To-End represents an extensive, multi-year portfolio of tools for improved processing of patent applications, based on a user-centered, agile-development methodology. The projects have included examiners and other stakeholders at all stages, resulting in a targeted set of features for managing and enhancing examination. The tools under development focus on core improvements, such as the migration from an image-centered to structured text-centered environment (allowing for better application integration and improved analytical and search capabilities), optimization to streamline and eliminate repetitive tasks, and architectural improvements to allow for improved scalability and reliability in the face of an ever-increasing workload.

In December 2012, an initial version of the PE2E tools was demonstrated for the USPTO at large and the public was invited, with a continued positive response from the examiner corps and public. As discussed above, the work was significantly slowed in March due to budget constraints. Portions of the PE2E work have continued, including, for example, the adaptation of the PE2E search tools for Chinese (SIPO) data, now deployed in the GPSN project discussed below.

##### **3. Patent Application Text Initiative (PATI)**

During the PATI program, claims, specification, and abstracts of all active patent applications have been converted to structured text. This currently accounts for approximately 21 million pages of documents, for which patent examiners have access from Office legacy IT tools. PATI will be the key source of data for PE2E's new tools suite. The ongoing data capture conducted in PATI is in addition to the previously reported

conversion of claims, specifications and abstracts of all active backfiles (63 million + documents), from image data to full XML4IP standard text. The Office has successfully completed all the hardware upgrades as part of the Infrastructure programs enabling corps-wide deployment of PATI data.

#### 4. Text to PTO (Text2PTO)

The Text2PTO program aims to allow and promote text submissions of patent applications from applicants. It will provide applicants with a suite of pre-submission tools to analyze and validate applications. Planning for Text2PTO began in 2012, and outreach to the intellectual property community has been conducted to vet different approaches, understand applicant needs, and communicate the advantages of text-based submission. Text2PTO was suspended this year as part of budget reductions.

#### 5. Global IT Systems

##### a. Global Patent Search Network (GPSN)

As the first major step in allowing examiners to search a broad range of international patent data, the OCIO deployed functionality in 2013 to enable searching of Chinese patents provided by the Chinese State Intellectual Property Office (SIPO) in XML format from 2008-2011. In addition to providing a framework for broader international patent search capabilities, the project provided a test bed for deployment of the new PE2E patent search system, which has been delayed as discussed above.

##### b. One Portal Dossier

In 2013, the OCIO deployed functionality to transmit USPTO patent data to all IP5 offices (EPO, SIPO, KIPO, and JPO representing, Europe, China, Korea, and Japan). This facilitates work-sharing among patent offices internationally, with the aim of improving the quality of examined applications that are members of the same patent family and reducing duplication of effort.

##### c. Cooperative Patent Classification

Cooperative Patent Classification (CPC) is a partnership between the USPTO and the European Patent Office (EPO) to harmonize patent classification between offices under a single standard. Supporting this classification system required adaptations to legacy systems and data within the USPTO, which were made and deployed in 2013. Recently KIPO and SIPO announced their intentions to classify their respective patent documents using the CPC. The CPC will thus ultimately contain the patent document collections from four of the five offices of the IP5.

## **E. COMMITTEE RECOMMENDATIONS FOR THE OCIO FOR 2014**

The PPAC believes that IT development and modernization efforts at OCIO have produced valuable results in support of USPTO's mission. The budget process this year blocked much of the progress toward continuous improvement and significantly threatened the ability of the Office to work efficiently and to support the expansion of the workforce and the application pool while improving quality and reducing pendency. The process for IT planning and budgeting must be improved in order for the Office to succeed, and the PPAC encourages the OCIO and USPTO to focus on the following areas:

### **1. Provide increased funding**

As discussed above, the dramatic mid-year cuts in 2013 have significantly compromised mission-critical IT systems at the Office and derailed modernization efforts aimed at improving quality and reducing pendency, among other strategic objectives. In order to reverse this and have a chance at catching up, significant increases in the IT budget are required for 2014.

### **2. Protect IT from Future Cuts**

The PPAC recognizes that many of the problems the OCIO faced in 2013 were the result of "trickle down" from legislative and administrative action. The PPAC recommends that the USPTO should adjust its planning so that adequate reserves are available for critical IT projects. Making long-term commitments to workforce and physical expansion can reduce these reserves and creates an imbalance between non-discretionary and discretionary spending. This is inefficient because it keeps the OCIO in a reactive position where it is unable to undertake and extend projects that improve quality and efficiency. Therefore, the Office must be cautious in the future about funding commitments that reduce flexibility when budget problems arise, particularly in the growth of the workforce and physical plant (e.g., field offices). The PPAC believes that IT modernization can create a more efficient, productive, and effective Office, and this is what is needed to meet the current and future objectives in the face of budget uncertainty.

### **3. Resume and Accelerate Patents End-to-End**

The PPAC believes that the PE2E portfolio has shown some good results and that the Office's and Administration's emphasis on this project is well-founded. PE2E is the centerpiece of OCIO's effort to support the effectiveness of a modern examiner workforce, in synergy with the overall goals of reducing pendency and improving quality. The portfolio was brought to a virtual standstill in 2013 and must be resurrected, if not accelerated.

### **4. Continue to Upgrade Legacy IT systems**

While OCIO has made great progress in stabilizing IT systems, some of the systems, particularly PALM, continue to be threatened with obsolescence, resulting in threats to the

organization as every system failure leads to productivity losses from a growing workforce. The Office must resume its efforts to modernize these systems.

#### **5. Expand support for the global IT community**

Technology support for globalization, such as GPSN, One Portal Dossier, and CPC, were bright spots for OCIO in 2013. These projects must continue, as the USPTO moves forward with its vision of leading the world in intellectual property protection and policy.

#### **6. Continue to upgrade and expand links with stakeholders**

While much of this report has focused on the role of IT in support of workforce productivity and effectiveness, the OCIO also plays a significant part in stakeholder service and in expanding links with the nation's and world's intellectual property community. Certain efforts, such as Text2PTO and enhancements to USPTO's Website, were scaled back in 2013 and must be picked up again in the future.

### **III. REQUEST FOR CONTINUED EXAMINATION**

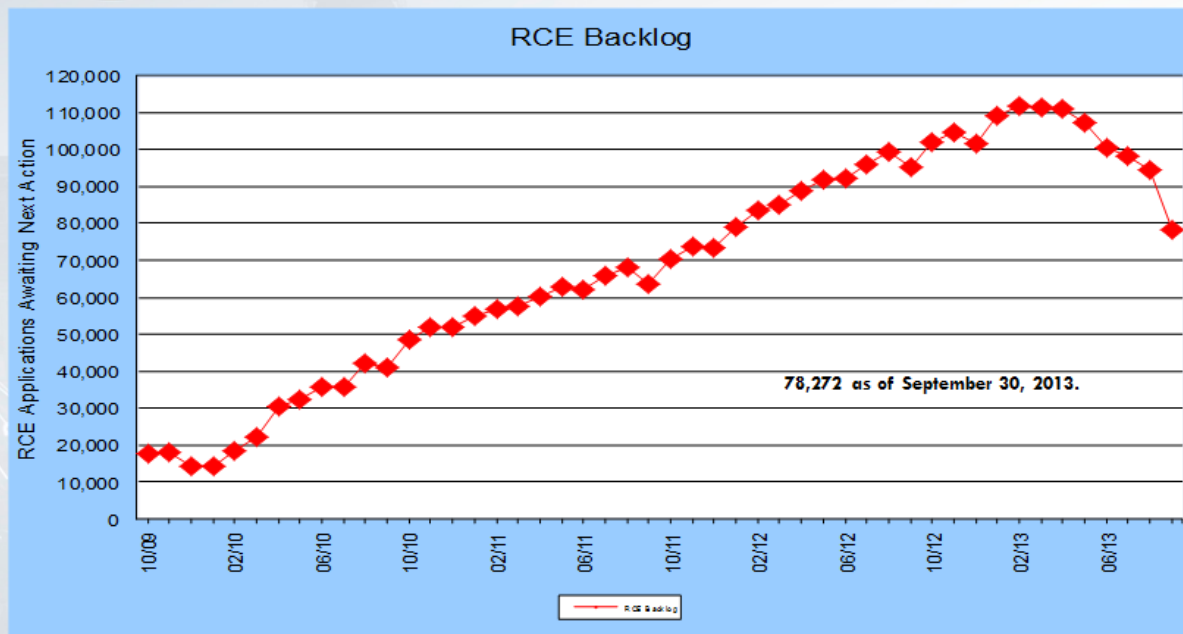
#### **A. INTRODUCTION**

Requests for Continued Examination (RCEs), in both number and time to examination, continue to be a problem adversely affecting overall pendency and represent a source of frustration for both the Office and applicants. The number of RCEs awaiting action reached over 110,000 at mid-FY 2013. However, during FY 2013, Deputy Under Secretary, Teresa Rea; Commissioner for Patents, Peggy Focarino; and Deputy Commissioner for Patent Operations, Andrew Faile, dedicated significant attention to addressing the issues surrounding RCEs in an attempt to reduce this backlog and reduce the need for future filings.

Following the move of RCEs from the Examiner's amended docket to the special continuing docket, the backlog of RCEs ballooned from about 17,000 in October of 2009 to over 110,000 in March of 2013 as can be seen in the chart below. As a result, the time between filing of the RCEs and the first office action rose from about two to three months to one to two years, representing a truly significant gap in the prosecution of "continued examination," leading to increased applicant frustration and dissatisfaction.



## RCE Backlog FY 2010 – FY 2013



RCEs raise a number of concerns for the PPAC: 1) The current hiatus between filing and start (or resumption) of examination is not efficient for either the USPTO or applicant; 2) Many practitioners believe the examiners force the filing of RCEs to obtain more credit instead of handling issues after final rejection. 3) The pendency of the first application ends with the filing of the RCE and subsequent prosecution time of the RCE is not captured in the Traditional Total Pendency statistic typically reported by the Office as pendency. This time is captured only in the Traditional Total Pendency Including RCEs statistic located on the USPTO dashboard when the RCE is finally acted upon. Therefore, the pendency numbers are misleading because RCEs comprise a significant proportion of the applications and their pendency is missing from the Traditional Total Pendency numbers. 4) Because RCEs are amended applications and not continuing applications, Patent Term Adjustment (PTA) begins 4 months after filing as compared to 14 months from filing for continuing applications and thus RCEs are accumulating significant PTA, which is not in the public interest. 5) RCEs are counted as new applications for inventory and placement on the examiner's docket but treated as an amended case in other instances, which has contributed to the increasing backlog.

For the past few years, the USPTO has been working cooperatively with the PPAC to find initiatives which could alleviate some of the problems and reduce the need for filing RCEs. Two such programs implemented in FY 2012 are the After Final Consideration Pilot (AFCP) and Quick Path IDS (QPIDS). The AFCP provides additional time for examiners to consider responses filed after a final rejection to determine whether the application can be put into condition for allowance and thus may avoid the need for an RCE or appeal. QPIDS provides an avenue for the consideration of newly discovered prior art after the payment of the issue fee, if certain conditions

can be met. Both programs represent a step forward in creating options for applicants to avoid the need for filing an RCE. They were greeted with enthusiasm by practitioners as a very good start. The significant backlog of RCEs indicates that more efforts are necessary.

## **B. NEW INITIATIVES**

An early initiative implemented for reducing the need for RCEs is the After Final Consideration Pilot 2.0, which accords the examiner time for an interview and consideration of after final amendments following a request to take part in the program. At least 5,000 completed requests by applicants to participate in this program have already resulted in 1,534 allowances (as of mid-August 2013). This is a very encouraging outcome and the initiative is endorsed by the PPAC.

Responding to growing concerns voiced by the bar and the PPAC, the USPTO management emphasized the examination of RCEs and granted a temporary increase in the credit Examiners receive for the completion of an RCE from 1.75 counts to 2.0 counts, making it identical to other applications and continuations. Consequently, increases were reported in the numbers of RCEs being examined. The backlog of RCEs awaiting action dropped to about 96,000 by Mid-August of 2013, and was reduced to 78,272 by the end of September 2013.

