

# **PATENT PUBLIC ADVISORY COMMITTEE**

## **ANNUAL REPORT 2010**

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# **UNITED STATES PATENT AND TRADEMARK OFFICE**

**NOVEMBER 1, 2010**

**Patent Public Advisory Committee (PPAC)  
Annual Report November 1, 2010**

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## **EXECUTIVE SUMMARY**

The Patent Public Advisory Committee (PPAC or Committee) was formed by Congress in 1999 as part of the American Inventors Protection Act. The PPAC includes 9 voting members selected from the public. The current public members of the PPAC are: Damon Matteo, Chair, Marc Adler, D. Benjamin Borson, Louis J. Foreman, Esther Keplinger, F. Scott Kieff, Steven W. Miller, Stephen M. Pinkos and Maureen K. Toohey. PPAC Union Representatives are Robert D. Budens, Catherine Faint, Howard Friedman, and Vernon Ako Towler. The PPAC holds regular public meetings and provides input to the USPTO, the President, and Congress on matters relating to the Patent Office and its operations.

The United States is a World leader in innovation, due to a culture of innovation, and the formation at the beginning of the Republic, of a vital patent system. The underpinnings of the patent system are reflected in the Constitution, and to this day, the Constitutional underpinnings of the patent system provide guides for legislative, administrative and judicial interactions. Through the efforts of each arm of the government, the Committee believes that the U.S. patent system will remain a leader of the innovation ecosystem. Innovation is crucial to society’s continued advancement and our nation’s economic vitality.

This Report reflects the cooperation between members of the Committee and USPTO personnel, and addresses topics identified by the Committee to be of particular importance to US innovators. This Report is organized into different topical areas, each addressing aspects of the patent process and USPTO operational issues. The Committee thanks the USPTO and the Administration for its focus upon themes common to many of the topical areas that are addressed in the USPTO Strategic Plan. Common themes include:

- Providing stable and predictable funding;
- Improved customer service;
- Collaboration and cooperation between the USPTO and the innovation community;
- Transparency of process;
- Clarity of rules and procedures; and
- Developing and implementing best practices.

Although the above themes can be considered separately, the Committee believes that they are interrelated and individual sections of this Report can be understood in light of these themes.

### **I. STABLE AND PREDICTABLE FUNDING**

The PPAC takes note of the fact that the current appropriations process does not work well for the USPTO, the Congressional Appropriations Committees, and the IP community. The PPAC recommends that Congress develop an alternative funding and budget process for the USPTO. The USPTO operates solely with money it collects from user fees and it receives no funds generated from taxes. Therefore, the USPTO is unique and should be treated differently from other governmental programs that are funded by general tax revenues.

The PPAC and innovators are committed to ensuring that the USPTO has continuing access to all earned fees needed to achieve the aims described below. We thank Congress for its understanding of the critical nature of the innovation community and the value of patents, and believe that Congressional action to restore additional fee collections to the USPTO for 2010 will greatly help innovation. We wholeheartedly support efforts to (1) permanently terminate fee diversion (unavailable funds), (2) permit the USPTO to develop and maintain a reserve fund, and (3) with proper notice and public input, provide the USPTO with authority to set and adjust fees to meet the needs of our World-class 21<sup>st</sup> century patent system. We encourage all parties to make all fees available to serve USPTO purposes. Although we appreciate this year's return of some, but not all, additional fees to the USPTO, the Committee recommends that the USPTO receive stable long-term funding.

## **II. CUSTOMER SERVICE**

The PPAC thanks the USPTO for its commitment to customer service as exemplified by the increased cooperation between the USPTO and members of the public, inventors, companies and other stakeholders. The committee believes that interaction of the USPTO, Congress, Judiciary and the public are crucial to advancing innovation. The Committee appreciates the focus of the U.S. patent system upon making it easy for applicants to enter the patent system. Keeping up-front costs (filing and prosecution fees) low, in favor of "back-loading" costs through maintenance fees assists independent inventors and small entities. The PPAC agrees with this focus.

## **III. COOPERATION AND COLLABORATION**

Cooperation and collaboration between all units within the USPTO, user groups, and innovators is essential to development of effective procedures for maintaining a vital patent system. To this end, the Committee encourages efforts to provide open and effective communication between all participants in the innovation community. The Committee also approves of the USPTO's efforts to increase the use of interviews at all stages of the application process. Efforts of the USPTO to provide current and complete information about plans and their implementation are essential. Effective customer service also requires accountability of all participants.

The Committee also thanks the USPTO for working with employees, including providing more time for examination. Increased collaboration has improved morale and has helped reduce attrition. The PPAC encourages the USPTO to continue working with employees as needed to address continuing concerns.

Cooperation and collaboration in development of examination rules and procedures is essential for an effective patent system. The PPAC applauds the decision of the Director and the USPTO to withdraw the Final Rule on Claims and Continuations and the appeal in *Tafas v. Kappos*. The PPAC believes that this action demonstrated that the USPTO understands the highly collaborative nature of the patent process, and is working to maintain a positive working relationship with innovators and patent applicants. The PPAC believes that a proper balance between the Legislative, Judicial, and Executive branches of government is crucial to maintaining the preeminence of the USPTO as the World leader in fostering and developing new industries that are so important to the U.S. and World economies. The PPAC looks forward to working with the USPTO to develop and modify procedural rules to implement important changes to improve the patent process.

Because the scope and contents of patent law are crucial to maintaining and furthering the patent system, the PPAC recommends that the Legislative branch take the lead in developing all substantive requirements for obtaining patent protection. We believe that the Judiciary should continue to ensure that any legislative enactment meet Constitutional and practical objectives. The USPTO plays a central role in evaluating patent applications and ensuring that any patent that issues meets the required standards.

PPAC believes that the USPTO should maintain the ability to promulgate procedural rules for examining patent applications, and that substantive rulemaking should be left to Congress.

The U.S. patent system does not exist in isolation from the rest of the World. We are pleased that the USPTO and the Administration are continuing the efforts of the previous Administrations to engage with other patent offices and to move ahead with the Patent Prosecution Highway (PPH) and the SHARE programs. We believe that through these efforts, U.S. and foreign applicants will be able to take advantage of common experiences of innovators and Patent Offices, and Patent Offices may be able to reduce duplicative work.

#### **IV. TRANSPARENCY**

Effective customer service, cooperation and collaboration require transparent processes. The committee applauds the USPTO's efforts at making its operations more transparent and open, and looks forward to increased transparency as the Strategic Plan is further implemented. Transparency is achieved through the use of public fora, including public meetings, announcements, frank and open reporting, and modern tools of communication. The committee especially appreciates the USPTO's efforts in improving usability of the Website and the frequent comments and Blog posts by the Director.

The PPAC received questions from the public about the different dockets that Examiners use. The Committee requests that the USPTO describe the different dockets, what matters are placed on them, and how differences in docketing affect examination.

The PPAC also appreciates and supports the USPTO's efforts to reengineer its electronic operations. We are pleased to work with the USPTO to provide input into functional aspects of the new operations. In particular, we support the move to a text-based electronic system. These efforts will provide greater transparency of examination, and will increase public confidence in the patent process.

#### **V. CLARITY**

The Committee appreciates that patent examination occurs in a changing landscape of statutes, rules, regulations, and procedures. We encourage the USPTO to continue to clarify its rules and practices, and to ensure that the innovation community understands how the patent process is effectively used. In particular, the PPAC recommends that wherever possible, the USPTO provide guidance regarding practices that effectively move examination forward, with a minimum of unneeded delays and costs. We believe that the Manual of Patent Examining Procedures (MPEP) should be maintained and updated in an ongoing fashion. We believe that the MPEP should provide easily understandable assistance to innovators and patent applicants.

Based on public comments, the Committee believes that clarity of communication between Office personnel and applicants is crucial to effective and efficient processing and examination. The Committee recommends that the USPTO review form paragraphs used in Office Actions for clarity and presence of any unnecessary jargon, and to provide training of personnel in effective use of language. The PPAC especially recommends that all Office personnel use plain language where ever possible and minimize use of legal jargon.

#### **VI. BEST PRACTICES**

The PPAC believes that a result of implementing the above goals is the development of best practices that can be a model for other countries. We support efforts of the USPTO to develop those practices that improve the operations of the patent system, and to communicate them to the patent community. We also

encourage the USPTO to train the examining corps in best practices, to improve examination quality and efficiency, and therefore reduce pendency.

The Committee also believes that if there are problems identified in any patent application that action be taken to remedy the problem. Thus, if USPTO personnel detect a problem with examination that falls short of a proper standard, that the Office issue a corrective action as a matter of course and take steps to ensure that similar errors happen less frequently.

## **TOPICAL AREAS**

### **I. FINANCE, BUDGET AND APPROPRIATIONS**

#### **A. Provide Stable and Predictable Funding**

The USPTO has identified several financial objectives to improve their ability to adapt to changing internal and external circumstances.

The USPTO proposes to establish a sustainable funding model including the authority, in conjunction with stakeholders input, to set its fees to reflect the cost of providing the services and products requested by businesses and innovators.

According to the USPTO, their action plan to implement a sustainable funding model for operations can be divided into three categories:

- (1) authority to spend and manage resources;
- (2) multi-year planning and management tools; and
- (3) transparency into financial and non-financial operations.

The financial objectives identified by the USPTO in their strategic plan are appropriate and necessary steps to allow them to set priorities and goals and have the ability to plan and implement actions across multiple fiscal years. Having the ability to set fees and have a reserve of money is necessary to have any certainty when tackling large restructuring of systems, particularly IT projects.

Setting fees has required legislative action and consequently is a very slow process hampering the ability of the USPTO to adjust to the changes in the economy or other circumstances. The PPAC supports the USPTO having fee-setting authority in which the fees would be established in conjunction with advice from the stakeholders and the PPAC. It is noted that the plans set forth by the USPTO include aligning the fees with the full aggregate cost to achieve the USPTO's mission, establishing a reserve fund and preparing a requirements based budget.

Fees at the USPTO have traditionally been set with a lower front end to encourage entry into the system and higher maintenance fees to offset the lower filing fees. It is recognized that this model may create challenges and financial difficulties to a smooth operation of the USPTO, however, the patent system has fostered innovation and the economic growth of the United States, at least in part, by encouraging participation in the system.

## **B. Budget and Appropriations**

As with many past years, the most important legislative activity affecting the USPTO centers around the Congressional appropriations process --- the process by which Congress and the President allocate money to federal agencies, including the USPTO. The USPTO operates solely with money it collects from user fees and it receives no funds generated from taxes. However, Congress still authorizes the specific amount of user fee collections the USPTO can spend on its operations. In some years, Congress has authorized an amount for the USPTO to spend that is less than the user fees collected. Therefore the additional user fees beyond those appropriated were diverted to other government functions.

For fiscal year 2010 (October 1, 2009-September 30, 2010), the USPTO originally requested, via the President's budget in February 2009, \$1.930 billion. This figure was based on the USPTO's internal estimates of what they expected to collect in user fees during fiscal year 2010. In September, 2009, the USPTO updated the Appropriations Committees in Congress with a new fee collection estimate of \$1.887 billion and at the same time, renewed its request for up to \$100 million in additional spending authority should the USPTO collect more than \$1.887 billion ---- a \$100 million "buffer," so to speak. Congress eventually approved the \$1.887 billion figure but did not provide the \$100 million buffer.

It is our understanding that the Congressional Budget Office (CBO) actually projected that the USPTO would collect \$1.980 billion in fiscal year 2010 (the CBO doesn't necessarily rely on the USPTO's own user fee collection estimates). So, the Appropriations Committee was able to give the USPTO a number that matched the USPTO's revised estimate (\$1.887 billion) while at the same time the overall appropriations "pot" reflected the CBO's estimate (\$1.980 billion), thus giving Congress more money to spend on other governmental functions and programs.

As fiscal year 2010 progressed, it became clear the USPTO would collect more than \$1.887 billion in user fees; fees that could be used to improve the quality and timeliness of patent application examination. However, since the USPTO was only authorized to spend \$1.887 billion, the agency had to seek passage of legislation that would allow the USPTO to spend the fee collections in excess of \$1.887 billion. Passage of such legislation was not as simple as some might expect ---it seemed simple because the USPTO was just asking to spend additional revenue that it was collecting. Therefore, it would be "deficit neutral" and not require funds from the general treasury. However, it was not deemed deficit neutral by Congress because as noted above, Congress had already "spent" \$103 million in additional USPTO fee collections on other government functions (the difference between the CBO's estimate of \$1.980 billion and the USPTO's original estimate of \$1.877 billion).

Fortunately, the Obama Administration recognized that the USPTO is an innovation catalyst and proposed legislation to provide authority for the USPTO to spend its additional revenue. The Administration proposed to "offset" the USPTO spending by rescinding authorized spending by the Census Bureau that was no longer necessary. Congress responded by passing legislation in July (signed into law by the President in August) that provided the USPTO authority to spend an additional \$129 million in fee collections in fiscal year 2010. This was an extremely positive development. However, Congress did not provide the USPTO with the "buffer" language to spend up to \$100 million in additional fee collections. By the end of fiscal year 2010, the USPTO collected \$53 million more than the agency was authorized to spend. Thus, \$53 million in fees paid by users of the USPTO were diverted to other government functions.

