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CHAIRMAN FOREMAN: But I do appreciate everyone readjusting their schedules to be with us early in light of the current weather conditions or the pending weather conditions.

This is the first meeting of 2014 for the Patent Public Advisory Committee, and we are joined this morning by members of PPAC and the USPTO, as well as members dialing in, and the public.

Before we get started, what I'd like to do is just start by going around the room and making introductions. To my left?

MR. SOBON: Wayne Sobon, PPAC.

MR. THURLOW: Peter Thurlow, PPAC.

MR. HALLMAN: Clinton Hallman, PPAC.

MR. FAILE: Andrew Faile, USPTO.

MR. KISLIUK: Bruce Kisliuk, USPTO.

MR. DWYER: Jim Dwyer, PTO.

MR. HIRSHFELD: Drew Hirshfeld, PTO.

MR. BUDENS: Robert Budens, PPAC.
MR. JACOBS: Paul Jacobs, PPAC.

MS. SHEPPARD: Christal Sheppard, PPAC.

CHAIRMAN FOREMAN: And we have a number of members also joining us on the phone this morning: Catherine Faint from PPAC, Mary Lee Jenkins, Valerie McDevitt, and we are awaiting the arrival of Esther Kepplinger as well.

Just a reminder, when we come together today, we represent a number of industries and companies. When we come together today, we take that hat off, and we put on our PPAC hat and represent the best interests of the Patent Office and the user community.

I want to just thank everyone for this change of plans. Originally this meeting was supposed to be tomorrow, and unfortunately with the pending weather, this has caused a little bit of havoc. So we'll begin the PPAC winter games, and hopefully we'll have good results.

(Laughter)

CHAIRMAN FOREMAN: So my name is Louis Foreman. I'm the Chairman. And with that, I'd
like to open the floor to Jim Dwyer to give us an
update on patent operations. Jim?

MR. DWYER: Good morning. So what I'm
going to do is go through our slides of -- I'm
sure for a lot of you, you've seen these before,
so I'm just going to update where we are.

Okay. The first slide here is total
serialized and RCE filings by year starting on the
left in 2002 through 2014 with the red being the
serialized filings and blue being RCE. Our
projection this year is to have a six and a half
percent increase in filings over last year, and
that will put us in that 575,000 plus range.
Current, we're around about four percent filings
to date.

This next slide is the unexamined patent
application backlog. And again, it's starting in
FY '08 on the left side to present. And we're
currently at about 600,000 applications. One of
the things just to be aware of where we might be
at the end of the year, we believe we'll be at
about 595. But between now and then, we have a
lot of training to do with respect to our new classification system, CPC, and with that there's a lot of time given to examiners to learn that. So we will see that rise potentially to 640, 650 somewhere in the third quarter. But once the learning curves and training is completed, that should go back down below 600,000.

This next graph shows the red, which is our backlogs, and the blue is showing us our optimal backlogs that's based on 10 months. So the theory here is when the blue and the red merge together, that's when we'll be at 10 months on average. And it starts on the left side in 2008 to current.

This next slide shows our RCE backlog starting in 2009 on the left to the current '14. As of February 3rd, we're at 82,000. There's a good potential this year that will be around 70,000 at the end of the year. We have a lot of RCE initiatives. We've changed a little bit of the account system for document management that incentivizes examiners, especially those that have
a number of RCEs to do RCEs.

This next slide shows our traditional first action and total pendency, total pendency being at the top. We're currently in that 20 whatever that is, 20.3. Our 28.3 total pendency and our first action pendency is 17.6. You can see that it is on a decline, even though with our hiring situation last year being less than we expected, the rate of decline is less than what we had hoped.

Okay. This slide shows forward-looking first action pendency, and that's basically if you file today how long it would take on average to get to first action. You can see through the years of 2008 to '14, we were on steady decline when we were in that full-scale hiring. And there was a couple of those leveling off or a little spike upward that was due to changing our hiring model based upon funding, and also the bubble that we experienced in March due to AIA.

Okay. These two graphs here show our 12-month rolling average, examiner attrition rate,
one with less transfers and retirees, and the
other one is the overall. It starts with 2001 on
the very left all the way to the green line, and
which is 2013-ish. And from there, we always look
at it from on the right side of the green line.
We look at it monthly to see if there's any
movement upward or downwards so that we can take
advantage of that and figure out what's going on
so far.

But as you can see that, we've now had a
basic attrition rate from 2008-ish, '09, that has
been substantially lower than what it was
traditionally. And the good news on that issue is
that studies have shown that if examiners stay
past three years, they tend to stay for a career.
So we have a tremendous number of examiners that
are in that position of having three years'
experience with us.

This next chart shows interview time
based upon year, the blue being 2008, pink 2009,
green 2010, so forth, up to the light blue, which
we are currently. And as you can see, there's
been a steady increase per year of the total
number of time that's given to examiners for
interviews. Now, granted we have more examiners
now than we had in 2008, so you'd expect that
increase.

So the next slide is to try to normalize
that data by what we do here is for every disposal
that we have, we go into the case and determine
whether there was at least one interview. And
currently, we're at about 27 percent of those
cases with interviews in them. And the chart
starts on the very left to 2007 to current on the
right, and you can see there's been a steady
increase in the number of cases that have been
disposed of that had at least one interview.

This slide shows our track one
statistics through January. I know it might be
very difficult for some people to see this, but to
kind of generalize, in FY '12, we were getting 400
plus a month. In FY '13, that went up to 500 plus
a month. And we're on pace in FY '14 to getting
600, so there has been a steady increase. Even
though it's been kind of slow, it's still been a steady increase.

Some other facts that are interesting to note in here is nearly half of the track ones have been filed by small or micro entities. So those folks are taking advantage of the track one capacity. Another interesting note is that 98.2 percent of track one applications have received a final disposition within 12 months. And when we set out the track one, the ultimate goal was to have an average at 12 months, and we've got 98.2 percent prior to those 12 months. We are clearly performing well in this area.

Okay. This slide here kind of demonstrates how track one compares to a normal filing. So the two bars on the left, the green line is not taking into consideration the RCE time. The first bar on the left is the 12-month average through January, not including the RCEs of applications that are not track one. And as you can see, the total time is in the 28 plus months, and the time waiting is in red, is around 20
So the second one to the right is track one, and as you can see, the amount of time waiting for first action is drastically reduced. And actually, the prosecution time is drastically reduced. So the basic, you can see there's a huge advantage if you need a final disposition quickly to using track one. The chart to the right, it does include the RCE time, and you can see likewise it's still a huge advantage to use track one if you need speed.

Okay. This chart shows our quality composite starting at the bottom in 2009 to the current quarter at the very top. Kind of just generalizing, the numbers have been in some cases going up slightly, in a couple of cases going down slightly. But our overall quality composite between quarter four and quarter one of this year has moved up. The outside data in the internal survey data didn't change this quarter because the survey is not done. It wasn't done in this quarter, and we'll be seeing that data in the next
This chart shows our setting of our goals. With respect to the quality composite, starting if you look on the far right, it's FY '15. This is the goals that we set out many years ago. This is where we wanted to be in FY '15. And then looking through FY '11 on the left side all the way to FY '14 quarter one, you can see the progression in blue is our actual results towards reaching that ultimate goal. In FY '14, we're slightly above where we were in '13. However, we have a substantial amount of distance to take up in quality to meet our FY '14 total call.

Okay. Switching topics to third party submissions, this is a chart showing where the submissions have come in. And for those that are not familiar with our technology centers, 16 and 17 is the biochem area, 2-100 is the traditional software and computer hardware area, 24 has some computer networking, 26 is telecommunications, 2,800 is the miscellaneous electrical and semiconductor area, and then 36 and 37 is our
traditional mechanical with 3,600 having the
business methods area. So you can see the
tendency for third party submissions is coming
more from the biochem and mechanical than it is in
the high tech electrical area.

Okay. This chart basically takes all
the documents, which is 4,520 documents, and
parces them out based on the type. The good news
on this one is that we are receiving a lot of
references that are non-published literature, and
again from an examiner's perspective, those are
sometimes the hardest to come by. So that part of
third party submission has been very helpful for
us.

So with that, I assume I have a few
minutes to take some questions.

CHAIRMAN FOREMAN: That's great, Jim.
Thank you. That was a great presentation. It's
always wonderful to see the metrics trending in
the right direction. A lot of information to
digest, but let me turn it over to Wayne first.

MR. SOBON: I have a couple of
questions. It just struck me as you went through the presentation, you were talking about the last line, the total document breakdown and the third party submissions. I'm wondering if you can provide maybe in the future some, if it's possible, some statistics about the effect of these submissions. Were they cited in the office action, and if there are statistics you can show of any effect, I think that would be very useful for the public to know do these things end up somewhere in terms of affecting prosecution being cited by examiners or the like. That would be very useful data.

Most of my things are just sort of in line with that, with these kinds of comments. I noted going backwards on the RCE slide, on slide 12, this a very useful slide actually. One thing that struck me was it would be useful in terms of life pendency to know -- maybe we've had that data before -- the percentage of the cases that do have RCEs. So this is clearly some blended rate of cases that do or do not have RCEs. It would be
nice to know 20 percent of all cases have an RCE, or 30 percent, or whatever that is, and maybe even track that year by year to see how that is either changing up or down. As we're really exploring the RCE backlog, I think that would be very useful data as well to know that.

MR. DWYER: To understanding the question, with respect to track ones solely or ones in which the track one came in through an RCE?

MR. SOBON: Oh, just generally all applications. You can do it for both types, but how many cases actually then go onto having an RCE as part of their life span would be useful to know, you know, how prevalent it is in terms of data. Similar question I have on slide 10 on interviews.

It would be interesting to know also how effective those are, you know. If you have an interview, so, like, we take the average case. If there is an interview, you know, time to disposal and when interviews are happening. Anymore data
you can have about interviews, their efficacy, how they change the dynamics of the prosecution process, I think it would be useful for guiding applicants in terms of they actually are very useful. This data is very, very good. It's very good.

I guess my final question is, both your data in the beginning and the RCE backlog, it's good. It's going down. And then on slide three, the unexamined backlog has gone down. But it looks like a little bit of a stall over the last year in both of those cases. Could you comment about maybe why that might be, and/or is that due to sequestration? Can you comment qualitatively on what that might be looking like? Is it going to be heading down further, but right now it looks like a little bit of a stall.

MR. DWYER: Specifically the mix between the number of applications that you do serialized in RCEs, again, if you can see the track was going down. And last basically summer through the fall, you can see that was about a 30,000 decline in
RCEs. And from an examiner production, you can
direct work to the RCE backlog or direct it to the
serialized backlog. So a lot of that flattening
out was due to our emphasis in RCEs.

Obviously the hiring aspect, especially
looking at the forward-looking pendency, not
having hired what we had anticipated last year is
going to show that that decline is going to be
less than it would've been had we did full hiring.

MR. SOBON: Do you expect that now to
pick up now that you increased funding going back
to more nominal hiring? Do you expect that to dip
down, go back to trend?

MR. DWYER: Right. Again, it's got a
delayed effect. Most of the examiners are not on
board yet. And then, of course, there's the
training and getting them up to speed to the point
where they're productive. So that's something
that is probably a year from, you know, when you
really realize a large increase in fire power.

CHAIRMAN FOREMAN: Christal?

MS. SHEPPARD: I want to echo Wayne.
This is some really fantastic data. The one additional thing that Wayne said I'd like to add is on the first interview. And if we could have a chart that looks like chart 12, but also with the first interview and how that actually affects our CEs, time to disposal. And additionally, I don't know how you would incorporate this in, but when the interview happened to see if there's a difference between that for all of the above because we've heard from people that the interview makes a massive improvement in time to final. But if we can get some data that shows that it happens the earlier you get in, the faster you get out, that would be useful.

CHAIRMAN FOREMAN: And, Jim, I would ask for one other report, which I think would be helpful for all of us. You know, we've always been strong proponents of making sure the Office has access to its fees and hiring the number of people that you want to hire. It would be interesting to see what this data would've looked like had the Office been able to hire the number
of examiners that it had planned on previously.

And so, what would those numbers look
like given the additional hires? Just it'll be a
lesson for everyone what the impact of reducing
fees to the office will be in the future.

MR. DWYER: Thank you. One comment with
respect to -- I assume were talking about the
first action interview pilot. And the last data I
think that we had from that clearly showed that
the prosecution time was definitely advanced. The
allowance rates stayed the same, but the time to
getting to a final disposition was greatly reduced
by the first action interview. So we do have some
of this data, and I think last time we did report
out the effects from our first action for
forward-looking pendency, what the lack of hiring
did to our goal to 10 months.

MR. THURLOW: Jim, thank you very much.

Again, the information is very helpful. A couple
of quick points. Wayne touched on them. Just for
the third party, the effect of that information,
what's interesting from a practitioner standpoint
is when we come up with new references and we consider filing them under third party submissions, you're probably aware, should we do it on the third party submission, or should we wait and do a re-examine or another proceeding?

So that's something that we think about.

I guess a very basic question, does this go back to the examiner or does this fee also look at a third party submission? That's just procedural.

I don't know if you know, but is it different between group art units? Because what we say is do we want it to go, in essence, you know, three experienced examiners in CRU, three judges possibly, or just one examiner that may just check it off and not give it the review we want?

MR. DWYER: With respect to the normal process, if you're a primary examiner that work would come in, very similar to an IDS. As a junior examiner, the supervisor always has the responsibility to review what was turned in either through a third party or an IDS.

MR. THURLOW: Okay. Then just a couple
of quick questions. One, you mentioned about the
numbers going from 600 to 640 for the CPC
training. I know Bruce, Andy, and Drew have done
a lot of work and the Patent Office overall has
done a lot of work on the CPC. I don't
understand, I guess, how that affects an examiner.
Is that obviously just for the searching, and if
I'm an examiner, is it just to know where to
search and what kind of training? How does that
generally work?

MR. KISLIUK: Yes, I can explain a
little bit, Peter. So it's a fairly significant
transition. The classification system, we use it
for two primary things. One is where to route the
applications, to which examiner and what area.
The bigger thing is for search, as a supplement to
search. So when we are changing our
classification system, it's like a new language to
an examiner in terms of knowing where to search
for art.

So there are two fundamental things
we're doing in the transition for examiners. One
is the basic training on understanding how the CPC system works. And again, it's very aligned with IPC in terms of structure, but it's a different schedule, that's one. So they have to basically learn a new schedule and the definitions that go along with the schedule for their technical area.

The more significant piece of it is learning how to search in those areas. And what we've done is we've created a transition which includes two six-months periods that are back to back, so it's about a year worth of a transition. And we basically give examiners time to examine applications and search both under the current U.S.-Classification system and under the new CPC. So they get to do it side by side, and they can compare and learn on a case by case basis for a number of cases.

The easiest way to say it, it's a very expensive proposition in terms of time. We're giving them a significant amount of time. And the way I describe it is it's an investment. We're investing in not just a new classification system,
but in a better, hopefully higher quality in the long run system that has better art.

So it's a limited term investment. It's basically a one-year investment in a pretty high amount of hours. But we hope that in turn when we're completed, you know, our staff will be in place. All the hiring will be in place. You'll see the backlog numbers probably start to come down at the same rate they were last year. This year is going to probably be more of a level rate, not because we're not advancing towards reducing the backlog. It's because we're spending quite a bit of time learning the CPC.

MR. THURLOW: Thank you.

MS. KEPPLINGER: My question was along that line. You invested a significant amount of time this past fiscal year on training in general, both CPC and AIA. So I was just wondering what your models show for this fiscal year in terms of productivity, because when the training is given, the examiners get to claim other time for that. And so, they are not responsible for doing
applications, which also could be one of the reasons we see flattening out in backlogs and things because there's a tremendous amount of examiner time going towards the training.

And so, I just wondered for this year what the models are showing.

MR. KISLIUK: So basically, because of the time and the way the learning curve and the training time is structured, it's not going to be necessarily even, but we don't expect to see a major reduction in pendency this year. So this year is going to be relatively flat from where we finished last year. I don't remember the exact numbers, but relatively flat. We don't expect to see that downturn until later this year, again when the examiners stop using that learning time, and then we'll have more examiners on board that we've been training, and then it'll go back down again.

MR. FAILE: So to build on what Bruce said, Esther, we anticipate building in the learning curve and the training time. Modeling
that, we roughly look at it being about 595, just
under 600,000 at the end of the fiscal year. So
we're going to have a temporary increase as we pay
off that investment, that learning curve, and that
time, bringing this back down to roughly just
under 600,000 for the year.

MR. THURLOW: A quick separate topic.

