

UNITED STATES PATENT AND TRADEMARK OFFICE

PATENT PUBLIC ADVISORY COMMITTEE MEETING

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7 JUDGE TOM GIANETTI

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1 P R O C E E D I N G S

2 (11:41 a.m.)

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

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

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

15 MR. SOBON: Wayne Sobon, PPAC.

16 MR. THURLOW: Peter Thurlow, PPAC.

17 MR. HALLMAN: Clinton Hallman, PPAC.

18 MR. FAILE: Andrew Faile, USPTO.

19 MR. KISLIUK: Bruce Kisliuk, USPTO.

20 MR. DWYER: Jim Dwyer, PTO.

21 MR. HIRSHFELD: Drew Hirshfeld, PTO.

22 MR. BUDENS: Robert Budens, PPAC.

1 MR. JACOBS: Paul Jacobs, PPAC.

2 MS. SHEPPARD: Christal Sheppard, PPAC.

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

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

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

20 (Laughter)

21 CHAIRMAN FOREMAN: So my name is Louis
22 Foreman. I'm the Chairman. And with that, I'd

1 like to open the floor to Jim Dwyer to give us an
2 update on patent operations. Jim?

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

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

16 This next slide is the unexamined patent
17 application backlog. And again, it's starting in
18 FY '08 on the left side to present. And we're
19 currently at about 600,000 applications. One of
20 the things just to be aware of where we might be
21 at the end of the year, we believe we'll be at
22 about 595. But between now and then, we have a

1 lot of training to do with respect to our new
2 classification system, CPC, and with that there's
3 a lot of time given to examiners to learn that.
4 So we will see that rise potentially to 640, 650
5 somewhere in the third quarter. But once the
6 learning curves and training is completed, that
7 should go back down below 600,000.

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

15 This next slide shows our RCE backlog
16 starting in 2009 on the left to the current '14.
17 As of February 3rd, we're at 82,000. There's a
18 good potential this year that will be around
19 70,000 at the end of the year. We have a lot of
20 RCE initiatives. We've changed a little bit of
21 the account system for document management that
22 incentivizes examiners, especially those that have

1 a number of RCEs to do RCEs.

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

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

21 Okay. These two graphs here show our
22 12-month rolling average, examiner attrition rate,

1 one with less transfers and retirees, and the
2 other one is the overall. It starts with 2001 on
3 the very left all the way to the green line, and
4 which is 2013-ish. And from there, we always look
5 at it from on the right side of the green line.
6 We look at it monthly to see if there's any
7 movement upward or downwards so that we can take
8 advantage of that and figure out what's going on
9 so far.

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

19 This next chart shows interview time
20 based upon year, the blue being 2008, pink 2009,
21 green 2010, so forth, up to the light blue, which
22 we are currently. And as you can see, there's

1 been a steady increase per year of the total
2 number of time that's given to examiners for
3 interviews. Now, granted we have more examiners
4 now than we had in 2008, so you'd expect that
5 increase.

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

16 This slide shows our track one
17 statistics through January. I know it might be
18 very difficult for some people to see this, but to
19 kind of generalize, in FY '12, we were getting 400
20 plus a month. In FY '13, that went up to 500 plus
21 a month. And we're on pace in FY '14 to getting
22 600, so there has been a steady increase. Even

1 though it's been kind of slow, it's still been a
2 steady increase.

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

14 Okay. This slide here kind of
15 demonstrates how track one compares to a normal
16 filing. So the two bars on the left, the green
17 line is not taking into consideration the RCE
18 time. The first bar on the left is the 12-month
19 average through January, not including the RCEs of
20 applications that are not track one. And as you
21 can see, the total time is in the 28 plus months,
22 and the time waiting is in red, is around 20

1 months.

2 So the second one to the right is track
3 one, and as you can see, the amount of time
4 waiting for first action is drastically reduced.
5 And actually, the prosecution time is drastically
6 reduced. So the basic, you can see there's a huge
7 advantage if you need a final disposition quickly
8 to using track one. The chart to the right, it
9 does include the RCE time, and you can see
10 likewise it's still a huge advantage to use track
11 one if you need speed.

12 Okay. This chart shows our quality
13 composite starting at the bottom in 2009 to the
14 current quarter at the very top. Kind of just
15 generalizing, the numbers have been in some cases
16 going up slightly, in a couple of cases going down
17 slightly. But our overall quality composite
18 between quarter four and quarter one of this year
19 has moved up. The outside data in the internal
20 survey data didn't change this quarter because the
21 survey is not done. It wasn't done in this
22 quarter, and we'll be seeing that data in the next

1 quarter.