This is PPAC's understanding of a rather complicated federal budget process, but regardless of the details, the USPTO clearly collected more money in user fees than they were permitted to spend in fiscal year 2010 to deliver their services and thus, this additional money was unavailable to the USPTO. We



urge Congress to rectify this untenable situation and work to enact a permanent end to diversion that will provide the USPTO with the certainty in planning that a performance based organization needs. Chairman Conyers, Ranking Member Lamar Smith and other members of the House Judiciary Committee have proposed legislation to do so --, H.R. 5322, The Patent and Trademark Office Funding Stabilization Act of 2010. PPAC supports their well-placed efforts because we strongly believe that all fees paid by patent owners and applicants for USPTO services should be used solely for USPTO functions and operations.

The inability to access these fees paid for services to be rendered by the USPTO significantly impacts their ability to effectively manage their workload. This diversion seriously undermines the patent system and delays the examination and grant of applicants' patents. As a result, one can expect negative consequences for innovation, the US economy, and the availability of these inventions to the public.

Furthermore, like the rest of the federal government, the USPTO is currently operating pursuant to a Continuing Resolution, or "CR." A CR is legislation passed by Congress to fund government functions when individual spending bills have not been enacted by the start of a new fiscal year. The current CR limits FY 2011 spending by government agencies to FY 2010 levels. The CR is in effect until December 3, 2010 and limits USPTO current spending to the amount appropriated for FY 2010, \$2.016 billion (i.e. the USPTO's original FY 2010 appropriation of \$1.887 billion plus the Supplemental Appropriation of \$129 million enacted on August 10, 2010). It is quite possible that Congress will need to pass another CR lasting beyond December 2010. The situation with the CR is further negatively impacting the USPTO's ability to operate in a production oriented environment since the office cannot count on more than \$2.006 billion for the current fiscal year (2011). It's exceedingly difficult for the Office to make personnel and other investment decisions that will improve pendency and quality when their Congressional approved budget may fluctuate by hundreds of millions of dollars. The USPTO is seeking, via the President's FY 2011 budget request, \$2.321 billion, which includes collections from the 15 percent fee surcharge the USPTO has requested --- but not yet been granted by Congress. It is unclear what the final figure will turn out, given the inability of Congress to agree on Fiscal Year 2011 funding measures and weeks and months of fiscal year 2011 passing us by without resolution of the fee increase issue.

Due to the reduced fee collections resulting from the economic downturn, the USPTO has faced difficult budget issues for the past two years. In fiscal years 2009 and 2010, the USPTO had to significantly cut spending plans and this slowed the progress in reducing the backlog of pending patent applications and toward a higher quality patent examination process. And, the Office is currently challenged by the lack of clarity with respect to their fiscal year 2011 budget. PPAC firmly believes the USPTO should be able to access the full collection amount and be afforded more certainty in their budget planning process in order to hire more, pay more, improve the IT infrastructure and generally pursue other initiatives necessary for quality and timely processing of patent applications.

### **C. PPAC Recommendations**

The Committee strongly recommends enactment of legislation to (1) permanently terminate fee diversion (unavailable funds), (2) permit the USPTO to develop multi-year planning and maintain a reserve fund, such as the proposed "Public Enterprise Fund," and (3) with proper notice and public input, provide the USPTO with authority to set and change fees to meet the needs of our World-class 21<sup>st</sup> century patent system.

The PPAC takes note of the fact that the current appropriations process does not work well for the USPTO, the appropriators, or the IP community. The PPAC recommends that Congress develop an alternative funding and budget process for the USPTO.

The PPAC recommends including “buffer” language in the USPTO appropriations in order to permit a greater flexibility in utilizing fees to improve USPTO operations and reduce the backlog of applications.

The USPTO operates solely with money it collects from user fees and it receives no funds generated from taxes. Therefore, the USPTO is unique and should be treated differently from other governmental programs that are funded by general tax revenues. In view of the fact that the USPTO does not utilize taxpayer funds, but rather offsets by fees, the money that is appropriated to them, the PPAC recommends that the USPTO budget not be limited in continuing resolutions to the level from the previous year.

The PPAC recommends that caution be exercised in any changes to the fees or the fee structure which would dramatically increase costs and discourage innovation. This is particularly true in the current economic environment. Increases in fees must be closely linked to stated objectives and validated over time with accomplishments. USPTO users will not support any increase in fees if those fees are not directed solely to the USPTO. Since the fees are back-end loaded, these fees do not align with the tasks performed by the USPTO. The PPAC does not favor a system which aligns the fees with a full aggregate cost for each activity, as this could discourage use of the patent system and reduce innovation, particularly by small inventors. In particular, we believe that the back-loaded fee structure made it easier for innovators to enter the patent system, and the Committee recommends maintaining this type of system.

The PPAC recommends that the USPTO ensure that their mission is in alignment with the needs and desires of the stakeholders, public and applicants when determining fee increases to provide funds to achieve the USPTO’s mission or create a budgetary reserve.

## **II. OPTIMIZE PATENT QUALITY AND TIMELINESS**

### **A. Objective Re-engineer Patent Process to Increase Efficiencies and Strengthen Effectiveness**

PPAC continues to support an internal management structure and process for addressing agency-wide issues such as information technology, human resources and contracting, as well as critical patent organization issues such as patent quality and pendency.

#### **1. Chief Process Improvement Office (CPIO)**

In our 2008 annual report, PPAC recognized the need for a process improvement at the USPTO and supported the Office’s creation of the Chief Process Improvement Office (CPIO). We reiterated our support for the CPIO last year and asked for the office to be adequately funded, staffed and supported by top USPTO leadership. The USPTO is proposing to create a CPIO Council with representatives from the Chief Financial Officer, the Patents organization and the Trademarks organization. This Council would report to the Under Secretary.

We believe this alternative approach may serve the USPTO’s strategic and process planning needs but PPAC is awaiting further details on its implementation. However, as noted, an organized and efficient management and process development structure is key to implementing agency-wide and complex polices. The project below is a timely and important example of such.

#### **2. Patent Process Reengineering**

The goal of the process reengineering is to update the USPTO’s patent automation systems that are a collection of systems that have been implemented, and have evolved, independently. Consequently, they

do not work interactively and require additional human work and interaction. The USPTO ultimately seeks to develop a system architecture which will incorporate a re-design of the pre-examination, examination and post-examination process.

As described, the end-to-end reengineered patent examination process development would be driven by employees, including the Examiners, technical support and first line supervisors. Additionally, the USPTO intends to gather information about the requirements and modifications from stakeholders. We concur with the USPTO that a focus on developing changes with those individuals who work most closely with the examination process --- the Examiners, supervisors, technical support staff, and practitioners --- is most likely to produce innovative and beneficial changes. The PPAC hopes to work cooperatively with the USPTO development team to assist in gathering input from users.

The stated goals of the initiative include improving examination processing efficiency (Examiner time and examination cost); improving the quality of the examination process in an employee and stakeholder friendly manner; maximizing the usage of automation in all examination processes; and leveraging the work sharing from other patent offices. The PPAC considers these to be appropriate goals, both in scope and priorities, and agrees that some efficiency improvements can be obtained from a redesign of the process. These will be realized in reduced human handling of documents. Based on the data generated from the Patent Prosecution Highway program, the goal of reducing both actions per disposal and the pendency of applications through work sharing seem to be achievable targets. However, the PPAC awaits more data on impacts this might provide for reduction of the overall backlog of applications.

The actions planned by the USPTO include a redesign of the patent examination process with project due dates linked to those of the end-to-end IT initiative and a projected 3% efficiency gain in the Patent Examiner Corps each year of the strategic plan. Improvements in efficiency are a necessary factor in the accomplishment of the stated objectives. The PPAC awaits the details of the specific initiatives so that these objections may be realized. The actions to date have focused on initiatives within the Patent Examination process to improve interactions.

### **3. Three Percent Efficiency Gain:**

The reduction in the number of actions per disposal made by the USPTO is a remarkable achievement, particularly in such a short period of time. The reduction from 2.9 actions per disposal to 2.4 actions per disposal appears to represent a significant improvement in efficiency. The Committee commends the USPTO for this achievement.

USPTO leaders have stated that in order to reach its ambitious patent pendency reduction goals, the patents organization must realize an overall three percent improvement in operational efficiency --- in addition to large gains in productivity through increased hiring and examiner output. The USPTO's FY 2010-2015 Strategic Plan revealed to the public in July does not specifically quantify the efficiency gain or the precise "gain" from each individual initiative the USPTO is seeking to implement. Rather, the USPTO believes an overall three percent operation efficiency gain will be achieved through the cumulative implementation of various initiatives outlined in strategic goal number one of the Strategic Plan, entitled "Optimize Patent Quality and Timeliness." These initiatives include the "patent process reengineering" outlined above as well as initiatives described in strategic goal one as "re-engineer the patent examiner production (count) system," "prioritize incoming work," "re-engineer the classification system," "re-engineer the MPEP," "institutionalize compact prosecution of applications," and "improve the patent examination process." It is the combination of these initiatives and process changes that the USPTO believes will result in a three percent efficiency gain.

PPAC commends the USPTO for undertaking these initiatives, is encouraged by the progress to date, and supports the USPTO in efforts to further increase efficiency. The Committee firmly believes that clear and objective metrics are needed to document these efficiency gains, and encourages the USPTO to continue to develop and refine clear and objective metrics. Although the USPTO and the Committee desire to increase efficiency on a year over year basis yearly achievement of these efficiency gains represents a significant challenge

#### **4. Establish Cost-Effective, Transparent Operations and Processes**

The Office of Chief Information Officer (OCIO) has been engaged in redesigning an IT system for the 21<sup>st</sup> century. One of the disadvantages of the current, image-based IT system is that all documents are ultimately stored, retrieved, used, and transmitted as image files (e.g., in .tif or .pdf format). These properties of image-based systems renders them suitable for storing and using graphic information, but makes it difficult to search, annotate, modify, or replace portions of text embedded within a text file of these types.

As the USPTO continues to improve efficiencies in operation, reduce ineffective use of USPTO personnel's time, and to provide improved service to users of the patent system, it will be of continued importance to identify those areas where efficiencies can be improved. The effort by the Office to develop a text-based, HTML IT system represents a major advance, which will improve all aspects of the patent process. The PPAC fully supports the USPTO's efforts to develop the new IT system, and its efforts on "Process Reengineering."

In addition to providing a text-based system, another goal of the OCIO is to provide an "end-to-end" electronic processing capability for patent application filing, search, examination, prosecution, allowance and issue. The OCIO intends to introduce hardware and broadband upgrades, upgrade collaboration tools, and telecommunications abilities. The PPAC applauds the USPTO for this initiative, and is willing to assist in any feasible way to keep this process moving.

To implement the change from image-based system to a text-based system, nine essential teams have been identified. Their responsibilities include collaboration and delivery of products for the system. The teams are organized into an integrated whole, with each team having its own responsibilities. The PPAC believes that the initial structure is suited to attaining the USPTO's IT goals, and understands that changes in the team organization may be needed.

#### **5. Improve the Manual of Patent Examining Procedures (MPEP)**

The USPTO is in the process of modernizing the tools used for revision, publication of, and access to the *Manual of Patent Examining Procedure* (MPEP). The primary goal of the project is to replace the current revision and publication processes with an xml-based system (the Reference Document Management System (RDMS)). This system will obviate the current need for multiple publishing systems by providing a single publication that can be rendered in different formats, and will provide a streamlined revision and publication process, thereby enabling more frequent and timely revisions to the MPEP. Stakeholders will access the MPEP via a web-based application that provides robust features for displaying and searching content. In conjunction with this effort, the Office is developing a web-based collaboration tool that will enable stakeholders to readily provide feedback, comments, and suggestions pertaining to MPEP content.

## **6. Improve IT Infrastructure and Tools**

### **a. Establish Cost-Effective, Transparent Operations**

The strategic plan calls for establishing a cost-effective, transparent system for patent office operations. The PPAC applauds this effort and agrees that the current plans for establishing such a system are going to be very useful to USPTO personnel and users. The new system will accommodate internal and external users' abilities to rapidly gain access to information about patents, the patenting process, and to effectively communicate with each other.

### **b. IT Infrastructure**

The PPAC appreciates the Office of Chief Information Officer (OCIO) and the USPTO's assessment that the current image-based IT system is in need of replacement. The OCIO and the USPTO also appreciate that a text-based system (e.g., .xml) has many desirable features that render it a good choice for replacing the current system. Personnel engaged in this effort are working in a collaborative fashion with others at the USPTO to identify and implement a new IT structure.

As a result of these initial efforts, the OCIO and the USPTO have embarked upon several new initiatives to introduce a new IT infrastructure. The concept of the new IT system is based on an "agile" structure, wherein the USPTO provides basic structure, including overall IT architecture, portals for access by users, and other attendant hardware and software. We recognize that the USPTO is using best industry practices wherein a system is developed iteratively allowing for immediate benefits of the system and the ability to adapt to rapidly changing needs of the user base. In addition to providing a basic IT framework, such an agile system will incorporate separate applications that are integrated into the system. Such a system would be free from constraints of legacy systems, would be flexible, scalable, and leverage modern technologies, would use open standards, and be well documented and readily supported.

The OCIO contemplates that such applications can be more easily acquired from outside vendors, as distinct from USPTO-produced applications. Acquiring software solutions from outside vendors is more cost effective, and does not require that USPTO personnel develop and maintain the degrees of needed expertise in particular applications. As a result of such a "modular" system design, it will be easier to monitor, evaluate, modify, or replace a particular application, if and when modifications or replacements are needed.