On track one, obviously we've always pushed it,
and those numbers I think increasing is a good
thing. I know the PTO is doing a lot of work on
track one, if you want to discuss that during
Drew's section, the very high level. To the
extent you want to, or if you want to discuss it
now. I'll leave it up to you. But I think the
patent community would be happy to hear about some
of the things that PTO is doing with track one.

MS. KEPPLINGER: -- in terms of data.

I'm sorry I missed the presentation, although I
can study these and I'm sure understand them. But
the after final programs are of importance to
applicants. And I just wondered what sorts of
statistics. If you could give us statistics on
that -- how many are requested, how many actually get granted -- because I've had a very uneven -- I always get the difficult cases.

But, you know, I've had a very uneven application of it, although I was late because I had moved an interview. I had scheduled an interview for today, and the examiner agreed to move it early. And she suggested using the after final, and that she would consider the changes that we were talking about in the interview. But I find that to be the rarity, not the norm.

So any statistics that we could get would be helpful, and any encouragement for the examiners to use it would be helpful. Thank you, Robert.

(Laughter)

CHAIRMAN FOREMAN: Jim, thank you for that report. And again, our apologies for not being able to give you more time to share it with us, but hopefully in our next meeting we'll be able to dive a little bit deeper.

I'd like to now invite Drew Hirshfeld to
give us an update on patent quality. Drew?

MR. HIRSHFELD: Thank you, and I was checking my Blackberry to get the update on where we are with a notice regarding prioritized exams. So I'll jump into that first before I get into the discussion of quality.

I think I had mentioned before in this forum, we're looking at ways to increase usage of the track one. Obviously it's a great benefit to many people, and more so than increased use, we're looking at decreasing the amount of people who might have a petition that's denied in track one. And what we found is there were a number of reasons that people were getting denied when we went through our statistics. And so we're able to move forward with softening some of those requirements to that, things like the oath and deck. There were some issues about the timing of filing with that, and some others about, you know, some fees or excess claims, et cetera.

So stay tuned. There will be something more public very shortly about this. And again,
it's just softening some of the requirements that were causing people to get caught in the petition process and get kicked out of the track one, and those people will be able to stay in track one.

So I wanted to start with a quick discussion of the software partnership meetings, which I know I've spoken about many times to this group and many people. What you see on the slide is the four partnership meetings that have taken place so far. All have been, in my opinion, very well attended, very successful. We've gotten a great back and forth with the community, and I see this continuing to go on like the many other partnerships at PTO.

The one highlighted meeting at the end is the one in Alexandria. That is the one meeting that took place since the last PPAC. So at the last PPAC, I gave you an update on the first three -- Stanford, NYU, and Berkeley -- and then subsequent to that previous PPAC meeting, we've had the Alexandria meeting. And that was on prior art.
So at that Alexandria meeting was a discussion that, as I mentioned, was based on prior art, more particularly resources available to examiners and search techniques. And this is a topic that came out of some of the prior roundtables or meetings about what we should be discussing. So among the topics that people wanted to hear was some access to prior art and some issues related to prior art. So we did have the Alexandria roundtable.

We viewed that more as an educational piece to show people what we have available to us, how examiners are searching, and to use that as a means to get some feedback on where we can make improvements in terms of not only the resource, but search techniques. Certainly a theme that came out through that roundtable was increasing third party submissions under the AIA, working with the public on getting those hard to find references or those references that might not be available to examiners, getting those to the PTO. So we do expect to explore those pats in the
And I'll end on this roundtable with just a comment that there is a Federal Register notice asking people for comments, and that comment deadline is March 14th. And what we're looking for comments is, again, mostly on the search resources that are available to us, and particularly in the software space, what should we be searching that we might not have access to, and also on search techniques generally.

MR. HALLMAN: Quick question. Do you have a ballpark idea of how many comments you've received thus far in response to that notice?

MR. HIRSHFELD: I don't know the number off hand, and I'd venture to say that not many only because typically they come in towards the end of the period. So I'll be able to give you a better indication into early March.

So moving onto a training update. We are very, very close to starting a rollout of what I'm going to call post myriad training, and I'm being careful about the name to say it's not only
myriad, but it's post-myriad training because the
training will be on Mayo and myriad, and even
Chakrabarty, et cetera. So that training, we are
right on the cusp. It's actually supposed to
begin tomorrow with dry runs, which I believe with
the storm we might have a problem with. See, I
get choked over that if we can't train.

So we are expecting that if not
tomorrow, we will be starting next with training
of staff. There's been, of course, extensive
discussions with the TC and my area in policy.
And what we have is a guidance document that as we
start to train on this, that guidance document
will be made public to everybody. So in the next
week or so, expect to see the guidance document
itself.

Then we will be having training for
examiners not only in the bio area, but all
examiners will get a touch on this as well. And
once we complete the bulk of training for that
rule, then make our training slides public. The
training slides are nothing more than what the
guidance document is, put into a training format.

So again, that will take place as early as
hopefully tomorrow, weather permitting, but more
likely it'll be starting the following week and
into March. Again, the guidance will be made
public.

And I just wanted to point out that
we've tried to spend a great deal of time putting
some examples into the guidance document where
we've tried to straddle the line of eligibility
using similar examples to say, okay, in this
particular fact pattern you are not eligible, but
if it's tweaked this way, you are eligible. We
feel that's very important to give a better
indication of how we are drawing the lines and
what we're saying the lines are, and people can
see how different cases with similar fact patterns
fall out. So there is a fair amount of examples
in the guidance document itself, and I expect that
we will continue creating examples in working with
the TC on those examples, and making all of this
public material for everybody.
So in the vein of public material, I have the next slide, and I am not putting that up so that we're the number one best place to work, although I just felt like I couldn't pass that by without saying that. What I did put this was for on the left. This is the main USPTO.gov home page. And I get asked all the time, where can I find the training materials. I hear you say they're public, and where can I get them? Well, this is the USPTO.gov main page right on the left towards the bottom.

There's the icon and the latest patent examiner guidance. And we've been putting all of our training materials right into that link so anybody can see exactly what the examiners get. So again, the guidance document will be on their most likely within the week, and then training slides will be put on there shortly after that. But other training material is also in the same particular location.

A shameless plug for the number one best place to work.
(Laughter)

MR. HIRSHFELD: So continuing with training, I have mentioned previously in this forum about the number of 112 training modules, clarity training modules that we have had. We've had two modules relatively recently about 112(f) and identifying those limitations and also making the record clear. We are relatively close. Materials are essentially completed. We're just working in the timing for our examiners with all the other training materials to see when this would be the right time to roll out. But we do have another module, which will be coming out on the broadest reasonable interpretation and definiteness of claims, again still in the 112(f) framework.

I do expect, however, that as we continue to go down this path, we will have additional modules expanding beyond the 112(f). Of course we will look into (b) and (a), et cetera, as I've mentioned previously. But the next one on the cusp is still is 112(f). We felt
like we needed to finish what we had started there and continue down that path.

The final double asterisk there on this slide is just a highlight of the fact that clarity of the prosecution record continues to be an important point and a main theme for us. And all of these training modules, as we roll them out, we are stressing that examiners are very clear and applicants are very clear on the record and trying to make sure we have the right discussions taking place, the right meeting of the minds during prosecution, and that the examiner and the applicant are not, in fact, talking past each other.

So that is essentially all I had today. I'm very happy to take any questions.

CHAIRMAN FOREMAN: Great. Thank you, Drew. And just for clarification, where did we rank this year at the Patent Office, the best place to work?

MR. HIRSHFELD: Should I bring the slide up again?
CHAIRMAN FOREMAN: Just to make sure.

MR. HIRSHFELD: Okay.

CHAIRMAN FOREMAN: Christal?

MS. SHEPPARD: Yes. I just had one comment on the training update, the definiteness of claims, and sufficient disclosure. As most of you know, the Nautilus case was taken up by the Supreme Court, and we just talked about a few minutes ago about the down time that happens when training occurs, and you end up with this kind of dip because instead of finishing up on their applications, they're in training, and it takes away from production goals. And considering the interests of the Supreme Court, there's definitely going to be a change in definiteness.

So is now the time to really take the time with examiners to tell them something that in two months may change?

MR. HIRSHFELD: We have this conversation almost every time we roll out training, especially in recent times where there
are so many interests and there are so many Court
decisions.

We are very cognizant of trying to walk
the fine line of giving examiners the update, the
education that they need without putting something
out there that we feel as a very significant
likelihood will be changed. And a great example
is the COS bank case, which the Supreme Court will
hear at the end of March.

And a lot of our training, that 112(f)
coming up module is very related to the software
space. And there's the one immediately right
after it is directed to software only. We are
trying to walk the fine line of saying, okay, what
is still smart to train on without going too far.

So it's a broad answer to your question,
but we consider that, of course. I can tell you
what's on the margins, right? The wrong answer is
to train on everything without considering it. On
the other side of the margin, it would be not to
train because there are so many cases and we'd
never train on anything. And I think that would
be an injustice to our staff. But I think the
middle of the road is the right way.

MS. SHEPPARD: Yes. I don't envy you in
having to do this. The Supreme Court keeps
changing the landscape, and 14 percent of their
cases this year are IP cases. But knowing that
we're trying to get the production goals, good
luck with it.

MR. FAILE: Just real quick to add into
both Christal's and Esther's point about the
amount of training that we're doing in balancing
that, you know, our continually moving back logs
and pendency in a downward direction. One of the
things that Drew's shop and my shop have been
working on lately is putting more of an
organization to the way we're doing the training
internally, starting all the way with scoping out,
you know, potentially far in advance. We think we
need to train on these topics this year. Spacing
that training out with the examining. Of course,
we don't have bunches of training happening at the
same time.
And also looking at the way the material is actually delivered. You know, we're delivering this training to basically scientists and engineers, patent examiners, and trying to gear it for that type of audience, number one. Number two, trying to archive that training in forms of videos or CBT computer-based training modules that an examiner can dial in. If they are in the middle of an issue in a case, they can pull up that module and have a refresher training right there, building that in.

So we've kind of taken a look, you know, from a higher level at, you know, all the training that we're doing, what's the best way to organize and deliver that in a more meaningful and thoughtful way. So that's kind of a project that we've been working on this year, and we have kind of a first series of trainings we're starting to work through that and kind of, you know, do some improvement in that area as well.

MR. HIRSHFELD: And if I may also add cyber. And with this point to sort of gel this,
as Andy was speaking also is much of the training is refresher training, right? So make sure that the well-established laws, and it's all not on this, but a big portion of it is. Reinforcing the laws that we would consider to say well established to make sure that they're consistently applied. But it also gets me right back to the clarity theme, and that pushing that clarity, and that we are recognizing and agreeing that there is a lot of gray area in how you move forward in these cases, and that the importance might not be so much the decision itself when you're truly in that gray area as much as it is putting that decision down in paper so that the applicant can see it and then can respond to it.

MR. KISLIUK: I would just add one thing at a little bit of a higher level. I know Esther and Christal both mentioned about, you know, training and that it does impact our pendency and our workload.

I think we are very cognizant, and we're working very hard the last couple of years, to
realize that we are in a changing landscape all
the time. Our business is always changing. We're
never going to be at a steady state. Case law
will continue to come at a faster rate.
Everything we do now is keeping that in
consideration. We have built time into the model.
We don't always know ahead of time exactly what
we're training on, but we know we're going to be
training. I'll give acknowledgement to Mark
Powell, who likes to say we need to keep
scholarship in the job. I think we are more than
ever cognizant that if we don't keep our examiners
well trained, we are not going to be able to do a
quality job. So it's a balance.
And in our models, we don't say no
training and then if something comes up, oh, we
have to train. We know we're going to do X
amount. What we're going to do we're not sure,
and it's always going to be a balance. So just to
let you know that it's a constant dialogue we have
all the time. And how we train, how well we
train, and how efficient we train is just as
important as just doing the training.

MS. SHEPPARD: That's excellent. And

I'm just wondering, and you probably don't know
the numbers, have you gone over the amount that
you expect to train, or are you about at the right
level?

MR. KISLIUK: I don't know specifically,
but going into this year we knew we were going to
train roughly X amount. We are kind of on target
with that amount, and we did plan for the CPC
transition as well going into the year. So our
models and our projections for where we will be in
pendency, so far so good because we planned on it.

Now, you can always argue whether should
we have done more or less. That's kind of a
secondary look. We always assess as we go through
did we do too much. Was it effective or not?
Those questions will continue to fine tune what we
do. But so far, we are on task where we thought
we would be.

MR. FAILE: Just to add in real quickly
to Christal's question. So the big pieces of
training, we have those pretty accurately scoped out in the model. You know, the first inventor file, the CPC transition. We can calculate those pretty well. We kind of know that we're going to do these other trainings in the year, so we kind of have a bucket for that, and so far we're pretty close to that. But that's the area where we can be a little plus or minus in.

So the big ones we know we're going to do this. It's planned well in advance. We've planned for that pretty well, and we try to space those to the extent we can. It's the, I don't want to say smaller trainings because they're all huge trainings, but it's the other trainings that we have a bucket, and we need to kind of constantly watch to make sure we're on target with those.

MR. THURLOW: Can I just say just two separate points and quick comments? I know we're tight with time today. Two big issues that raise a concern is the patent term adjustment and how the PTO is handling that, especially for companies
in the pharmaceutical area. And then the other point just to briefly mention, the whole Federal Register notice about the assignee transparency during the application stage is something I think we discussed briefly in the last PPAC meeting. It's raised a lot of angst or consternation, or pick whatever word you want, concern. So maybe just briefly mention where we're at with that.

Thanks.

MR. HIRSHFELD: So for the attributable owner, we have a comment period, and I don't know what else to say about that other than people should be submitting their comments and thoughts about, you know, what is being proposed in an attributable owner package.

MS. SHEPPARD: One point about that is that we didn't receive that. We're supposed to get those rules in advance, and we did not, the PPAC. At least we didn't, so that's one observation that hopefully you will get us the -- so I was surprised when it came out and, you know, we had not known anything about it.
MR. SOBON: Can you remind the public when the comments are due for the attributable ownership package?

MR. HIRSHFELD: I don't offhand know the date. What's in the package is a 60-day time period. I do expect that there's a likelihood that that will be extended. We are talking about having, and it's mentioned in the notice, some roundtable or some discussions on this. So the plan is to have those during the comment period with people having sufficient time afterwards to be able to hear what was discussed and get the back and forth, and then still have time to create their comments and send them in.

Again, Esther's point, I think that was just pure oversight that that did not happen.

MR. SOBON: Just to volunteer maybe on behalf of PPAC, but in the past those roundtables have been very successful, I think, and we're happy as PPAC members to help assist in that, you know, if there are local events like that to, in some sense, co-sponsor or provide a PPAC
opportunity for that because as part of our
mission to encourage user community input, I think
we're happy to help, and we've done that in the
past in prior roundtables.

MR. HIRSHFELD: Thank you. And I just
have a question for Peter. Peter, you mentioned
patent term adjustment and concerns. Is that
something that we should follow up with?

MR. THURLOW: There's been a couple of
Court decisions that will have a significant
effect. And is the PTO doing things with the PTA
as far as how to determine it? It's always a big
issue with pharmaceutical companies. Every day is
an extra dollar.

MS. KEPPLINGER: Yes. I mean, I guess
the -- sorry. Sorry.

MR. THURLOW: That's okay. Please.

MS. KEPPLINGER: The sooner you can get
the information out about the process that you're
going to take, for example, in the previous case,
you created, you know, a procedure for people to
just apply and get the PTA in that way. And the
sooner people know about that, because right now applicants have to make a decision: Do I pay five months' extension of time, or are you going to provide it, in effect, for free? Because if someone has paid five months' extension of time and then you subsequently provide a procedure which allows anybody who received a patent within this period of time can apply for PTA, you know, for the time between notice allowance and issuance.

So the sooner you can get that out, that would be helpful so that people can make a decision. Or if you can't get that out, if people pay for the extensions of fee and then you do create a procedure, if there's some way to give that money back, you know, so that everybody is on the same equal footing.

MR. HIRSHFELD: Okay, thank you. I just wanted to know where you were going with that. A couple of notes on it. We certainly are very cognizant of putting a procedure in place for people, and this is the Exo Lexus Novardis issue.
I do think before we can come out with something, we need to make sure that the timing is ripe in the appeal process, et cetera, so we are in a little more of a waiting state to be able to publicly address that. Should we be able to address it soon, then, of course, we will be very cognizant and are cognizant of the points that are being raised about a procedure in place.