In an effort to further stimulate action on the backlog of RCEs, USPTO and the Examiner's union, Patent Office Professional Association (POPA), agreed to changes reordering work on the Examiner's dockets, changes which will be implemented on October 1, 2013. These modifications simplify docket categories and time frames for completion of applications within each docket category. RCEs, regular new, Continuations, Continuations-in part (CIPs), and Divisionals will all be placed into a single docket called "New," from which applications regularly will be identified for action based on the effective filing date. Examiners with higher RCE inventories will have more limited inventories of regular new applications available for action until their RCE inventories are reduced below a predetermined threshold. The first four RCEs done each quarter of the FY will receive 1.75 counts but subsequent RCEs completed during a quarter will then receive 2.0 counts. The PPAC is encouraged that these changes will spur further movement of RCEs and reduce the backlog.

Also, in alignment with the PTA goals of 14-4-4-4, the PPAC suggested setting a goal of taking up RCEs for action within 4 months of filing, which would reduce the PTA earned by an RCE compared to the currently reported delays. The USPTO is working with POPA to implement initiatives to achieve the goal of an average of 4 months to first action for RCEs. The PPAC appreciates the efforts by POPA and management to find ways to increase and speed the actions in RCEs. These actions, particularly the adoption of a goal to first action, will provide increased certainty on timing to first action, a goal that is certain to receive widespread enthusiasm and endorsement from the bar.

## **C. RCE OUTREACH PROGRAM**

To their credit, instead of relying on their own internal impressions and opinions or anecdotal concerns voiced by the PPAC and other individuals, the USPTO undertook an effort to capture feedback from a larger swath of the public and users. In conjunction with the PPAC, the USPTO



sought comments through a Federal Register Notice and held a roundtable and focus session in Silicon Valley, Dallas, Chicago, New York City and Alexandria, Virginia, with one PPAC member attending each of these events. At these sessions, the USPTO RCE team demonstrated genuine openness and interest in understanding ideas and concerns raised by the public. The team collected over 1100 comments and suggestions from all sources, including IdeaScale<sup>®</sup>, comments to the Federal Register notice and the five roundtable/focus sessions. These comments were categorized into themes for the development of actions and initiatives and the USPTO Group Directors began developing actions to address each theme.

### **THEME 1: RCE Education**

Theme 1 for reducing the need for future RCE filings involves education of both the public and Examiners about the types and details of the currently available programs, which might be utilized to obtain consideration by the Examiner instead of just filing an RCE. A surprising statistic highlighted the need for more advertising of the current options because about 60% of RCEs had not had an amendment after final rejection. The USPTO has developed a timeline clearly showing the available options for each point in prosecution with links to the details of each program. This new feature has been made available on the Website. The PPAC was very pleased with the demonstrated features of this central information hub, including several ways to view the materials.

### **THEME 2: Expansion of QPIDS Program**

The action for Theme 2 involves a possible expansion of the QPIDS program to permit the certification under 37 CFR § 1.97(e) for information from a domestic filing. The current QPIDS program has received over 2,400 requests and avoided the need for an RCE in almost 1,700 cases. This is a significant improvement with clear benefits to both applicants and the Office. This potential expansion of the QPIDS program could increase the saving in reduced RCE filings. The PPAC applauds the USPTO for QPIDS and the possible expansion.

### **THEME 3: Internal Training**

Concepts consolidated into Theme 3 focused on training for supervisors and Examiners, stemming from received comments related to a need for more supervisory involvement and concerns about examination quality. The training proposed by the USPTO will focus on after final practice, compact prosecution, how to effectively review a case, how to better identify allowable subject matter, broadest reasonable interpretation of claims and one-on-one training for Examiners with high numbers of RCEs. Such training is valuable and hopefully will help reduce the numbers of RCEs by improving quality and providing a better avenue for supervisory intervention. However, the PPAC suggests some analysis following the training to judge whether or not the training has made any impact on the RCEs and public perceptions of patent quality.

### **THEME 4: Prosecution Flexibility**

An outcome for Theme 4 involves possible prosecution flexibility allowing more opportunities for applicant's attorney and the Examiner to interact and communicate providing for better synchronization between the attorney and Examiner. These ideas include such items as providing additional opportunities and juncture points for interviews with examiners or the possibility of another action after a final rejection, The PPAC believes this is a positive approach which could reduce the numbers of actions in applications and reduce the need for RCEs stemming from a better understanding by applicant of the potential deficiencies or lack

of clarity in the claims and a more complete understanding of the invention by the Examiner. This would represent a win-win situation for both parties, helping to resolve issues in applications sooner and reducing the filing of RCEs and appeals.

#### **D. RECOMMENDATIONS**

The PPAC recommends exploring an avenue for resolution of issues in prosecution other than an appeal to the PTAB. One possible idea is permitting applicant participation in the pre-appeal brief conference or a new program which permits an interview with multiple primary examiners in addition to the examiner of record. Allowing applicants a voice in such initiatives would permit applicants to better present arguments and the Office to articulate underlying concerns perhaps not clear in the position taken by the Examiner. The presence of the Examiner and two other Examiners (a SPE, Quality Assurance Specialist (QAS) or a knowledgeable Primary Examiner) could clarify whether the application can be allowed or an appeal needs to be filed. In any case, it is believed that this could reduce the need for both RCEs and appeals to the PTAB.

The PPAC also recommends that the Office consider designating as final rejections, rejections over newly cited prior art when only minor amendments were made following a first office action. Compact prosecution and a complete search and first office action including all rejections that could have been made should be the goal of the Office. This, also, would likely reduce the necessity of filing some RCEs.

The identification of actions to address the problem of RCEs is an impressive first step and the PPAC recommends that USPTO continue to implement programs, training and actions to tackle this issue, but also monitor the outcomes of these actions to assess their effectiveness.

#### **E. CONCLUSIONS**

Although RCEs continue to represent a concern for the PPAC, the impressive efforts by Deputy Under Secretary, Teresa Rea; Commissioner for Patents, Peggy Focarino; Deputy Commissioner for Patent Operations, Andrew Faile, and the RCE team are concentrated on flexible, creative initiatives to address the RCE problem. USPTO management is applauded for outstanding self-evaluation and identification of possible solutions. The cooperative work with the PPAC and the public on this issue demonstrates leadership and dedication to performance improvements by the USPTO management.

The PPAC endorses the actions taken to date on the RCE issue, which have translated to RCE backlog reductions and based on the progress witnessed in FY 2013, additional reductions are expected in FY 2014 stemming from these efforts. Given the magnitude of the RCE backlog, it will take some time to reach an acceptable backlog level and the goal of four months on average to a first action. Similarly, it will take some efforts by both examiners and practitioners to reduce the number of RCEs being filed. However, the PPAC applauds the significant actions taken this year by USPTO in gathering and beginning to address concerns raised by users. The PPAC is pleased to continue working with the USPTO addressing these issues.

## **IV. HUMAN CAPITAL**

### **A. INTRODUCTION**

Human capital remains a significant area of concern for the PPAC this year. During FY 2013, due in significant part to budget constraints, only 559 new examiners were hired instead of a planned 1000, representing a significant decrease from the 1507 new examiners hired during FY 2012. Furthermore, the planned hiring of 750 examiners in FY 2014 has been reduced in the President's Budget to 250. The improving economy and the recent surge in new hires have also led to a higher attrition rate. In FY 2013, the preliminary attrition rate was 4.22 percent, compared to a 3.07 percent rate in FY 2012.

In light of the current hiring situation, the Office focused on hiring examiners with previous patent experience. The Office anticipated that such experienced patent professionals would require less training and thus would have the ability to start examining patent applications sooner. Of the 559 new examiners hired, 51 are IP experienced patent professionals and 21 design examiners. This compares to the 148 experienced examiners hired in 2012.

In 2012, the first Satellite Office in Detroit, Michigan opened for business, and by the end of FY 2013, 101 patent examiners and PTAB judges were hired and trained at the new facility. Satellite Offices in Dallas, Denver, and the Silicon Valley were also announced, however, there was no patent examiner hiring of examiners for these offices in FY 2013, and hiring in 2014 is on hold.

As a result, the PPAC strongly recommends that the Office be given full access to the user fees it generates to allow for the hiring of at least 750 new examiners in FY 2014, and look to hire the appropriate number of examiners in FY 2015 necessary to continue to reduce pendency. Further, the PPAC recommends continuing to target experienced patent professionals for the available new examiner positions and to advance distributed work force initiatives to attract a larger pool of well-qualified candidates and further enhance retention of experienced examiners for an entire career.

### **B. EXAMINER HIRING AND RETENTION**

The Office set an initial goal of hiring 1000 new examiners in 2013. Due in significant part to budget constraints, only 559 new examiners were hired, of which 51 were experienced hires. The attrition rate increased from 3.07% to 3.94%; however, this is still significantly lower than the attrition rates; experienced in 2009 and 2010. By comparison, the attrition rate for FY 2009 was 6.3% (5.6% excluding transfers and retirees). While the Office continues to focus on a number of initiatives to increase retention and employee satisfaction, it is also important to note that the attrition rate is historically lower during more challenging economic conditions. Accordingly, the PPAC recommends that the Office continue to focus on initiatives to further reduce attrition and keep experienced, productive examiners.

Fiscal Year	New Hire Goal	Actual New Hires	Examiner Attrition	Total Number of Examiners	Net Change (Year-Over-Year)
2013	500	559	373	7,958	127
2012	1500	1,496	280	7,831	1,146
2011	1200	836	223	6,685	557
2010	350	276	277	6,128	-17

The PPAC believes that it is imperative to increase the number of examiners hired and to continue to maintain the low attrition rates to allow the examiner ranks to grow to appropriate levels. The Office has set a revised goal of hiring 750 examiners in FY 2014, if sufficient funding is available.

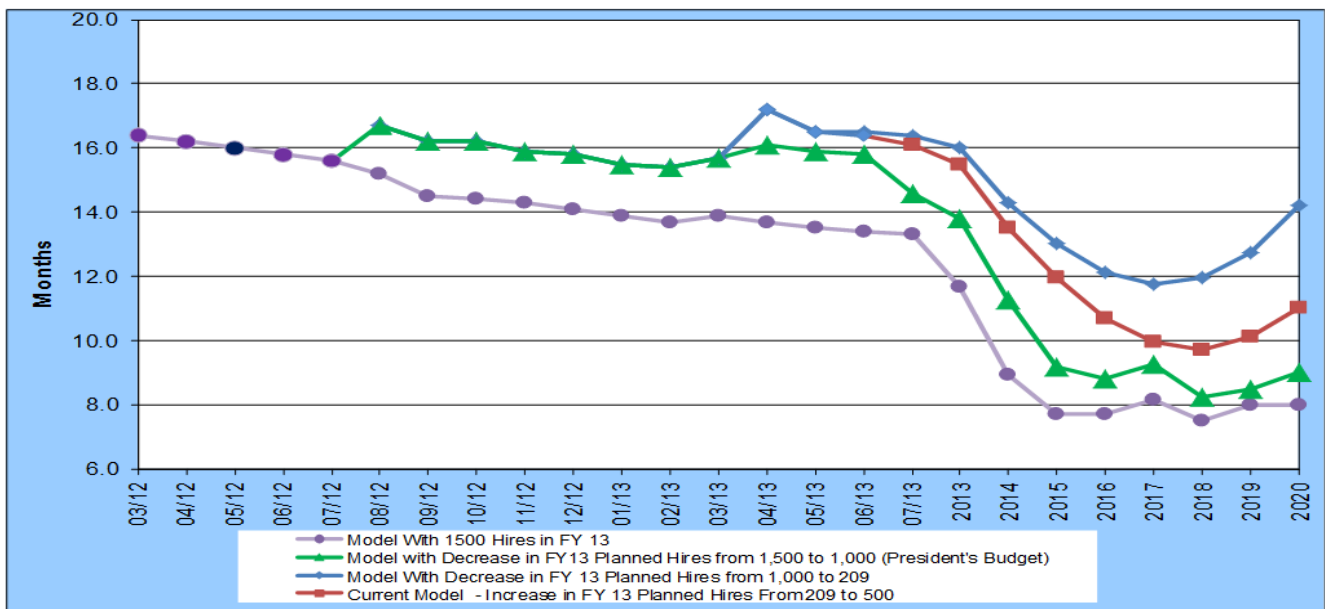
Attracting and maintaining a skilled corps of examiners is critical to effective examination of applications and reducing backlog. The PPAC strongly recommends that the Office be provided sufficient funding to hire enough examiners to maintain appropriate levels in FY 2014.

### C. EFFECTS OF UNCERTAINTY IN BUDGETS ON HIRING

Funding, and specifically the Sequester, has had a substantial impact in hiring during FY 2013.