2 This chart shows our setting of our
3 goals. With respect to the quality composite,
4 starting if you look on the far right, it's FY
5 '15. This is the goals that we set out many years
6 ago. This is where we wanted to be in FY '15.
7 And then looking through FY '11 on the left side
8 all the way to FY '14 quarter one, you can see the
9 progression in blue is our actual results towards
10 reaching that ultimate goal. In FY '14, we're
11 slightly above where we were in '13. However, we
12 have a substantial amount of distance to take up
13 in quality to meet our FY '14 total call.

14 Okay. Switching topics to third party
15 submissions, this is a chart showing where the
16 submissions have come in. And for those that are
17 not familiar with our technology centers, 16 and
18 17 is the biochem area, 2-100 is the traditional
19 software and computer hardware area, 24 has some
20 computer networking, 26 is telecommunications,
21 2,800 is the miscellaneous electrical and
22 semiconductor area, and then 36 and 37 is our

1 traditional mechanical with 3,600 having the
2 business methods area. So you can see the
3 tendency for third party submissions is coming
4 more from the biochem and mechanical than it is in
5 the high tech electrical area.

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

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

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

22 MR. SOBON: I have a couple of

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

14 Most of my things are just sort of in
15 line with that, with these kinds of comments. I
16 noted going backwards on the RCE slide, on slide
17 12, this a very useful slide actually. One thing
18 that struck me was it would be useful in terms of
19 life pendency to know -- maybe we've had that data
20 before -- the percentage of the cases that do have
21 RCEs. So this is clearly some blended rate of
22 cases that do or do not have RCEs. It would be

1 nice to know 20 percent of all cases have an RCE,
2 or 30 percent, or whatever that is, and maybe even
3 track that year by year to see how that is either
4 changing up or down. As we're really exploring
5 the RCE backlog, I think that would be very useful
6 data as well to know that.

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

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

18 It would be interesting to know also how
19 effective those are, you know. If you have an
20 interview, so, like, we take the average case. If
21 there is an interview, you know, time to disposal
22 and when interviews are happening. Anymore data

1 you can have about interviews, their efficacy, how
2 they change the dynamics of the prosecution
3 process, I think it would be useful for guiding
4 applicants in terms of they actually are very
5 useful. This data is very, very good. It's very
6 good.

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

18 MR. DWYER: Specifically the mix between
19 the number of applications that you do serialized
20 in RCEs, again, if you can see the track was going
21 down. And last basically summer through the fall,
22 you can see that was about a 30,000 decline in

1 RCEs. And from an examiner production, you can
2 direct work to the RCE backlog or direct it to the
3 serialized backlog. So a lot of that flattening
4 out was due to our emphasis in RCEs.

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

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

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

21 CHAIRMAN FOREMAN: Christal?

22 MS. SHEPPARD: I want to echo Wayne.

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

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

1 of examiners that it had planned on previously.

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

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

18 MR. THURLOW: Jim, thank you very much.
19 Again, the information is very helpful. A couple
20 of quick points. Wayne touched on them. Just for
21 the third party, the effect of that information,
22 what's interesting from a practitioner standpoint

1 is when we come up with new references and we
2 consider filing them under third party
3 submissions, you're probably aware, should we do
4 it on the third party submission, or should we
5 wait and do a re-examine or another proceeding?

6 So that's something that we think about.
7 I guess a very basic question, does this go back
8 to the examiner or does this fee also look at a
9 third party submission? That's just procedural.
10 I don't know if you know, but is it different
11 between group art units? Because what we say is
12 do we want it to go, in essence, you know, three
13 experienced examiners in CRU, three judges
14 possibly, or just one examiner that may just check
15 it off and not give it the review we want?

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

22 MR. THURLOW: Okay. Then just a couple

1 of quick questions. One, you mentioned about the
2 numbers going from 600 to 640 for the CPC
3 training. I know Bruce, Andy, and Drew have done
4 a lot of work and the Patent Office overall has
5 done a lot of work on the CPC. I don't
6 understand, I guess, how that affects an examiner.
7 Is that obviously just for the searching, and if
8 I'm an examiner, is it just to know where to
9 search and what kind of training? How does that
10 generally work?

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

21 So there are two fundamental things
22 we're doing in the transition for examiners. One

1 is the basic training on understanding how the CPC
2 system works. And again, it's very aligned with
3 IPC in terms of structure, but it's a different
4 schedule, that's one. So they have to basically
5 learn a new schedule and the definitions that go
6 along with the schedule for their technical area.

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

18 The easiest way to say it, it's a very
19 expensive proposition in terms of time. We're
20 giving them a significant amount of time. And the
21 way I describe it is it's an investment. We're
22 investing in not just a new classification system,

1 but in a better, hopefully higher quality in the
2 long run system that has better art.