While we're on the subject of PTA, we have also received feedback about some of the AIA technical correction changes, which we had an interim rule which went out and getting some feedback about some potential -- similar to what Esther was saying -- some procedures for letting people get relief under that who might not have their calculations done correctly, and we also are pursuing that as well. And I think that should be something that would be out relatively soon as well.

CHAIRMAN FOREMAN: Thank you, Drew. And so we're running a little bit behind. We have a scheduled break that I'd like to power through.
But being consistent with our PPAC winter games, we actually have to break for an awards ceremony. So I'd like to invite Commissioner for Patents, Peggy Focarino, to join us.

MS. FOCARINO: A surprise visit. We're full of surprises, right? The weather, it'll be a big surprise.

So good afternoon, and it's my pleasure really and it's a privilege to recognize today two current PPAC members that are sitting right next to me, Esther Kepplinger and Wayne Sobon. And Steve Miller I should add, who also was recognized for a Department of Commerce Gold Medal, is no longer a PPAC member. He's a former member. But he was part of the team that got recognized. And the recognition occurred a couple of weeks ago at the Department of Commerce, and the Secretary of Commerce gave out the annual Gold and Silver Medal Awards to employees of the Department of Commerce.

And we had a team that was recognized for the AIA implementation, and, of course, PPAC played a critical role in that, particularly with
the fee setting and all of the efforts that went into that.

So the Department of Commerce Gold Medal is the highest recognition that an employee can get, and we understand why you couldn't be there, but you were shouted out and recognized at the ceremony. And your leadership and effort in all of the little pieces that went into implementing all the provisions of the AIA, and the rulemaking, and stakeholders programs, the roundtables, the hearings. When we think about it and look back now, I'm not sure everyone fully understands how all that happened and happened extremely well.

But it's a pleasure to recognize you, Esther and Wayne, and I want to present you with your Gold Medal Awards. I don't know if you still have any room on your wall.

MS. KEPPLINGER: That's a big one.

(Applause)

CHAIRMAN FOREMAN: It's good to see some team PPAC bringing home the gold. All right. Congratulations.
All right. So at this point, I'd like to introduce Mark Powell, and invite him to give us an update on international.

MR. POWELL: Good afternoon, everyone.

And as usual, I've been allotted a certain amount of time, and I'll use a lot less of it to attempt to get everyone back on schedule.

I'm here to officially announce that the USPTO, and Patents, in particular, has set up a new organization known as the Office of International Patent Cooperation. We've been working on this for a number of month. There was an interagency approval process, including Capitol Hill, which was completed exactly two weeks ago today. I am heading this new office as the Deputy Commissioner for International Patent Cooperation.

Up here you'll see a mission statement, which is a little bit wordy, but I think I'll just share with you more of a strategic vision. And that really is to improve the international patent system, and by improve that, I mean in terms of certainty of rights and reduction of costs.
Certainly of rights includes quality, timeliness, you know, transparency, and so on.

And the reduction of costs is a real factor because we are all true believers that if we can reduce the marginal costs in our very expensive international filing system per invention, that it will enable the exploitation of more inventions on a given IP exploitation budget. And then it follow perhaps the creation of more jobs. So to us it's extremely important.

Briefly, next steps. We've been working on this quite a bit. Initially we're putting under this organization what was known as the Office of PCT Legal Administration. We've expanded that scope to the Office of International Legal Administration. The many folks, including the lawyers there, have worked with us for years on PPH and other work sharing regimes and so on. We're also putting into this umbrella the entire classification operation most ably led by Bruce Kisliok over the last long period of time, noting that our classification activities are all
international now with the CPC and so on.

Further, there's a wing of IT folks --
not a very large number -- that will be coming
from the Office of Patent Information Management.
They've been working on, in conjunction with the
stakeholders, the identification of future
services that stakeholders may require in a
modernized system. It's extremely important.

And then finally, there's a new part of
this, which we are tentatively calling work
sharing planning and implementation, which is
really related to actually within the patent core
among the examiners, among the directors, and
specifics, and with the use of new IT tools,
actually getting these services, you know, up and
running as soon as possible.

I think that we have done really, really
well given the ad hoc nature of how this work has
been organized, different people doing different
pieces, in different departments, under different
management, with a general direction. But I think
standing up this organization is really going to
enable us to be extremely effective.

And further, in standing up this 
organization, we will be able to add the human 
resources we've needed to do many of the things 
that we have not been able to do for a lack of 
them. And also, internally when it comes, you 
know, budget priorities and IT things, it will 
give us a stronger voice at the table.

I think that really what's, you know, 
key to us is, you know, the message this is 
hopefully sending to the stakeholder community is 
that by institutionalizing this work, we take it 
very seriously. It's now very, very, very 
important in a globalized economy.

So I'm looking forward to working with 
PPAC. And Mary Lee, I guess, who wasn't able to 
make it during this cycle, but on the stakeholder 
part of this. Oh, Mary Lee, hello. Okay. And 
just simply finally to add that really everything 
we do has a stakeholder component, right? This is 
the stakeholder system, all right? The days of 
build it and they will come are over. We need to
hear what is needed, and what is desired, and how 
it can help as we move forward on the various 
initiatives.

So with that, I will take any questions.

CHAIRMAN FOREMAN: Well, thank you, 
Mark, and congratulations on the new position. 
And we're looking forward to future updates from 
your group. Any questions? Wayne?

MR. SOBON: Maybe perhaps more of a 
comment than a question, but I think this is a 
great next step for the Office to have this 
consolidation and focus on this.

I've gathered a number of comments from 
others in the broader and global community, you 
know, especially the issues that were created by 
sequestration and the contraction of the USPTO's 
work in the international community was sorely 
missed during that time, and at a time when 
actually with the passage of AIA and First to File 
has actually provided, I think, a great platform 
for us to proceed further on harmonization topics 
and other things with the IP-5, and the
I'm hopeful that that work will now escalate again and we'll be seeing the USPTO very active on the international stage in these events because I think there's a lot of things that can be accomplished.

MR. POWELL: That's exactly where we're headed. And we have perhaps a bit of catching up to do, but we have a whole future of cooperation on this, not just for the stakeholders, but the other offices, and internally. So it's going to be onward and upward. Thank you.

CHAIRMAN FOREMAN: Any other comments or questions? Again, thank you, Mark.

All right. At this point, I understand that Chief Judge Smith is not here to join us, but we are going to have an update on PTAB and a discussion.

JUDGE HORNRE: Good afternoon. I'm Linda Horner. I'm the Acting Vice Chief Judge of the Patent Trial and Appeal Board, and I want to
make a few introductions here of other people at the table with me. Scott Boalick is the other Acting Vice Chief Judge for the Board, and we also have with us Judge Thomas Giannetti and Judge Jameson Lee.

Scott and I will divide up the presentation today. We have slides on our AIA jurisdiction with statistics and progress update. We also cover some status updates on our ex parte appeal jurisdiction. And then we're going to talk a little bit about staffing and how we're allocating our resources among our various jurisdictions.

JUDGE BOALICK: So the first part of the presentation will be our AIA statistics and progress. The next slide. The first slide for you here is just the cumulative number of petitions. You can see that since inception of the AIA on September 16th of 2012, we've had 986 total petitions, broken down by 851 inter parties reviews, 113 covered business method reviews, and four derivation proceedings. The next slide,
please.

This just shows you by month what the filings have been. The blue shaded portion at the top with the horizontal shading are the number of inter parties review petitions. Stacked below it are the number of covered business method proceedings with the hash marks. And in orange are the number of derivations, again, those only being four. And you can see there's been a general trend upward in the filings peaking in the November/December timeframe where we had 110 and 12 petitions respectively. That was giving us a filing rate of about 3.6 petitions per day. However, you can see in January we had a downturn down to 69 petitions, so it was about 2.2 per day. So far in February, we have 22 petitions as of yesterday. We're on a two per day rate, but we'll see what happens with the filings there.

Next slide, please?

Technology breakdown. And those of you who have been following the statistics from the beginning will not be surprised to see the
breakdown is roughly what it was, slightly over 70 percent in the electrical computer area, then followed by about 16 percent mechanical, seven roughly percent chemical, about five to six percent biotech and pharmaceutical, and the remainder, we've got six design petitions.

Next, the preliminary responses. We see that in the inter parties review. We've had 423 of those filed. Again, this is cumulative from the beginning. We've had 142 waived. The covered business method, 66 were filed, three were expressly waived. Next slide, please.

Dispositions. I'll spend just a moment on these. These include the number of trials instituted, and you can see that in fiscal year '13, we instituted 167 inter parties reviews. Here just at the beginning of the second quarter of fiscal year '14, you can see that we're already at 121 trials instituted. So our institution rate has actually come down if you look at the total numbers of decisions on institution that we've had.
We had 87 percent instituted in FY '13, percent instituted in '14. Of these institutions, and something we don't have here today, but just a note, many of these institutions are on less than all of the requested grounds. Some of them are on less than all of the requested claims. So the institutions we don't have broken down for you today, but the institution can be, if even one claim and one ground in the request was granted, it counts here in these statistics as an institution. The denials are completely denied, so no grounds, no claims.

Covered business methods, slightly higher percent instituted, but you notice the numbers are far less. So a question whether one or two petitions going either way makes a big difference in the percentage when you're dealing with less than 20 of each.

The final dispositions are just starting to come out. Last year we had only two. And actually the fiscal year -- well, correction. Last year we had only one. There was a CBM
petition in Fiscal Year '13. This year, as you can see, we've had two inter parties reviews as of January 30th. However, yesterday we had two CBM final decisions, and I believe it was four inter parties review final decisions. So the final decisions, these numbers are changing every day now, and they're starting to increase. That's the far right column.

As you can see, there have been a number of settlements, and the inter parties review in FY '13, we had 38 settlements. And we've had 43 already in FY '14 in the inter parties reviews. Less settlements, but then again fewer petitions and fewer trials in the CBM area. And the request for adverse judgment, that's where a party requests judgment to be entered itself, as you've seen. Last year, that happened twice. It's happened 11 times in inter parties review this year. It has not yet happened in the covered business method review proceedings.

The next slide is one that you've all seen. I just put it up here for reference because
there may be some questions later where we would want to refer back to some of the timing of what happens in trials. So I'm not going to spend time on this right now, but we may come back to it depending upon the questions.

And the next part of the presentation I'll turn over to Vice Chief Judge Horner.

JUDGE HORNER: Thank you. So we thought that it might be useful for the slides that follow to have a refresher on a comparison between AIA proceedings and inter parties reexamination and district court litigation as these are all alternative contested disputes to address patentability. And we've chosen to just cover four points here: The difference between the standards for institution among these various proceedings, whether amendments are allowed in these various proceedings and what level of amendment, the scope of discovery in each of these proceedings, and also the time to completion.

For the standards for institution, AIA proceedings, depending on whether it's an inter
parties review or a covered business method, they
have slightly different standards, but either
reasonable likelihood that at least one claim
would be found to be unpatentable or more likely
than not. Inter parties re-exam has a similar
reasonable likelihood standard, reasonable
likelihood of prevailing with respect to at least
one claim being challenged.

District court litigation, really it's
just notice pleading, so you've got to survive a
Rule 11 motion perhaps, but not the same
standards. So legal contentions have to be
warranted by a non-frivolous argument and factual
contentions have or will have evidentiary support.

For amendments, there is a distinct
difference among all three proceedings here. In
AIA proceedings, you have a right to move to
amend. You have a right to make a motion to amend
your claims, but no right to actually have the
amendment entered, so there's a limited ability to
amend. And we have some slides later. We'll get
into that in a little more detail.
In inter parties reexamination, you have amendments submitted before final action are entered as a matter of right. Amendments after final must comply with 37 C.F.R. 1.116. And, of course, in district court litigation, no amendment is possible.

Discovery, here the differences are clearly between AIA and district court litigation. There's no discovery in inter parties reexaminations. In the AIA, and we have, again, another slide that will get into more detail on this, we have three categories of discovery:

Routine discovery, mandatory initial disclosures, and then additional discovery that can occur by agreement or by motion. And in district court litigation, the standard is really whether the discovery is reasonably calculated to lead to admissible evidence.

And then time to completion, AIA, we're required by the statute to complete within one year of institution. Inter parties re-exam, about 75 percent are now completed within 18 months.
The average time to completion for all inter
parties reexaminations is around 21 months from
filing. And district court litigation, we took
this from a PriceWaterhouseCoopers survey, and
median time to trial they estimated as
approximately 2.5 years.

I'll turn it over to Vice Chief Judge
Boalick to get into more details on motions to
amend and discovery.

JUDGE BOALICK: So on motions to amend,
there is a representative order of the Board, one
that you see referenced in our cases, the Idle
Free decision. And it is on the PTAB webpage
under the "representative orders and decisions" in
AIA. It goes through and lists a number of the
requirements of the motion to amend.

One thing on a motion to amend is that a
conference with the Board is required by the rule.
This is generally a good thing because it's a
chance to discuss what should be in the motion,
again because the statute gives only one motion as
of right. Any subsequent motions need to be
agreed upon by the parties. So if you're going to get your one motion as of right, it makes sense to confer with the Board and go over what the expectations are so the party has their best shot of success in the motion.

Normally, a one-for-one claim substitution is what will be required. The scope of the claims must be narrow. They can't be broadened in any respect. There's a need to show a patentable distinction of any features added. And if the claims are going to be on a contingent motion, in other words, if the claims are found unpatentable, then please consider my motion to amend. That needs to be clearly stated.

Something to understand on the next slide that makes amendments in the AIA proceedings so different than the examination proceedings or any other proceeding before the PTO is that unlike examination, the Board does not examine the claims. We don't examine the amended claims. There's no search conducted by the Board. There's no rejections as such of the claims that are made.
So really, the burden here is on the patent owner as the movant to show patentable distinctions between the amendment over all of the prior art, and it's a big distinction. It sort of flips things around where the patent owner needs to show how the claims distinguish over the art rather than having the burden be on the Office to show that it's not distinguished.

MR. THURLOW: So Judge Boalick, if you don't mind me.

JUDGE BOALICK: Sure.

MR. THURLOW: I was trying to figure out as you were doing the presentation should I wait until the end or should I --

JUDGE BOALICK: This is probably a good time because I imagine there'll be a lot of questions on amendment, and then the next section we'll talk about discovery. So we'll pause it at that point for questions.

MR. THURLOW: So just taking a step back, so as we've discussed, this motion to amend has raised a lot of concern. So you're exactly
right where there is a representative decision on
there, namely the Idle Free case. What would be
helpful maybe for the patent community is maybe if
you had a few examples of motions to amend that
were done correctly. And whether it's an expert
opinion is needed in each case, because in that
last slide the word that I circled on mine was,
you know, "to show the patentability distinction
of the proposed amended claim over all prior art."

Now, many people feel that that's quite
the challenge, and from a procedural standpoint
the concern is that in that case the claims are
canceled if not done procedurally, and it could be
rather significant obviously. So maybe comment on
that.

And then just a quick comment just going
back to statistics. Well, why don't you answer
that, and I'll go back to statistics?

JUDGE BOALICK: I guess the first thing
to say is that we are fairly early in the process
of issuing the final decision. So Idle Free was
the first that dealt with a motion to amend.
Since that time, I believe yesterday we issued two more decisions, final written decisions, that dealt with motions to amend. However, there are more on the way, so I think the landscape will be evolving. And certainly what we would do is think to supplement our web page on illustrative motions or decisions where we can highlight things that were done or practice tips. And something we'll be incorporating into our materials are practice tips.

MR. THURLOW: That's great.

JUDGE BOALICK: I guess I'd like to give Judges Giannetti and Lee a chance to comment on the motions to amend as well.

MR. THURLOW: Real quick, those two cases yesterday with the motion, were they done okay, or were there problems with them?

JUDGE BOALICK: In both cases, the motions were not adopted. The claims, the amendment was not adopted.

MR. THURLOW: Okay.

JUDGE GIANNETTI: It is very early, and
we haven't seen very many motions to amend. And frankly, some of the ones that we've seen were just not very good. Idle Free was a pretty early decision, the Idle Free where we set the ground rules. It was a pretty early decision. Frankly, a lot of patent owners have just ignored factors and haven't even made much of an attempt to meet the standards.

The conference is very important, and I think that that should not be taken lightly. We will try to guide patent owners to a successful amendment. That's the point of the conference, and the reason that we insist on it is that we want to be as helpful as we can in making sure that these factors are met and understood before the amendment is presented. And, in fact, we've given patent owners the opportunity to resubmit their amendments. If we felt they didn't quite get it the first time, they needed to resubmit it. So we're making every effort we can to see that these factors are met.