Roughly 80% of the Office’s budget is non-discretionary (payroll and overhead), and the Office’s ability to react to the Sequester was therefore limited. As a result, during FY 2013, the Office needed to significantly reduce its hiring goals. Only 559 new examiners were hired in FY 2013, falling far short of the original goal of hiring 1000 new examiners.

**Illustrated below is the projected impact of the hiring uncertainty on pendency to first action, measured in months:**



## **1. Develop Hiring of Experienced Patent Professionals**

During FY 2010, the Office initiated a new hiring model to encourage individuals with previous patent experience to apply for a position as a patent examiner. This model was intended to place more emphasis on recruiting candidates with significant patent experience while previous hiring focused more on technical background/experience. The hope is that experienced patent professionals would require less training and thus would have the ability to start examining patent applications sooner.

Since 2010, the Office has consistently been able to hire experienced patent professionals. In FY 2013, the Office added 51 on top of the 148 it hired in 2012. Since this program began, the Office has added 355 new examiners with previous patent experience. The PPAC encourages the Office to continue with this program.

## **2. Target Overtime and Backlog Areas**

The Office has used overtime as an efficient way to manage its workload and reduce the backlog of applications in the absence of additional examiner hires. During FY 2013, the Office prioritized the use of overtime to targeted areas with the highest backlogs. The Office expects 125 hours of overtime per examiner, per year. This is obviously dependent on the budget, however, the PPAC believes that judicious use of overtime and incentives can be helpful in reducing the backlog of applications.

## **3. Nationwide Workforce**

The Office has been successful in developing a nationwide workforce. The USPTO's workforce consists of employees that work at locations other than the Alexandria headquarters, thus allowing employees to choose where they desire to live. This segment of USPTO employees either participate in the patents hoteling program (PHP) or work from the USPTO satellite office in Detroit.

There are currently 3573 examiners that participate in PHP. This is comprised of two segments -- employees whose worksite is within 50 miles from the Alexandria campus and those with a worksite greater than 50 miles from the Alexandria campus. 63% of eligible examiners and 45% of all examiners work remotely in the hoteling program.

The PPAC recommends that the Office continue to support, promote, and expand the Patents Hoteling Program (PHP), which permits examiners to work from remote locations.

Further, the PPAC supports the Telework Enhancement Act Pilot Program (TEAPP) that provides more flexibility regarding employee travel requirements. In 2010, the USPTO received authorization to conduct the TEAPP program and gather data on its effectiveness. Participation slots were limited. In 2012, the first USPTO hoteling employees enrolled in TEAPP. Management recently reached agreement with the bargaining units to expanded participation in the pilot program (TEAPP), and there are 1455 participation slots allotted

for POPA bargaining unit members and 91 participation slots for NTEU 243. Currently, 1212 Patent examiners and 13 TSS employees participate in the pilot program.

As the USPTO transitions to a more virtual work environment, the Patent organization established a permanent hoteling program for its Supervisory Patent Examiners (SPEs) and Management QAS (MQAS) In July 2013; approximately 110 managers began working from home full-time. The program is continually monitored and adjusted as necessary in order to meet the program objectives of retaining skilled managers while also ensuring they remain an effective part of the Office's engaged workforce.

In addition, the Office has expanded the Patents Telework Program (PTP) to allow workers at the Alexandria campus to work up to 32 hours per pay period at an approved alternate worksite.

The PPAC commends the Office's use of these progressive initiatives. The flexibility of these teleworking programs has improved job satisfaction and morale and lessened the impact of attrition on the workforce.

#### **4. On-Hold Programs**

The Sequester has had an impact on a number of promising programs at the Office. A few of these include the after-hours technical and legal studies programs, the examiner site visit program (SEE), and technical and legal training. These programs allow employees to take law school courses and technical courses to enhance their legal and technical knowledge, allow examiner opportunities to visit companies to gain technical knowledge in their areas of expertise which enhances their patent examination duties, and provides for ongoing technical and legal development for examiners. These programs have all been reduced.

### **E. SUMMARY OF PPAC RECOMMENDATIONS**

The PPAC recommends that the Office be given sufficient funding as soon as possible to allow for the hiring of at least 1000 new examiners in FY 2014. The PPAC believes that the current trend of insufficient hiring due to funding will have a significant and lasting impact on the Office if not remedied immediately. Additionally, the PPAC recommends continuing to target experienced IP professionals for the available new examiner positions and to advance geographical expansion of the work force and telework initiatives to attract a larger pool of well qualified candidates and further enhance retention of experienced examiners for an entire career.

## **V. PATENT QUALITY**

### **A. INTRODUCTION**

The issuance of high quality patents with a reasonable pendency remains the most important priority for the USPTO. Stakeholders must be able to rely on the validity of issued patents with a high degree of certainty, and applicants benefit from timely decisions and from obtaining patent rights while the invention is commercially viable in the marketplace.

The USPTO made positive strides in patent quality during FY 2013. Significantly, the Office held a number of well-attended outreach meetings with stakeholders to discuss issues related to the quality of software patents. The Office continued to review, and where appropriate, streamlined the patent process to advance patent prosecution on the merits. In particular, the Office focused significantly on after-final practice and revamped its after-final consideration pilot program. The Office continued to focus on expanding the use of the Track One program to expedite the review of applications deemed important by applicants to, e.g., obtain a patent to help finance a new business or to stave off competition. The Office also focused on several “clarity of record” initiatives to ensure applicants clearly define the aspects of their inventions and examiner’s use, e.g., of Section 112 rejections to clarify the meaning of certain claim recitations. These initiatives are ongoing and offer significant promise. The USPTO’s Office of Patent Quality Assurance continued its role as the internal arbiter of patent quality, by measuring patent quality throughout the examination process. These efforts are described in more detail below.

There are still a number of areas in need of improvement but the Office has shown a willingness to embrace change. The PPAC is certain the Office will continue to focus on ways to improve patent quality and decrease pendency.

### **B. PATENT QUALITY OUTREACH**

The Office held two software patent quality meetings in February 2013, one in Silicon Valley and one in New York. The Silicon Valley meeting included 12 speakers and approximately 250 attendees in total (150 live, 100 via webcast). The New York meeting included 14 speakers and approximately 200 attendees (120 live, 80 via webcast). The speakers were from a diverse background and included law professors, patent practitioners, in-house attorneys, independent software developers, and software coalitions. The meetings provided a forum for the public to offer input on enhancing the quality of software-related patents through implementing best practices in patent application preparation and utilizing existing statutory framework to improve examination. Although the meetings focused on the quality of software patents, the Office emphasized that any lessons learned would be applied to patent applications in every technological field and to the entire examination process.

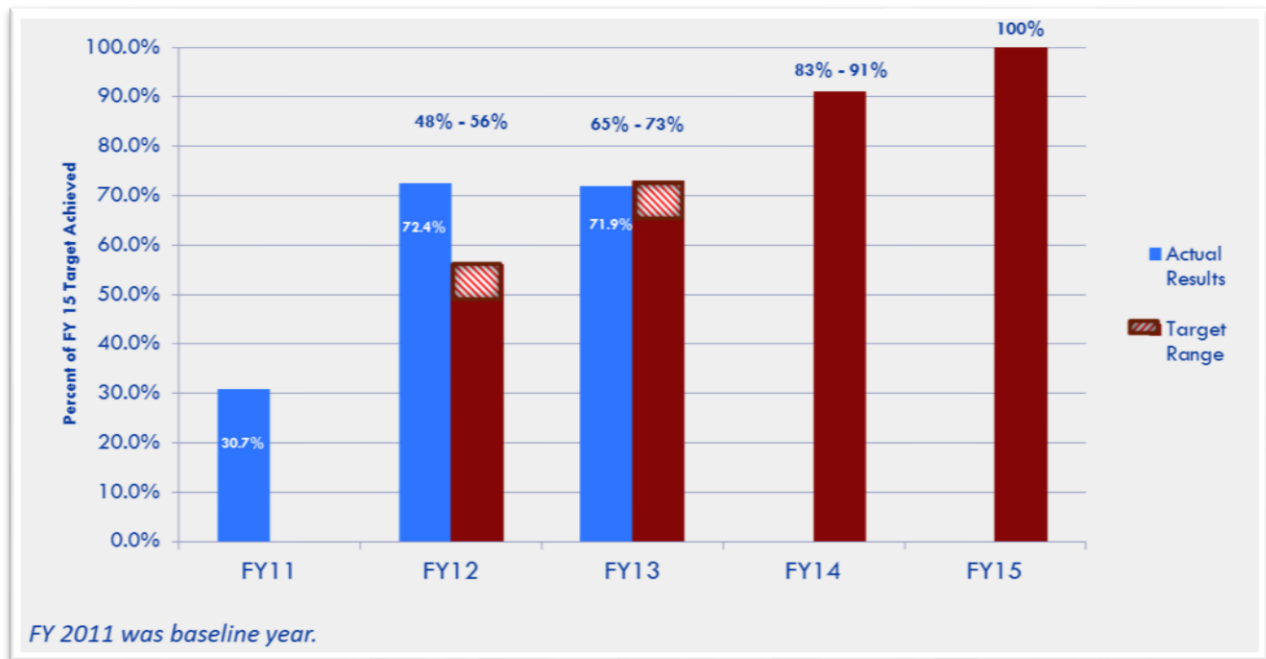
Each meeting focused on establishing clear boundaries for claims that use functional language and employing certain techniques in the preparation and prosecution of patent applications. The common discussion points included Section 112, paragraph (a) requirements directed to written description and enablement, paragraph (b) requirements directed to indefiniteness, and paragraph (f) requirements directed to functional claiming. In conjunction with these meetings, the Office published a Federal Register notice in early January 2013 that requested written comments based on this initiative and patent quality meetings; 98 comments were received by the Office in response to questions posed in the Federal Register notice. The Office has reviewed these comments and has started implementing examiner training to identify claim limitations that invoke Section 112 (f) and to make the patent examination record clear. In addition, the Office has scheduled follow-up meetings with stakeholders in October 2013, one on October 17, 2013, at the University of California Berkeley School of Law in Berkeley, California, and a second meeting at the USPTO to continue the dialogue on ways to improve patent quality.

The PPAC commends the Office for having these meetings. The feedback that PPAC members received from the meetings was overwhelmingly positive and demonstrated how useful face-to-face USPTO communications are with stakeholders. The PPAC urges the Office to continue these outreach efforts. However, the PPAC is concerned that sequestration will limit the Office's ability to provide funding for these important meetings.

### **C. PATENT QUALITY COMPOSITE**

As a quality measure, the USPTO has implemented a "Patent Quality Composite," as shown in the table below. The quality composite is composed of seven individual factors, including internal USPTO measures of the quality of actions setting forth the final disposition, the quality of actions during the course of examination and perceived quality of the patent process from both an external and an internal perspective. Including more items in the quality measurement is an important step in the right direction.





However, the PPAC believes that more concrete, objective statistics should be considered for inclusion in the composite. Additionally, reporting a percentage of achievement of a goal renders the number difficult to evaluate. Anecdotally, the PPAC believes that users continue to be uncertain about the quality measurements being reported by the USPTO in this composite. As noted in the RCE roundtables and focus sessions, there were a number of concerns raised about the quality of the examination. Exactly how this comports with internal measures is not clear, but these comments from stakeholders flag a need for improvement in patent quality. The PPAC continues to be willing to work with the USPTO to refine quality metrics.

#### D. RECOMMENDATIONS

The PPAC commends the Office for expanding data collection capabilities in its quality review program to permit collection of data on application characteristics and examination behaviors with a greater degree of granularity. According to the Office, data collected includes: the occurrence of functional claims in computer-related inventions; occurrence of claims that invoke 112 (f), and documentation of such claims by examiner and/or applicants; analysis of the basis for Section 101 non-statutory subject matter rejections (e.g. abstract idea, natural phenomenon, law of nature, signal, software per se, etc.); as well as other items. In addition, the PPAC commends the Office for updating the uspto.gov website to include content that will increase transparency with respect to the quality metrics and how they are generated, and will increase stakeholder understanding of the Patent Quality Composite. The content includes a computer-based training module that provides an explanation of the Patent Quality Composite and each of the component metrics. The Office has emphasized the inclusion of patent examination quality as a factor for consideration in various

program evaluations. In FY 2013, data collection and measurement protocols were constructed to identify and monitor potential quality impacts resulting from programs/initiatives such as SPE hoteling, third-party submissions, and examiner-initiated interviews.