To meet these aims, a solicitation has been released that will select multiple vendors to build a prototype of the core infrastructure. Based on the results of the prototypes, the USPTO will select a single integrator to build out version 1.0 of the core infrastructure. Through a series of agile iterations, additional functionality will be delivered and examiners are expected to begin using the new tools in FY 2012. Although these are ambitious goals, the PPAC is pleased that such substantial progress has already been made.

The OCIO is considering storing information in the "cloud." The PPAC believes that having crucial information stored off-site on servers controlled by others may result in problems, and encourages the USPTO to develop and maintain its own data-storage capabilities. The Committee believes that security of the IT system is important, and urges the USPTO to provide security against hacking and other forms of cyber crime, and also to provide protection against electronic disruptions and extraneous electrical interference.

### **c. User Experience and IT Tools**

The OCIO and USPTO have been working with PPAC to identify and develop ideas for improving the experience of users and to develop IT tools that will further the goals of developing efficient, cost-effective operations. The PPAC thanks the OCIO and USPTO for these efforts, and we are willing to provide any assistance.

There are two on-going activities. One focuses on internal stakeholders (Examiners and other USPTO personnel). This effort has resulted in formation of an IT re-engineering team that provides input on designs and tools that will be useful for USPTO personnel. The Committee believes that internal aspects of the reengineering project are likely to have significant impacts on external stakeholders. For example, the PPAC recommends that the USPTO investigate and implement procedures that would reduce the number of individuals that must “touch” a patent application during processing. Reducing the number of transfers of applications between individuals and working groups will reduce delays in processing applications.

Another focuses on needs of external stakeholders (Applicants and members of the public). The PPAC has provided initial suggestions for tools useful for external stakeholders. In one effort, the PPAC in coordination with external stakeholders developed a survey that could be used to identify and gauge potential improvements. PPAC also proposes to work with the USPTO to obtain input from external stakeholders through a series of roundtable discussions and solicitations of ideas through Federal Register Notices.

During the recent public session of the PPAC, it was noted that the USPTO has accepted desktop collaboration as a tool for enhancing telephonic interviews and for reducing the need for hoteling Examiners to travel to the Office for interviews. It was reported at a recent meeting that several collaboration tools are being evaluated and that they permit Examiners to follow a presentation visually, during a telephonic interview. It was reported that Examiners will appreciate this tool as an effective adjunct in the interview process, particularly when crafting amended claim language.

## **B. Committee Recommendations**

The PPAC believes that the efforts so far have produced valuable results, and encourages the OCIO and USPTO in the following areas.

### **1. Continue to upgrade the IT infrastructure**

- a. Stabilize and consolidate data centers
- b. Continue migration to XML
- c. Expand network capabilities
- d. Provide strategic desktops
- e. Improve cyber-security

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

- a. Expand access to USPTO data and knowledge through the web (Data.gov)
- b. Establish partnerships with stakeholders, industry and other Intellectual Property Organizations.
- c. Improve website with Web 2.0 assistance technologies
- d. Expand use of collaboration tools

- e. Expand e-learning

### III. OUTREACH

#### A. Description:

In 2007, an Outreach Program was initiated by the USPTO and PPAC to poll stakeholders on the most pressing issues facing the Office. The Office hoped to aggregate the concerns of the intellectual property community in order to focus on the areas in the most critical need for improvement. The results of the Outreach Program were first reported in the 2008 Annual Report and then tracked in the 2009 Report as well.

The 5 most critical issues identified in by stakeholders were:

1. Innovative hiring and retention programs
2. Enhanced search systems
3. Revised fee structures and deferred examination
4. Examination practices
5. Reduction in pendency

#### B. Topical Areas Addressed:

##### 1. Innovative Hiring & Retention Programs

While the Office has consistently stated it "cannot hire its way out of this problem," with reference to the practical limitations on the hiring and training of examiners, examiners must nonetheless be hired and trained. To preserve the investment in that effort, experienced, productive examiners must be retained. Improvements in hiring and retention would produce corresponding improvements in both quality and timeliness. Therefore, the USPTO should continue to create and improve innovative hiring and retention programs, including: expanding the hoteling program, creating a distributed workforce, establishing regional offices.

In addition, the Office should continue recruiting experienced industry professionals looking for a second career, and/or hire part-time, semi-retired professionals. The USPTO began a new hiring program in FY10 entitled "IP Experienced Hires". The purpose of the program was to target potential job candidates who have had previous IP experience. A shortened training program was developed and candidates were trained and released to the TCs sooner than in the traditional Patent Academy program, thus providing skilled examiners in a shorter timeframe.

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

##### 2. Enhanced Search Systems

Currently Office search systems are based predominantly on systems developed many years ago. While these systems have proven over time, stakeholders frequently cited the need for improvements. The Committee recommends that the Office develop and deploy its next generation of search tools as soon as possible. The Committee recommends that existing commercial search knowledge be leveraged as much as feasible to take advantage of ongoing advancements in search engines. The Committee believes that

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

While large-scale improvements to the Office's search systems were unfeasible due to budgetary constraints, several smaller enhancements were made. The USPTO started an "end to end" evaluation of the current IT system, which includes a review of all patent examining search tools. New interfaces and new search methodologies (such as faceted classification searching) began the development process and beta testing started during FY10.

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

As is widely known, stakeholders were generally opposed to the Office's proposed rules on claims and continuations. Under Secretary Kappos, rescinded the controversial claims and continuations rules package originally proposed in 2007.

Given the budget issues faced in 2010 and the dire need to better match fees with actual costs, the Office asked for a 15% increase in fees, along with fee setting authority. In addition, the Office proposed a new examination process "Three Track Examination" which provides for three different time frames for examination including: accelerated, traditional and delayed.

### **4. Examination Practices**

Stakeholders overwhelmingly favored examiner interviews as one of the more effective means of advancing prosecution. Stakeholders also expressed considerable interest in changes to certain Office examination practices, notably restriction practice and final rejection practice. The Office has seen positive results from the interviews and the feedback from the Applicants has also been favorable. Further use of Examiner interviews should lead to a more transparent and collaborative process of examination. The Office should look at ways to increase this practice and monitor the results.

The Office continued to make significant headway in improving examination practices, despite its well-documented budget challenges. New examining programs were proposed and adopted during FY10 including an accelerated program for Green Tech applications and a program where applicants can abandon an application in favor of accelerating another one (Project Exchange). Two training initiatives were completed by the USPTO in FY10; compact prosecution training and training on conducting effective interviews. Also, the Office commissioned a Patents Reengineering effort which is designed to systematically identify areas in the examination process where efficiency improvements can be made.

### **5. Pendency Reduction**

Stakeholders expressed concerns over the current time before a first office action. While total pendency is a major issue that is also addressed in this report, pendency for first office action is also a public concern that the current administration has identified as a major initiative for FY 2010 and beyond. The USPTO announced a goal of reducing the patent application backlog to 699,000 applications by the end of FY10 and developed a team to work with patent management and examiners to achieve this goal.

#### **B. Outreach Redefined:**

Considerable progress in these defined areas has been made, and the results of these efforts have helped the Office in its attempts to be more proactive in the way it addresses the concerns of the patent community.



2010 brought unique challenges to the Office that impacted the progress of key initiatives. A refocusing of efforts was necessary given the budgetary restrictions imposed. While the Office continued to make progress, or at the very least, maintain its commitments to the Outreach issues, the Office also began to look at other areas that were critical to be addressed.

The new administration created an environment of collaboration and transparency from the start. Negotiating a revised count system to better manage work flow and efficiency was quickly followed by an open dialogue with the patent community to gauge major pain points and discuss potential solutions.

A new form of outreach emerged in a more literal sense of the term. This program involved reaching out to the IP community in various formats such as town hall meetings, roundtable discussions, social media efforts, and blogging. Roundtable discussions and public meetings were held on topics such as worksharing for patent applications, interferences, *ex parte* appeals rules, patent quality & metrics, and a proposed “three track” examination system. In addition, five roundtable discussions were held by Undersecretary Kappos with the Independent Inventor community.

Reactions to these were very positive and there was an immediate inflow and outflow of information that allowed the Office to better assess the current needs. Not surprising, reducing pendency became a topic that quickly rose to the top and became a major area of focus.

The efforts of the Office should be applauded. By creating greater transparency in the operations, and a consistent willingness to be proactive, rather than reactive to the concerns of stakeholders, the Office has created trust, support, and true collaboration.

#### **IV. LEGISLATION AFFECTING THE PATENT SYSTEM**

Congress has been working through many initiatives to address issues of importance to the patent system. Some of these initiatives have met with delays, but others have met with success.

##### **A. Patent Reform Legislation**

Congress continues to consider legislation to modify several aspects of our nation’s patent laws. The Senate Judiciary Committee approved its version of patent reform legislation, S. 515, in April 2009 and is currently working to resolve concerns from other Senators in order to proceed to consideration of the bill by the full Senate. The USPTO/Obama Administration expressed support for much of the Senate bill in a “views” letter transmitted to Congress in October 2009. The House of Representatives Committee on the Judiciary is considering parallel patent reform legislation, H.R. 1260, but has not “marked-up” such legislation during this session of Congress.

PPAC would like to comment on the following issues that are subject to consideration as part of the patent reform legislative debate and are particularly important to USPTO operations.

##### **1: First Inventor to File**

Congress is considering moving to a “first inventor to file” (FITF) system. This is motivated in part by a desire to reform the complex interference process and to harmonize U.S. law with the law of other patent granting jurisdictions. The Committee acknowledges widely divergent views among the IP community.

Some members of the Committee question the appropriateness of moving to a FITF system. They point out that adopting the proposed “first inventor to file” hybrid standard, which allows for various exceptions, will not create harmonization with the “first to file” standard of many other jurisdictions, but may create significant uncertainty until the new hybrid standard has been fully litigated. Further, certain members voiced concerns that, because U.S. law requires a standard of enablement and written description that is higher than some other jurisdictions, harmonization may be impractical under any standard due to differences in substantive patent law.

Additionally, certain members expressed concern that moving to a FITF system would encourage a “rush to the Patent Office” that may result in the filing of applications with specifications that do not provide sufficient support under 35 U.S.C. §112. They believe that the first inventor to file system may not obviate the need for interference-type proceedings, because the FITF system leaves unanswered the question of who is the first to invent “what” and thus a determination that the two applications are actually drawn to the same invention may still be necessary. Finally, these members note that of the approximately 200 interferences filed each year, 80 to 90% are now resolved prior to a determination of the first to invent and thus any advantages of the proposed FITF system do not outweigh these concerns.

Other members of the Committee strongly supported the need for the U.S. to move to a FITF system. They pointed to the study by the National Academies of Science in 2004 that the U.S. should conform its law “to that of every other country . . . .” These members believe that the elimination of a complex and costly procedure such as an interference, wherein 95% of the first to file inventors already prevail, would reduce complexity, costs, and uncertainty in the process for both applicants and the public. Additionally, they believe that the incentive for early filing is mitigated by provisional applications and the already significant incentives to file applications early for those inventors who seek protection outside the United States in first-to-file systems. These members believe that a first inventor to file system will eliminate a major subjective element in the patenting process, thereby increasing certainty, simplifying validity determinations, and lowering litigation costs.

Thus, the Committee has not reached consensus on this matter.

## **2. Post-Grant Review**

The PPAC believes there should be effective and efficient “post-grant review” procedures. These procedures include litigation as well as various procedures that take place within the USPTO (ex parte reexamination, inter parties reexamination and reissue). We understand there are various proposals under consideration including a new “post-grant review” process within the USPTO. Changes to both inter parties and *ex parte* re-examination are also being discussed. We believe a holistic approach should be taken so there are efficient procedures to challenge the validity of an issued patent without being overly duplicative or creating “gaming” opportunities that leave the validity of an issued patent constantly in doubt. In so doing, it is vitally important to keep in mind the USPTO resource requirements for any new post-grant review mechanism. It is PPAC’s view that the Office not be given authority to conduct substantive rulemaking or legal interpretations nor that its decisions be given enhanced deference beyond the present approach under the body of administrative law. PPAC continues to support the present presumption of validity of issued patents.

The Committee notes that Post-Grant Review would constitute a fourth mechanism for non-litigation review. The PPAC recommends that *ex parte* reexamination, *inter partes* reexamination, reissue and Post-Grant be considered in context, and avoid conflicts between their provisions.

### **3. USPTO Fee-Setting Authority**

The USPTO is seeking the authority to set and adjust patent fees to more accurately reflect the actual costs of providing services to applicants, and to institute structural incentives. As discussed earlier in this report, PPAC believes there is a need for greater and more predictable levels of funding for the USPTO. Appropriate fee setting authority would provide the USPTO with flexibility and control that will enhance the effective operation of the Office on a day-to-day basis and enable the Office to undertake and adequately fund necessary long-term strategies for improvement in a financially reasonable way. The PPAC supports the USPTO having fee-setting authority in which the fees would be established in conjunction with advice from the public and the PPAC.

### **4. Third Party Submissions of Prior Art**

PPAC believes that a greater opportunity for submissions of prior art by third parties could improve the quality of patent examination. The opportunity for the submitter to briefly describe the nature of the art and how it is relevant to the pending application should make such submissions more useful. Furthermore, the inclusion of proposed safeguards, such as restricting the timing of the submissions, are necessary to prevent the process from adversely affecting applicant rights and their ability to move the examination process further along.