The fact that we've seen just a few
cases, and I'm hearing anecdotally that the quality of motions to amend is improving, and so I think we're hopeful that patent owners will be more successful as they learn how to do it properly with our guidance.

MR. SOBON: If I could add to that, the question on this, I think this is something that I've heard causes some concern in applicants who are before you on these early cases. I think I share Peter's concern about the "all," especially in conjunction with what you know above that, which is that it is a full examination of the case. You've instituted a case on very specific prior art by the petitioner, and the ambit of that prior art is what's really the scope of your review in the contested case.

And this is on top of the patent. It's already gone through patent examination over a number of years by the Office against directly all prior art to get to this stage. So you are looking at a contested case on very specific art brought by petitioners. I guess users are
confused why they would have to aver again in some
detailed way why the new proposed claims, which
are supposed to be more limited than what was
allowed by the Office in the first place and are
intended to surmount the proposed art, have to
beyond that make any sort of detailed, taking of
precious space and limitations on motions, all
other art. Why it's not enough just to surmount
the actual art that is at issue in the contested
case.

JUDGE LEE: Hi. I want to answer.
Perhaps I can say a few words on the earlier
question. I understand it sounds like an
insurmountable task, the "all" word. But actually
we don't really require all. All the patent owner
needs to tell us is what the patent owner itself
does know and what it does know about the level of
ordinary skill. And I think we will treat that as
the "all." But so far in the earlier cases, I
don't think there has been a real attempt on the
motions to amend to even tell us what the patent
owner itself knows or what is the level of
ordinary skill in the art.

But we're beginning to see in the more recent motions that the motions are becoming more tailored and they're becoming more compliant. So I think it will just be a matter of time when there will be a very successful motion to amend that will come out. So the "all," it sounds bad, but it's not really an insurmountable task because we will treat what you do know as the "all."

That's all you're expected to know. That will be the "all" that we require, I think.

And as far as why should the patent owner have to tell us about the new feature that's being added, when you make an amendment and add a feature in regular prosecution, the examiner will say, well, that requires further search even though it narrows. I've never looked with respect to that feature in combination with other elements in the claim.

So you're not going to automatically get a notice of allowance just because you narrow a claim, because previously you had an unpatentable
claim, and then you say, well, in combination with
this element, I've narrowed it. But the examiner
still has to go out and search for that feature in
combination with the other claim elements. We
can't do that at the Board.

Essentially, the patent owner has to
come forward and say, this is the feature we think
makes our claim patentable because we've never
seen this in this environment, and we've only seen
it elsewhere in those other environments, but it
wouldn't obvious for one of ordinary skill to
apply that feature or take it from that other
environment and put it in combination with these.
That's all the patent owner can be expected to
say. But so far we haven't seen that kind of
analysis.

MR. THURLOW: Just, I guess, from the
applicant community, the concern is that the
provisions of the amendment obviously was not in
the rules. The PTO has the discretion to
determine that. There's some concern that the
PTAB Trial Practice Guide, which had three or four
columns of information on how to do the motion to amend, I don't know if it was as specific as requiring the "all" as detailed as may be the case. But I may be wrong in that.

And there's some concern with the consistency between PTAB and CRU, whether there needs to be similarities. And then for those cases that are going through the early stages the first year or so, they're kind of trapped because they're going through the learning stage. And the cases that are filed, you know, going forward now are going to have the benefit of those. It's hard to learn in that first year about this.

So big picture is that the more these conference calls, the more advice, the more kind of samples of, hey, this is how you do it, and use an expert declaration in there to get it. Those guidelines will be particularly helpful. From an Advisory Committee standpoint, I think at a minimum, that's one recommendation.

MR. SOBON: Thank you, Judge Lee, on the explanations. I think I'm still a little
confused, and I think the user community, the patent community, is a bit confused, too, why the Office and the PTAB don't treat these amendments, which is an actual giving up of the patented state that already has been granted by the Office and contracting that before you in the face of a contested case, why that isn't just liberally granted. If, in fact, the amendment narrows the claim scope and does surmount, at least facially, the proffered prior art, the limited focus pieces of prior art brought by the petitioner, why the Office is not treating that in a very liberal way. You know, the ultimate outcome of this is the potential destruction of a patent right that's already been granted by the Office. And why the PTAB isn't treating that as a very much more liberal standard, that so long as the claim is narrowed beyond what was already granted and examined by the Office, and actually at least facially surmounts the proffered prior art, why isn't that more liberally granted? I guess I don't understand, and maybe you can help me
understand, the rationale you're providing as a
Court.

JUDGE LEE: I can understand where
you're coming from, but the presumption from your
perspective is you're giving up a patentable
claim. But the way we're looking at it is there
is a reasonable likelihood already that the
original claim is unpatentable, and you're adding
to it, so there's no presumption of validity. So
just because you're adding a feature to it, that
doesn't automatically make the amended claim
patently distinct over the prior art.

I'm not sure how many other countries
have a system where you can get a claim allowed
without examination. So here in the AIA
procedure, patent owners can, in fact, get a claim
through without examination. The patent owners
can just tell the Patent Office where the
patentable distinction is. And if you can get the
claim through, it would sound like a gold-plated
patent, and a very strong patent at that.

So adding a feature to a claim where the
feature was not the focus of anyone's attention
does not sound like an area where the Patent
Office should be liberal about granting the
amendment because no one was focusing on the
feature before the amendment. I mean, perhaps not
even the petitioner, not even the examiner. And
we have no basis of doing an examination based on
the added feature.

MR. JACOBS: Yes. A follow-up to that,
I think a lot of the questions seem to be from the
perspective of the patent owner. I think looking
at the whole process, it may raise other questions
as well with respect to all the prior art. So all
the prior art, as a practical matter, doesn't that
really mean all the prior art of record, and then
also perhaps that that's known to the patent
owner?

And then in the motion to amend, as
you've painted it, the patent owner then has to
show that the amended claim is valid over the
patent owner of record and the patent already
known. Doesn't that then put the burden on the
petitioner in opposing the motion to raise any new
art, which would be a function that would normally
be carried out during the examination process?
And isn't that part of this process also
accelerated so that that would be an issue with
this process as well in the case that a claim is
amended that would be valid over the prior art of
record, but not potentially over prior art that
hasn't been considered?

JUDGE GIANNETTI: The petitioner has the
opportunity to bring in new art at that point
since it's a new claim that hasn't been looked at
before. So, yes, that is certainly an opportunity
for the petitioner to come forward with new art.
But that doesn't relieve, I think, the patent
owner of the responsibility of making the argument
and carrying the burden of showing that this new
claim, which no one has really examined, is
patentable.

MR. JACOBS: Of course. So the point is
that once the patent owner has met that burden of
showing that the claim appears to be valid over
the prior art of record, then that shifts the burden then to the petitioner in the case where there may be additional art that has not been considered in the case where this is focused on the additional features of the claim that have been added. I'm just trying to summarize the process to show that there's actually a burden on both sides in this process, and that burden on both sides is kind of in a narrow time window due to the accelerated schedule.

JUDGE LEE: Right now, based on our decisions, that is not the way it is set up to be because the burden is to show patentability over the two or three references in the record does not seem to have made a prima facie case that this claim is, in fact, patentable because if the petition doesn't come back with anything, these claims will go directly into a patent. And we don't know for whatever reason the petitioner may not respond. Maybe it has no money. Maybe there's a number of other reasons.

I don't think the Patent Office can
simply allow claims to go into a patent when there's only a demonstration that these claims define only these two references. What about the rest? So at least right now, unless there's a change in management policy, the burden is to demonstrate general patentability and not simply patentability over the one or two or three particular references that are raised by the petitioner initially.

MR. THURLOW: So we were just saying we could probably spend all our time just talking about motions to amend.

(Laughter)

MR. THURLOW: But in the interest of just moving forward, let me just go back to one quick question that's raised a lot of issue. I mean, you understand the concerns about the motion to amend. If there is something that the Board can do, whether it's a separate paper or a separate something, representative decision, or anything to provide, I think the patent community would find that very helpful.
The other comment that has come up a lot is when petitions are submitted, whether a patent owner should submit a patent owner preliminary response. Now, as you're well aware, in the past the patent owner response was not required until after the PTO decided whether or not to grant or deny the petition. Congress, and I think very correctly so, made that requirement before the PTO makes the decision.

So one of the statistics that will be very helpful for us is that we hear the numbers that overall 85 percent of the petitions are being granted. What would be very helpful to know is in those cases where patent owner preliminary responses were submitted, is that number higher or lower? We would like to think that because of the change in the system, the number is lower because that would make the system more sensible. And then it would help us kind of, you know, make sense of whether we should use it or not.

Right now, I'm actually surprised with so many patent owner preliminary response waivers
being submitted, it's not clear to me why someone
would do that. But if you could provide that or
just mention that.

JUDGE BOALICK: I guess I'll start with
a few remarks, and then I'll let Judges Giannetti
and Lee add anything further they'd like to add.

I guess the first thing is we're not
currently tracking separately the success rate if
a patent owner preliminary response is filed or
not. However, I know there are some commentators
out there in the public who have done those
studies, who have looked at it. But I would say
that the patent owner preliminary response, a few
thoughts on those. One, it's an opportunity to
show why the trial should not be instituted, and
things such as bar dates have been pointed out.
Those tend to be very effective if a bar can be
pointed out or argued.

But there's another aspect to the patent
owner preliminary response, that even if it
doesn't prevent institution, it is a chance to
shape the trial by giving the patent owner's views
on how the claim should be construed. I just think without the filing of a preliminary response, when the Board goes to institute what it has in front of it is the views of the petitioner on claim construction with no corresponding views of the patent owner, which, again, while it may not end up preventing institution of all claims or grounds, it may shape non-institution of some of those, and certain shapes the preliminary claim construction at the outset.

The patent owner, if they don't submit a preliminary response, has the opportunity in their full response to show what their view of claim construction is, but generally without it, the Board is left to put the pieces together on its own.

MR. THURLOW: That's an excellent point. So, in essence, they'd be saying construe the claim this way, and in so construing it, we should deny the petition.

JUDGE BOALICK: Right.

MR. THURLOW: Okay.
JUDGE GIANNETTI: I find the preliminary responses to be generally very helpful when they're focused. When they're not focused and when they try to attack on every possible ground, I don't find them very helpful. But on claim construction, and if there some statutory bar issue, I think they've very helpful.

So while the statistics are interesting, you know, I wouldn't be guided by your percentage of winning. I would think more about what do you have to say on the particular case rather than, you know, looking at the statistics, which, you know, can be helpful. But I personally find them to be quite helpful, and I would encourage people to file them, notwithstanding the statistics, if they have something to say and if they can focus.

MR. SOBON: Along those lines, I think that some of the charts you have are very helpful. And earlier we asked some of the others in the Patent Office and the other departments, if we can get some details. Like, for instance, on the final dispositions on the settlements, if there's
any way to code or show data on is that
settlements where the entire patent is now
forfeited, claims are amended.

   What the actual outcomes are, these
results are, would be very helpful, I think, for
the user community to understand some more details
behind the numbers as we're now in the early days
and proceeding forward. And even if, you know, it
may be qualitative, what did happen between cases
where preliminary responses were filed versus
those that weren't, if there's any qualitative or
quantitative data that can be shown in future
sessions, I think that will be very helpful to us
to be able to react or analyze the usefulness of
those.

   CHAIRMAN FOREMAN: And I would say given
the schedule, some of this may be better served in
the subcommittee. Maybe we can address some of
these issues in subcommittee and then tailor a
presentation for the next PPAC meeting to address
it specifically. So if you want to pick back up
on the presentation.
MR. SOBON: Sure.

JUDGE BOALICK: Okay. No, that sounds good, and we're certainly willing to talk about that in the subcommittee.

The next thing we had here were discovery. And we have, as you recall, in the rules we have the umbrella set of rules, the general trial rules, that cover procedures that apply to each one of the AIA trials. And the discovery rules, first of all, have the feature of allowing parties to agree amongst themselves. In fact, we highly encourage parties to agree to terms among themselves. And it's much better if that happens rather than if they bring their dispute to the Board.

There are the initial disclosures that are mandatory. Again, those are if upon agreement. There's routine discovery and then additional discovery. The additional discovery tends to be where most of the disputes have arisen. Once the discovery has been exchanged, then it's the parties who are seeking to get
discovery on things that go beyond the discovery
that's allowed as of right.

And just a note that on discovery, the
discovery, of course, is of necessity more limited
than the district court standard. Vice Chief
Judge Horner had highlighted some of the standards
and the vast difference between the wide open
district court discovery, which leads to lengthy
and much more costly proceedings, and the
congressional intent here for the discovery during
the PTAB proceedings to be much more focused and
limited so that the proceedings can proceed
quickly and be cost effective.

That said, you know, just some different
cases. There's no one size fits all. Different
cases require different amounts of discovery, and
the Board does evaluate each case on a case by
case basis looking at what really is necessary
under our discovery standards, which are either
interest of justice or good cause. But unlike
district court, the mere possibility that
something exists is not enough to get the
additional discovery. It does not meet the interest of justice standard in IPR.

Other features. In the early days we saw some very burdensome district court style requests. Those don't really work in the AIA proceedings. They can't be overly burdensome. Another thing that's unlike district court discovery, the Board takes into account whether the party can reasonably obtain the information without needing discovery on it. Next slide, please.

And again, in the Board's representative orders is the Garmin decision that gives the five factor test in IPRs and guides discovery requests in the business method proceedings. The five factors are listed here, and again, it's as I had mentioned before. The more possibility or allegation that something could be found, and seeking to identify in opponent's litigation proceedings, it has to be something more than that. Whether the party can obtain or generate the information on their own. The interrogatories
need to be clear and not overly burdensome to answer.

So I guess at this stage, it's probably good to pause and see if there are any discovery-related questions before moving onto our appeals statistics.

MR. SOBON: It might be useful to have, again, as we go forward -- again, it's early days -- but statistics about motions for discovery and any kinds of indications of granting or non-granting. Obviously you're publishing some of the representative opinions, which is very helpful for people to understand what could work. But, you know, having some measurement of what's happening would be very helpful as well. Thank you very much.

JUDGE BOALICK: Okay, sure.

JUDGE HORNER: Okay. We'll move onto a few slides on our jurisdiction over appeals and the progress we're making there.

Our current inventory of ex parte appeals is just over 26,000, so it's pretty steady
at 26,000 right now. As I think we reported at
the November meeting, we've had to divert some
resources that were handling ex parte appeals to
deal with an increase in the AIA workload. But we
have managed to keep appeals at 26,000.

The next slide just shows a decision by
type. About 55 percent affirmed. Another 12
percent affirmed in part. About 30 percent
reversed, and then the rest either panel remand,
administrative remand, or dismissals.

And the next slide shows pending ex
parte appeal age, and it's broken out by
technology center. As you can see, the top part
in blue are mainly electrical technologies and
computer technologies. That's the bulk of our
inventory currently that's aging. We are pretty
up to date on appeals coming from chemical and
biotechnology areas. We have a slight backlog or
inventory in mechanical areas, but the bulk of it
is electrical. We have all of our judges working
on electrical cases to get this backlog down. So
everyone is pitching in, and we're making some
good progress there.

And that segues us into staffing. I'll speak a little bit to Board expansion and then show you how we're allocating our judge resources currently and what we anticipate the allocation to be in the beginning of the next fiscal year.

So since October of 2011, we've been hiring and in a steady growth mode. We've reviewed nearly 2,100 applicant records for APJ positions. We've interviewed over 370 candidates and selected 128 highly qualified candidates to become new judges. And currently as of January 27th, we're at 179 judges. I'd like to stress that there are opportunities at all of our locations, and we're finding that having presence in cities outside of Alexandria has helped us in recruiting for folks who may not have considered joining the Board had they had to relocate to the Alexandria area.

We are currently selecting candidates, sending lists to the Secretary of Commerce for approval, and continuing our interviewing. And
our goal is to add a lot more judges, as you'll see in the next couple of slides. I think you'll be able to figure out how many judges we're hoping to add.

I will note our selectees where they've come from. We've hired from within the office, in the examining corps, the Office of the General Counsel, and within the Board. We have some patent attorneys and others on the Board who have made their way up to becoming judges. We've also hired from other areas of government, specifically the International Trade Commission, staff attorneys, and folks in the various offices there, and also a lot of Department of Justice. We've raided the Department of Justice a little bit.

And then in private practice, we've hired a large number of the hires have come from private practice, from solo to very large practice firms. And across all types of industries, although we've had some announcements go out with a specific focus on electrical and mechanical backgrounds because it's certainly where the bulk
of our work is. But our current announcement is not limited to any particular area of technology, so we're hiring across all technologies.