The PPAC recommends that the quality composite include more items which are objective to provide a quality evaluation which might be deemed more transparent by some individuals. Also, providing examples of how a patent application is scored for errors in the quality evaluation would be helpful.

## **VI. PATENT PENDENCY**

### **A. INTRODUCTION**

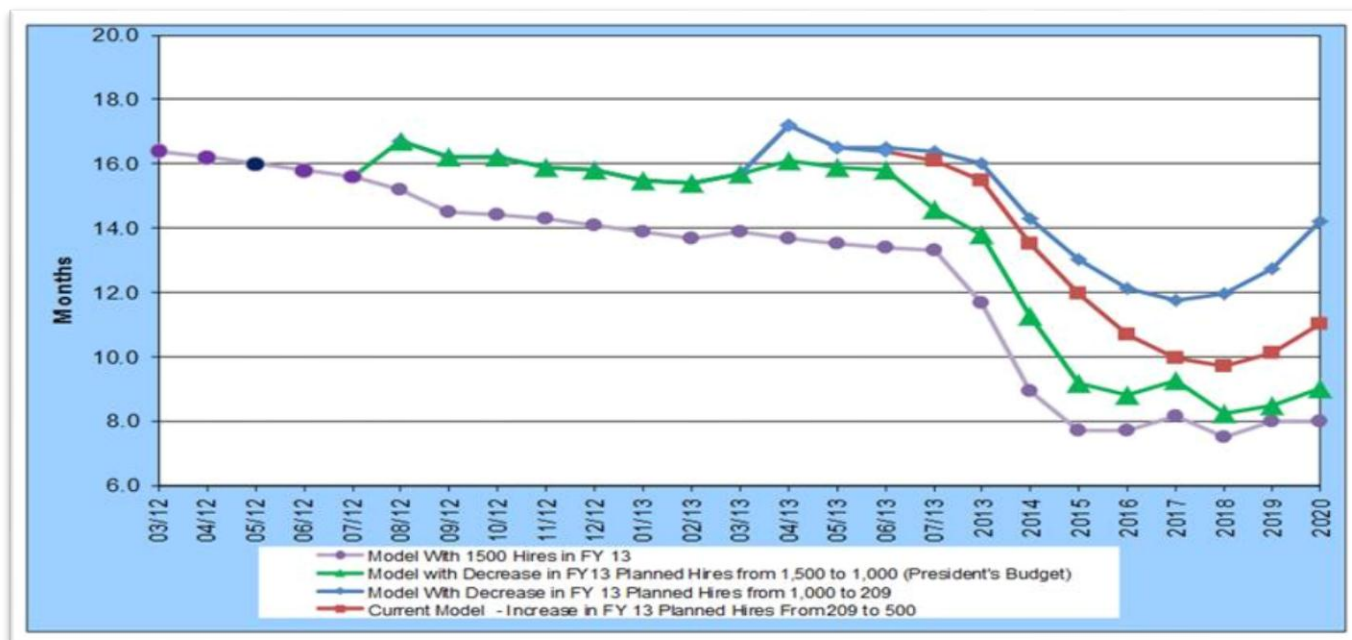
The USPTO continued to decrease pendency to first action and total pendency during FY 2013 with achieving 29.1 months for total pendency and 18.2 months for pendency to first action. This reflects a reduction from FY 2012's 32.4 months and 21.9 months, respectively, which are laudable improvements, showing significant progress towards the goals of 10 months pendency to first action and 20 months total pendency.

Instrumental in these gains were a focus on moving the oldest new applications, hiring of new examiners, and several programs, including Track One, and the Patent Prosecution Highway, implemented by the USPTO.

### **B. SEQUESTRATION**

One significant implication of the sequestration is a negative impact on pendency. The USPTO, while an appropriated agency, does not receive tax-payer money; it is a fee-based organization. When applicants submit patent applications, they provide fees for the services they expect to be rendered. To encourage filing of applications, the fees are back-end loaded but the costs to perform the activities of examination fall more heavily on the front-end of prosecution. Consequently, the USPTO has the applications requiring work to be done, but with sequestration does not have the money to actually perform the work. The pendency of patent applications achieved by the USPTO is dependent upon the number of patent examiners at the agency able to examine the filed patent applications. Decisions must be made on how to allocate less money than was generated by the fees and often the hiring of new patent examiners is cut because in reality very little of the USPTO budget is discretionary. Because of sequestration, the USPTO reduced the number of patent examiners hired in FY 2013 and projects a reduction in hires for FY 2014. Having fewer examiners translates into increased pendency, resulting in significant increases in pendency for years. Note the significant impact the number of hired patent examiners during FY 2013 has had on pendency to first action in the chart below.

## Projected Effects of Numbers of Examiner Hires on Pendency to First Action, Measured in Months



Based on the 1500 examiners expected to be hired in FY 2013, the model showed a reduction of pendency to first action of 8.0 months. However, with only 559 actual hires in FY 2013, the model shows first action pendency at 11 months in FY 2020. One year of sequestration has a negative impact on pendency but multiple years of sequestration for the fee-based USPTO would have serious consequences. Sequestering fees paid to the agency for work that must be completed creates examination delays and undermines the substantial progress achieved to date, inhibiting the ability of entrepreneurs to leverage their granted patents and create jobs.

It is vitally important to hire patent examiners, at least at a replacement level, in order to continue reducing the pendency of patent applications. Without hiring enough examiners, the total number of examiners in the USPTO will decrease due to attrition, slowing the reduction of the pendency and eventually allowing pendency to begin to increase again.

### C. AFTER FINAL CONSIDERATION PILOT

In FY 2013, the Office received input from stakeholders and examiners obtained through the RCE outreach initiative and revamped its after final consideration pilot (AFCP). The Office launched version 2.0 of the AFCP on May 19, 2013. The purpose of AFCP 2.0 is to increase efforts towards compact prosecution and increased collaboration between examiners and stakeholders. As with the original AFCP pilot, the new AFCP 2.0 pilot allows additional flexibility for applicants when they receive an “after-final” rejection in an Office Action. AFCP 2.0 authorizes additional time (approximately 3 hours) for examiners to search and consider responses filed by applicants after final rejection. The examiners use the additional time to review the after-final response and

conduct an updated prior art search. The version 2.0 of the AFCP requires that an applicant include an amendment to at least one independent claim that does not broaden its scope.

The PPAC applauds the Office's willingness to review existing programs like the original AFCP and to make changes to them to improve the program's performance. The PPAC urges the Office to explore additional ways to get the word out about the AFCP 2.0 program to both stakeholders and examiners.

#### **D. TRACK ONE (PRIORITIZED EXAMINATION)**

Implementation of Track One, an AIA-mandated expedited examination program, began on September 26, 2011. Although the Office designed the program to accept just 10,000 requests, as of August 12, 2013, the Office has received only 5,838 requests. The additional cost of \$4,800 (for large entities) was considered too high. The PPAC credits the Office for recognizing this and reducing the fee to \$4,000. For an applicant needing quick examination, the program offers significant advantages. The Office takes the goal of completion of examination in twelve months seriously and as a result examination proceeds at a very rapid pace. It appears that the Office works more closely with an applicant to identify allowable subject matter and is open to meaningful interviews and productive discussions to advance prosecution. Based on recent statistics, the average amount of days from petition grant to allowance is only 148 days, significantly faster than regular prosecution. Forty-seven percent of all Track One filings are made by small entities, i.e., likely startups that need patents to get the critical financial funding they need to grow their business.

The PPAC is concerned that the Track One program is not used more often by applicants. In an effort to expand the Track One program, the PPAC urges the Office to consider some changes that may enhance applicant participation. The PPAC recommends that Track One request be allowed one year after filing the application thereby negating the current requirement that the request be submitted with the original filing. The PPAC requests that the Office review when an application in Track One remains in special status and consider ways to allow these applications to stay in special status for a longer period of time. By "special status," the PPAC recommends that the Office act promptly on any applicant responses (e.g., one month) to advance prosecution. In addition, the PPAC recommends that the USPTO fee for requesting Track One after receiving an RCE, whose parent was already in Track One, be made lower than the full cost of a Track One request.

#### **E. PATENT PROSECUTION HIGHWAY (PPH)**

The various versions of the PPH (i.e. original PPH, PCT-PPH and Mottanai PPH) offered by the USPTO have assisted in reducing the pendency for individual applications, reduced costs for

applicant and improved quality. These programs are a model of international cooperation providing benefits to both applicants and the participating patent offices. As a consequence of the work-sharing among patent offices, the applications have a higher allowance rate and fewer actions compared to non-PPH applications. PPAC is pleased that the USPTO is working towards a plurilateral unitary program which will simplify the existing program into one single program.

## **F. TRAINING AND INITIATIVES**

Any effort by the USPTO, stakeholders, or the PPAC to enhance patent quality and reduce pendency has to include a training platform. The Office is committed to training examiners and providing information to stakeholders on its Website, via roundtable meetings and webcasts to educate applicants on the USPTO programs to enhance patent quality and reduce pendency.

The PPAC applauds the USPTO for the guidelines it continues to provide for examiners and by extension, to the users regarding new case law developments. These guidelines are extremely helpful for stakeholders to understand how the changing law should be applied, and especially, by providing examples in which examiner rejections should not be made.

The PPAC commends the Office for implementing eSTATS which is a centralized reporting system that gives examiners the ability to view their key quality-related data points relative to art unit and technology center averages. In addition, the QIR/eSTATS training for SPEs has been enhanced to assist the SPEs in monitoring the quality of the examiner's work product. Moreover, the Office continues to provide examiner training with respect to conducting interviews, the myriad of changes under the AIA, training to identify claims that invoke 112 (f), and initiatives to make the patent examination record clear. The PPAC urges the Office to continue these efforts and after the training, evaluate its effectiveness. It is not the training, per se, which should be the objective but the results and improvements in examiner's application of the lessons learned during the training.

## **G. RECOMMENDATIONS**

In addition to the recommendations discussed above for each program, the PPAC recommends that the USPTO perform evaluations of two programs to identify compliance: 1) restriction requirements and 2) finality of rejections. The PPAC recommends that the Office do an evaluation of restriction requirements to determine what percentage of the restrictions comply with the MPEP. For example, during one pay period, all mailed restriction requirements could be reviewed for compliance with the MPEP. Also, the RCE Focus Sessions and Roundtables highlighted a concern about final rejections being premature. Compliance with the rules could be evaluated on a random sample of finals. The PPAC also urges the USPTO to measure how many final office actions are

made with rejections based on prior art newly cited by the examiner with particular attention being given to those applications in which relatively minor amendments were made to the claims. Although pendency is a very high priority for applicants, ensuring that the USPTO can accomplish their work is essential. Because the Office is reliant on electronic systems to complete the examination and maintain the file wrapper, loss of those systems would be catastrophic because little to no work could be done without the essential IT systems. It is not only the Office that relies on these systems, Applicants file 98% of applications electronically and rely on Private/Public PAIR to access and view file wrappers. Over the past few years, the IT budget has borne the brunt of budget cuts and the fragile, outdated system has been repaired, maintained and coaxed to continue functioning far past its expected lifetime. Should the budget not permit full funding of all programs at the USPTO, the PPAC recommends that the patent examiner hiring be implemented at least at a replacement level in order to avoid increases in pendency. The PPAC further recommends that funding the IT system be prioritized over the hiring of any additional patent examiners beyond replacement levels in FY 2014.

## **VII. PATENT TRIAL AND APPEAL BOARD (PTAB)**

### **A. INTRODUCTION**

The AIA established the Patent Trial and Appeal Board (“PTAB” or “Board”) on September 16, 2012. The Chief Judge of the PTAB is James Donald Smith.

The Board's responsibilities include: reviewing adverse decisions from Examiners upon applications for patents pursuant to section 134(a); reviewing reexamination appeals pursuant to section 134(b); conducting derivation proceedings pursuant to section 135; and conducting covered business method (“CBM”) patent and *inter partes* reviews (“IPR”) pursuant to chapters 18 and 31 of the AIA.

The Board also continues to decide patent interferences pursuant to 35 U.S.C. 135.

### **B. BOARD STAFF**

As of September 23, 2013, the Board includes 177 judges. Although staffing of the satellite offices with patent examiners has been delayed as a consequence of the sequestration, each of the satellite offices does include PTAB judges. More specifically, the Dallas office has five judges, the Silicon Valley office has eight judges, the Denver office has eight judges, and the Detroit office has ten judges. The placement of these satellite offices around the country has expanded the ability of the Board to employ qualified individuals to meet the growing workload faced by the PTAB. The Board continues to review candidates and plans on hiring additional judges in FY 2014.