## **B. Other Legislative Activity Pertinent to USPTO Operations**

### **1. Technical Adjustments**

On January 22, 2010, the Department of Commerce submitted to the Congress a draft bill titled “The United States Patent and Trademark Office Technical Adjustments Act of 2010.” The draft bill is a compilation of five rather uncontroversial legislative changes needed to comply with treaty commitments the U.S. has made over the last decade, improve the abilities of the USPTO to maximize its ability to train and improve foreign patent and trademark examination practices, and ensure that administrative patent and trademark judges are properly compensated. PPAC supports complete enactment of this proposed legislation.

One title of the draft bill, the “Trademark Technical and Conforming Amendment Act of 2010,” was introduced separately as S. 2968, enacted by Congress and signed into law (P.L. 111-146) on March 17, 2010. The law facilitates consistency within the Lanham Act, codifies USPTO practice, and makes amendments to correct the Madrid Protocol implementation.

The following provisions of the draft bill have not been enacted:

The draft bill makes conforming changes that comport with the Hague Agreement Concerning the International Registration of Industrial Designs. This Agreement promotes the ability of U.S. design owners to protect their industrial designs by allowing them to obtain multinational design protection through a single deposit procedure.

Further, the draft bill implements the Patent Law Treaty and makes limited changes to patent law to simplify and streamline patent law and practice. Amendments to provisions of title 35, United States Code, concern patent application filing dates, relief in respect of time limits and reinstatement of rights, and the restoration of the priority right.

The draft bill also addresses a recent decision by the Office of Legal Counsel of the Department of Justice which interpreted 31 U.S.C. § 1345 as prohibiting the USPTO from funding the travel-related expenses of non-federal participants in the USPTO's Global Intellectual Property Academy training and USPTO's international intellectual property seminars. The bill would permit the USPTO to provide funding for these expenses.

Lastly, in 1999, the authority to pay administrative judges at USPTO was inadvertently dropped from the American Inventors Protection Act. The proposed change would clarify USPTO's authority to set basic pay for administrative judges.

## **2. Telework**

The PPAC is supportive of the USPTO's efforts to improve its telework programs and make progress toward a nationwide workforce, thereby providing the USPTO with access to the broadest possible pool of qualified patent examiners. Accordingly, PPAC supports the telework legislation currently pending before Congress that would provide more flexibility regarding employee travel requirements.

In particular, PPAC supports telework legislation, H.R. 1722, as amended, that passed the Senate on September 29<sup>th</sup>. Included within this bill is a provision that would allow for flexibility within the federal employee travel regulations. This provision would permit the USPTO to submit to the General Services Administration (GSA) a proposal for a test program of up to 7 years in length that would allow more USPTO employees to voluntarily locate outside of the Capitol metro area by lifting the current requirement that teleworkers residing outside of the 50-mile radius of the USPTO must report to the USPTO on a biweekly basis. The provision would authorize the Agency to establish a reasonable number of occasional visits to headquarters. The test program must be designed to enhance cost savings and the USPTO must prepare an analysis for GSA and Congress detailing the expected costs and benefits of the program and a set of criteria for evaluating the effectiveness of the program. PPAC is hopeful that the House of Representatives will pass this legislation before the end of 2010.

## **3. Intellectual Property Attaches**

The PPAC supports expansion of the USPTO's Attaché Program that places intellectual property experts in diplomatic roles at select U.S. embassies such as China, India, Brazil and Russia. These attachés promote the value and importance of strong IP protection and enforcement in high-profile countries and regions where U.S. IP challenges are greatest. The PPAC recommends enactment of legislation that provides authority and funding for expansion of this important program and elevates the diplomatic rank and stature of the attachés at their respective embassy postings.

## **V. EXAMINATION CAPACITY (HUMAN CAPITAL)**

Human capital remains a significant area of concern for the Committee this year. Although there has been continued improvement in a number of areas compared to last year, the total number of examiners decreased slightly from the end of Fiscal Year 2009 to the end of Fiscal Year 2010. During FY 2010, due in significant part to budget constraints, only 276 new examiners were hired, representing a significant decrease from the approximately 600 new examiners hired during FY 2009. Fortunately, a number of initiatives by the Office, combined with the weak economy, resulted in an extremely low attrition rate among examiners. Thus, despite the low number of examiner hires, the net loss of examiners during FY

2010 was limited. Moreover, on-going funding concerns make it uncertain how many new hires can be made by the Office in FY 2011.

In light of the current hiring situation, the Office focused on hiring examiners with previous IP experience. The Office anticipated that such experienced IP professionals would require less training and thus would have the ability to start examining patent applications sooner. Of the approximately 276 new examiners hired, 98 are experienced IP professionals and 44 are former patent examiners.

As a result, the Committee strongly recommends that the Office be given sufficient funding as soon as possible to allow for the hiring of at least 1000 new examiners in each of FY 2011 and 2012. Further, the Committee recommends continuing to target experienced IP 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.

#### **A. Examiner Hiring and Retention**

The Office set an initial goal of hiring 250 IP-experienced examiners in FY 2010. A later supplemental appropriation allowed for 100 additional examiner hires, bringing the total hiring goal to 350 examiners. Due in significant part to budget constraints early in the fiscal year (as discussed in further detail below), only 276 new examiners were hired; of which 98 were experienced IP hires and 44 former patent examiners. Thanks to an extremely low attrition rate of 4.27%, the result was a net loss of only five examiners for FY 2010. Thus, at the end of FY 2010, the total number of UPR examiners was 6,128.

For comparison, the goal for FY 2009 had been to hire 1200 new examiners toward the goal of having 8400 examiners in place by 2014. However, due to the partial year hiring freeze, only 588 UPR examiners were hired, which resulted in a net gain of slightly more than 170 examiners for FY 2009.

Fortunately, retention continued to increase in FY 2010 from the already low attrition rates observed in FY 2009. Particularly in light of the funding limitations on hiring additional examiners, a low attrition rate is critical for the Office to maintain a qualified and experienced work force. A number of initiatives by the Office, combined with the effects of a weak economy, resulted in an extremely low attrition rate of 4.27% (3.75% excluding transfer and retirees). By comparison, the attrition rate for FY 2009 was 6.3% (5.6% excluding transfers and retirees). The attrition rate for FY 2009 and particularly for FY 2010 compare very favorably with an industry attrition rate of approximately 7.9%. While the Office focused on a number of initiatives to increase retention and employee satisfaction this year, it is also important to note that the attrition rate is historically lower during more challenging economic conditions. Accordingly, the Committee recommends that the Office continue to focus on initiatives to further reduce attrition and keep experienced, productive examiners.

The following chart depicts Utility Plant and Reissue (UPR) examiner staffing; the number of new examiner hires, examiner attrition, total number of examiners by the end of FY 2010, and the net change (year-over-year):

Fiscal Year	New Hire Goal	Actual New Hires	Examiner Attrition <sup>Note 1</sup>	Total Number of Examiners	Net Change (Year-Over-Year)
2007	1200	1215	543	5376	-
2008	1200	1211	583	5955	579/111%
2009 <sup>Note 2</sup>	1200	588	415	6145	190/103%
2010	350 <sup>Note 3</sup>	276	281	6128	-17/99.7%

Note 1: Including transfers and retirement.

Note 2: Before the partial-year hiring freeze was instituted.

Note 3: 250 Experienced IP Professionals, plus 100 additional hires based on Supplemental Appropriation.

While it has been frequently said that the Office cannot hire its way out of the significant backlog of patent applications, the Committee 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 goal of hiring 1000 examiners in each of FY 2011 and FY 2012, if sufficient funding is available.

The Committee strongly recommends that the Office be provided sufficient funding to allow for the hiring of at least 1000 new examiners in each of FY 2011 and 2012.

## **B. The Impact of Funding on Human Capital**

Funding has had a substantial impact in hiring during the past two fiscal years.

During FY 2009, due to a decline in revenue caused in significant part by a downturn in applications filing and maintenance fee payments, the Office was forced to institute a hiring freeze. As a result, only 588 new examiners were hired in FY 2009, falling far short of the original goal of hiring 1200 new examiners.

During the early part of FY 2010, funding constraints again caused a limitation on the number of new examiners that could be hired. On August 10, 2010, a supplemental appropriation was passed that allowed for a number of human capital initiatives, including increased and accelerated examiner hires. Despite the Supplemental Appropriation, only approximately 276 examiners were hired, still falling short of the supplemental goal of hiring 350 new examiners.

As discussed elsewhere in this report, the United States Government is currently operating pursuant to a "Continuing Resolution" that limits current FY 2011 spending by government agencies to FY 2010 levels. Specifically for the USPTO, the Continuing Resolution limits current spending to the amount appropriated for FY 2010 (i.e. the USPTO's original FY 2010 appropriation plus the Supplemental Appropriation enacted on August 10, 2010). The longer this Continuing Resolution lasts, and thus, the longer that spending by the Office is limited to the level appropriated in FY 2010, the more significant the impact on the Office's hiring initiatives and the number of examiners available to help reduce pendency.

The Committee strongly recommends that the Office be provided some relief from the originally appropriated FY 2010 levels during the pendency of any additional Continuing Resolutions and that the Office be appropriated sufficient funding to allow for the hiring of at least 1000 new examiners in FY 2011 and 2012. The Committee 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.

### **C. Initiatives to Increase Examination Capacity**

In light of the recent budget constraints, the Office has instituted and furthered a number of initiatives to make the most of its current Examiner Corps. Several of these initiatives are described below:

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

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

Of the approximately 276 new examiners hired, 98 are experienced IP professionals and 44 are former patent examiners. Many of the experienced IP hires were made later in FY 2010, many as the result of the Supplemental Appropriation, so it is too early for statistics on the success of the project. Nevertheless, initial results are encouraging and the Committee recommends continuing this program in FY 2011.

#### **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 2010, the Office prioritized the use of overtime to target areas with the highest backlogs first. In light of the Supplemental Appropriation, the Office was able to further expand the use of overtime to reduce pendency. The PPAC believes that judicious use of overtime and incentives can be helpful in reduce the backlog of applications.

As the USPTO continues to attack the application pendency problem, the Committee recommends that the USPTO continue to negotiate with POPA regarding changes to the examiner count system to provide incentives to work through cases rapidly with high examination quality. The Committee further recommends considering suggestions included in the section of this Report relating to Pendency.

#### **3. Develop Nationwide Workforce**

The Committee believes that geographical expansion of the Office's work force could potentially allow for a number of strategic benefits to the Office and applicants: improved recruiting and expansion of exceptionally well qualified applicants, enhanced employee retention (potentially allowing the Office to retain its trained and experienced examiners for an entire career), reduced real estate and infrastructure costs, and improved outreach to applicants. To realize these potential benefits, the Committee recommends that the Office continue, and, to the extent permitted by funding considerations, increase, programs for the geographical expansion of the work force.

The Office has been conducting a detailed analysis of the various alternatives for developing a nationwide workforce, including developing plans with cost estimates for potentially establishing and sustaining additional facilities, analyzing the potential cost of overhead, IT connectivity, out-year sustainability, personnel moves, examining other alternatives for providing outreach to applicants, and reviewing the ability to support any increased IT load. The Committee recommends that the Office continue to work to expeditiously conclude its analysis and implement its recommended plan for geographical expansion of the work force as soon as possible.

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

Further, the Committee supports the telework legislation currently pending before Congress that would provide more flexibility regarding employee travel requirements. In particular, as discussed in more detail in the Legislative Section of this Report, the Committee supports telework legislation, S. 707, that passed the Senate on September 29<sup>th</sup>, which would support a test program to allow employees to live outside of the 50-mile radius of the USPTO with only a reasonable number of occasional visits to the Office.

#### **4. Outsource PCT Searches**

As an International Searching Authority (ISA) under Chapter 1 of the Patent Cooperation Treaty (PCT), the Office receives international applications, each of which requires the preparation of an international search report and a written opinion of the ISA under the provisions of the PCT. By outsourcing this function, contractors, rather than examiners, would prepare the search report and written opinion of the ISA, allowing examiners to have more time to examine the backlogged U.S. national applications.

As with many issues relating to Human Capital, outsourcing of PCT searches is dependent on the availability of funding. The Supplemental Appropriation allowed the outsourcing of PCT searching through the end of FY 2010, but, in light of the Continuing Resolution and funding uncertainties for FY 2011, the continuation of PCT search outsourcing is in doubt.

The Committee supports the outsourcing of PCT searches while attempting to reduce the backlog of pending applications and recommends that the Office be given sufficient funding to permit continued outsourcing of PCT searches.

#### **D. Summary of PPAC Recommendations**

The Committee urgently recommends that the Office be given sufficient funding as soon as possible to allow for the hiring of at least 1000 new examiners in each of FY 2011 and 2012. The Committee 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 Committee 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 Committee recommends that the Office be given sufficient funding to permit targeted overtime and continued outsourcing of PCT searches to allow for further productivity with the existing Examiner Corps.

## **VI. DECREASE PENDENCY AND IMPROVE QUALITY BY INCREASING INTERNATIONAL COOPERATION AND WORK SHARING**

### **A. Overview**

International cooperation between the Office and foreign intellectual property offices can have a significant global economic impact. The goals of these international cooperation efforts are to reduce duplication of effort, leverage scale, and decrease the delay in ascertaining patent rights. Tools for achieving these results include standardizing/harmonizing processes among the various offices and



allowing work sharing between the offices. The Office has been involved in, and in many instances, has led international cooperation and work sharing efforts with encouraging results.