Current judge staffing. So this is a breakdown of how the judges are allocated. Of our 179 judges, we have almost roughly the same number handling AIA and handling ex parte. We like that balance. We're going to try to maintain that so that we're not diverting too many of our resources away from ex parte appeals. In the green you'll see about 10 percent of our judges are working on appeals from inter partes' re-exams, and we have some judges focused, not entirely, but primarily, on management responsibilities within the Board. And then we have a small interference practice group that handles our legacy interferences.

I will say that as we on board new judges, we start them in ex parte appeals. We've reserved our very experienced judges to stay working on ex parte appeals and serve as mentors for new judges so we can get them trained as quickly as possible. And we find that the core
skills they learn in handling ex parte appeals translate well into our other areas of jurisdiction.

Expected judge staffing. At the beginning of the next fiscal year, we're looking for a total of 236 judges on board, and the breakdown will still stay roughly equivalent in terms of the number of judges handling AIA versus ex parte appeals. We're not anticipating a need to increase right now the number of judges in our section handling inter parties reexamination appeals, nor do we expect an increase in staffing for interference matters. We do anticipate with the addition of about 60 more judges that we'll need to increase our management staff slightly, but only by about three.

And we're hoping by between now and April we're going to have about another 20 judges joining, and then the remainder of the hires in the rest of the fiscal year. Our goal in hiring is to maintain the high quality of candidates and judges that we've been able to attract so far.
We're building the best corps of the dream team, so to speak. And we expect our satellite locations to continue to grow. We're hoping to max out on our available office space and all of our satellite locations, and even before our permanent offices open in California, Colorado, and Texas, we're hoping that those branches will continue to grow.

Coming soon.

JUDGE BOALICK: So I'll preview coming attractions at the PTAB. And so we have in the planning stages right now a number of roundtables on AIA proceedings to collect input from the public on how we're doing and also to let the public know how we're conducting the proceedings. I think that's along the lines of what's requested. Also on our PTAB web page also is requested, we have some new statistics that we're working on to help give some additional insight into the proceedings.

Again, we can work with the subcommittees on some of the desired statistics.
and new representative decisions as decisions come out. Also some of these may end up going into our presidential or informative decisions, which is a slightly different process. But we will do that.

There is a link. This actually isn't a coming attraction. It's a current attraction. We do have a link on the PTAB page of USPTO.gov to our open vacancy announcement, and we will continue to update that as vacancy announcements close and new ones open.

We're also adding a suggestion email box for the proceedings. We've had a suggestion email box from the very beginning for the purpose system, so any suggestions on improvements to purpose. We've had that email box, but we are adding one, so if there are particular questions or concerns, we can at least gather up suggestions to start thinking about. So we will be putting that on the PTAB page very shortly.

We also have some new blog entries that are going to be coming on the AIA microsite. We've had those in the past, so we have some new
lessons learned blogs that we'll be featuring on
that.

And I guess along those lines, just
something to let you know. It's not in the
features, but we are working hard on decision
consistency, both in the ex parte appeals and in
the AIA trials. Training the judges are the ones
who are driving the consistency. We have, you
know, panels of judges. It takes three judges to
actually sign off on the decision. We have new
training programs that the chief judge has talked
about before. We have robust discussions amongst
the judges about things in the AIA and ex parte
realm, and have some internal review processes for
decisions that have the opportunity to make
suggestions while preserving judicial
independence.

And I think when you see the statistics,
at least some of the new ones, again, we are in
the early stages, but I've heard some out there
essentially proclaiming that the sky is falling.
I think you'll see the sky is not falling, in
fact. It's a very focused, narrow, deliberate process. Just as an example, the PTO is now issuing about a thousand patents a day. We've had less than a thousand petitions filed since September 16th, 2012. So I think those alone just sort of say, look, it's a select group of patents that are being challenged. We're taking the job very seriously. We're doing our best to be fair to all parties. So I just wanted to let everybody know that.

MR. THURLOW: Just a quick comment, and thank you very much. The statistics are very helpful. I think all of us take these presentations and we send them around. People look at these statistics first, and one person actually said to me, we look forward to the presentations because that's the only place we can get the statistics. So the extent you can put that on the website, great.

We mentioned in the past, the PPAC has worked with Andy and others at the PTO on partnerships for, like, RC programs. So to the
extent you do a thing around the country, I think we'd be happy to assist where we can.

JUDGE BOALICK: Sure. Thank you very much. Everything you're saying is very helpful, so thank you.

MR. SOBON: I second Peter in terms of our assistance in these upcoming roundtables. I think you can tell by some of the comments we've already given today, we are hearing a number of concerns, and they may be a bit exaggerated about the sky is falling and issues like that. But I think to the extent that we can have really open dialogue with you and the other judges on the Court, I think that'll be very, very helpful both to dispel issues, and also maybe to highlight our focus, or make more precise where concerns might lie and how we might improve things.

I have a couple of questions or just things that would be useful for us. We asked in the past, and it would be helpful especially as you're growing the divisions, if you could have a more detailed work chart for -- I've been asked.
The question has come to me. Is there a work chart or can we get a work chart of where the judges are assigned in detail, which judges are in which details and how you're structured. I think that would be very, very helpful for us.

Another question I have or that's been raised is, how do you go about assigning cases, these contested cases? Is it purely random? Is it selected? I think you could maybe answer it now or maybe come back and provide some more detail about how you go about assigning cases.

The third question I have is, there's a lot of focus, and we've had in prior discussions with Chief Judge Smith and with you and others on the drive and the concerns that you're giving a statutory one-year period to do these contested cases. But you do also have a six-month escape valve as well provided by the statute. And I haven't heard as much about that in some of your comments.

Particularly I've seen on some cases where you're examining a patent or patents that
have gone through detailed expensive litigation, reach jury verdicts, had awards given. And you're analyzing those patents. I think it would be curious to people how much attention you give to the weight and the importance of issues that are being brought before you and when you exercise your discretion to allow further time for that case load.

We recognize you're under burdens, but these are also weighty matters, too. And I think understanding a bit more about what your thought process is separately or collectively in terms of granting or allowing additional time for yourselves to examine certain cases would be helpful to understand. Those are the thoughts that come to my mind today.

JUDGE BOALICK: Okay. And we can certainly look at, again, providing more detailed information. I guess just a quick word. The assignment of cases is something that is not entirely random because we want to make sure that we have a mix of experience on the panel. So at
least one of the judges on the panel is one who
will be more experienced in the handling of the
phone calls, although any judge potentially on the
panel can handle the phone calls and the
interlocutory matters. But again, we have, of
course, a conflict clearance proceeding so that
anybody who has a conflict with a particular
matter will not be assigned to the case.

So it is somewhat randomized, but it's
also meant to try to distribute the workload among
the judges, and which judges have bandwidth to
help write up the cases.

As far as the one-year period, I guess
what I would say, one of the things we're
interested in hearing from you and from the public
is what circumstances you view as constituting the
good cause to go over the 12 months, because as
you know, the statute has the one year, but gives
up to six months for good cause. And what
circumstances constitute good cause? Should it be
a blanket six-month extension or month by month,
week by week?
Our view has essentially been that Congress seemed to intend 12 months with very limited exceptions, but again we're interested in hearing views on that.

MR. HALLMAN: That would be something that would be a very good topic for the roundtables to get some input. And I would suspect you're going to hear a lot about that.

JUDGE BOALICK: Yes.

MS. SHEPPARD: The additional six months was put there to parallel the proceeding in ITC because they have 12 months and they have an additional six months in a case of extraordinary circumstances or good cause.

The problem with the ITC, and I heard this at the time, was that the default has become more of the 18-month. And I think the concern is on the other side, apart from what you were saying, is that Congress intended for it to be 12 months and not 18. But if you look to their precedent, you're going to start seeing good cause come up more and more often, and I just really
that's a mistake.

JUDGE BOALICK: Thank you. So we definitely are interested in hearing the views on that.

JUDGE HORNER: I think that's a valid point, and I think that when we see motions requesting additional time for a reason that would basically apply to every single case before us, we're very reluctant to grant those because it would basically make 18 months the default.

MR. THURLOW: Just a quick follow-up on that one point. There's a feeling for those motions for reconsideration that time is such a critical issue that they're pretty much dead on arrival. And the concern is that they're going back to the same judges that render the initial decision. And one question is has any motion to reconsider been granted, and then is there a procedure in effect where someone else's eyes would look at the motion to reconsider.

JUDGE GIANNETTI: I think at least one has been granted that was involved in the case, so
they're not a few. I would say that if you really
have something to say, something was really
misapprehended or overlooked, you should file your
motion, notwithstanding the fact that there
haven't been very many granted.
The problem with assigning it to a
different panel is then you have to get a
different panel up to speed in order to look at
it.

MR. THURLOW: Right. Not even one
panel, maybe just a judge.

JUDGE BOALICK: And I think the whole
panel does look at it. I think one of the
weaknesses in the motions to reconsider, or at
least many of them, is that they're essentially
just re-arguing the same arguments rather than
pointing out something that was overlooked or
misapprehended. That really, I think, is the key
to granting of a motion for reconsideration is the
focus on that aspect of it.

MR. HALLMAN: -- and when you hired new
judges. Have you considered at all whether or not
trying to hire judges who have a litigation background, whether or not that would be helpful to you. And I'm not on the subcommittee that handles PTAB, but I suspect some of what you've seen in the early filings has been a result of people who've been involved in district court litigation getting involved in these matter. And, well, this is the paper I use in district court, so this is paper I'll use here. I think I've gotten a flavor of that.

But on the other side of the ledger, have you considered hiring more people who maybe have a litigation background and can anticipate some of this stuff?

JUDGE HORNER: Many, many of the hires we've made since 2011 are people who have primarily done patent litigation in their career prior to coming to the Board. Maybe Judge Giannetti can tell us how long he was involved in patent litigation before coming to the Board.

JUDGE GIANNETTI: Thirty-four years.

JUDGE HORNER: So we see plenty of
candidates who have never prosecuted a patent before the Office who are strictly patent litigation folks. And they're naturally drawn to this job because there is that litigation aspect of the AIA trial work that intrigues them. And so, we are seeing a healthy number of candidates with that kind of background.

JUDGE BOALICK: I will just add to that, though, that even though they may not have prosecuted before the Office, they start out in the ex parte appeals area, and that's an expectation that they understand, that the Board can't guarantee anyone any particular type of work. It depends on the workload that is given to us by the public. So a judge has to be prepared to work in any of our areas of jurisdiction, depending on need.

CHAIRMAN FOREMAN: Well, thank you. This was a very constructive discussion, and certainly we appreciate you filling in on short notice.

We are kind of back on schedule at this
point, but Wayne's stomach is reminding me that we haven't had a break.

(Laughter)

CHAIRMAN FOREMAN: So what we're going to do is, it is about 1:50. We're going to combine the two short 15-minute breaks that we have into one 30-minute lunch break. And so, we will pick back up at 2:20 for a legislative update with Dana Colarulli. So we are going to be offline for 30 minutes. We will continue at 2:20, and so please eat quickly, and we'll see you shortly.

(Recess)

CHAIRMAN FOREMAN: All right. I'd like to welcome everyone back from our short break here. And so, at this point I'd like to turn the floor over to Dana Colarulli to give us an update on legislative issues.

MR. COLARULLI: Thanks, Louis, and happy to be here. As was commented, I'm donning a new look to prepare for the storm. As you all know, the entire D.C. metro area has begun to shut down
as they do with the threat of any type of ill
weather report. So thank you all for meeting
here.

The other thing I'm doing is channeling
an old Italian man. I'm starting to get cold
actually, so my grandfather would be proud.

So thanks for letting me come, again, in
front of the committee and give you an update on
both what are the issues that are important in
front of our committees of jurisdiction.
Primarily we spend most of the time with the
Judiciary Committees in the House and the Senate.
So I'll spend a little bit of time on that on the
front end, and then we can get into the patent
litigation reform issues, which I know are of
great interest to this crowd.

Start off with, and as I said, we'll get
into the patent litigation issues a little bit
more deeply. But there's a lot of interest in
moving forward on IP legislation continued. It is
one of the few issues that members on both sides
of the aisle can get around and support. Some
find it somewhat surprising that so soon after the AIA, we're engaged in such a strong push forward for additional follow-on legislation, although there are good arguments to say this addresses something further and builds on much of the work of the AIA.

Certainly this patent litigation reform is an issue that the White House has expressed a lot of interest in, and I'll talk a bit more about that. But we're hopeful that legislation can move forward this Congress, and that it will build upon a lot of the work that's been going on at the Agency.

So with that opening remark, let me go back and talk a little bit about some of the issues that are front of the Judiciary Committees right now.

I had included in previous presentations an update on copyright issues. The House Judiciary Committee in particular has started a series of hearings to review the copyright system. That was done somewhat in parallel to our own
efforts here at PTO and within the Department of Commerce to really look more critically at some of the changes that could be made to the statute to improve the copyright infrastructure. We issued a Department of Commerce green paper in parallel to some of the congressional discussion. A number of hearings in front of the House Judiciary Committee that occurred both before and after the House moved on its patent litigation reform bill.

We expect that to continue to be a secondary focus of the Committee. It's a question of whether there would be legislation that would be circulated this year. Certainly, even optimistically it seems like legislation wouldn't move forward, but perhaps circulated. So that'll take the attention at least of the House Judiciary Committee. We're not seeing the same attention there on the Senate side on copyright issues, but we hope some of the activity that we're doing here in the PTO in trying to tee up some of these issues, as was seen in the green paper, might help further congressional discussions and later
conversations. So on the copyright issue, sufficient to say that this is one of the focuses of their attention.

While we're on the slide, trademark issues have also been of interest to some members of the House Judiciary Committee. There's been at least one bill that's been introduced about trademark protection over state seals by Representative Jeffries. I know there's some active discussion there. And really, that's been the only piece of legislation that's been introduced on the trademark side. Again, we don't see right now a parallel on the Senate side, but maybe that might come later.

So let's get right into patent litigation reform proposals. I'm going to show you a set of slides that are updated from previous slides that we had shown to the committee. This goes back to much earlier last year in February. The President had said patent litigation reform is something he'd like to spend some time on, he'd like the Administration to focus on. That
followed on with June of last year a White House statement that identified seven legislative priorities, and got us working on some executive actions here at the Agency. We've made significant progress in addressing some of those.

There were five executive actions, four of which were tasked to the USPTO. We're still working on them. In the next few months, we'll hopefully we'll be talking about them even more as we pass some milestones there. But really much of that goes to extending USPTO resources to address those that are pulled into the litigation system and need to be informed, empowering downstream users, expanding our current Edison Scholar Program, and then really looking at making examiner training much more consistent in some of the more problematic areas, which Drew has spoken to previously.

So in addition to those executive actions, there are a number of legislative recommendations. We had a bill that passed the House at the end of last year in December, and we
have an active bill in the Senate. Of those seven recommendations, there's a number that are included in the bills, not all of them. Four out of five of those recommendations are addressed in some way in those bills.

There's been an active discussion about expanding the Covered Business Methods Program, a discussion that ended with failure in the House to include such a provision. There is a pending Senate provision or bill that was introduced by Senator Shumer on that issue. And then the other two issues that were not addressed were issues related to ITC authority. There isn't any current legislation that's addressing expanding ITC authority or changing the statute as it relates to the ITC.

As I've talked about before, both the House and the Senate had a very active calendar last year looking at many of these issues that underlie this debate, extending even to the standard essential patent disputes issues.

And both the House and the Senate
introduced quite a few bills. As the House ended their process, the proposals that were introduced earlier in the year in the House all came together in H.R. 3309. Some of the amendments that were offered at subcommittee, some of the amendments that were offered on the Floor, reflected provisions that were in other bills earlier in the year.

So all that resulted in the passing of H.R. 3309. Fairly swift progress, I think it's fair to say, in the House. Introducing a bill after a few drafts, bringing it up to the Committee to mark it up and pass it out of the Committee, to prepare it for Floor attention, swift action on the Floor. So really we're talking between October and the very beginning of December all of that activity took place.

I think the House bill was really a very aggressive bill, addressed many, if not all, of the issues. I had mentioned one that was not included, the expansion of CBM. But addressed a lot of the issues that had been discussed over
that last year, and resulted in very aggressive
provisions on the issues of discovery, on
heightened pleading, certainly on customer stay,
on transparency, although some variations were
discussed throughout the process. But it really
is a very comprehensive bill. I think as you move
then to the Senate, we see a much more modest
approach.