## C. BOARD BACKLOG

The backlog of *ex parte* appeals pending at the Board stands at 25,554 applications, down from a peak of 26,896 applications in February 2013. The growth of the backlog has been halted for now as more decisions were issued by the Board as compared to new appeals received by the Board in the last six months. That trend is encouraging for now, but the Board will need to remain vigilant to ensure the backlog does not increase if the *ex parte* appeal and AIA intake grow faster than new judge hires.

The Board continues to implement a *per curiam* process, whereby certain appeals can be decided based on arguments by the Examiners or Appellants in the written record. These *per curiam* decisions are shorter and generally disposed faster than other appellate decisions. In fiscal year 2012, the PTAB issued 142 *per curiam* decisions; in fiscal year 2013, the PTAB issued 136 *per curiam* decisions; and in fiscal year 2014, through early October 2013, the PTAB issued 6 *per curiam* decisions. PPAC recommends continued use of *per curiam* decisions but emphasizes that the written record must sufficiently explain the facts and law in the case.

The Board has affirmed or affirmed-in-part 68%, reversed 29%, and remanded or dismissed about 3% of the Examiner's decisions. These statistics are consistent with the affirmance, reversal, and remand/dismissal rates of previous years and demonstrate the Board's willingness, at least in about 1/3 of the cases before the Board, to reverse the Examiner's decision when appropriate to do so. In addition, the PPAC is encouraged by the low numbers of remands and dismissals, which indicates that the Patent Examining Corps provides complete Examiner's Answers to the PTAB.

## D. AIA PROGRESS

As of September 26, 2013, the Board received 580 total petitions – 522 *inter partes* review proceedings (IPRs), 56 covered business method proceedings (CBMs), one post grant review proceeding (PGR) (filed in error), and one derivation proceeding. The majority of the petitions were in the electrical/computer software area. In particular, the petition filings by area of technology were: 68.7% electrical/computer software; 13.8% mechanical; 9.3% chemical; 7.3% biotechnology/pharmaceutical; and 0.9% design. With respect to IPRs and CBMs, patent owners have submitted 247 preliminary responses and waived their rights to submit a preliminary response in 61 cases. The PPAC is pleased with the patent owner's usage of preliminary responses and waivers as these options were not available in *ex parte* and *inter partes* reexamination proceedings. In addition, of the 247 cases in which an IPR or CBM has been instituted, 61 settlements have been reached. The PPAC also finds the use of settlements encouraging as this option also was not available in *ex parte* and *inter partes* reexamination proceedings. Lastly, the AIA proceedings are still in their infancy so the PTAB has only rendered one final written opinion in a CBM proceeding, none yet in an IPR proceeding.

PTAB has been very busy since it started formally accepting petitions in September 2012. A comparison of the number of PTAB petitions to district court filings involving patent litigations in 2012 highlights this point. PTAB received 564 petitions from September 2012 to September 30, 2013; in all of 2012, 1,266 complaints were filed in the Eastern District of Texas, 995 in the District of Delaware, 514 in the Central District of California, and 260 in the northern District of California. As expected, the number of filings in FY 2013 was 564, thereby putting PTAB behind only two Federal district courts in terms of patent disputes that they are handling.

## **E. CHALLENGES MOVING FORWARD**

With the implementation of the AIA, the PTAB was statutorily required to handle significantly more work and provide entirely new services for new programs, and at about the same time, the sequestration made unavailable some of the fees paid by users to the USPTO. PPAC has concerns with the resources provided to PTAB especially in light of sequestration and its continuing adverse impact on the Office. In particular, the PTAB's pipeline is continuing to grow, with new petition filings coming into the Office at an increased rate, and PTAB's need to provide initial determinations to grant or deny these petitions within a statutory deadline. In addition, starting in October and November of 2013, the PTAB will have to review the trials, final hearings, and final dispositions from the IPR and CBM petitions filed at the end of 2012. Moreover, the appeals from the Central Reexamination Unit involving existing *ex parte* and *inter partes* reexaminations are expected to be robust for the remainder of 2013 and in 2014, requiring additional PTAB resources. Furthermore, although the PPAC and stakeholders continue to focus on the new AIA proceedings, PTAB needs to continue to be vigilant at lowering the *ex parte* appeal backlog, now around 26,000. Lastly, there is legislation pending in Congress that would expand CBM proceedings by eliminating the financial product restriction and eight-year sunset provision, each of which would require additional PTAB resources. PPAC feels strongly that the USPTO should be accorded full access to all user fees so that they may do the work with high quality and in the statutorily required time frames.

The PPAC commends the PTAB's efforts to provide information on its Website with respect to the new AIA proceedings. In particular, the PTAB has established a Published Cases Committee to review decisions to determine which ones are representative, informative, or precedential, and to post them on the PTAB Website. In addition, the PTAB has been providing regular updates at PPAC meetings and other USPTO events to provide the latest statistics and developments involving the new AIA proceedings. The PPAC urges the PTAB to continue this dissemination of information because the AIA proceedings are new, and consequently, there are plenty of open questions involving, e.g., the extent of discovery, estoppel, settlements, and related matters.



## **VIII. LEGISLATION**

### **A. INTRODUCTION**

After the tumultuous and highly productive period of the last several years, during the passage and implementation of the America Invents Act, and the advent of USPTO-led fee setting (for which, the PPAC played a significant role), patent-related legislation considered in Congress over the last year has focused on addressing so-called abusive patent infringement litigation. The Administration, including the Department of Commerce and the USPTO, and key members of Congress contend that frivolous patent infringement litigation and threats of litigation by certain patent-holding companies, certain of which may have a business model that only involves litigating their patents, is a significant threat to American innovators and start-ups. Various terms have been used for such companies: non-practicing entities (NPEs), patent monetization entities (PMEs), patent assertion entities (PAEs), or patent licensing entities (PLEs)---we'll use the non-pejorative PLE throughout the remainder of this discussion.

Some have argued that the potential high costs of litigation are sometimes used by PLEs as a hammer to force settlements with small businesses and start-ups which do not have the financial resources to effectively respond. Others argue that PLEs provide a useful and innovative market solution, serving as intermediaries between those who create valuable intellectual property and others who use or build upon patented IP.

A variety of administrative and legislative actions have been proposed to limit abusive litigation and threats of litigation. These various efforts appear now to be focusing on particular abusive behaviors and not the status of a particular company as “practicing” or “non-practicing”, since significant companies have noted that they and their competitors may at particular times, with particular patents in their portfolio, be considered “practicing” or “non-practicing” entities.

### **B. WHITE HOUSE EXECUTIVE ACTIONS AND LEGISLATIVE PRIORITIES**

The White House announced in June a number of targeted executive actions and legislative priorities. The executive actions include ensuring transparency as to patent ownership, tightening patent examiner review standards, helping small entities cope with settlement demands and litigation threats, and expanding educational outreach. The USPTO has been charged with the lead responsibility for implementing these actions. As noted below, and elsewhere, the PPAC remains deeply concerned that a significant amount of voluntarily paid user fees are being syphoned away from the Office, reducing hiring, terminating IT contracts, and reducing the ability of the Office to actually do its current job. Adding further USPTO requirements, studies and implementation of new regulations (such as proposed by the White House) at a time when sequestration is in effect, is a cause of significant concern to PPAC.

The White House also expressed support for legislation to improve the efficiency of patent litigation. The legislative measures recommended include requiring applicants to fully disclose ownership of patents, promoting a “loser pays” approach (to shift the costs of litigation to the losing party) in frivolous litigation, expanding the types of patents subject to USPTO’s current covered business method review, and protecting downstream users from initial infringement claims.

We understand that USPTO has been engaging stakeholders to provide updates on the implementation of the executive actions and facilitating further discussion of the nature of particular problems and appropriate ways of addressing it, whether through legislative or administrative means.

### C. CONGRESSIONAL HEARINGS

Congressional efforts have included targeted hearings and an array of proposed legislation.

Congressional hearings conducted include:

- “**Abusive Patent Litigation: The Impact on American Innovation & Jobs, and Potential Solutions**” - March 14, 2013, *House Judiciary Committee, Subcommittee on Courts, Intellectual Property and the Internet*
- “**Abusive Patent Litigation: The Issues Impacting American Competitiveness and Job Creation at the International Trade Commission and Beyond**” – April 16, 2013, *House Judiciary Committee, Subcommittee on Courts, Intellectual Property and the Internet*
- “**Patent Reform implementation and New Challenges for Small Businesses**” – May 15, 2013, *House Committee on Small Business*
- “**Standard Essential Patent Disputes and Antitrust Law**” – July 30, 2013, *Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights*

### D. PENDING LEGISLATION

- **H.R. \_\_**, DISCUSSION DRAFT (Rep. Goodlatte, R-VA-6) – circulated as amended on 9/6/2013 – *Which includes a wide range of litigation-related and other provisions, e.g., fee shifting, RPI, expand CBM* , now replaced by **H.R. 3309**.
- **H.R. 845**, “Saving High-Tech Innovators from Egregious Legal Disputes” (SHIELD) Act of 2013 (Rep. DeFazio, D-OR-4) – introduced: 2/27/2013 – *Fee shifting*
- **H.R. 2024**, “End Anonymous Patents Act” (Rep. Deutch, D-FL-21) – introduced: 5/16/2013 - *Patent owner disclosure and RPI*

- **H.R. 2639**, “Patent Litigation and Innovation Act” (Reps. Jefferies, D-NY-8, Farenthold, R-TX-27) – introduced: 7/10/2013 - *Heighten pleading standards, joinder, stays, discovery, Rule 11 sanctions*
- **H.R. 2766**, “Stopping the Offensive Use of Patents (STOP) Act” (Reps. Issa, R-CA-49, Chu, D-CA-27) - introduced 7/22/2013 – Expand CBM and *pro bono* efforts
- **S.866**, “Patent Quality Improvement Act of 2013” (Sen. Schumer, D-NY) – introduced: 5/6/2013 – *Expand CBM*
- **S. 1013**, “Patent Abuse Reduction Act of 2013” (Sen. Cornyn, R-TX) – introduced: 5/21/2013 – *Litigation-related provisions, loser pays, RPI, discovery, joinder*

## E. RECOMMENDATIONS

The PPAC will continue to monitor and consult with the USPTO as the legislative and administrative processes continue to address abusive activities. The PPAC recommends that the USPTO ensure that any proposed administrative changes are appropriately and narrowly targeted for any such alleged abuse without unduly harming our overall patent system, the smooth operation of the examination process, the quality of patents issued, or the overall costs and burdens to applicants.

The PPAC remains concerned that the OMB has made the determination that USPTO user-fees are also subject to sequestration. The PPAC recommends that the USPTO continue to work with the Administration and Congress to ensure that the USPTO has access to all of its fees.

The PPAC is interested in monitoring whether any legislative options will be proposed to address what the PPAC believes is a very serious undermining of the purpose and effect of granting fee-setting authority to the USPTO under the AIA in the first place. Added further burdens and requests to address the alleged issues of abuse, during sequestration, will only further burden the Office and hamper the ability of the USPTO to improve its core operations of high-quality patent examination.

## IX. INTERNATIONAL COOPERATION AND WORK SHARING

### A. SUBSTANTIVE PATENT LAW HARMONIZATION

#### 1. Tegernsee Group

Progress continues in the study of substantive patent law harmonization topics by the so-called “Tegernsee Group.” Formed in July 2011 during a meeting held in Tegernsee, Germany, the Tegernsee Group is comprised of the Heads of the patent offices of Denmark, the European Union, France, Germany, Japan, the United Kingdom and the United States. The Tegernsee Group agreed to undertake a fact finding study of four topics: 1) grace

period; 2) 18-month publication; 3) the prior art effect of secret prior art; and 4) prior user rights, so as to identify areas of difference and convergence between the various patent offices. A common questionnaire was developed and distributed for public comment on these four topics to patent system users in the respective countries. In addition to distributing this questionnaire, the patent offices also held public roundtable discussions on the four topics. The collected questionnaire responses and comments from the roundtable discussions are currently being compiled and studied by the participating offices.