#### **B. Patent Prosecution Highway (“PPH”)**

The PPH system allows work sharing between the Office and other national intellectual property offices in which corresponding applications are being prosecuted. The PPH allows the national intellectual property offices to leverage fast-track examination procedures already available in those countries to allow applicants to obtain corresponding patents in a second participating country faster and more efficiently, and to allow the national intellectual property offices to grant corresponding patents that are more consistent and that utilize less resources.

#### **C. Strategic Handling of Applications for Rapid Examination (SHARE)**

SHARE is a proposed U.S. program wherein, when applications would be filed in multiple offices, the office of first filing would prioritize work on that application so as to make the work available in a timely fashion to the other offices. Additionally, offices of second filing would await results from the office of first filing before they begin their work. This initiative would enable the office of first filing to make available the search and examination results for use in the other offices.

#### **D. The IP5 Work Sharing Foundation Projects**

The "IP5" – the European Patent Office ("EPO"), the Japan Patent Office ("JPO"), the State Intellectual Property Office of the People's Republic of China ("SIPO"), the Korean Intellectual Property Office ("KIPO") and the United States Patent and Trademark Office ("USPTO") announced a cooperative framework in the form of ten Foundation Projects. These projects were devised to harmonize the search and examination environment of each office and to standardize the information-sharing process. The projects are expected to facilitate the work-sharing initiative by enhancing the quality of patent searches and examinations and building mutual trust in each other's work.

The work-sharing among the five offices will increase the efficiency of the patent system and minimize the cost and effort of patent applicants with regard to the acquisition and management of patent rights. Consistency in the patent process will ensure the predictability of patent results when applicants file applications at multiple offices. Greater simplicity will increase the convenience and savings of applicants.

#### **E. Patent Cooperation Treaty - Work Sharing/PPH**

Other work sharing initiatives are taking place within the cooperation framework of the USPTO, EPO, and JPO. The USPTO is exploring ways to use the PCT application and search in its work sharing efforts. A PCT Task Force was formed to study the Office's own PCT processes with the aim of reducing processing time and improving quality. A collaborative PCT Search and PPH-PCT processing is also being explored.

#### **F. 2009-2010 Implementation and Progress**

##### **1. The Patent Prosecution Highway**

The Office continued to focus on expanding the implementation of the Patent Prosecution Highway ("PPH") system. In particular, the Office increased the number of PPH work sharing partnerships with other intellectual property offices. (See below for PCT-PPH initiatives in 2010.)

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

- ◆ An overall U.S. grant rate for the PPH applications of approximately 95% (by comparison the overall grant rate for non-PPH applications is approximately 44%);
- ◆ An overall first action allowance rate of approximately 22% (by comparison a non-PPH first action allowance rate is approximately 10%);
- ◆ Average number of actions per PPH application is approximately half that of other patent applications (1.7 for PPH applications and 2.3 for non-PPH applications);
- ◆ Faster processing for PPH cases (PPH requests are generally decided within 2 months from the filing date of the request and the application is generally examined within 2 to 3 months from the grant of the request); and
- ◆ A decrease of approximately 20% in the number of claims to be examined in the USPTO as compared to average non-PPH cases.

The JPO continues to be the largest office of first filing for PPH applications with Technical Center 2600 being the leader on PPH cases. Korea is the second highest filer of PPH cases.

## **2. Strategic Handling of Applications for Rapid Examination (SHARE)**

The USPTO has established a SHARE pilot with Korea, and depending on the results, will decide whether to take the program to a larger scale. SHARE may also become a component of multi-track examination. The USPTO is also planning to launch a pilot program called FLASH with the EPO and JPO. This pilot program will test the feasibility of certain aspects of SHARE. The USPTO is also exploring other options to test SHARE and to determine whether to expand the program to other international efforts.

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

The Office continued meeting with the world's five largest patent offices to advance progress on cooperative work sharing initiatives and to develop foundation tools to support work sharing.

In January 2010, a Deputy Heads level meeting was held in Beijing, China. The Deputy Heads reviewed and approved the progress of the working groups and prepared the foundation for the Heads of Offices meeting which took place in Guilin, China in April 2010.

In Guilin, the Heads of Office confirmed the progress of the three working groups and overall progress of the IP5, reconfirmed the importance of work sharing, invited the working groups to review and put forth their suggestions for accelerating certain parts of the Foundation Projects, and agreed upon the important roles of the PCT and the PPH in work sharing.

During the WIPO General Assembly meeting in Geneva in September, the IP5 Deputy Heads met for an afternoon, and the Heads of Offices had a dinner meeting. These meetings focused on reviewing progress and planning for continuing to advance the Foundation Projects in 2011.

In 2011, the JPO will be hosting a Deputy Heads and Heads of Offices meeting in April in Japan. The 10 Foundation Projects continue to move forward based on the mandates and timelines agreed to by all the Offices. Where a project or part of project can be accelerated to show near-term progress, the IP5 Offices will evaluate the possibilities and advance those projects as appropriate.

There is no doubt that achieving the goals of the foundation projects represents a great challenge to the Office, and full implementation of this integrated set of initiatives will take some time. However, the Offices have developed a phased approach for the projects, where goals and anticipated outcomes will be defined for each phase. With this approach, the Offices will see benefits delivered early in the process instead of waiting until full implementation for tangible results. The commitment of this group to continue to work together in finding solutions that will maintain the integrity of the patent system is critical in meeting the needs of a changing world.

#### **4. Patent Cooperation Treaty – Work Sharing/PPH**

On January 13, 2010, a public meeting was held by the PCT Task Force to solicit public input on the issue of how the Office could utilize the PCT more effectively.

On January 29, 2010, the Trilateral Offices agreed to pilot a PCT-PPH project that includes using PCT work products. PCT applicants are now able to benefit from the PPH, obtain faster examination, and obtain a patent earlier. An applicant receiving a written opinion or an international preliminary examination report from either the EPO or the USPTO that at least one claim in a PCT application has novelty, inventive step, and industrial applicability may request that the other office fast track the examination of the corresponding claim in the corresponding application. The PCT-PPH will leverage fast-track examination procedures already available in both offices to allow applicants in both countries to obtain corresponding claims faster and more efficiently.

On June 1, 2010, the Office also started a unidirectional PCT-PPH pilot with KIPO where it would accept KIPO work product as ISA. However, due to institutional barriers, KIPO is unable to accept USPTO PCT work product in the PPH program at this time.

The Office is encouraged by the pilot results so far. As of August 1, 2010, it has received 263 total requests. The numbers are greater than the initial pilot, when compared at the same stage. Moreover, the overall allowance rate is 100% for the PCT-PPH applications. PPH has demonstrated that it complements the PCT system and only enhances its value.

In the summer of 2010, another pilot program was initiated on a Collaborative PCT Search (KIPO, USPTO, EPO). The EPO, KIPO, and USPTO examiners will work together on PCT applications to create International Search Reports (ISRs) and Written Opinions of the ISA (WO-ISA). The Office acting as ISA will develop a search strategy and prepare a provisional ISR and WO-ISA. This Office will then transmit the search strategy and the provisional ISR and WO-ISA to the peer examiners in other Offices. The peer examiners will comment/supplement the materials and may consult with the first examiner in the Office acting as ISA. After receiving feedback, the first examiner will establish a final ISR and WO-ISA to be transmitted to applicant.

On September 8-9, 2010, the Office also hosted a Collaborative Search and Examination (CS&E) Workshop for EPO, KIPO, and USPTO participants in order to assess pilot project results, facilitate deeper discussion among program participants, develop conclusions, and recommend next steps. Participants included examiners and project managers from each office.

#### **5. Overall PCT Statistics**

##### **1. Receiving Office (RO/US)**

Timeliness - Transmission of record copy to IB is averaging 13 days – WIPO stats indicate transmission of 88% of record copies within 4 weeks

2. International Searching Authority (ISA/US)
  - a. Timeliness
 

In 2010, 81% of international search reports and written opinions are mailed within 16 months from priority – 91% mailed within 18 months

    1. Mapped Chapter I process and eliminated delays within control of USPTO
    2. Require 30 day turn around from PCT contractors
  - b. Quality
    - i. Performed 160 case re-use study – Contractor prepared ISR/WO to U.S. national phase application
    - ii. No-cost modification of quality elements in contracts to be more in line with quality required of examiners in U.S. national applications
    - iii. Provided training to contractors on classification, claim interpretation and search strategy
    - iv. Contractors are now using standardized search recordation form
3. International Preliminary Examining Authority (IPEA/US)
  - a. Timeliness
 

Currently, only 14% of international preliminary examination reports issued with 28 months of priority

    1. In process of revising Chapter II work flow to eliminate areas of delay
    2. New examiner PAP (October 1) will improve timeliness of Chapter II work
4. Designated/Elected Office (DO/EO/US)
  - a. Timeliness
 

In FY2010, improved from 379 days average processing time to 265 days average processing time

    1. Maintain overtime for PCT Operations
      - a. Allow international division employees to work overtime on national stage applications
    2. Shift staff from international division to national stage division
    3. Retrieve documents from WIPO via direct download – currently testing system – implementation in November/December 2010

## **6. Strategic Plan Objectives**

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

- ◆ Make More Effective Use of Patent Prosecution Highway (PPH);
- ◆ Make More Effective Use of Patent Cooperation Treaty (PCT);
- ◆ Strategic Handling of Applications for Rapid Examination (SHARE);
- ◆ Work with Patent Tri-Lateral and IP5 to Determine and Implement Ways to Create Efficiencies and Reduce Rework, and Improve Quality Across Offices;

The Office has set forth the following Performance Measures:

Number of PPH Petitions  
 Actions per Disposal in PPH Cases  
 Number of PPH patents issued  
 Additional Country Participants in PPH

Number of SHARE petitions  
Actions per Disposal  
Progress of IP5 Foundation Projects  
Allowable rate in PPH compared to general allowance rate

#### **G. Committee Recommendations**

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

On PPH, the Committee recommends the Office to study statistics from the Office of Second Filing to insure cases allowed from U.S. patent examiners be given the same deference the Office is giving to foreign office allowances. Evidence suggests that the allowance rate for U.S. allowed cases is significantly lower than the 95% of foreign cases allowed in the U.S. This discrepancy in allowance rates may work to the disadvantage of U.S. first filers.

On the SHARE program, the Committee commends the Office on attempting to accelerate certain programs where possible, and recommends that the Office diligently work on common application formats and forms to accelerate the process.

On PCT work sharing/PPH, the Committee believes that real progress has been made with the Trilateral offices and KIPO on using PCT documents for PPH. The Committee recommends that the Office accelerate these programs where possible and work with the Committee and the public to identify areas of further improvement of these systems. As noted by the Office's statistics, IPEA and process times need to be significantly reduced to meet the Office's goals. The PCT Task Force is to be commended for its work to look at the process fixes necessary to meet these goals; however, more needs to be done and the Committee is willing to offer its services to identify and assist in speeding up of the process.

As to the Strategic Plan, the Committee believes that the goals are properly identified. However, we believe that more work needs to be done on identifying the proper measures to insure the goals are met. The Office should consider adopting a measure that will track whether work sharing efforts are reducing the workload and backlog of applications. The Committee stands ready to work with the Office to help identify milestones and measures that would show success.

Overall, the Committee commends the Office on its proactive actions this fiscal year to expand/improve the PPH, SHARE, IP5, and PCT programs. Continued expansion and improvement of these programs are critical to the success of quality patents and reduced backlog.

#### **VII. DEFINE AND IMPROVE PATENT EXAMINATION QUALITY**

The Committee appreciates the USPTO's efforts to improve patent examination quality and the recent establishment of new composite quality guidelines "Adoption of Metrics for the Enhancement of Patent Quality Fiscal Year 2011." This represents a good first step. However, the Committee believes that this process should continue. The Committee recommends that the USPTO continue to focus efforts on

producing clear and objective metrics for examination quality. We also believe that this effort should include input from stakeholders in an ongoing, reiterative process.

#### **A. Summary**

In our 2009 Report, we identified features of a Quality Initiative, highlights of which include:

- Agreeing on a proposed definition of a quality patent;
- Agreeing to a process for identifying indicia of patent quality and the need for metrics;
- Formation of a PPAC/USPTO task force to analyze data and obtain public comments;
- Preparation of a Federal Register Notice for public comment;
- Process for holding public fora to discuss comments; and
- The need for a Pendency Reduction Plan.

Last year's report set forth a plan for achieving these aims. Here, we report on progress during the past year. There has been substantial progress in each of the above areas, and some initial aspects of some of them have been completed. In particular, a PPAC/USPTO Task Force was formed, a Federal Register Notice was prepared and submitted to the public, public fora were held and numerous comments from the public were received and analyzed, and a preliminary report was submitted to the USPTO, summarizing comments and providing additional comments from the PPAC.

As a result, the USPTO prepared a Draft Report on Patent Quality, "Adoption of Metrics for the Enhancement of Patent Quality Fiscal Year 2011." The PPAC was asked to comment on the Draft, and we submitted comments in August 2010.

Some aspects are still under development, including agreeing on a definition of patent quality. The PPAC believes that patent quality is a direct result of patent examination quality. Therefore, we applaud the USPTO's efforts in identifying useful indicia of patent examination quality. We encourage the USPTO to continue its efforts. With the recent passage of legislation permitting the USPTO to retain more of its self-generated revenue in fiscal year 2010, the PPAC encourages the USPTO to invest in improving patent examination quality. Examiners are under significant time and production pressure to meet production goals, and we are very pleased that the USPTO may now move ahead with its new hiring initiatives. We also recommend that Examiners be provided with enhanced training, including opportunities training in new technologies as they develop.