But continuing with the timeline, the
House passed its bill December 5th. That bill
especially then is referred over to the Senate.
The Senate has a decision. They could pick up
that bill or they can move forward on their
legislation. Senator Leahy had opted to introduce
a more modest version and build from that. I
think folks are mistaken if they think that the
bill that Senator Leahy introduced is the end
game. I think he did it simply to tee off a
deliberative discussion in the Senate. And those
of you who have been following the press, I think
the Senate has gotten some very credit for slowing
down the process and really thinking through these
issues a bit more through a series of briefings. And I'll talk a little bit more about that. But in the process of that, the Administration supported moving the House bill forward. It reserved, however, a couple of things that it had expressed concerns about. One of those things is addressing maintaining judicial discretion, or taking away discretion from the judiciary to work through these cases. And it's an issue that the Administration wanted to work with the Senate as it considered these same provisions to ensure that there's proper balance there. We also signaled some concern about limiting the PTO's ability to use the broadest reasonable interpretation in claim construction. So those are two things that were mentioned in the statement of Administration position. But overall, the Administration supported moving forward the bill. The President then in January, as you all know -- I think this is the second time running -- mentioned the word "patent" in his
State of the Union speech. Some of us find that very significant, the President actually raising it in the State of the Union. As someone else said to me last week, you know, you can say a lot of things during the State of the Union. It's quite a long speech. So take that for what it's worth.

But I think certainly if anyone had doubted the President's commitment to move forward legislation and to work productively to get something done this Congress, in a Congress that's also an election year, I think the State of the Union doubled down on that. And we're seeing the White House continue to want to take a big interest in moving this forward.

That includes other parts of the Administration as well, including the PTO, including the Department of Commerce as a whole. Secretary Pritzker has made this a priority as part of her Open for Business strategy. Has asked us to also take a much more active role than we had been now with Michelle Lee in position as
Deputy Under Secretary, to both inform the process and to facilitate the process so we can move forward.

So I described the Senate bill already as at least on introduction a more modest approach, a more modest collection of provisions. It included, in some cases, identical provisions that were in the House bill. It added a provision related to the FTC on demand letters, to subject the FTC act on demand letters as unfair and deceptive acts or practices. This is an issue that not just the Judiciary Committees who have jurisdiction on the Hill have been interested in, but the Commerce Committees have also been interested as interstate commerce. So it'll continue to be an issue of interest.

But then it did not specifically address the issues of discovery, of heightened pleading, of fee shifting. All of those are very active, and we saw the briefings with Senate Judiciary staff that just ended last Friday address all of those issues. And I think there's a great
likelihood that some language would be incorporated in the Senate bill at the appropriate time to discuss those things or when the bill comes to the Committee for action as a markup.

So I mentioned that the Senate Judiciary Committee recently held four staff briefings. December 17th of last year, the Judiciary Committee held an official hearing. In the hearing, up to six members had said we need to discuss these issues. We need to have hearings or otherwise discuss many of these issues in a bit more depth. The Committee staff responded, and I think responded appropriately and fairly effectively in pulling together these briefings.

They invited PTO to participate in two of them, the two that made the most sense for us, which was transparency and patent ownership. We talked about the Federal Register notice that's pending right now among other issues. And they invited us to a second one on post-grant issuance proceedings and generally efforts to address software patents. So a very broad topic area for
that third hearing.

We participated. We followed then was stakeholders advocating their views, a very effective forum to help staff get up to speed on these issues, and certainly be able to ask some questions that they think their bosses would be interested in. Those ended, as I said, last Friday. I think there needs to be now some time as the staff is working behind the scenes to figure out where their bosses are to, again, the issues before the Committee even thinks about scheduling a markup. So that's what will happen, I think, now over the next few weeks.

Happy to take questions on the patent litigation reform issues afterwards. Let me end my official slides with just some other considerations for this Congress from my office. Certainly I already mentioned kind of increased engagement on patent litigation legislation, and that's both with the stakeholder community to the extent that we can discuss and facilitate the discussion. But then certainly I'm spending a lot
more time up on the Hill trying to do the same thing for members of Congress, Michelle Lee as well, and expect the Secretary of Commerce to take a large role in facilitating the discussion.

Continued work on implementing executive actions from back last June. Continued interest on our satellite office program and where that involves me is building those relationships on the ground that are going to help our office to be successful. We're now running towards opening the Denver satellite office this summer. We're now, I think, on a good track to set a timeline to open the Silicon Valley Office in San Jose. Detroit is up and running, and Dallas is getting there. It'll probably be the last in the shoot for setting up that office.

But there are congressional delegations around each of those offices that are very, very interested in us being successful. So we're already starting the outreach there. We're also helping to pull in some of the educational resources in those areas to interact with other
parts of the PTO so that we can start contributing
to those resources locally on the ground. Having
actually feet on the ground in those areas gives
us more opportunity to be more visible in those
communities.

I already mentioned the green paper, and
there'll be a number of activities this coming
year to continue talking about the topics
identified there. A lot of interest there.
Certainly continuing work on the international
treaties, and then the general work of my office,
which is engaging with staff, and talking about
operations of the PTO and how we're functioning.
Certainly that will also increase here in the next
month as the President delivers his budget to the
Congress in March, and we'll continue to talk
about, well, how does the budget actually allow
PTO to be successful. So we'll get more requests
for meetings that we need to respond to, and we'll
do that.

So that's my official presentation. As
I said, happy to talk about the patent litigation
reform as we see it moving forward over the next
couple of months if folks have questions.

Questions?

MR. JACOBS: This may be a little bit of
a detail, but you mentioned the BRI versus
district court twice, and that was one of the
differences, I think, between the Leahy bill and
the Goodlatte bill. Is that correct?

MR. COLARULLI: Actually both bills have the same language.

MR. JACOBS: They have the same language. Okay. And when you say the "district
court construction," do you mean the Phillips standard, or would it actually be that the Office
would be bound by the specifics of a district court?

MR. COLARULLI: The language reads not bound by a specific, but that the PTO would
construe the claims as a district court would. And that language is consistent in both what passed in the House and what was introduced in the Senate bill.
MS. SHEPPARD: Thanks. That was a fantastic presentation. I guess I have many concerns about the language of the bill, which that's not your fault.

(Laughter)

MR. BUDENS: Yes, that probably is.

MR. COLARULLI: Thank you, Robert. I appreciate that.

MS. SHEPPARD: And just going through very quickly, and the interesting thing is some people think, oh, well, some of these things can be worked out in conference, but I don't remember the last time a patent bill went to conference. It's usually pre-conferenced. So if anyone out there is waiting to deal with it at that point, it's going to be too late.

The Octane Fitness case is before the Supreme Court right on Section 285 and fee shifting. So it really concerns me that -- I guess the argument is February 26th. And Congress is really trying to do something very similar while the Supreme Court is looking into these
issues. Are people cognizant of this, because
this is what happened with patent reform where
these issues were up. Congress started looking at
them. The Supreme Court started fixing them, or
the Court of Appeals for the Federal Circuit
started fixing them, pretty much removing the need
for legislation. Are we going to see this move
regardless or maybe instead of before the Supreme
Court gets done with it?

MR. COLARULLI: That's a good question
on timing. I think, yes, you're right, the oral
argument on Octane, one of two cases in front of
the Supreme Court, will occur in February.
Unclear when they might come out with a decision,
right? And I think the timeline for moving
forward legislation certainly is before the
midyear point. This is an election year. I think
if it doesn't start moving certainly before June,
it seems difficult to me to conceive how it gets
done. So on big picture.

I think, Christal, you also mentioned
the issue of conference. I think that's right.
At least in the IP space, we haven't seen official conferences put together, so for those who are watchers of Congress, conferences. The House puts together its members, its conferees. The Senate puts together its conferees. They get in a room together, and they hash out the differences. It in many ways ends up being horse trading. My personal view is that doesn't benefit particularly the delicate balance that is needed to be achieved in any type of IP legislation. I also think this probably doesn't raise to that level.

So what we've seen in IP legislation is significant discussion back and forth on either side of the Hill in what we call pre-conferencing. So in all likelihood that'll occur again, has already started really, and probably would occur as this bill gets to its conclusion as well.

You know, on fee shifting, yes, members are cognizant that there are Supreme Court cases that are addressing these similar issues. The Supreme Court is going to be limited to discussing how exceptional a case is interpreted by the
courts, and in all likelihood probably would result in some additional flexibility. I think those who advocate fee shifting, they say two things. Number one, fee shifting is one of the provisions that's being discussed here that goes directly to the cost calculation, changing the cost dynamic that underlies whether you even enter into litigation, or whether you settle, or you look at any other number of options. So they support I strongly for that reason.

I think they also say that certainly while it's productive that the Supreme Court is taking up this issue and there would be some progress, it will only go so far. It can only be tied to redefining that term, and perhaps we need to have a more open discussion. Now, that leaves open what the language is, and there's language that was passed by the House that does a couple of things. It not only makes fee shifting likely used more often by at least some courts, and there's some debate that certain forums -- Eastern
District of Texas -- otherwise still would have discretion, so maybe it wouldn't push them as far. But it also shifts the burden. Instead of the "court may," it is the "court shall, unless." And then there's a quite significant exception.

So I think there isn't consensus around which model works better, whether you do a more minimal change to the statute, whether you adopt the House approach, or you let the Supreme Court see what they come out with. But I think there is a lot of certainly interest in addressing fee shifting by the major advocates of moving forward legislation because it addresses the cost issue.

MS. SHEPPARD: And I just wanted to comment on that again. You mentioned that it "shall" as opposed to "may," and that's a big difference. And there's a similar provision I think it was based on, which is the Equal Access to Justice Act or something.

MR. COLARULLI: It is.

MS. SHEPPARD: And about 70 percent of those get fee shifted, and it goes for both
parties. So you could be a legitimate patent
holder or you could be a legitimate person who is
defending against the patent person, and you may
be caught up in this.

The other part of the language that I
have some concern with, and again not your fault,
there's two different things, is prevailing party.
Lots of times it's a split, and I've heard some
other people talk about this, who's the prevailing
party. In fact, the PTO can be the prevailing
party, right? So does that mean that the PTO -- I
heard someone else speak about this -- could then
get fees and then put them into their coffers?

It also says something about under any
act under patents, which makes it very, very
broad. So we should talk more, but that's my
concern. It's gone through very quickly. I know
a lot of law professors sign onto this, and a lot
of people including the Administration signed onto
it for kind of a policy reason, that we have some
problems in the system. But the language is very
broad.
MR. COLARULLI: I think that highlights the point that the language is in flux, that the general concept support behind fee shifting is held by many, but the language itself, I think, for the very reasons you raised, still needs to be worked out.

And, you know, I'll add that I think there's a number of folks that have been advocating very strongly for legislation in this area that also are advocating very strongly to get something done, get something done in the short term and not let this bounce back and forth between the Houses of Congress. So I think there is some reason and hopefully a good atmosphere to come to a better compromise that doesn't raise a lot of those concerns that you just raised.

MS. SHEPPARD: And, I'm sorry, just one other thing. The Commerce Committee is getting involved, the FTC is getting involved, but also the states are getting involved. I don't know how much you all are spending. I know your legislative update and you're Federal, but I've
been fighting this battle on the state level where the states are under unfair business practices or deceptive practices are going to start interpreting claims.

Are you having any communication with them to kind of let them know that it is probably preempted and maybe they don't want to go down those routes?

MR. COLARULLI: So we have not have any proactive communication there? I'm aware of some, I think, very productive discussions to even create some model statutes for states that might help to address some of those issues. But I think that's right. I think AGs are going to continue to be very aggressive. I think that in many people's eyes, the AG in New York is a hero. He's the one AG that actually got a settlement in a troll case involving demand letters. So I think the AGs are going to continue to be very active, and well they should, as a way to address the issues that are facing their state. The need to get some uniformity is certainly there.
MS. SHEPPARD: And, you know, it's one thing to get a settlement. It's another thing for Vermont and Nebraska to pass laws that are very questionable. So the sooner you can get on that, because I've personally testified against my Agency, who may be our next governor, trying to take this role because people aren't paying attention. And if you want to have to determine who you can send a cease and desist letter to based on what state they're in, that's going to be a giant mess.

MR. COLARULLI: Certainly to ensure your political career, you want to retain me as your political adviser from now instead of testifying against your future governor.

(Laughter)

MS. SHEPPARD: That's why tenure would be helpful.

MR. COLARULLI: It would be helpful.

MR. SOBON: Dana, picking up on a comment that Paul made, you do note that in both bills there is basically an imposition of changing
your rule from broadest reasonable interpretation
to basically a Phillips standard of how claims
would be interpreted in courts, the argument there
being that these patents have already gone through
an examination process and have been granted by
the office. Many of the cases that are going
before contested cases are in litigation, if not
have already been awarded, granted jury verdicts,
and markman hearings, potentially even Federal
Circuit Appeal review of claim, claim
interpretation. But beyond that, these are
granted patents.

The argument, as I understand the
Office, in not supporting those two provisions in
both bills and arguing for broadest reasonable
interpretation is that the contested cases allow
amendment, and, therefore, sound more in terms of
an examination process and allow the patentee to
continue to examine the cases and amend the cases.
And, therefore, you have to hold them to the
broader reasonable interpretation in the
contested case.
We had actually a rather engaged colloquy this morning with judges on the PTAB about this, and we're hearing both from the patentees before the Board, but also just actually in the discussion we had today how difficult that it is for patentees as a practical matter, even with the stated rule of only one claim for one claim, but even in practice that there is not this ability for freely granted amendment, in fact, a thumb on the scale, from what I heard today, very much against amendments unless you can make a cogent argument.

How is the Office evaluating this given especially also this is probably one of the only provisions in these bills that is arguably pro-patentee in terms of improving their ability to enforce legitimately granted rights?

MR. COLARULLI: So I think I'd phrase it slightly different in terms of the Office of Support, not as a continuation of examination, but as a first point, a tool to help us increase patent quality. The proceeding set up by the AIA
was meant to be certainly an alternative to litigation, an additional form, an additional -- also an attempt for a robust period after the patent is granted to be a quality check. Allowing the Office to in that forum use the broadest reasonable interpretation allows us to bring in more prior art that may result in a narrower claim set and may result in a stronger patent that won't be subject to challenge.

So I think we've supported this broadest reasonable interpretation, continuing to allow the Office to use that to determine the claims as really a quality enhancer in allowing us to produce better patents at the end. The forum is fundamentally different from district court litigation because you can amend as one factor. But we've heard the concerns about practically being able to do that in a robust way.

So all of that discussion led to us making this one of the issues that was cited in the Administration's position. But, you know, again, very much aware of folks' concern. Very
much we still strongly believe that this is important for the office to be able to produce quality patents.

MR. BUDENS: Dane, one question kind of building off of something that Christal said, and that is, you know, how broad this language is in some of these provisions in these bills. I would agree, and we've heard that in lots of meetings. I'm sure you're hearing it all the time. But is anybody coming up or are you hearing any dialogue on proposed changes to the language that would, you know, narrow it or more effectively craft it the way where people are comfortable with it? I've heard lots of discussions about how broad the language is, but I haven't really seen anybody coming up with proposals of what language might be livable.

MR. COLARULLI: Limited to the BRI standard, Robert?

MR. BUDENS: No, just looking at fee shifting, the customer stake.

MR. COLARULLI: So the answer is, yes,
I've heard quite a few discussions about how you might change this language, how you might limit it. There's been a lot of discussion around discovery and heightened pleading looking at what's come out of the House in particular, and trying to address some of the very valid concerns of potentially violating the Rules Enabling Act, and removing discretion from the courts.

I think, you know, within the IP community, and it's important to note that I think the dynamic is slightly different from when the AIA passed the Congress and today. The group around legislation on patent litigation reform is quite a bit broader. It includes many, many more people that have been pulled into patent litigation that weren't necessarily involved in the underlying, you know, much more significant changes in the AIA. So that certainly is something to consider.

But on the discovery, I've heard lots of proposal that might encourage the Court to start its process of establishing more consistent rules.
We've seen some very, very good work happening in local patent rules. You know, borrowing from that certainly seems to be a good way to move forward. So I think that's certainly one area. I think on customer stay, there's general consensus around having a provision here. There's some question about some of the unintended impacts of customer stay. But I think that's one that probably will move forward.

BRI, I've heard some discussions. I haven't seen any language, but I think maybe there's some room there, too.