## **2. FIRST INVENTOR AND GRACE PERIOD DISCUSSION INTERNATIONALLY**

With the full implementation of AIA now complete, a concentrated effort is under way to continue to engage the international patent community in discussions regarding harmonization. This conversation was difficult in previous years due to the absence of a first inventor to file system in the United States. The immediate task is to explain to a broad audience of patent system users, the provisions of AIA and why the new U.S. patent system is a true first to file system with a one-year inventor's own prior art grace period rather than the pre-AIA one-year priority date grace period. Based on meetings and teleconferences with other patent office representatives during the past year, positive momentum continues to build as we enter fall 2013 as countries around the world recognize the benefit of a uniform grace period among first to file countries and how such a grace period supports large and small patent user interests in a pro-innovation and pro-economic growth environment worldwide.

## **B. TECHNICAL AND PROCEDURAL HARMONIZATION: WORK SHARING AND OTHER INTERNATIONAL COOPERATION PROGRAMS**

### **1. IP5 Evolution and the Global Dossier**

Recognizing the continuing evolution and growth of initiatives, a forum of the five largest IP Patent Offices (i.e., EPO, JPO, KIPO, SIPO, USPTO ("IP5")) agreed to a new program management model proposed by the USPTO. The model formalizes basic project management principles across the program which, until this agreement, were inconsistently applied. A key element of the model requires stakeholder benefits to be clearly defined for each of the projects and calls for periodic assessment to ensure those benefits are being achieved. The assessment will be done by the Program Managers who represent the executive leadership of the IP5. This seemingly simple change will ensure that resources dedicated to the program are commensurate with the value they deliver.

The plan and development of the Global Dossier initiative ("Global Dossier") continue to advance at a rapid pace and IP5 has achieved several milestones. The Global Dossier Task Force held its first meeting in January 2013, which was hosted by the EPO in conjunction with the IP5 Working Group 2 meeting. Significant progress was made on defining and prioritizing business requirements with regard to the Global Dossier. A very basic form of one high-priority requirement, automatic cross-filing, is currently being reviewed between the USPTO and EPO.

After IP5 collaboration and agreement on exchange specifications and services, the IP5 Offices agreed to deploy services that enable patent information for related patent cases to be made available to examiners in the five different patent offices. Each office has its own

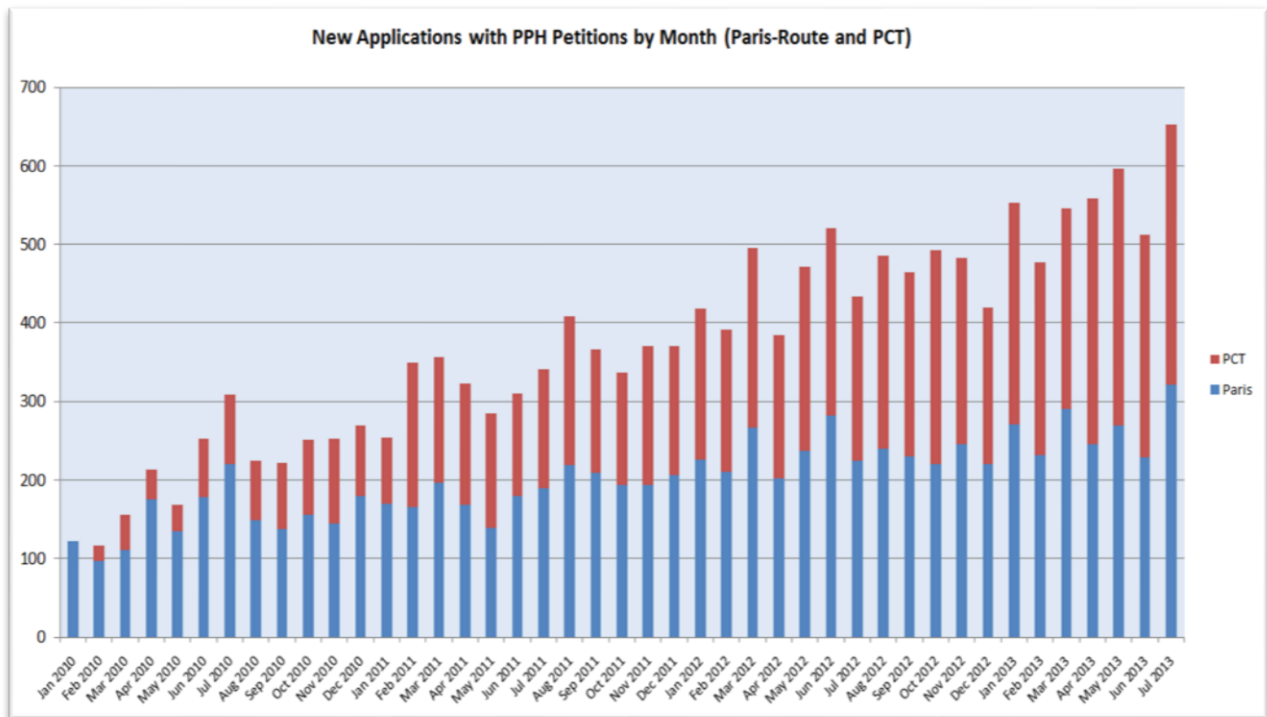
schedule for developing the user interface and access to that information. The USPTO's current plan is to provide examiner access in 2014. The USPTO is also investigating ways to expand the scope of the information available in the Global Dossier to patent system users and is engaged in discussions with other IP offices concerning such scope and details.

The USPTO continues to work very closely with the Global Dossier Task Force on outreach to further refine business requirements and structure regarding the Global Dossier and understand the priorities and needs of the broader stakeholder community.

## 2. Patent Prosecution Highway (PPH)

### a. Overview

The Patent Prosecution Highway program (PPH) continues to be a major success for the concept of a global patent work sharing regime by delivering benefits to both patent system users and IP offices. A reduction in the number of office actions, lower costs, higher issuance rates and faster examination and prosecution are several of the advantages realized by users and are the factors that drive the growth of PPH. As of September 30, 2013, the number of PPH entries approached 20,000 and the USPTO is receiving approximately 550 requests per month, a 22% increase over the previous fiscal year. Particularly, the chart below shows new PPH requests by month since January 2010, and demonstrates the program's continuing growth and acceptance by the patent user community.



The USPTO currently has bilateral PPH agreements with 26 other IP offices and that number continues to grow. All participating offices work together to streamline and improve PPH. Most recently, the USPTO and 12 other offices agreed to a new PPH

pilot program which would simplify the PPH for users by adhering to a common set of guidelines and a single request form for requesting entry into the PPH. This change would create a single agreement among the offices permitting an applicant to leverage the allowance from one office to all other offices, regardless of where the application was first filed. This pilot program is a major achievement for USPTO and its partners as the 13 offices account for approximately 90% of global PPH usage. Further details of the PPH pilot program are under negotiation among the offices and the pilot program will launch in January 2014.

As with the harmonization efforts, significant patent user outreach efforts by the USPTO continue both domestically and internationally.

#### **b. Patent Cooperation Treaty – Work Sharing (PCT-PPH)**

Since its inception in FY 2011, PCT-PPH has become a contributing force to the increased growth of the overall PPH program. For over one year, the majority of new PPH requests at the USPTO have been filed via the PCT-PPH work sharing route. The USPTO continues on its expansion strategy and in FY 2013 formed agreements with four new offices and made the program permanent with two existing offices.

The USPTO has recently concluded the second phase of a Collaborative Search and Examination Pilot Program with KIPO and EPO. In this pilot program, examiners from the three Offices worked together to create a single, high quality PCT search report and written opinion. The pilot program was also used to test the feasibility of establishing such a system on a permanent basis.

It was the opinion of the participating USPTO examiners that the quality of the final International Search Reports and the Written Opinions of the International Searching Authority in 67% of the patent applications reviewed was greatly improved by making the final work product more complete and by providing confidence in the work product to the first examiner. Feedback directly received from these examiners in administering the pilot program supports the conclusion that collaboration across patent offices helps to increase the confidence in the final work product across offices.

### **3. Outsourcing PCT Searches**

Over the last several years, outsourcing of PCT searches to third party vendors has enabled the USPTO to become a world leader in overall PCT timeliness. The USPTO is attempting to maintain the progress made over the last several years, notwithstanding funding cuts dictated by the overall budget situation during FY 2013. Particularly, these budgetary cuts have resulted in an immediate impact on the USPTO's ability to outsource its searching to these third party vendors. These cuts in outsourcing will in turn have a long-term and ongoing effect on the number of international applications waiting to be searched. As a result, the USPTO's Chapter I timeliness for the searching of international applications filed with the USPTO will be affected until funding is restored to the USPTO.

### **4. Patent Cooperation Treaty – Systemic Improvement**

The USPTO, in conjunction with the United Kingdom IP Office (UKIPO), has continued to develop the "PCT 20/20" plan to improve the PCT process. After discussions at the PCT

Union- - Meeting of International Authorities under the Patent Cooperation Treaty (PCT) – Twentieth Session in February 2013 in Munich, Germany, it was determined that five of the proposals contained in the “PCT 20/20” plan (i.e., Making The Written Opinion of the International Searching Authority Available to the Public After International Publication; Integration of the National/International Phases by Requiring Response to Negative Comments at the National Phase; Mandatory Recordation of Search Strategies; Mandatory Top-Up Searches In Chapter II; and Formal Integration of the Patent Prosecution Highway Into The PCT) were appropriate to be forwarded to the PCT Working Group for detailed consideration. A sixth proposal contained in the “PCT 20/20” plan (i.e., Self-Service Changes (92bis/Priority Claims)) was referred to the International Bureau for possible future incorporation in the ePCT system. The five proposals specifically discussed at the Working Group meeting received widespread support and it was agreed that changes to the PCT Regulations should be adopted to implement the proposals of “Mandatory Top-Up Searches In Chapter II” and “Making The Written Opinion of the International Searching Authority Available to the Public After International Publication.” It was also agreed that the USPTO and UKIPO would continue to develop the other proposals contained in the “PCT 20/20” plan for further consideration and future meetings of the Working Group.

## **5. Cooperative Patent Classification (CPC)**

The Cooperative Patent Classification system (“CPC”) is a new classification system developed jointly by the USPTO and EPO using EPO’s IPC-based European Classification System (ECLA) as a starting point. The CPC was launched in January 2013 after fourteen months of bilateral development. The CPC is based on the International Patent Classification system (IPC), which is used by the IP5. The CPC is now publicly available for use by external users and other patent offices via the link at <http://www.cooperativepatentclassification.org>. The USPTO and EPO also jointly developed over 625 CPC Definitions to help users understand the CPC schemes. The CPC also contains the backfile patent documents of the USPTO, EPO and EPO member states. The USPTO has begun classifying into the CPC for newly filed utility patent applications as of January 1, 2013. Eventually after a transition period, the CPC will replace the United States Patent Classification (USPC) system at the USPTO.

The CPC promotes international harmonization efforts. Since the CPC is an IPC-based system, harmonization efforts with other patent offices and the IPC will be improved. Recently, the KIPO and SIPO announced their intentions to classify their respective patent documents using the CPC. The CPC will ultimately contain the patent document collections from four of the five patent offices of the IP5.

The CPC will also promote IP5 cooperation efforts. As agreed during the IP5 meeting in June 2013 in Cupertino, California, the IP5 Global Classification Initiative Foundation Project will be aimed at harmonizing and improving the IPC using the CPC and the JPO’s File Index (FI) and F-terms classification system as its basis.

## **6. Global Patent Search Network (GPSN)**

As a result of cooperative effort between the USPTO and SIPO, Chinese patent documentation is now available for search and retrieval from the USPTO website via the Global Patent Search Network database (GPSN) located at <http://gpsn.uspto.gov>. Launched in June 2013, this searching tool enables examiners and the public to search Chinese patent

documents in English or Chinese languages. The data available includes full-text native language Chinese patent documents and their corresponding English machine translations. Also available are full document images of Chinese patent documents. Users can search documents, including published applications, granted patents and utility models from 1985 to 2012 in the GPSN. There are plans to add additional international patent collections in the future.

## 7. Overall USPTO PCT Statistics

**Table 3** below shows the data for PCT procedures through July 2013.

**Table 3: PCT Timeliness**

	FY 2010	FY 2011	FY 2012	FY 2013 (thru July)
RO/US Receipt to record copy mailing	13 days	10 days	10.67 days	13.2 days
DO/EO/US Receipt to release	251 days	159 days	95 days	88 days
ISA/US Mailing of ISR/WO within 16 months from priority	82%	81%	55%	79%
Mailing of ISR/WO within 18 months of priority	91%	92%	88%	90%
IPEA/US Mailing of IPER within 28 months from priority	14%	21%	29%	57%
Mailing of IPER within 30 months of priority	19.5%	27%	36%	65%

Note that the ISR mailing times for FY 2013 show an improvement over the previous year, despite a reduction in funding to this third party contracted work. The USPTO anticipates the impact to timeliness will follow a pattern similar to that of the reduction in FY2011, which was comparable in scale and timing to the current case. Based on that experience, it is anticipated that timeliness of ISR mailings will be impacted mid to late FY 2014.