The Committee also recommends that new managers be provided with specific management training. As the duties of personnel change from examination to supervision, the skills and abilities to work effectively with employees need to be developed.

It is critical to innovation in the U.S. that examination of patent applications be of very high quality, so that any patent that is issued contains claims of the proper scope and are valid and enforceable. Erroneously issued claims are also known as "Type I" or "false positive" errors. These errors represent patent claims that were granted improperly.

The USPTO is now paying attention to another type of error, sometimes referred to as "Type II", or "false negative" errors. These errors represent patent applications having claims that meet all requirements for patentability and should have issued, but for some reason, were rejected. Implications of false negative errors are often more difficult to identify than those resulting from false positive errors. In some cases, an Applicant faced with an erroneous rejection may decide not to continue to pursue the application. In other cases, an Applicant may have to expend substantial resources in overcoming improper rejections.

In some instances, an improperly rejected patent application may result in failure of a new industry to develop. These errors can result in the stifling of innovation.

The PPAC shares the USPTO's goal to provide high-quality patents granted in a timely way, with proper claim scope. In this Report the PPAC focuses on "Patent Examination Quality." This term was chosen to reflect the PPAC's belief that the outcomes of high-quality patent examinations will lead to decreased incidences of both false positive errors and false negative errors, and will lead to the issuance of valid and enforceable patents having claims of proper scope (maximum scope of protection) that provide clear notice to others. We present some specific metrics of examination quality that are intended to complement those currently in use or contemplated by the USPTO.

The PPAC recommends that Quality metrics be used for positive purposes, including development of "best practices," providing training guidance and providing positive feedback to art units and Technology Centers (TCs).

The USPTO is also engaged in efforts to simplify and improve the Appeals process. The PPAC recognizes the efforts of the USPTO to simplify procedural rules for Appeal and looks forward to their implementation. By improving the Appeals process, there will be greater and timely feedback from the BPAI to the Examination Corps, which we believe will improve examination quality and consistency of examination across technology areas.

The PPAC also encourages the USPTO to correct errors in patent examination, including both false positive errors and false negative errors. By identifying and correcting errors in the patent examination process, needs of patent applicants and the public are better met. The combination objective metrics, subjective metrics, and the timely correction of all types of examination errors can be a model for other jurisdictions, and enhance the leadership that the U.S. has held for generations. Through the ongoing efforts of all in the innovation community, we are hopeful that a series of "best practices" will be developed, communicated and refined.

In addition to quantifying examination quality, the PPAC encourages the USPTO to continue to develop practical ways of decreasing patent pendency. Refining the current "Three-Track" proposal and other initiatives can decrease overall pendency and afford applicants meaningful choices.

## **B. Initiate 21<sup>st</sup> Century Analysis, Measurement and Tracking**

The PPAC encourages the USPTO to produce simple, easy to quantify metrics as well as those requiring in-depth analysis of samples of applications from different technologies. We agree with the USPTO's strategy of addressing examination quality at every stage of the patenting process, including intake, classification, search, examination, and issue. Within each of these categories, we encourage the USPTO to develop metrics that can identify those factors that contribute to efficient, compact prosecution, with a minimum of both false positive and false negative errors.

### **1. Objective Metrics of Patent Examination Quality**

The major purposes of using objective, quantifiable metrics of patent examination quality are to aid in the long-term analysis of trends in the patenting process, and to develop "best practices" that can be used for Examiner training. A key feature of an objective metric is that the standards for its quantification do not change with time or with changes in Office personnel. Underlying any such metric are several factors, including analyses and opinions of Examiners, Supervisory Patent Examiner(s) (SPEs), Quality Assurance Specialists (QASs), the Petitions Branch, the Board of Patent Appeals and Interferences, and the courts. Decisions by these individuals and groups are captured in file histories of patent applications

or court reports. Because this information is available to the public through Public PAIR and Court Reporters, to Applicants' representatives through Private PAIR, and to Office Personnel through PALM, the PPAC encourages the Office to use search tools to extract from the existing records, details related to objective metrics.

Examples of objective metrics are: (1) in how many cases are non-final rejections presented; (2) in how many cases are final rejections reversed at least in part by a SPE, QAS, the BPAI, or a court; (3) in how many applications are restriction or election of species requirements made after a first substantive office action; and (4) in how many cases is prosecution opened after a final rejection? These metrics and others can be easily produced using computerized methods, which PPAC believes can be produced by applying a simple search program to identify items listed on PALM, PAIR or the new IT system under development.

Examples of other useful metrics are: (1) in how many cases are substantive rejections overcome without a claim amendment or narrowing remark; (2) in how many cases do Examiners not follow the MPEP; (3) in how many cases are rejections made based upon cumulative art, or art not originally identified by the Examiner; (4) in how many cases did an Examiner change a primary reference; (5) in how many cases was an RCE allowed without substantive claim amendments or narrowing remarks; (6) in how many cases was a final office action premature; (7) in how many cases is a positive PTA allowed; (8) in how many cases was PTA improperly calculated (see *Wyeth v. Kappos*); and (9) in how many cases are rejections under 35 U.S.C. Section 112 improper? These metrics and others can be developed by analyzing a sufficient number of cases drawn at random. With the implementation of the new "text-based" IT system, many of these metrics can be automated and decrease the time needed for their collection, leaving more time for analysis.

Such analyses of cases should be based on objective criteria for quality. Although there is a need for subjective evaluation of certain steps in examination, the PPAC encourages the USPTO to develop and use, to the best reasonable extent, objective metrics. Objective metrics can be used as benchmarks for further improvement of patent examination quality. Objective metrics are less prone to bias and subjective "result driven" analysis. The PPAC understands the additional need for other types of metrics. The PPAC thanks the USPTO for consideration of the use of surveys of Applicants and Examiners. Such surveys can provide important information to the USPTO about the substance of examination as well as the interactions between USPTO personnel and members of the public.

Certain other metrics should be developed further. The In Process Review (IPR) and Quality Index Report (QIR) should be prepared using objective metrics to the maximum practical extent, and if not possible in all areas, features of examination quality that can be objectively quantified should be separated from those that cannot be objectively quantified. This will help ensure that the objective metrics can be used as baseline data to quantify changes in examination quality over time. An important benefit of the Quality Initiative is to provide information on the effects on examination quality of various changes to examination. By comparing incidences of different types of examination errors over time, the USPTO will be able to alter training and examination processes to continue to improve quality into the future. Such sustained benefits are highly desirable, and lead to development of "best practices."

The PPAC also encourages the USPTO to obtain, present, and use data in its simplest forms, without unnecessary use of complex algorithms or calculation methods. Increasing the complexity of data reduction invariably loses important information, making the conclusions derived from the data less reliable. The PPAC also believes that it is important for any variables to be measured to be independent of each other. It is always possible to observe correlations between two variables that have a common factor. However, such correlations may be, in themselves, false positive errors.



Quality metrics should be obtained for different art units, different Technology Centers and across the entire examiner Corps. It is well known that the patent statute may be applied in different ways to different technology areas. Some of these differences in application of the statute are very appropriate, yet other facts should be treated similarly, regardless of technology area. Therefore, the PPAC encourages the USPTO to separately analyze examination quality across art units, TCs and only then to combine properly combinable metrics into Corps-wide results. Metrics that are not properly combinable, such as “the number of non-final office actions in an application” and “the degree to which Examiners meet objectives of ‘best practices’” are not properly combinable, in that the former is an objective metric and the latter is a subjective metric.

The USPTO has revised its Patent Quality 2011 proposals, and the PPAC thanks the Office for consideration of our comments. We note however, that some of the quality metrics to be used involve subjective analysis or highly complex calculations. The Committee approves of the USPTO’s inclusion of survey information into its metrics. We also applaud the USPTO’s decision to separate quality analyses under this program from examiner review and Performance Appraisal Plans. The focus upon developing and implementing best practices and monitoring methods to provide baselines for future quality analysis are particularly valuable.

The Committee notes that the USPTO intends to use special algorithms to provide a dashboard display of the effectiveness of their initiatives to reach stretch goals for quality. Although this aim is to provide easily noted “snapshots” of quality, we are concerned that the methods used and especially the methods for validating the results require further work. The Committee recommends that standard, statistical methods be employed wherever possible, and if not possible, to describe the methods with particularity. We also highly recommend that all information to be presented in any quality metric be acquired, analyzed and collated before any metric is calculated.

Results of quality analyses should be made readily available. The USPTO is considering a “dashboard” display of trends in quality. The PPAC agrees in principle with this proposal, but encourages the USPTO to present complete information in a simple fashion. By presenting complete information, the public will have opportunities to provide further input to the continuing efforts to improve examination quality.

## **2. Improve Examiner and Supervisor Training**

The USPTO implemented two programs for training new examiners: a 20-day training program for IP experienced new examiners and a 2-phased 12-month program for entry level examiners. Implemented on May 24, 2010, 93 examiners have been trained under the IP Experienced training program that provides high level legal training with emphasis on automation tools and search techniques. The 2-phased 12-month program was implemented on August 30, 2010 and 133 new examiners hired in FY 10 and 167 examiners hired in FY 11 are attending the program.

Refresher training was provided to over 1800 examiners in FY 2010 to enhance their knowledge and skills on procedural and legal topics pertaining to patent examination. Courses include Gaining Efficiency, Search Strategy and Claim Interpretation, along with a host of other topics.

The Patent Examiner Technical Training Program (PETTP) was announced on September 15, 2010 in the Federal Register to have scientists and subject matter experts as lecturers to patent examiners to update them on technical developments, the state of the art, emerging trends, maturing technologies, and recent innovations in their fields. The Technology Centers are currently coordinating with a number of requesters to deliver the training.

The training for newly selected SPEs has been revised to a 2 phase program. Phase 1 consists of a three day workshop of fundamental tools and information which is presented within the first week of the New SPE's selection. Phase 2 occurs in the next four months, with a variety of additional learning opportunities to further the development of their management and leadership skills. 52 new SPEs in FY 10 have received the Phase 1 training and are currently attending the phase 2 training.

Training modules have also been developed for mid-level and senior level SPEs for implementation in FY 11. Additional legal training, such as the year end case review, is provided to examiners and supervisors.

The Committee believes that these training initiatives are valuable, and recommends that these and other initiatives continue to be developed and implemented, particularly with regard to the ongoing efforts at improving examination quality and timeliness. As best practices and other improvements in examination are identified and developed, the PPAC looks forward to their implementation.

One of the most important uses of quality metrics is in the development of improved examination. Proper Quality metrics are important in determining whether Examiner training is needed in a particular area. Quality metrics can identify areas of particular strength in an art area, and these successes can be adopted by other areas. Similarly, any identified areas of weakness can be used to develop specific training materials. By sharing information corps-wide on both good practices and weaker practices, there will be greater uniformity in patent examination and its quality.

The committee recommends that any training materials or methods developed to be transmitted first to upper-level examiners (SPEs) and when the training has been accomplished, the materials should be presented to Examiners. This would ensure that those persons responsible for reviewing Examiners' work are current. It would also be desirable for the USPTO to develop ways of determining whether newly presented material has been understood. The USPTO may wish to consider simple tests or interviews with SPEs and Examiners.

When useful training materials are produced, we recommend that they be incorporated into the MPEP. We believe that the MPEP should have an expanded staff, well trained and experienced in handling very complex documents. This suggestion is to ensure that there is accuracy and consistency in the major tool used by Examiners and Applicants. We also recommend that "best practices" be described in the MPEP as a training guide for Applicants and their representatives. We also recommend that the MPEP be kept up to date in real time with the changing policies, rules, case law and practices.

The Committee thanks the USPTO for its commitment to inclusion in its quality analysis, the degree to which Examiners follow the MPEP. Because the MPEP is the major source of information on the patent examination process, we believe that Examiners should use the MPEP as a guiding document in Examination. Under circumstances in which an Examiner does not wish to follow the guidance in the MPEP, we recommend that any such deviation be fully explained to the applicants.

The PPAC endorses the USPTO's efforts to provide technical training to Examiners. As technology develops, it is important for Examiners to understand the current state of a given technology. The committee recommends that the USPTO engage in efforts to train Examiners, SPEs and QASs in the law as well as the overall purposes of the patent system, "to promote science and the useful arts." We encourage the USPTO to develop fora such as used in TC 1600 (Biotechnology, Chemical and Pharmaceutical Partnership, the "BCP" program). We encourage other TCs to consider such types of programs. We also encourage the USPTO to develop similar programs across different technologies. This will foster greater understanding of issues facing other examination groups, and will lead to more consistent application of the law.

### **3. Reformulate Performance Appraisal Plans (PAPs)**

We believe that in the near term, indicia of quality be used to develop best practices, training materials, and evaluative tools. These positive uses should be stressed to the maximum extent possible.

Once a series of relevant, objective Quality metrics are implemented, “best practices” identified, and sufficient data becomes available, we recommend using standards for quality examination to be part of every PAP. It would be premature to hold Examiners and SPEs to changed standards without providing sufficient notice (training). Ultimately, a PAP should include indicia of progress made in best practices as well as production, with annual improvement being an important goal. The PPAC encourages the USPTO to work with POPA to develop improved PAPs as an ongoing endeavor. As PAPs are developed further, we urge the USPTO to analyze performance in light of each PAP, and to hold Office personnel accountable for their actions.