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

14 MR. THURLOW: Thank you.

15 MS. KEPPLINGER: My question was along
16 that line. You invested a significant amount of
17 time this past fiscal year on training in general,
18 both CPC and AIA. So I was just wondering what
19 your models show for this fiscal year in terms of
20 productivity, because when the training is given,
21 the examiners get to claim other time for that.
22 And so, they are not responsible for doing

1 applications, which also could be one of the
2 reasons we see flattening out in backlogs and
3 things because there's a tremendous amount of
4 examiner time going towards the training.

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

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

20 MR. FAILE: So to build on what Bruce
21 said, Esther, we anticipate building in the
22 learning curve and the training time. Modeling

1 that, we roughly look at it being about 595, just
2 under 600,000 at the end of the fiscal year. So
3 we're going to have a temporary increase as we pay
4 off that investment, that learning curve, and that
5 time, bringing this back down to roughly just
6 under 600,000 for the year.

7 MR. THURLOW: A quick separate topic.
8 On track one, obviously we've always pushed it,
9 and those numbers I think increasing is a good
10 thing. I know the PTO is doing a lot of work on
11 track one, if you want to discuss that during
12 Drew's section, the very high level. To the
13 extent you want to, or if you want to discuss it
14 now. I'll leave it up to you. But I think the
15 patent community would be happy to hear about some
16 of the things that PTO is doing with track one.

17 MS. KEPPLINGER: -- in terms of data.
18 I'm sorry I missed the presentation, although I
19 can study these and I'm sure understand them. But
20 the after final programs are of importance to
21 applicants. And I just wondered what sorts of
22 statistics. If you could give us statistics on

1 that -- how many are requested, how many actually
2 get granted -- because I've had a very uneven -- I
3 always get the difficult cases.

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

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

16 (Laughter)

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

22 I'd like to now invite Drew Hirshfeld to

1 give us an update on patent quality. Drew?

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

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

21 So stay tuned. There will be something
22 more public very shortly about this. And again,

1 it's just softening some of the requirements that
2 were causing people to get caught in the petition
3 process and get kicked out of the track one, and
4 those people will be able to stay in track one.

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

15 The one highlighted meeting at the end
16 is the one in Alexandria. That is the one meeting
17 that took place since the last PPAC. So at the
18 last PPAC, I gave you an update on the first three
19 -- Stanford, NYU, and Berkeley -- and then
20 subsequent to that previous PPAC meeting, we've
21 had the Alexandria meeting. And that was on prior
22 art.

1 So at that Alexandria meeting was a
2 discussion that, as I mentioned, was based on
3 prior art, more particularly resources available
4 to examiners and search techniques. And this is a
5 topic that came out of some of the prior
6 roundtables or meetings about what we should be
7 discussing. So among the topics that people
8 wanted to hear was some access to prior art and
9 some issues related to prior art. So we did have
10 the Alexandria roundtable.

11 We viewed that more as an educational
12 piece to show people what we have available to us,
13 how examiners are searching, and to use that as a
14 means to get some feedback on where we can make
15 improvements in terms of not only the resource,
16 but search techniques. Certainly a theme that
17 came out through that roundtable was increasing
18 third party submissions under the AIA, working
19 with the public on getting those hard to find
20 references or those references that might not be
21 available to examiners, getting those to the PTO.
22 So we do expect to explore those pats in the

1 future as well.

2 And I'll end on this roundtable with
3 just a comment that there is a Federal Register
4 notice asking people for comments, and that
5 comment deadline is March 14th. And what we're
6 looking for comments is, again, mostly on the
7 search resources that are available to us, and
8 particularly in the software space, what should we
9 be searching that we might not have access to, and
10 also on search techniques generally.

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

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

19 So moving onto a training update. We
20 are very, very close to starting a rollout of what
21 I'm going to call post myriad training, and I'm
22 being careful about the name to say it's not only

1 myriad, but it's post-myriad training because the
2 training will be on Mayo and myriad, and even
3 Chakrabarty, et cetera. So that training, we are
4 right on the cusp. It's actually supposed to
5 begin tomorrow with dry runs, which I believe with
6 the storm we might have a problem with. See, I
7 get choked over that if we can't train.

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

17 Then we will be having training for
18 examiners not only in the bio area, but all
19 examiners will get a touch on this as well. And
20 once we complete the bulk of training for that
21 rule, then make our training slides public. The
22 training slides are nothing more than what the

1 guidance document is, put into a training format.
2 So again, that will take place as early as
3 hopefully tomorrow, weather permitting, but more
4 likely it'll be starting the following week and
5 into March. Again, the guidance will be made
6 public.