## C. CONCLUSION AND RECOMMENDATIONS

The PPAC cannot ignore the funding issues for the USPTO with respect to its ongoing international initiatives and programs. For example, the recent budget cuts have greatly limited the number of USPTO representatives who can attend important global meetings with other patent office officials. Not providing a complete delegation of USPTO representatives at these meetings only further complicates the USPTO's efforts. Budget cuts with regard to third party contractors for international application searching will hinder the USPTO's ability to maintain timeliness in its international application processes. Coupled with extensive budget cuts to the USPTO's IT structure for implementing and maintaining these initiatives, programs and processes, the PPAC is concerned that such will ultimately impact the USPTO in its global leadership position.



Despite such setbacks, the PPAC applauds the USPTO for its ongoing efforts and achievements in the international arena. The PPAC notes just a few highlights for the past year -- the productive global meetings of the Tegernsee Group and IP5, the growth and continued acceptance of the PPH by the patent user community, the launch of CPC and the implementation of new online international searching tools, such as GPSN.

The PPAC supports the strides made by the USPTO in its international cooperation and work sharing initiatives among multiple patent offices and encourages the continued development and expansion of these efforts. The PPH and the Global Dossier are excellent examples of such strides and the continuing need and importance for an effective and user friendly patent application platform across multiple patent offices. The PPAC continues to recommend that the USPTO repeatedly review these efforts to ensure that the initiatives promote the overall objectives of harmonization, international work sharing, reduce duplication of efforts by offices, and promote best practices to improve timeliness and quality.

To support such initiatives, the PPAC encourages further outreach through a variety of forums to extend discussions among multiple patent offices – not just the Tegernsee Group and IP5. The PPAC supports ongoing education and updates regarding the USPTO’s international initiatives and programs via roundtables, webcasts and e-mail notices to the patent user community. The PPAC also believes that continued outreach to a variety of different entities and groups from the patent user community will provide additional insight regarding international initiatives as well as increased acceptance for such initiatives in the future.

The PPAC commends the USPTO with regard to its international initiatives and programs during the past year and stands ready to offer its encouragement, support, guidance and assistance for FY 2014.

## **X. USPTO OUTREACH INITIATIVES**

### **A. INTRODUCTION**

In addition to the outreach activities conducted by the other offices of the USPTO (highlighted earlier in this report related to issues such as AIA implementation), RCEs, and substantive examination, the *Office of Innovation Development (OID)* oversees Patent’s efforts to support American innovation, entrepreneurship, and job creation. Often working closely with other U.S. Government officials and agencies, OID designs and implements outreach assistance programs to a wide range of stakeholders including independent inventors, women, small business concerns, university affiliates, minorities, and other underserved communities.

OID also assists the agency’s educational outreach programs that promote intellectual property protection and the valuable role it plays as a key driver of the American economy. These programs are designed to educate the public about intellectual property in general, as well as about the specifics of the patent application process, including the intricacies of patent prosecution and post grant patent issues. Post patent grant education includes the importance of patents, and other forms of IP, in starting, building, and growing a business.

In addition, OID and the office's other outreach teams work collaboratively on the development of educational materials, activities, and programs to promote intellectual property for students, educators, and young inventors and innovators of all ages, including a particular focus on IP and STEM.

It is noteworthy that the USPTO creatively maintained a full portfolio of education and outreach throughout FY 2013 even when challenged with budget constraints. Though these constraints necessitated a nearly complete reduction in travel, OID staff maintained exemplary levels of service to stakeholders through web cast opportunities, a use of on-the-ground resources or other Federal colleagues where possible, and efforts to move distant events to the USPTO main campus where possible.

## **B. INVENTORS CONFERENCES AND WOMEN'S ENTREPRENEURSHIP SYMPOSIUMS**

The USPTO sponsors regional and national events to educate small business concerns and independent inventors on the patent and trademark processes and on IP business strategies, recent events listed at [www.uspto.gov/inventors/events](http://www.uspto.gov/inventors/events). For these events, the USPTO makes available IP expertise to the participants, including supervisory patent examiners to conduct breakout sessions and one-on-one assistance, and trademark presenters to provide education on the trademark process. Symposiums dedicated to fostering women entrepreneurs are also offered.

In FY 2013, the USPTO was able to conduct a regional independent inventors' conference in Wichita, Kansas, at Wichita State University in April 2013. Other independent inventors' events were planned for Minneapolis, Minnesota, and Seattle, Washington. These events and the anticipated FY 2013 Women's Entrepreneurship Symposium, to be held in Denver, Colorado, were postponed indefinitely due to budget constraints as a result of sequestration. Historically these events are very well attended by the independent inventor community and viewed as providing significant educational benefit. The inability to hold them regionally due to the sequester makes it difficult for many independent inventors to benefit.

## **C. USPTO REGIONAL OFFICE OUTREACH**

Saturday Seminars, serving as a direct link for inventor's questions, were offered quarterly at the Elijah J. McCoy Detroit Satellite Office. The final Saturday Seminar for FY 2013 was held on Saturday, September 7<sup>th</sup>, and Office staff joined by web cast, in combination with on-the-ground Detroit staff, to offer a full day of educational programming for attendees. Planning for outreach support to the Silicon Valley Regional Director Michele Lee has begun, and the Office is prepared to provide similar assistance as appropriate to both Denver and Dallas as needed and feasible.

#### **D. SUPPORTING INVENTOR ORGANIZATIONS**

The USPTO also participates in outreach initiatives with inventor organizations throughout the United States. These are typically non-profit inventor organizations that assist inventors and innovators getting started in the patent process and who may have a desire to start a business based on their inventions.

In FY 2013, the USPTO supported inventor organizations by providing speakers and resources for organizational events as appropriate. Office staff joined the United Inventors Association (UIA) at the International Home and Housewares Show in Chicago, Illinois, to provide direct outreach and education to show attendees, particularly independent inventors located in the “Inventor’s Corner” area of the show. The show itself is attended by over 40,000 visitors and includes a student design competition. Office representatives provided direct assistance and mentoring to those students selected as top finalists in the student design competition.

#### **E. MINORITY/UNDERSERVED COMMUNITIES**

In an effort to expand its assistance to minority and underserved communities, the Office is currently working to build and strengthen partnerships with organizations, such as the Minority Business Development Agency (MBDA) within the U.S. Department of Commerce, the Society of Hispanic Professional Engineers (SHPE), the National Society of Black Engineers (NSBE), national professional organizations, and national and local educational institutions. In FY 2013, Office staff participated at national and local events hosted by a majority of those organizations identified above. Participation with these organizations was often conducted in combination with the USPTO Office of Education and Outreach or the USPTO Global Intellectual Property Academy.

#### **F. PRO BONO PROGRAM AND BAR ASSOCIATION ENGAGEMENT**

With the endorsement of Congress through the America Invents Act, the Office established the Pro Bono program, designed to assist financially under-resourced independent inventors and small businesses. In June 2011, the first pro bono pilot started in Minnesota and now serves as a model for other IP law associations across the country in the establishment of additional IP pro bono programs. The ultimate goal is to have regional pro bono programs cover the entire country and to have a single entity, The Federal Circuit Bar Association, serve as an intake and referral center for all inventors and small businesses interested in pro bono services. The Pro Bono Task Force, which includes members from the major IP law associations, the USPTO, the Minnesota pilot, and the Federal Circuit Judiciary, works to determine the best way to coordinate the growth of future programs.

The pro bono program is operational in Minnesota, Colorado, California, and the Washington, DC metropolitan regions. These programs currently cover 16 states. With the addition of Texas, Boston and PA/DE that coverage will include parts or all of 27 states. By early 2014, it is estimated that an additional 10 states will have all or part coverage by a regional program.

On October 25, 2013, the AIA pro bono Task Force will no longer exist. In its place will be a chartered AIA pro bono Advisory Council. The Charter is scheduled to be signed by more than 50 individuals from major law associations, regional programs and Government officials from all three branches of the Federal Government. The Advisory Council will be charged with the continued growth/expansion of pro bono programs as well as making sure programs are operated in a relatively consistent manner from region to region.

There was increased participation with bar associations, particularly through the establishment of pro bono programs described above. The USPTO has also increased collaboration with the American Intellectual Property Law Association (AIPLA), primarily with the AIPLA Public Education Committee as well as increasing presentations and interactions with Bar Associations by Office personnel including PTAB, legislative affairs representatives, and the AIA implementation team. The greater interaction with the user community has been very well received and the PPAC applauds the Office's efforts.

## **G. TRAINING MATERIALS AND WEB-BASED SUPPORT**

The USPTO has several Websites available to assist independent inventors and pro se applicants such as: ([www.uspto.gov/inventors/proseprobono](http://www.uspto.gov/inventors/proseprobono)) for those inventors that are either filing on their own behalf (pro se) or are seeking free or greatly reduced services from patent professionals, ([www.uspto.gov/web/offices/com/iip](http://www.uspto.gov/web/offices/com/iip)) which provides "plain language" information about the patent and trademark processes and resources available through the USPTO, and ([www.uspto.gov/aia\\_implementation/informational\\_videos.jsp](http://www.uspto.gov/aia_implementation/informational_videos.jsp)) which provides a series of videos located on the USPTO's AIA micro-site to provide straightforward education to independent inventors and entrepreneurs explaining important changes resulting from the recently enacted America Invents Act. The Office is continuing to develop these pages to make them actively dynamic as rules change and to develop additional training material content. The Office also provides a dedicated email address for inventors and small businesses to submit questions [IndependentInventor@USPTO.GOV](mailto:IndependentInventor@USPTO.GOV) and distributes an email monthly newsletter - The Inventors Eye ([www.uspto.gov/inventors/independent](http://www.uspto.gov/inventors/independent)).

## **H. IP ASSESSMENT TOOL/SMALL BUSINESS EDUCATION**

In collaboration with the National Institute of Standards and Technology – Manufacturing Extension Partnership (NIST/MEP), the Office has created a tool for use by small businesses that will allow them to self-assess their intellectual property (IP) assets. The tool is a web-based

questionnaire that asks small business pertinent questions about products and/or services offered, created or sold by their business providing a semi-custom report according to the specific responses to the questions answered. In FY 2013, OID continued to refine the IP Assessment Tool and develop background materials for use in combination with the tool. Additionally, Office staff continues to strengthen ties with the Small Business Administration (SBA). One example is participation of the OID staff in local activities and events providing education to entrepreneurs as a part of “National Small Business Week”.

## **I. UNIVERSITY OUTREACH/TECHNOLOGY TRANSFER**

The Office has long played a role in IP educational outreach to universities; initial efforts were directed where the USPTO had a well-established recruiting effort with nearby universities. In conducting university outreach, lectures target engineering students, business and entrepreneurship students, student organizations, and the university’s technology transfer office. At many universities, the USPTO also provides lectures to faculty and staff about the state of IP protection in the current environment. In addition, during FY 2013 the Office frequently collaborated with the National Academy of Inventors and InventNow in reaching out to university patent holders and collegiate inventors.

## **J. MUSEUM OUTREACH**

The Office frequently works with museums seeking information, assistance, education, and exhibits. Over 40 applicants drawn from major corporations, universities, Federal agencies and the independent inventor community were selected to present at the 2013 Innovation Expo; however, the event was cancelled for budgetary reasons. The USPTO has a long-term collaboration with the Smithsonian Institution and going forward in FY 2014 the Office will assist the Smithsonian in developing programs and exhibits for the Innovation Pavilion of the Arts and Industries Building, scheduled to reopen in 2014.

The USPTO continues its efforts to further expand outreach and assistance seeking opportunities to collaborate with like-minded organizations and events to share IP education and information in its efforts to support American innovation, entrepreneurship, and job creation. In FY 2013, the Office participated in the 2013 World IP Day Celebrations hosted by the American Intellectual Property Law Association and the August 2013 cross-country trip by the Millennial Trains Project.