### **4. Implement and Monitor Revisions to the Examiner Count System**

The Committee applauds the USPTO for its efforts to refine the Examiner count. It represents a good step toward separating production from quality. Given the demands placed on Examiners, there may be a tendency to focus on production goals to the detriment of quality goals. The Committee believes that the increase in time made available for examination has increased examination quality. We encourage the USPTO to continue to identify ways of reducing incentives for inefficient examination, and to provide incentives for providing quality examination.

We recommend that the USPTO consider providing Examiners extra time to consider after-final amendments or citations of prior art.

### **5. Ombudsman Program**

The PPAC enthusiastically endorses the USPTO’s idea to provide ombudsman services to Applicants. Ombudsmen are experienced Examiners, typically SPEs or QASs to assist Applicants in filing, administration or examination procedures. Although this process is new, anecdotal evidence supports the utility of this program. This pilot program demonstrates the USPTO’s commitment to improving customer service, transparency, to increasing examination quality by providing open lines of communication between applicants and the Office. During a period of transition to a more effective approach to examination quality, it is important for Applicants to work with an experienced ombudsman to identify and address disagreements about Office procedures. The PPAC encourages expansion of the pilot program into other areas within the Office.

### **6. Status of Patent Office Rulemaking**

The PPAC believes that any Patent Office Rules changes should be carefully evaluated for any impacts that they may have on patent examination quality. The PPAC encourages the Office to take comments provided by all members of the public into account. The PPAC is interested in the status of pending rulemaking for Appeals, Markush practice, Three-Track, Information Disclosure Statements (IDSs).

## **VIII. REDUCE PATENT PENDENCY**

One of the most significant problems in many technology areas is the length of time for a patent to be examined and issued. The USPTO and other readers of this Report are very aware of the Secretary of Commerce’s stated goals to dramatically reduce pendency. The PPAC believes that overcoming long

pendency will keep the U.S. at the forefront of innovative societies. With passage of legislation restoring additional fee collections to the USPTO in fiscal year 2010, the PPAC expects that the USPTO will hire and train additional Examiners.

The Committee congratulates the USPTO for its efforts during the past year to reduce pendency. A key indicator of patent examination efficiency, the number of office actions per disposal, has decreased noticeably. We believe that this trend is very promising, but are concerned that a simple increase in allowances may reflect a tendency for the USPTO to allow unnecessarily narrow claims. We encourage the USPTO to continue to decrease pendency without decreasing the legitimate and supported scope of claims.

There is a tension between a desire to decrease pendency and providing claims of fully entitled scope. To decrease application pendency, an Examiner may identify a subset of patentable subject matter early in prosecution and offer to allow a set of claims that would produce a patent narrower than the full scope of the invention. This tension leads to the filing of RCEs and Continuation applications, that can help Examiners meet production goals, but at the increased cost to Applicants of filing, prosecution, issue and maintenance fees. As a partial remedy, the PPAC recommends use of the quality metrics proposed above. In particular, we suggest reviewing cases for improper rejections for overbreadth. If an application properly supports a generic claim, and other requirements of the statute are met, the full scope of that claim should be allowed.

The PPAC also believes that pendency will decrease as fewer type I and type II errors occur during examination. The PPAC wholeheartedly approves of the initiative to train Examiners on Compact Prosecution, wherein all rejections are presented early in examination. The PPAC recognizes the focus on Compact Prosecution and the resulting decrease in the number of actions per disposal. We encourage the Office to continue to develop and refine guidance on Compact Prosecution.

The Committee also recommends that the USPTO explore ways of decreasing the number of transfers of an application. Decreasing the number of transfers reduces the likelihood of errors and delays.

#### **A. Patent Exchange Program**

The USPTO has proposed a program wherein an Applicant can abandon one patent application in exchange for accelerating action on a second application. The PPAC notes the creative efforts of the Office in offering such an option. However, the Committee suggests that an unintended consequence be that large entities may have an advantage over smaller entities.

#### **B. Three-Track Proposal**

The PPAC agrees with the desire to increase flexibility in timing of Examination. There are several mechanisms in place currently to accommodate such flexibility. The USPTO has proposed a “Three-Track” or “3-Track” system, whereby Applicants would be permitted increased flexibility in the timing of examination. The PPAC supports the goals of 3-Track, but is concerned about possible duplication of flexibility offered by the PCT and Paris convention processes. Additionally, there may be International implications of implementation of the Three-Track proposal, particularly if it would violate the TRIPS agreement or other treaties. This proposal requires further study, and the PPAC does not recommend its implementation until further analysis has been provided.

### **C. Restriction**

The Committee recommends that the USPTO revisit Restriction and Election of Species practice. Applicants have expressed opinions that with the pressures of production, Examiners may meet an action deadline by submitting a Restriction requirement. There is an ongoing debate about the relative merits of Restriction practice and Unity of Invention, as applied in most of the rest of the World. In certain technology areas, application of a Unity of Invention standard can improve the overall scope of a patent, and thereby decrease incentives for Applicants to file Divisional applications. Similarly, application of a Unity of Invention or other standard can reduce incentives to file Continuation applications based on election of species requirements.

Under current practice, restriction may be imposed for: (1) different inventions, and (2) Examiner burden. The PPAC invites the USPTO to revisit both the “different inventions” and the “Examiner burden” criterion. The different inventions standard seems to be inconsistent with Federal Circuit law. Both criteria are highly subjective, the standards are not well defined, and they are not consistently applied. This produces a degree of unpredictability in the preparation and prosecution of applications. The PPAC welcomes the opportunities to assist the USPTO in developing standards for restriction.

The Committee agrees with the USPTO’s desire to clarify restriction practice in the MPEP. We encourage the USPTO to provide clear guidance to Examiners and Applicants. In addition to clear guidelines, the Office should focus upon improved training of Examiners on procedures, uniform application thereof, and supervisory oversight. This would increase consistency, which is an important overall objective in enhancing patent examination quality.

### **D. Petitions**

The PPAC invites the USPTO to focus attention on Petitions practice in the Office. Petitions are often an important aspect of the patent process, and the lack of swift resolution of petitionable matter causes delays, extra expense, and frustration among Applicants. In some unfortunate cases, an Applicant may lose faith in the system, and permit an otherwise innovative application to become abandoned.

In particular, Petitions in Reexamination are especially problematic, in that Applicants are often required to file replies prior to receiving notification about the status of the Petition. We suggest that the USPTO address this area soon.

The Committee recommends that the USPTO consider ways of increasing the timeliness of review of petitions.

The Committee also recommends making available online by topic, a compilation of petition decisions.

## **IX. IMPROVE APPEAL AND POST GRANT**

### **A. Reexamination**

The Committee notes that reexamination (both *ex parte* and *inter partes*) can significantly add to uncertainty and delays in patenting. The Committee also is aware that reexamination can be used as a tactic in patent litigation. The PPAC believes that reexamination has been an important and useful tool in providing a degree of certainty about validity of patent claims. However, we are concerned that reexamination can take a very long time, and we recommend that the BPAI and the Office consider ways of reducing the time needed to reexamine applications.

We suggest that the Office consider ways of docketing reexaminations to decrease delays in processing. We also believe that one reason for the delays in *ex parte* proceedings is the chronic need for increased numbers of qualified and experienced Examiners. We hope that providing stable and predictable revenue will permit the Office to hire additional Examiners, and in this way, decreased the backlog of un-reexamined applications.

The Committee also suggests exploring ways of increasing efficiency in *inter partes* reexamination. The USPTO has rulemaking authority for procedural matters affecting examination, and the PPAC suggests that the Office revisit the rules governing *inter partes* reexamination.

## **B. Proposed “Fast-Track Reexamination” for Humanitarian Needs**

A recent Federal Register Notice (Vol. 75 No.181/Monday, September 20, 2010; 57261-57262) announced a proposed program entitled “Request for Comments on Incentivizing Humanitarian Technologies and Licensing Through the Intellectual Property System.” “Under the proposed pilot program, a fast-track *ex parte* reexamination voucher would be offered to patent holders demonstrating humanitarian uses of patented technologies. This voucher could then be used on any patent owned by the patent holder or transferred on the open market.”

“The U.S. Food and Drug Administration (FDA) currently has a similar voucher program for fast-track review in place. Under this program, the FDA awards priority review vouchers to entities that develop drugs to treat neglected tropical diseases. Recent legislative proposals such as the Creating Hope Act, S. 3697 (2010), on rare childhood diseases shows a desire on the part of Congress to expand such efforts.” Under the proposal, the USPTO would accelerate the time for handling by Examiners and the BPAI to six (6) months. Applicants would be provided the usual time periods for responding.

Proposed standards include four areas that would be evaluated in deciding to offer a voucher: (1) subject matter, (2) effectiveness, (3) availability, and (4) access.

The subject matter must “address a recognized humanitarian need.”

Effectiveness judges “whether the technology can be used or is being used to address that issue.”

Availability determines “whether the technology is available to an affected impoverished population.”

Access evaluates “whether the applicant has made significant efforts to increase access to the technology among such populations.”

“Humanitarian research” are efforts that: (1) would “provide a significant contribution to research on a problem that predominantly affects an impoverished population,” and (2) the “patented technology was made available to researchers on generous terms.”

The USPTO seeks to develop a workable test to apply these principles that is clear, concise, administratively efficient, and resistant to abuse.

The deadline for comments is set to expire November 19, 2010, and no public hearing is to be held.

While the Committee recognizes the desirability and creativity of the various proposals to expedite reexamination based on certain classes of patents/applications, given the uncertain classifications and the burden of fairly administering these programs, the Committee believes that it is premature to implement the programs. It may make more sense to stay focused on improving examination/reexamination for all. The Committee is concerned that if a large number of vouchers is authorized under this program, it will further extend the already lengthy time period for reexamination.

Additionally, the Committee is concerned that sale on the open market could provide incentives for abuse and unintended consequences. Because the issues are complex, the tests are yet to be developed, and unintended consequences are likely and unknown, we recommend that the USPTO provide greater opportunities for input from the public, and delay implementing any final proposal until the issues have been more fully studied.

### **C. Prioritize BPAI Workflow**

The PPAC understands that the workload of the Board of Patent Appeals and Interferences (BPAI) has increased substantially in recent years. The USPTO has proposed reorganizing the BPAI to address this and other issues. Although comments on the entirety of the proposal are beyond the scope of this Section of the Report, the PPAC believes that one aspect of the proposal is related to improving examination quality.

With implementation of the initiatives addressing patent examination quality, the occurrence of improper rejections can be decreased (false negatives or Type II errors). Cases are appealed primarily by an Applicant who believes that a false negative error occurred in patent examination, leading to an improper final rejection. Thus, the BPAI is tasked with identifying Type II errors, and if found, providing a remedy to an applicant in the form of a partial or complete reversal of a decision adverse to the applicant. In other cases, no Type II error is identified, and the decision by the Examiner is upheld on appeal.

In particular, the PPAC believes that guidance on patentability determinations by the BPAI are important in developing best practices in the examination process, and that rapid review of cases on appeal and clear statements of patentability will be of great value. Therefore, the PPAC believes that the proposal to have the BPAI report directly to the Under Secretary of Commerce and Director of the USPTO will help the appeals process become more consistent.

The Committee recommends that all BPAI opinions be published and available to the public and examiners. The PPAC also encourages the USPTO to provide increased education of examiners about updates of the case law from the BPAI, the Federal Circuit and Supreme Court. We also recommend that a greater percentage of opinions addressing fundamental patentability issues be made precedential.

### **D. Streamline Appeals**

The PPAC believes that to the degree possible, needlessly formalistic papers should not be required. Requiring that appeals be prepared to meet unnecessarily complex criteria will provide a disincentive for an Applicant to challenge what is perceived to be a false negative result in examination. The Committee recommends providing a flexible system for filing and pursuing appeals. With the implementation of the new text-based IT system, BPAI personnel should have immediate access to the current status of all pending claims, recent proposed amendments and the history of the case to date. We believe that filing an Appeal should be a simple, rapid process, wherein the applicant presents a concise description of the alleged examination error.

The Committee recommends that the USPTO provide information on the dashboard, for example, of the time from filing of an Appeal brief to final Board decision.

We expect that a simplified appeals process will permit more rapid resolution of appealed issues, decrease the backlog of appeals, and provide more rapid feedback to the examining corps for development of best practices, all of which are expected to improve the quality of examination.

#### **E. Revise BPAI Rules**

The Committee looks forward to hearing proposals from the Office to implement any changes to rules that will increase efficiency, reduce time delays, and lead to accurate, consistent application of the law.

#### **F. Use of Pre-Appeal Conferences**

The USPTO's initiative to implement Pre-Appeal Conferences was introduced to help ensure that applicants and examiners clearly communicate with each other to resolve disputes during examination that lead to a final rejection. The PPAC believes that this process has great merit, and we would like to see it continue.

The Pre-Appeal review team has traditionally consisted of the Examiner, the Examiner's SPE, and one other SPE level person. The PPAC believes that this traditional approach has a drawback, namely that with two voting members of the Pre-Appeal team already having expressed their view that the claims are not patentable, those views may become entrenched, and unlikely to be altered by review by the third member of the team. The PPAC suggests that the USPTO consider altering the makeup of a Pre-Appeal team to include the primary Examiner or SPE to whom the Examiner normally reports, and two SPE level personnel who are not in the direct line of responsibility for examination of the application under appeal. We believe that this will provide a more dispassionate review, and will lead to improved patent examination quality.