MR. HALLMAN: Both versions of the bills in the House and Senate seem to have something of a flavor of an encouragement or even a requirement that the Office reach out to people -- I hesitate to use these words, but I think they're right -- give people advice about how to deal with patent trolls or advice to small business owners. And that's very different than saying, well, here's the rules and regulations for how you get a patent, and I can give you some advice about this
or that.

If this actually comes to be, how is the Office going to do that, because it seems to be a requirement that you actually advocate to people in terms of how to deal with these issues. And I'm just not sure how that's in your charter, but I guess somebody is going to put it there. I just wanted you to comment how you would do that.

(Laughter)

MR. COLARULLI: So I think just to clarify, I don't think those calls are coming in legislation. We haven't seen in that legislative proposals, but certainly in the direction from the White House and the executive actions, it's encouraged us and asked us to reach further out to that community.

You know, I think it's not inconsistent with a lot of the work that PTO already does, particular in our inventor assistance efforts, and particularly in educating those who are interacting with the system to, frankly, get better and more informed interactions.
MR. HALLMAN: Yes, but you're educating inventors in how to get through the process of what you do every day and what you were put here for. What I'm hearing is different. I just want to point that out.

MR. COLARULLI: No, I think that's right. I think it is extending the current resources we have for those who are making their way into the applicant process to those who are otherwise pulled into the IP system for some other reason, and frankly, that other reason being litigation or the threat of litigation. Frankly, it's a good opportunity for us also to educate those parties about the patent system.

I think where our role ends is not providing the legal advice. What we can do is provide education, and some of the same education that we provide to patent owners is going to be information that we would provide to this audience that as I described is being pulled unwillingly into the patent system.

But that's not the limit. Granted, it's
a little further than that. I think the 
Administration sees PTO as playing a role as 
educating the community as a whole on the patent 
system and how they can interact, and how they can 
best facilitate resolution of disputes in an 
efficient way.

MR. BUDENS: So your first slide on 
that, what's going to be the highlight on it? 
What's going to be the -- I'm just curious as to 
how you're actually going to do that. I mean, 
who's going to do that?

MR. COLARULLI: I think the Office can 
do that. I think our Office of Innovation 
Development already, for example, provides a lot 
of educational tools. One of the executive 
actions was a very modest request and something 
that we can do easily: Set up an online resource 
to provide more information to patents that are 
existing, who they're owned by, and then basic 
information about the IP system. All of those are 
currently in our existing charter making data more 
available. And all of those facilitate quick
resolution of disputes.

So to the extent that we're not providing our information, that we're not making it readily available, we can do that. And that can have a significant impact. You're not convinced.

MR. BUDENS: I'm not trying to be convinced one way or the other way. I was just seeking some information. I'm going to watch this with great interest as you do it. Whenever you get started, let us know. We'd love this--

MR. COLARULLI: We'll send you a link.

MR. BUDENS: Yes.

(Laughter)

MS. KEPPLINGER: I just wanted to set the record clear. Apparently I don't look at my emails enough, although it seems like I spend all day on them. But we did receive the public notice about the attributable party on October 1st. So I just wanted to make that clear, that the PTO did follow the rules.

MR. SOBON: Dana, following up on your
prior comment about it being a patent quality act
and improving patent quality, AIA was intended
overall to do that. And then someone who was very
involved in the fee setting section of that, and
we'll be hearing more from --

MR. COLARULLI: I think you just got an
award for helping.

(Laughter)

MR. SOBON: Thank you. I remember one
very fond evening while I was in a cab to the
airport in Bangalore, India at midnight -- I'm
providing our detailed comments to you, so that
was fun. But there are amendments most recently
that were in the House, and most recently now has
been proposed by Senator Feinstein to, in some
people's minds, complete the work that was done at
AIA, and give the Office funding and let it keep
all its fees independent of appropriations. How
does the Administration and the Patent Office view
those amendments?

MR. COLARULLI: So from what I
understand, Senator Feinstein is introducing a
provision we've seen previously. Senator Coburn offered an amendment to the original AIA, S. 23, that was adopted and sent over to the House. The House stripped that provision and came up with an alternative, which is what we have right now in our current statute, the Fee Reserve Fund. So fees that come in in excess of our appropriations are put into the Fee Reserve Fund. We have not yet tested that out, although that may happen here in the near future.

What the Feinstein bill would do, and I should mention, what now will be the Feinstein bill was also offered in the House as an amendment to this current legislation, this H.R. 3309, and failed to receive support from the Committee even at the Committee. It was then offered again on the Floor. So it did not make it through the House. The traditional objections to the Fee Reserve Fund have really come from our appropriators.

You know, the situation that PTO finds itself in right now as compared to a pre-AIA is
we're in a much better financial situation than we were previously. We have much confidence we'll be able to access our fees. There's some question about timing. There's certainly some question about the impact of sequestration, and we felt some pain in the last year.

A revolving fund, when you find, as some people think, finishes the work of the AIA -- my history is long -- I'd go back even further. I think this is one of the concepts that was in the American Inventor's Protection Act of 1999, which the original proposal was a much more aggressive proposal to make PTO a government corporation. So the proposal has been around a bit.

As we read it, it certainly would give PTO more direct access to its fees outside of the appropriations process. That hasn't been something that Congress has been willing to support. And from the Administration's perspective, we're in a much better place than we were before. The Administration has not taken a position on the Feinstein bill.
CHAIRMAN FOREMAN: Thank you, Dana.

Great report, and I'm sure three months from now we'll have even more exciting news to report.

MR. COLARULLI: I'll have more gray hair than I have right now.

CHAIRMAN FOREMAN: That's right. And that was a great segue into our next speaker, Tony Scardino --

MR. COLARULLI: Who has gray hair?

CHAIRMAN FOREMAN: -- who would love access to his fees.

MR. SCARDINO: I would. I never envy myself for following Dana, but I will try anyway.

We've got a little bit of a shorter presentation today because we're in the midst of, I'm not going to say "calm waters," but calmer waters than we had last year. Sequestration is not an issue for us this year, fiscal year. The bill was enacted on January 17th, 2014, and USPTO received its appropriated funding level of $3.024 billion, so we are in the midst of preparing a short spend plan that will go to the Congress.
And we are rolling out kind of full speed ahead with spending as we had anticipated for this year. And this includes hiring up to a thousand patent examiners this year, 63 administrative patent judges, and also continuing to open satellite offices in Silicon Valley, Denver, and Dallas. Again, not all at the same time, but we are proceeding at pace and slotting them accordingly. So things are looking good.

At the same time, Congress has asked us for certain information to report as part of the '14 bill that was enacted, information on fee collections, hires, pendency backlogs, and our patents and project. So nothing really of surprise there.

So far, we are one-quarter and plus change into the fiscal year, and our collections are very strong for the first quarter. And then a few fee rates dropped on January 1st, issuance in PG Pub, so they're slowing a little bit. And with maintenance fees, you know, Bruce and I talked yesterday. You know, it's still early to say. I
mean, they've very strong right now, but it's been
less than a year since we set new fees, so we
haven't really got a full handle on it, but we're
tracking them very closely.

Our end of year projection spending is a
little less than $3 billion. So as Dana
mentioned, this could be the first year that we
collected more than were appropriated, and if so,
any excess collections would go into the fee
reserve fund that was created by AIA. And then it
would be just a matter of how we tap into that.
We've worked with OMB. We've worked with Congress
as to how we would access those fees. It would be
what's called a reprogramming notification, and
then the Hill would have 15 days to review it. We
put together a spend plan for how we would spend
the money, and then we're kind of fingers crossed.
Everyone is very optimistic that, you know, while
it's not a revolving fund, it is pretty ready
access to all fees that were collected.

2015, the budget traditionally is due to
Congress. The President submits a budget the
first Monday in February. The Administration delayed that for a month and a day. On March 4th, they're going to submit the President's budget appendix, and a week later all agencies will be submitting what we call the CJs, congressional justifications. So we've actually sent PPAC a draft of our congressional justifications just last evening. We are asking for comments, I guess, by mid-February, and then we'll incorporate those, talk if necessary, and then we'll submit our CJs to OMB and Commerce for review by the end of February, and then submit them in a timely fashion. Our goal is by March 11th to go to Congress and they also go on our website so the public can see what is included in our 2015 appropriations request.

The budget will include the following targets for pendency: 15.7 months for first action and 26.4 months for total pendency. Of course, those are subject to so many factors in terms of attrition, in terms of application rates. So we're working that, but what we're currently
thinking.

As part of the President's budget submission on December -- I'm sorry -- March 11th, we'll also be submitting our strategic plan for 2014 to '18. We've, of course, been working on this for many months. We've gotten public comments. Draft has been provided to PPAC at the end of December 2013. And our goals haven't really changed. We've just refined them a little bit in terms of how we would carry them out. You see the four goals listed there.

And the very last thing I have, kind of looking back, but it is something we're proud of. The performance and accountability report for 2013 has been released since we met last. It's on our website and also in paper copy if you'd like a copy. While it's somewhat long -- 220 pages -- it is riveting.

(Laughter)

MR. SCARDINO: So I don't want you to think I'm looking at you, Wayne, because I know you like to read when you travel. Exactly.
MR. SOBON: It's available to download?

MR. SCARDINO: Yes, it is, absolutely.

Yes.

MR. COLARULLI: I will add there's a smaller version that I give to congressional staff.

MR. SCARDINO: Right here. Yes, indeed, for your back pocket.

So there's handy information in there, of course, in terms of anything you would ever want to know about the PTOs in this book. Any questions or thoughts?

MR. SOBON: One question I have is in your monitoring, especially post-new feed last March.

MR. SCARDINO: Last March, yes.

MR. SOBON: Are you planning to do a one-year look back this March in terms of then analyzing, because one of the key things that we were looking at when we were working with the Office in evaluating the new fees was the issue of elasticity demand for things like renewals and
maintenance fees. And to see if the expected
percentages have held up or not, how that's going
on. And I think if we're not re-planning, then a
one-year look back of analysis that would be
useful for us in terms of that monitoring.

MR. SCARDINO: So my short answer is
yes. However, I'm not saying it's going to be,
you know, because it's the anniversary and we're
going to look back, we are actually looking at it
right now. As the President's budget is released
on March 11th, you'll see some projections for our
operating reserve and other things that are going
to probably stimulate discussion on what the
appropriate fee rates are and what the
expectations and projections are going forward.
So we're already looking at elasticity as well as
a variety or a host of issues associated with
patent fees.

MR. SOBON: And the other question I had
is I just heard this as just pure anecdote. I
just heard it randomly, but that there may be some
fall off in expected new filings of applications
currently. Is that true?

MR. SCARDINO: You know, it's really a point in time. I think this year we anticipated a 6.5 percent increase over last year, and it's running a little short of that. But we are anticipating actually a bump up in March and into the rest of the year, so it is hard to say. But right now we still think it's six and a half percent growth over last year.

MR. SOBON: I have to say one piece I've heard from people, they're very pleased about the zero fee for electronic filings for things like assignments and stuff.

MR. SCARDINO: Absolutely. I'm glad to hear that.

MR. THURLOW: Tony, just a couple of quick points. Thank you very much. It seems like we're doing well financially, and that's obviously great.

I'm sure the PTO has -- I know in the past and probably still -- the maintenance fees, the major sources of funding. Do you have kind of
break down just along the patent process where
you're so-called making money and where you're
losing money? Obviously like during the
application stage, do the fees fit the study?

And then along that, and Dana can help
me with the wording that was used in the AIA,
there was specific in there about the PTAB
proceedings, which we've spent a lot of time on
today, about the costs involved and how obviously
there were increased fees. I'm just curious if
those fees, in light of more in the decisions
being issued, you know, still very few now, but as
they get issued, are we looking at the cost of
those compared to the enhanced fees that we're
charging?

MR. SCARDINO: Okay. That's a lot of
questions, so let me start with statutorily we can
only recoup our fees at the aggregate level. In
other words, it's never been the goal to actually
full cost fees for every single activity, as you
know. So it's low entry and barriered entry, and
then we get our money on the back end with the
maintenance fees.

However, that's always a delicate balance because if you -- let's see, how would say. If we're wrong on applications and applications are much higher than we thought, we lose money on the front end. That's where it costs us. So in other words, if we get 575,000 applications and roughly half of them are disposed of, we lost money because they never paid an issuance fee, and they're not going to pay maintenance fees down the road.

So if somehow that balance goes up or down, we may gain or lose, so that's why in the aggregate that's one of the reasons why we have pushed hard for an operating reserve, and the operating reserve is growing. Our goal is to get somewhere between three to six months of an operating reserve in both trademarks and patents, and we're still kind of refining that. So without a doubt we make our money on the maintenance fees. It doesn't cost us anything to charge somebody. Every four years, just send us money. If you want
to keep your patent in force? Send us money.

So on the front end, that's where we're looking to. If we ever adjusted fees, where we would want to adjust fees, and that's something that we're going to want to talk with PPAC very closely. You know, there are certainly areas that we can apply lever or the brake how do you modify behavior sometimes or how do you actually improve the patent system by encouraging certain behaviors.

MR. THURLOW: I have just a quick comment on that. I think the feedback, I think it's fair to say that if we go over $3 billion in collections and we're not sure if we're going to get that money, then working to reduce certain fees and promoting certain practices may be something that PPAC and everyone is interested in from a logical standpoint.

MR. SCARDINO: Absolutely. I think there's support everywhere to have an operating reserve. At the same time, when is too much too much? So those are discussions that we just
started with our colleagues in patents just this
week, and we'll be continuing with your
participation.

         MR. THURLOW:  The last point on PTAB on
the cost issue, because it's different, right, on
the AIA --

         MR. SCARDINO:  Yes, it is different, and
it's still a little new, so it's a little hard for
us to get precise costs. But we are closely
monitoring that because the workload is growing
up, and we want to make sure that we recoup the
costs. But also obviously don't want to
overcharge.

         MR. THURLOW:  Thank you.

         MR. SCARDINO:  Sure.

         MS. SHEPPARD:  So, Tony, you and your
team are doing a fantastic job. And the tone from
last year at this time is completely different.

         MR. SCARDINO:  I'm glad you noticed.

         (Laughter)

         MS. SHEPPARD:  It's wonderful, and I
hate to do this, but I have to do my quarterly
tale.

MR. SCARDINO: Of course. Of course.

MS. SHEPPARD: And I can't tell if I'm

Chicken Little, or if I'm, you know, Peter and the

Wolf, or if I'm Nostradamus.

MR. SCARDINO: Well, it's better than

Pepe le Pew. That's what Peggy Focarino calls me.

MS. SHEPPARD: I have to keep saying

that the courts are so active in this area, and at

some point something is going to happen -- it's

either going to be Congress or the courts --

that's going to dramatically affect your

maintenance fees and the filings.

The whole point in addressing patent

trolls, however you define it, which no one can

agree on that, is to reduce some of these

litigation activities, but also to have a higher

quality patent come out of it, come out of some of

these activities through the post-grant and

through interparties' re-exam.

But your charts, and I know you're doing

the best you can to model, and there's these wild
cards out there. I just want to again say that these wild cards at some point are going to go wild and will affect the system.

MR. SCARDINO: So I don't know how to do this without denigrating some of my colleagues. We have economists that work for us that are very conservative. So my optimism is in balance to that in the sense of any time the wild cards come into play, we do, to the extent that we can, incorporate that into our fee projections. And before we would modify any fees, we would make sure that the buffer is sufficient to kind of counterbalance that.

Now, there's no perfect world. And as you know, as PPAC knows only too well, modifying fees takes a while. So it's not like we can change our costs very quickly, and we also can't change what we charge very quickly because our cost basis is pretty flat as well. It's mostly staff. So that's not a variable that we have much control over. So right now, status quo is good, but believe me, I share your concern that there
are so many variables. Every day I'm still
learning that there are more things. And Bruce
and his colleagues are very helpful in that regard
because, you know, I'm still learning.

CHAIRMAN FOREMAN: Great. Thank you,
Tony. Any other questions?

(No response)

CHAIRMAN FOREMAN: Well, we appreciate
the updates. Thank you.

MR. SCARDINO: Sure.

CHAIRMAN FOREMAN: All right. Moving
right along, we now are going to have a discussion
on OCIO and patents end to end. Good afternoon,
David. How are you?

MR. LANDRITH: Doing great. I'm here
solo today. John Owens is sick.

CHAIRMAN FOREMAN: We figured as much.

All right. So please lead us in this discussion.

MR. LANDRITH: Sure. So we've been
working on rebuilding since the constriction in
productivity that we experienced due to the
funding constrictions of the sequester. For
fiscal year '14, we're planning quarterly releases
at a minimum. We actually have monthly releases
scheduled for the next several months. The Q-2
release, which is scheduled for Friday of this
week is focused primarily on improving the quality
of the database, improving the application
architecture, and improving the performing of the
user experience for patents end to end. This
represents the work that we did with a skeletal
crew during the sequester.