## **K. RECOMMENDATIONS**

The PPAC commends the Office on the significant outreach efforts to the entire user community from women entrepreneurs and independent inventors to bar associations and national organizations. Nonetheless, sequestration has negatively impacted the amount and form of

outreach that was possible. The USPTO's outreach efforts directly support innovators who start businesses and create jobs. The PPAC recommends that the Office continue to make itself available to all aspects of user community and continue to be creative in finding ways to provide outreach opportunities at all levels, even under sequester.

## APPENDIX

### LOUIS J. FOREMAN, CHAIRMAN



Louis Foreman is founder and Chief Executive of Enventys, an integrated product design and engineering firm. He is also CEO of Edison Nation. Louis graduated from The University of Illinois with a Bachelors of Science degree in Economics. His interest in starting businesses and developing innovative products began while a sophomore with his first company founded in his fraternity room. Over the past 20 years Louis has created 9 successful start-ups and has been directly responsible for the creation of over 20 others. A prolific inventor, he is the inventor of 10 registered US Patents, and his firm is responsible for the development of well over 500 more.

The recipient of numerous awards for entrepreneurial achievement, his passion for small business extends beyond his own companies. Louis is an adjunct professor of Entrepreneurship and Innovation, teaching at Queens University, Johnson & Wales University and The McColl School of Business.

Louis is a frequent lecturer and radio / TV guest on the topics of innovation, intellectual property and small business creation, and is frequently invited by national trade associations to be a featured speaker on the topic of innovation.

In addition to being an inventor, Louis is also committed to inspiring others to be innovative. Louis is the creator of the Emmy® Award winning PBS TV show, Everyday Edisons, and serves as the Executive Producer and lead judge. The show is filming its fifth season and appears nationally on PBS. In 2007, Louis became the publisher of Inventors Digest, a 28 year old publication devoted to the topic of American Innovation. In 2009, his first book, The Independent Inventor's Handbook, was published by Workman Publishing.

Louis serves on the Board of Directors of the James Dyson Foundation, the Intellectual Property Owners Association (IPO), Ventureprise, New Dominion Bank, and the Intellectual Property Owners Educational Foundation (IPOEF). Most recently, Louis was appointed by SBA Administrator, Karen Mills, to serve a three year term on the National SBDC Advisory Board.

## **ESTHER M. KEPPLINGER, VICE CHAIR**



Esther Kepplinger is Wilson Sonsini Goodrich & Rosati's Chief Patent Counselor. Her responsibilities include serving as the firm's liaison to the U.S. Patent and Trademark Office (PTO), ensuring that all of its patent filings are conducted in the most efficient and defensible manner, and enhancing the firm's inter partes PTO practice. She also serves as an expert witness on USPTO practices and procedures. Prior to joining the firm in 2005, Esther served as deputy commissioner for patent operations in the USPTO in Alexandria, Virginia, for five years. As deputy commissioner, she oversaw the nation's patent-examination process, with all the patent examiners in the United States reporting to her. Esther managed a budget of \$700 million and was responsible for the day-to-day operations of the country's seven patent technology centers, including about 4,500 people.

Esther also played a pivotal role in establishing the policies and strategic direction of the patent examining corps, helping to implement the USPTO's goals for improving quality and efficiency of service. With the USPTO since 1973, Esther has held a variety of other positions, including patent examiner and supervisor for a biotechnology art unit and group director for the chemical and materials engineering group. While at the USPTO, Esther received a number of awards, including the Presidential Rank Award in 2002 and the Department of Commerce Gold Medal in 1998 and 2004. Various positions, including examiner.

## **WAYNE P. SOBON**



Wayne P. Sobon, Vice President and General Counsel of Inventergy, Inc. is responsible for Inventergy's overall legal operations. Wayne was most recently Vice President and Chief IP Counsel for Rambus Inc., responsible for Rambus' global intellectual property development program. Originally from Phoenix, Arizona, Wayne received his B.S. degree in physics and B.A. degree in German Studies from Stanford University in 1984 and his J.D. and M.B.A. from the University of California, Berkeley in 1992. Since receiving his law and business degrees, Wayne worked at several Silicon Valley law firms, most recently Gray Cary Ware & Freidenrich LLP (now DLA Piper), where he was a partner specializing in patent prosecution, litigation and general intellectual property counseling. Wayne served as Associate General Counsel, and Director of Intellectual Property for Accenture from 2000 to 2011.

Wayne is a frequent speaker and lecturer on intellectual property issues, is President Elect of the American Intellectual Property Law Association (AIPLA), a member of the USPTO's Patent Public Advisory Committee (PPAC), a member of the board of Invent Now.org of the National Inventor Hall of Fame, and a prior member of the board of the Intellectual Property Owners Association (IPO).

### **VALERIE LANDRIO MCDEVITT, J. D., MST**



Valerie Landrio McDevitt is the Assistant Vice President at the University of South Florida, Office of Technology Transfer, the Division of Patents and Licensing. In 2010, USF was ranked 20th among technology transfer offices in licensing revenue and 9th among universities for US patents issued.

Prior to joining USF, Valerie served as assistant patent counsel and a research chemist for Bausch & Lomb Pharmaceuticals. She also participated in the American Association for the Advancement of Science Fellowship program and worked as a science advisor with a House subcommittee in Washington, D.C.

Valerie received her BS in Chemistry from Siena College in Loudonville, New York, MST in Chemistry at the University of Florida, and a JD at Emory University School of Law. She is a certified licensing professional through LES, a registered technology transfer professional through ATTP, a member of the Georgia and Florida bars, and is admitted to practice before the Federal Patent and Trademark Office.

### **CLINTON H. HALLMAN, JR.**



Clinton Hallman is the Chief Patent Counsel for Kraft Foods Group, Inc. He has responsibility for patent matters at Kraft and manages a staff with counsel in the Chicago area. His time at Kraft has involved a variety of experiences including major litigation matters, business divestures, and IP strategy development. Prior to working at Kraft he was a patent counsel at the Altria Group for several years where he was responsible for patent prosecution, opinion work and significant client counseling. His responsibilities there included a stint at an Altria subsidiary that was created to market technology developed for the tobacco industry in other areas such as medical devices, fuel injector technology and alloys.

Clinton has had a stint in private practice at a small IP boutique where he handled patent, trademark and copyright matters working with companies in the textiles and furniture industries.



Clinton got his start in IP at Mobil Oil Corporation where he worked as a project engineer and construction manager for several years before joining the office of patent counsel. His patent work at Mobil included support of the plastics division of Mobil Chemical.

Clinton served as an officer in the US navy having been commissioned in 1977. His service was all sea duty with most of that time assigned to the engineering departments of the ships on which he served.

Clinton is a 1977 graduate of the US Naval Academy with a degree in Mechanical Engineering. He is a 1994 graduate of the George Mason University School of Law in the Patent Track. He is admitted to practice in Illinois (Corporate), North Carolina and Virginia. He is a member of the Intellectual Property Law Association of Chicago, the American Intellectual Property Law Association, and the American Bar Association. He sits on the board of directors of the Greater Chicago Food Depository the Intellectual Property Association of Chicago and the Loyola Academy Sailing Club.

Clinton is married and has two sons, ages 27 and 21. He lives and works in the suburbs north of Chicago, Il.

## **MARYLEE JENKINS**



Marylee Jenkins is a partner at Arent Fox LLP and head of the New York Office's Intellectual Property Group. She has extensive experience in all aspects of intellectual property matters and counsels a diverse international client base that includes Fortune 500 companies, not-for profit organizations, and small businesses. She counsels clients on disputes and strategies, portfolio enforcement and management, e-commerce, and software development and protection on issues involving computers and the Internet. Throughout her career, Marylee has devised unique and innovative solutions to complex intellectual property matters for clients across the globe.

On protection and enforcement matters, Marylee has routinely prosecuted domestic and foreign patent applications in the electrical, electromechanical and computer industries, including computer hardware and software, Internet and computer-related technologies, telecommunication, and information and financial systems. In addition, she provides counseling and opinion work on trademark selection, clearance, prosecution, registration, brand management and enforcement and represents clients in intellectual property and bankruptcy litigations and in patent appeals, reexaminations and reissues and trademark oppositions and cancellations before the U.S. Patent and Trademark Office.

Marylee has been a member of the U.S. Patent and Trademark Office's Patent Public Advisory Committee (PPAC) since February 2013. She is a past Chairperson of the American Bar Association's Section of Intellectual Property Law and is a past President of the New York Intellectual Property Law Association. She is currently serving again as a member of the ABA Standing Committee on Technology and Information Systems and is a Fellow of the American Bar Foundation. Marylee is a member of John Marshall Law School's Intellectual Property Law Advisory Board and was a member of Columbia Engineering School's Engineering Council for several years.

Marylee holds a B.S. in mechanical engineering from Columbia University School of Engineering and Applied Science, a B.S. in physics from Centre College of Kentucky and a J.D. from New York Law School. Marylee is admitted to the bars of New York, Connecticut, the U.S. District Courts for the Southern and Eastern Districts of New York, the U. S. Court of Appeals for the Federal Circuit, the U.S. Supreme Court and is registered to practice before the U.S. Patent and Trademark Office.

#### **A. CRISTAL SHEPPARD, Ph.D., J.D.**



Assistant Professor Sheppard joined the University of Nebraska faculty in 2011, after over two decades of Science and Intellectual Property Law and Policy experience. She is an Assistant Professor and co-founded a program of Concentrated Study in Intellectual Property law at the Law College.

Dr. Sheppard began her career as a scientist earning a M.S. and Ph.D. in Cellular and Molecular Biology from the University of Michigan. After receiving a J.D. from Cornell University Law School and interning with Judge Radar at the Court of Appeals for the Federal Circuit and the Executive Office of the President's Office of Science and Technology Policy, she was a practicing attorney at the law firm of Foley & Lardner earning extensive experience in patent prosecution, client patent counseling and litigation. She then served in the Office of the General Counsel of the United States International Trade Commission working on Section 337 matters, arguing before the United States Court of Appeals for the Federal Circuit. In 2005, Dr. Sheppard also completed Harvard University's John F. Kennedy School of Government's Executive Education for Senior Managers in Government program.

Her successful career in intellectual property law and policy included her tenure as Chief Counsel on Patents and Trademarks for the United States House of Representatives Committee on the Judiciary where she was integral in many endeavors including the Leahy-Smith America Invents Act, the most comprehensive change to this nation's intellectual property laws in over 60 years.

In April of 2012, Dr. Sheppard testified before the United States Congress House Committee on the Judiciary at the hearing "International Patent Issues: Promoting a Level Playing Field for American

Industry Abroad.” She has been quoted by the Wall Street Journal, Dow Jones News Wire, Fox Business, the Chicago Sun Times and Politico.

## **PETER THURLOW**



Peter Thurlow is a patent attorney and partner at Jones Day law firm in New York. He has significant experience in all aspects of domestic and international patent prosecution, including post-grant reissue, ex parte, and inter partes reexamination proceedings. As a patent prosecution attorney, his experience includes drafting, filing, and prosecuting United States patent cooperation treaties and international patent applications. Mr. Thurlow provides litigation support for patent litigation in the District Courts, the International Trade Commission, and before the Court of Appeals for the Federal Circuit. Mr. Thurlow is the current chairperson of the Patent Law Committee for the New York Intellectual Property Law Association (NYIPLA). Mr. Thurlow has been active in the implementation of the

America Invents Act (AIA), representing the NYIPLA’s views before the USPTO. Mr. Thurlow received his bachelor's degree in marine engineering from the United States Merchant Marine Academy; his master's in business administration from Pace University in New York; and his law degree from Brooklyn Law School. Mr. Thurlow is serving his first term as a PPAC member.

## **PAUL JACOBS**



Dr. Jacobs is the founder and president of Jake Technologies, Inc., a technology service company focused on strategic technology development, product evaluation, and advising corporate counsel and law firms on issues related to intellectual property. Prior to founding Jake Technologies, Inc., Dr. Jacobs held leadership positions as chief technology officer, Primus Technology Solutions; president and chief operating officer, and chief technology officer, AnswerLogic, Inc.; managing vice president, electronic commerce, director of product marketing, and director of media information technologies, SRA International, Inc.; president and chief executive officer, IsoQuest, Inc.; and as a computer scientist at General Electric. Dr. Jacobs

received his bachelor's and master's degrees in applied mathematics at Harvard University; and his doctorate from the University of California, Berkeley. He currently teaches Information Architecture at the University of Maryland in College Park. Dr. Jacobs is serving his first term as a member of the PPAC.