The Committee believes that with improved access to and processing appeals, applicants, examiners, and policy makers can better understand the examination process, whether proper examination is being carried out, and if not, to suggest potential remedies. The PPAC believes that guidance from the BPAI can be very valuable in ensuring that the examining corps is coordinating with the BPAI.

#### **X. CONCLUSIONS**

The PPAC thanks the USPTO and Congress for the opportunity to assist the U.S. in promoting innovation in our country and throughout the World. We submit these remarks in the spirit of cooperation and collaboration. The PPAC is ready and willing to work with the USPTO, the IP community, and the public to further develop ideas contained in this Report.

Respectfully submitted,

Damon Matteo, Chair



## Appendix 1

### PPAC Authorizing Statute and Charter

#### 35 U.S.C. §5 – Patent & Trademark Office Public Advisory Committee

##### (a) Establishment of Public Advisory Committees

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

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

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

##### (b) Basis for Appointments – Members of each Advisory Committee

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

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

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

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

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

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

(2) within 60 days after the end of each fiscal year

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

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

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

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

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

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

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

## Appendix 2

### Biographies of PPAC Members

#### Damon C. Matteo

Damon C. Matteo (Chairman Of PPAC) is Vice President & Chief Intellectual Property Officer of the Palo Alto Research Center (PARC). Mr. Matteo's career spans twenty years in the strategic creation, management and commercialization of high-value intellectual capital assets. On the creation side, these efforts align research targeting with the creation of intellectual capital assets that secure advantaged technology positions in the marketplace, and realize broader corporate objectives. In optimizing returns from these assets, Mr. Matteo regularly employs new business creation, start-ups, venture funding, M&A, licensing, assertion as well as direct-to-product vehicles – all in an international context.

Dedicated to developing new theory and best-practice in realizing value from intellectual capital assets, Mr. Matteo is also an author, by-line columnist and frequent lecturer at universities and professional organizations worldwide. In addition to his service as Chairman of the US Patent & Trademark Office's Public Advisory Committee, Mr. Matteo's other Board affiliations include the European Center For Intellectual Property Studies and Chair of the Silicon Valley Licensing Executive Society.



In recognition of this professional standing, Mr. Matteo's awards and distinctions include being named one of the "Fifty Most Influential People in Intellectual Property" by Managing Intellectual Property Magazine, the National Technology Transfer Excellence Award given by the U.S. Federal Government, NewsLink's "Profile In Excellence" for technology transactions and Senior Distinguished Fellow for the Center For Advanced Technology. A recognized thought leader, Mr. Matteo has served as an expert for corporations, universities, government agencies and at trial.

## Marc Adler

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



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

Mr. Adler received his BS ChE from the City College of New York, his MS ChE

from the University of Florida, and his law degree (JD) from St. John's University in New York. He started his career as a Chemical Engineer for 8 years with Esso Research and Engineering and Union Carbide Corporation before becoming an associate with a patent law firm in New York City.

## **D. Benjamin Borson, M.A., J.D., Ph.D.**

Dr. Ben Borson is Founder and President of the Borson Law Group, PC in Lafayette, California. He is a patent attorney representing individual inventors and small- and mid-sized companies that create and exploit intellectual property assets. His clients are in the biological arts (biotechnology, chemistry, and pharmaceutical sciences), scientific and medical instrumentation, materials science, semiconductor processing, software, video technology, and mechanical arts. He has 15 years of experience as a practitioner, and focuses on patent preparation, prosecution, opinions and licensing. Additionally, he assists clients in trademark, copyright, and scientific counseling.

Dr. Borson is an active lecturer and author in intellectual property law, and prepared and prosecuted over 90 issued patents. He was recently appointed Adjunct Professor of Law at Golden Gate University, where he teaches biotechnology law in the J.D. program. Dr. Borson is a member of the AIPLA patent and biotechnology committees, and is co-chair of the Section 101 sub-committee. He is active in the IP Law and International Law Sections of the State Bar of California, is a past member of the IP Section Executive Committee, and currently Chairs the Legislation Committee. He is past co-chair of the Council of State Bar Sections, and served on the Board of Governor's Task Force on Sections. Ben was appointed to the PPAC in 2009 by Secretary Locke.

Dr. Borson earned a Bachelor of Arts degree from San Francisco State College, a Masters of Arts degree in Biology from the University of California, Riverside, a Ph.D. degree in Physiology from the University of California, San Francisco, and a J.D. degree from the University of San Francisco School of Law.



He is licensed to practice law in California, District Court in California and to practice before the USPTO.

Prior to entering law, Dr. Borson was a member of the faculty at the University of California, San Francisco, Cardiovascular Research institute, where he ran a research program in basic biomedical science, and trained post-doctoral fellows and staff in research methods. He also was a member of the faculty of the Department of Physiology. He is author of over 70 peer-reviewed articles, reviews and abstracts in physiology, biochemistry and molecular biology. He was the recipient of research grants from the National Institutes of Health, Cystic Fibrosis Foundation, American Lung Association, the Parker B. Francis Foundation and other groups.

Dr. Borson is founder and Past President of the BioScience Forum, a non-profit educational organization. He is a past member of the Federated Association of Societies for Experimental Biology, American Lung Association, American Physiology Society, American Association of Cell Biologists, American Chemical Society, and the American Association of Pharmaceutical Scientists. Prior to entering science, he was a Certified Flight Instructor and holds a Commercial Pilot License.

## Louis J. Foreman

Louis Foreman is founder and Chief Executive of Enventys ([www.enventys.com](http://www.enventys.com)), an integrated product design and engineering firm with offices in Charlotte, NC and Taiwan. 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 and filing of well over 400 more.

The recipient of numerous awards for entrepreneurial achievement, his passion for small business extends beyond his own companies. Louis volunteers his time teaching small business classes at various Colleges and Universities. He received the 2007 Instructor Achievement Award for his teaching at Central Piedmont Community College, and in 2009 was recognized by the National Museum of Education for his *Distinguished Contributions to Education*. In 2009, Louis was named *Entrepreneur in Residence* at The McColl School of Business at Queens University. He is a frequent lecturer and radio / TV guest on the topics of small business creation and innovation, and is frequently invited by the United States Patent and Trademark Office and 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 in its third season and appears nationally on PBS. In 2007, Louis became the publisher of *Inventors Digest*, a 20 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 was a founding member of The Inventors Network of the Carolinas, a non-profit organization that empowers inventors through education. In 2010, he was elected to the boards of the Intellectual Property Owners Education Foundation (IPO) and The United Inventors Association (UIA). He also serves as a board member for the Entrepreneurial Leadership Council at Queens University.

## Esther M. Kepplinger

Esther Kepplinger is Wilson Sonsini Goodrich & Rosati's Chief Patent Counselor. She serves as a liaison with the PTO enhancing the firm's practice before the PTO, she provides client strategic patent counseling and serves as an expert witness on patent examination procedures.

Prior to joining the firm in 2005, Ms. Kepplinger served as the Deputy Commissioner for Patent Operations for five years (2000-2005) at the USPTO. In this capacity, she oversaw the day-to-day operations of the Examining Corps, was responsible the achievement of the quality, pendency and productivity goals and helped in the development of patent policy.



She played an active role in the Trilateral activities and led the drafting of WIPO PCT Search and Examination Guidelines and WIPO Standards for submitting nucleic acid and/or amino acid sequences in international patent applications. She spent 32 years at the USPTO in various positions, including examine

## F. Scott Kieff

F. Scott Kieff became a Professor at the George Washington University Law School in Washington, DC, in the summer of 2009 after serving as a Professor at the Washington University in Saint Louis School of Law with a secondary appointment in the School of Medicine's Department of Neurological Surgery. He is the Ray and Louis Knowles Senior Fellow at Stanford's Hoover Institution, where he directs the Project on Commercializing Innovation, which studies the law, economics, and politics of innovation, including entrepreneurship, corporate governance, finance, economic development, intellectual property, antitrust, and bankruptcy, and where he serves on Hoover's Property Rights Task Force.

Kieff is a faculty member of the Munich Intellectual Property Law Center at Germany's Max Planck Institute; and previously has been a visiting professor in the law schools at Northwestern, Chicago, and Stanford, as well as a faculty fellow in the Olin Program on Law and Economics at Harvard.

Before attending law school at the University of Pennsylvania, he studied molecular biology and microeconomics at MIT and conducted research in molecular genetics at the Whitehead Institute. Having practiced law for over six years as a trial lawyer and patent lawyer for Pennie & Edmonds in New York and Jenner & Block Chicago and as law clerk to U.S. Circuit



Judge Giles S. Rich, he regularly serves as a testifying and consulting expert, mediator, and arbitrator to law firms, businesses, government agencies, and courts.

He served for the first two years of the Federal Circuit's Appellate Mediation Panel until November 2007 and that December was appointed by Secretary of Commerce Gutierrez to serve a three year term on the nine-person Patent Public Advisory Committee of the Patent and Trademark Office, which was created by Congress to advise the government on the policies, goals, performance, budget, and user fees of the patent operation. He was recognized as one of the Nation's "Top 50 under 45" by the magazine IP Law & Business.





**STEVEN W. MILLER**  
**Vice President and General Counsel-Intellectual Property**

RESIDENCE: West Chester, Ohio

DATE OF BIRTH: September 9, 1959

PLACE: Columbus, Ohio

EDUCATION: The Ohio State University, B.S., 1981, cum laude  
The Ohio State University Moritz College of Law, J.D., 1984, honors

BUSINESS AFFILIATIONS PRIOR TO JOINING PROCTER & GAMBLE: None

DATE JOINED PROCTER & GAMBLE: August, 1984

**POSITIONS HELD AND DATES:**

August, 1984	Attorney in the Paper Division, Diapers, Catamenials and Surgical Products
June, 1989	Patent Counsel, Diapers and Catamenials
December, 1994	Associate General Counsel - Patents for Diapers, Feminine Protection, and Adult Incontinent Products
July, 1999	Vice President & Associate General Counsel-Patents for the Baby Care Global Business Unit
July, 2000	Vice President & Associate General Counsel-Patents for the Baby Care & Feminine Care Global Business Unit
August, 2000	Chief Patent Counsel
July, 2001	Vice President & General Counsel- Intellectual Property.

**LOCAL AND NATIONAL ACTIVITIES:**

- Member of the Bar, Supreme Court of Ohio, 1984-present
- U.S. Supreme Court; Court of Appeals for Federal and Sixth Circuits; U.S. Patent & Trademark Office, 1985
- American Intellectual Property Law Association
- American Bar Association – Intellectual Property Committee
- Cincinnati Bar Association and Cincy IP Law
- Dean's National Council for The Ohio State University Moritz College of Law
- Executive Committee for the Association of Corporate Patent Counsels
- Steering Committee for the Coalition for 21<sup>st</sup> Century Patent Reform
- Board of Directors for the National Inventors Hall of Fame
- Advisory Council for Intellectual Property at the Franklin Pierce Law Center
- Board of Directors and President of the Intellectual Property Owners Association Education Foundation
- Board of Directors and Past President of the Intellectual Property Owners Association
- Patent Public Advisory Committee (PPAC) for the U.S. Patent & Trademark Office

## Stephen M. Pinkos

Stephen M. Pinkos is a Partner with the American Continental Group, a Washington, DC based firm that provides a full spectrum of bi-partisan, federal, state and international public policy advisory services. Mr. Pinkos previously managed the daily operations of the USPTO as the Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the USPTO from 2004-2007. In this capacity, he played an integral role in launching the largest-ever USPTO hiring, training and retention effort and supervised quality control, pendency reduction and IT initiatives. He also was instrumental in the development and implementation of the Bush Administration's STOP! (Strategy Targeting Organized Piracy) program.



Prior to the USPTO, Mr. Pinkos served on Capitol Hill as the Staff Director and Deputy General Counsel for the House Committee on the Judiciary.

## Maureen K. Toohey

Maureen K. Toohey is the founding member of Toohey Law Group LLC, which has offices in Boston, Massachusetts and Manchester, New Hampshire. She counsels clients regarding the strategic protection and transfer of intellectual property rights, supervises the prosecution of patent portfolios, and litigates intellectual property disputes for technology companies. Her practice involves a wide variety of technologies, with a particular emphasis in the medical device and green technology fields.



Prior to founding the Toohey Law Group in 2007, Maureen served as General Counsel for DEKA Research & Development Corporation, a dynamic research and development company founded by prolific inventor Dean Kamen. Dean Kamen and DEKA have been responsible for the development of a wide range of medical devices, such as the first wearable infusion pump, the Baxter HomeChoice™ Dialysis System, the IBOT™ Mobility System, and the Luke prosthetic arm, as well as the development of the Segway™ Human Transporter (HT).

Prior to joining DEKA, Maureen practiced in the Silicon Valley Office of Weil, Gotshal & Manges LLP, where she specialized in patent litigation involving technologies such as semiconductors and medical devices. Maureen also served as a clerk to the Honorable Randall R. Rader of the U.S. Court of Appeals for the Federal Circuit.

Maureen received a B.S. in Chemistry from the United States Naval Academy at Annapolis, MD. After serving on

active duty in the United States Navy as an environment scientist for almost six years, Maureen attended law school at the University of Virginia School of Law and received her J.D. in 1996. She is admitted to practice before Courts of California, Massachusetts, and New Hampshire, the U.S. Court of Appeals for the Federal Circuit, and the U.S. Patent and Trademark Office.

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