The performance improvements in it are
quite dramatic, so they put us within shooting
distance of where we need to be to deploy to the
corps. We still have some room for improvement.
What we're looking at doing then over the next two
quarters, the major milestones are going to
include improvements to the way that patents
interacts with the Legacy system to allow that to
scale as well to a larger set of the patent corps.

And just to be clear, patents end to end
has no real time access to the Legacy system, so
it's completely de-coupled from its up time and
its performance issues. It is shuttling data back
and forth at regular intervals to keep it current
with the Legacy system. And so we just want to
make sure that we can shuttle the data for 8,500
examiners back and forth efficiently. Does that
make sense? And then we also have features that
we'll be adding in order to bring it up to par
with the features that the examiners expect out of
eDan, which is the current Legacy tool that the
examiners use to view their docket and to view
applications.

So then over time we'll be increasing
the number of pilot users. Right now, we have 40.
We're scheduled this month to increase to 110, so
that slipped to early March basically due to the
complexity surrounding the release that we're
doing on Friday. We plan to continue increasing
that, so we hope to have several hundred, if not
into the thousands of examiners, well in advance
of when we go live to the corps, which is
scheduled for quarter one of fiscal year '15. So
that's going to be our red letter day. We're
still working out the logistics in terms of exactly what the roll out is going to look like, but that's going to put PED in the hands of examiners for real usage corps wide.

So the subsequent releases that we have planned for both the Office actions area and the examiner tools and infrastructure include the authoring solutions for the Examiner Office actions, which we're slating for 2016, and then automated work flow, which we're slating for 2017, as well as other outline functionality that's needed in order to retire the Legacy systems, which we'll be working on all along the way.

In the Patent Application Text Initiative, as we've gone over before, we're converting in real time all the claim, spec, and abstracts into XML for IP. Those are currently available in PED and Legacy Tools. We've converted so far approximately 101 million pages. We're kicking off work to convert additional document types this month, and that's slightly delayed. We had hoped that we would've been able
to kick that off in December, but we've just run
into bottlenecks in terms of resources from
kicking off so many things as we recover from
sequester.

With CPC, we've made a lot of progress.
In October, we released the initial miscellaneous
classification and CAT tool that allows examiners
to update classification allocations for patent
documents. In December, which didn't make it onto
this slide, we added searchable collections for
the Foreign Patent Retrieval Service. It's FPRS
data that's indexed with CPC symbols. Then in
January, we deployed combination sets, which is a
tool that allows for CPC classified items to be
classified with multiple CPC symbols if they span
different classification areas.

We are releasing this month, this is
something that fixes performance issues that we've
had with some of the validation stuff that we get
from vendors, and then next month this relates to
the Q-2 FY '14. We'll be releasing the CAT tool
improvements as well as data.
And so questions or comments?

MR. JACOBS: So just echoing a comment in response to Tony's presentation before yours, it sure has been a big change since last year, right? It was just a little less than a year ago that we were putting a stop to all of this, right? So a lot of work to get back to reporting progress, and scaling up the systems, and release them to the Examining Board, and so forth.

Looking at the first slide about the rollout of the PED tools, can you just clarify the FY Q-1? So that's basically the end of this calendar year, right, so less than a year from now, right?

MR. LANDRITH: We're currently targeting October.

MR. JACOBS: October. Considerably less than a year from now, right? So this is the viewing tool for patent documents. So that doesn't include most of the stuff that's above that in terms of release to the pilot audience, right? Can you line up the releases to the pilot
with the releases to the general audience?

MR. LANDRITH: Sure. So it actually
does include everything that is released to the
pilot.

MR. JACOBS: So that includes, for
example, the search functionality.

MR. KISLIUK: Yes. So that's different
from the general examiner search functionality.
We'll be adding new search functionality to the
current search functionality that's available
within the product. So what the product currently
does is it searches within a specific patent case.
We'll be adding functionality to allow it to
search within a docket, and then we'll also be
adding functionality to the search function
itself, which right now is a simple key word
search. So we want it to be more sophisticated.

MR. JACOBS: Okay. So just to follow up
then, so some of the things that are in Q-4 for
the pilot release are also in October scheduled
for the general release?

MR. LANDRITH: Yes, all of them are.
Yes. So the way we conceive of the pilot is we accumulate these features to a larger and larger audience, and then we release to the corps in October.

MR. JACOBS: So that doesn't allow a lot of time for feedback for those particular features.

MR. LANDRITH: In a sense that's true, but we developed the features in concert with the User-Centered Design Group and through a series of focus groups that nail them down. And so, by the time they reach a release stage, they are extremely well vetted in terms of user feedback. And so what is mostly needed is refinement rather than redirection. Does that make sense?

MR. THURLOW: David, thank you very much. Very broad question for you. This is an area I just haven't been too involved with in the past. How do you get feedback from the user community? I'm on PAIR every day. It's very helpful. Every now and then I'll get, you know, system is in high demand, so it kicks me out, and
I go back, and I get access. PAIR is great. I did hear recently some colleagues that filed about three IPRs. It took them seven hours to do. They said it was a long, laborious, kind of a slow process.

How do you get feedback from the user community as far as all the IT systems, and what do they want, and what do they need? Are you working closely with the union? Forgive me for the broadness of that.

MR. LANDRITH: Sure. We work closely with the Patent Business Unit and with the unit. We have an open, and, Bruce, you can feel free to speak up if I don't go into enough detail. But we have a User Design Council which right now consists of about 300 patent examiners that we are able to select from when it comes to deploying examiner products. And so those are then used in focus groups through an iterative process to design, starting with, you know, brainstorming ideas, to what are called wire frames, which are kind of like a Power Point presentation of the
user interface, to then actually a clickable interactive prototype that uses canned data. So it's not dynamic in the sense that a real application would be.

So by the time the developers are given the requirements for the features, it actually is in an extremely refined state from the user interface point of view. And so that represents a new process. And then the problem is that everyone looks at the newer stuff and says, well, why can't everything look that way. And obviously it's a process of tackling them one at a time, which is patents and end names.

MR. THURLOW: But isn't that, I guess, I think based on your answer, is your feedback coming specifically from a union and the examiners? In so many of the groups that we work with, we do roundtables. We do Federal Register notices. And I'm just curious what feedback do you get from people like me that use it? Well, maybe not people like me. People that actually know what they're talking about.
MR. KISLIUK: Yes. Yes. So David, I think, I think spoke to how we work with the union and our employees when we're building the tools for examiners. There is another set of efforts under the next generation systems are our external user systems that we talked to. So one of the earlier models or prototypes we talked about was something called TEXT-2-PTO, and that's how you submit a new application. So we had some outside feedback, but we kind of rolled that project back again in the funding situation, and when we're starting to kick back up again, we'll come back. But it's not just the submission of the applications. There's PAIR. There's a lot of other things. So there are a number of initiatives, not necessarily that have already started, but are in the umbrella of the next gen systems. One would be what we're calling My USPTO, which is the user's interface on everything, fee payments, RAM, things like that. So there are a series of efforts we will start
getting under way very shortly. And we are going
to need some form of outside feedback roundtables,
and we will hopefully be working with you guys to
figure out how's the best approach to get the
right feedback on our outside systems.

Now, they use the same data,
architecture, and structure on the back side, but
the interfaces are completely different. So we
will be looking at revamping things like the PAIR
interface, both the private and the public, search
systems, and everything else. I hope that
addresses it.

MR. THURLOW: No, no, it does. Thank
you.

MR. SOBON: Maybe along those lines, in
prior meetings you came and showed actually some
of the examples of what the examiners were to have
on their desks. And maybe at the next appropriate
juncture when we have more of those systems put
together, I think it would be a great thing to
have you come back and do another demo for us and
for the web audience as well that can see, you
know, what's now the current state of the systems you're deploying.

I think it was very illuminating and very exciting frankly to see what you're putting on the desks of examiners that they were using as tools. And I think that we welcome that gain.

MR. LANDRITH: You know, we'd be happy to do that. We'd love to demo it because it's much more impressive to actually show it than it is to talk about it.

MR. THURLOW: I have a question. Is there something being done with the -- we're getting a lot of questions about PTA. Is there a software tool or something being used to determine what PTA is? Is it something that PTO is updating? I've heard users say that the software is not --

MR. HIRSFELD: So there is obviously software that calculates PTA, and obviously in patent issues we're calculating PTA. As you all are well aware, there's many changes and the law is changing, et cetera, for PTA. So we are in
constant desire to change and modify that. Before I referred to an interim rule that came out, and our IT changes didn't keep up with the interim rules. And we're going to be taking some steps to address that.

And just to be very blunt, I think with all of the desire for IT projects and the cutback on funding, some changes have not kept up to where they should be. And we're hoping now that we can go ahead with those and get PTA up to speed to where it should be.

MR. SOBON: Not to put you then on the spot, but are you saying actually that some of the PTA calculations are incorrect that are coming out from the Office?

MR. HIRSHFELD: Not to put me on the spot, but are you saying --

(Laughter)

MR. SOBON: The user audience at home wants to maybe know that.

MR. HIRSHFELD: Yes. I am saying that we do need to update our PTI calculator, yes.
MR. SOBON: Okay.

MS. KEPPLINGER: I think that because of all the problems with funding, the calculator needed a lot of IT updates. And with all of the various decisions and change that have come out, I think it's fair to say that they haven't had the opportunity to update the software. So, yes. For me saying it rather than them, I'm guessing --

MR. SOBON: So patent owners do their own calculations.

MS. KEPPLINGER: Absolutely. I'm guessing that a number of the calculations have been wrong.

MR. HIRSHFELD: No, and that's fine. And I appreciate Esther jumping in. I think there's the meeting of multiple issues. One, you know, and I've mentioned it in here, is the interim rule and changes that need to be made. And I'm the first to say that those IT changes were not made, you know, yet. And so that, is a problem that we are going to address.

And additionally, the law is continuing
to change as well, and there's cases -- Esther
mentioned one previously -- that we need to make
changes for. So PTA a place where we need to be
addressing the calculator.

CHAIRMAN FOREMAN: And let's not forget
it is the number one government agency to work
for, right?

(Laughter)

CHAIRMAN FOREMAN: So credit where
credit is due. All right. Any other questions?

(No response)

CHAIRMAN FOREMAN: All right. Well,
let's move right along. Thank you again, David.

MR. LANDRITH: Thank you very much.

CHAIRMAN FOREMAN: We appreciate the
update. I'd like to welcome Debbie Stephens now
to give us an update on the call center. Debbie,
thank you for joining us.

MS. STEPHENS: Great. Thanks. So mine
is fairly brief and straightforward, but I wanted
to give you an update.

The first slide is the slide you had
seen the last time regarding kind of the current structure and that we have 18 different patent call centers. And we have various ways of monitoring quality, but certainly not a structured approach to that endeavor.

So what we did and what I mentioned to you the last time is on slide three, which was our approach to that, and to try to gauge better to one of the PPAC member's requested a more structured approach to customer satisfaction and what those drivers were.

A couple of things that we've done since we last met, we started the customer service training for all of our patent call center agents. So we're about 70 percent complete on that, and we anticipate that will be complete at the end of the month. So that's a very good thing. And the second phase that we mentioned the last time I was here was to engage experts and survey experts, and that's a company called 4C. And we've done that. In January, we had an award for that kind of contract, and we are working with them since
January and into some of February on the kinds of questions that we will engage our customers to survey.

And we're hoping that we'll be able to launch the deployment of that survey here near the end of February, beginning of March. And then after that, we'll get at least a few hundred responses back and then start some of that data analysis. So we anticipate that to be about a couple of months after we receive -- the standard in the industry is about 300 responses that then you can start analyzing that data and trying to understand the drivers. And to the circular chart, is to determine root cause and what we can do to make improvements to those particular customer satisfaction drivers.

So like I said, towards the circle there, obviously we deliver services in call centers every day. We're in the process of collecting that feedback and working with 4C for the survey. And once we get that data back, we'll start analyzing it and figuring out the root
cause, what's maybe the low hanging fruit of that
data, and then figure out a solution and then
follow that up with an implementation.

So with that, that was just kind of a
brief update. But if you have any questions.

MR. HALLMAN: Yes, I have one. For the
customer service training, who are the trainers,
and who developed the training program, and what's
in it?

MS. STEPHENS: So the training program
was developed by our Patents Office of Human
Resource Enterprise Training Division. So they
have some experts that they consulted with in
terms of just customer service. But we were
fortunate enough to have an actual former trainer
on staff, so she conducted the training for the
staff or will be finalizing it.

And I'm trying to think what else.

Yeah.

MR. HALLMAN: So who are the experts in
customer service that you consulted with to
develop the training?
MS. STEPHENS: I don't know the specific resources that she used that was over in OHR, the Enterprise Training Division. But she consulted with a couple different customer service, I will say, resources. I'm not sure they're experts, but resources.

MS. SHEPPARD: Well, first of all, thank you for the update. And I wanted to say as a kind of a preliminary matter that you took a concern that I had and just ran with it. And I think it's wonderful the commitment of the USPTO and the relationship between PPAC and the USPTO working together on issues like this. It really has an impact on the customer and the consumer, and ultimately the end product.

The fact that there's 18 different control centers, 800,000 calls that come in, blew me away when I first heard it, and that there was not one person overseeing it, that there were these stovepipes. And you're just in the beginning portion of trying to figure that out and what the improvement plan is going to be. I echo
what Clinton said. Looking to outside organizations who have already kind of gone through this and seeing how they do their best practices makes a lot of sense.

Since it's in the early phases, I'm going to leave it that. I would say that I think that towards the end, it really needs to be something that incorporates most of these under one umbrella. And it would be wonderful if it would incorporate what Peter said earlier, which is users comments on the website, because that's also customer service.

MS. STEPHENS: Yes. I just want to say absolutely we're going to be looking at that, the website, NextGen, as a tool, as another vehicle to enhance that data collection, so we definitely have that in mind.

And in terms of also engaging other experts, so 4C has set up our survey questions that really go to industry best practice to what drives customer satisfaction. So those are the key drivers that we're asking them to give our
questions the highest, you know, merit and start
with those first, and then perhaps a little bit
later after we see in the initial results of where
we need to improve, if we can drill down a little
deeper.

But the good news is one of my staff
members is a key member of the website NextGen,
driving that team. So I'm very familiar with what
process that is taking and definitely plan to
basically have a nice intersection between all the
customer satisfaction plus just feedback in
general.

MR. THURLOW: Just to say a funny point.
I really like the music when you call the call
center, they put you on hold. Very soothing
music.

(Laughter)

MR. THURLOW: I haven't called in a
little while. I called the other day and I heard
the music, and it just put me right at ease.

MS. STEPHENS: Good. That's good.

MR. THURLOW: Thumbs on that. Thank you
very much. It's probably just a minute. It's very good.

MR. BUDENS: It can help you forget the question.

MR. THURLOW: I'll tell you. It works very effectively there, Robert. But in general, my comment is I do call up a lot. I tell colleagues I work, just call the PTO. Generally I've been happy with it and, you know, it's really great.

I don't know if the PTO has a much bigger program where I call an examiner or someone else, they have a program, and I'll get back to you within 24 hours. Ninety percent, they actually do, 95 percent. So it's really good, and I think that's one of the secrets of practicing this. Make a phone call. They're only a phone call away. So it's very good. Compliments on that.

MS. STEPHENS: Thank you. Appreciate that.

CHAIRMAN FOREMAN: Well, thank you again
for that presentation and for the work that you're
doing.

So we're near the end of our session.

Again, I want to thank the public for dialing in
and joining us in this discussion, members of the
Patent Office staff who readjusted their schedules
at the last minute to brief us and accommodate the
weather. And finally to my colleagues, who not
only braved the elements to get here, but may be
stuck and not get home for a couple of days.

This is the end of our session, and we
will see you again on May 22nd for our next PPAC
meeting. Thank you.

(Whereupon, at 3:45 p.m., the
PROCEEDINGS were adjourned.)

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CERTIFICATE OF NOTARY PUBLIC

COMMONWEALTH OF VIRGINIA

I, Carleton J. Anderson, III, notary public in and for the Commonwealth of Virginia, do hereby certify that the forgoing PROCEEDING was duly recorded and thereafter reduced to print under my direction; that the witnesses were sworn to tell the truth under penalty of perjury; that said transcript is a true record of the testimony given by witnesses; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this proceeding was called; and, furthermore, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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