7 And I just wanted to point out that
8 we've tried to spend a great deal of time putting
9 some examples into the guidance document where
10 we've tried to straddle the line of eligibility
11 using similar examples to say, okay, in this
12 particular fact pattern you are not eligible, but
13 if it's tweaked this way, you are eligible. We
14 feel that's very important to give a better
15 indication of how we are drawing the lines and
16 what we're saying the lines are, and people can
17 see how different cases with similar fact patterns
18 fall out. So there is a fair amount of examples
19 in the guidance document itself, and I expect that
20 we will continue creating examples in working with
21 the TC on those examples, and making all of this
22 public material for everybody.

1 So in the vein of public material, I
2 have the next slide, and I am not putting that up
3 so that we're the number one best place to work,
4 although I just felt like I couldn't pass that by
5 without saying that. What I did put this was for
6 on the left. This is the main USPTO.gov home
7 page. And I get asked all the time, where can I
8 find the training materials. I hear you say
9 they're public, and where can I get them? Well,
10 this is the USPTO.gov main page right on the left
11 towards the bottom.

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

21 A shameless plug for the number one best
22 place to work.

1 (Laughter)

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

17 I do expect, however, that as we
18 continue to go down this path, we will have
19 additional modules expanding beyond the 112(f).
20 Of course we will look into (b) and (a), et
21 cetera, as I've mentioned previously. But the
22 next one on the cusp is still is 112(f). We felt

1 like we needed to finish what we had started there
2 and continue down that path.

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

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

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

21 MR. HIRSHFELD: Should I bring the slide
22 up again?

1 (Laughter)

2 CHAIRMAN FOREMAN: Just to make sure.

3 MR. HIRSHFELD: Okay.

4 CHAIRMAN FOREMAN: Christal?

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

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

20 MR. HIRSHFELD: We have this
21 conversation almost every time we roll out
22 training, especially in recent times where there

1 are so many interests and there are so many Court
2 decisions.

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

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

16 So it's a broad answer to your question,
17 but we consider that, of course. I can tell you
18 what's on the margins, right? The wrong answer is
19 to train on everything without considering it. On
20 the other side of the margin, it would be not to
21 train because there are so many cases and we'd
22 never train on anything. And I think that would

1 be an injustice to our staff. But I think the
2 middle of the road is the right way.

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

9 MR. FAILE: Just real quick to add into
10 both Christal's and Esther's point about the
11 amount of training that we're doing in balancing
12 that, you know, our continually moving back logs
13 and pendency in a downward direction. One of the
14 things that Drew's shop and my shop have been
15 working on lately is putting more of an
16 organization to the way we're doing the training
17 internally, starting all the way with scoping out,
18 you know, potentially far in advance. We think we
19 need to train on these topics this year. Spacing
20 that training out with the examining. Of course,
21 we don't have bunches of training happening at the
22 same time.

1 And also looking at the way the material
2 is actually delivered. You know, we're delivering
3 this training to basically scientists and
4 engineers, patent examiners, and trying to gear it
5 for that type of audience, number one. Number
6 two, trying to archive that training in forms of
7 videos or CBT computer-based training modules that
8 an examiner can dial in. If they are in the
9 middle of an issue in a case, they can pull up
10 that module and have a refresher training right
11 there, building that in.

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

21 MR. HIRSHFELD: And if I may also add
22 cyber. And with this point to sort of gel this,

1 as Andy was speaking also is much of the training
2 is refresher training, right? So make sure that
3 the well-established laws, and it's all not on
4 this, but a big portion of it is. Reinforcing the
5 laws that we would consider to say well
6 established to make sure that they're consistently
7 applied. But it also gets me right back to the
8 clarity theme, and that pushing that clarity, and
9 that we are recognizing and agreeing that there is
10 a lot of gray area in how you move forward in
11 these cases, and that the importance might not be
12 so much the decision itself when you're truly in
13 that gray area as much as it is putting that
14 decision down in paper so that the applicant can
15 see it and then can respond to it.

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

21 I think we are very cognizant, and we're
22 working very hard the last couple of years, to

1 realize that we are in a changing landscape all
2 the time. Our business is always changing. We're
3 never going to be at a steady state. Case law
4 will continue to come at a faster rate.
5 Everything we do now is keeping that in
6 consideration. We have built time into the model.
7 We don't always know ahead of time exactly what
8 we're training on, but we know we're going to be
9 training. I'll give acknowledgement to Mark
10 Powell, who likes to say we need to keep
11 scholarship in the job. I think we are more than
12 ever cognizant that if we don't keep our examiners
13 well trained, we are not going to be able to do a
14 quality job. So it's a balance.

15 And in our models, we don't say no
16 training and then if something comes up, oh, we
17 have to train. We know we're going to do X
18 amount. What we're going to do we're not sure,
19 and it's always going to be a balance. So just to
20 let you know that it's a constant dialogue we have
21 all the time. And how we train, how well we
22 train, and how efficient we train is just as

1 important as just doing the training.

2 MS. SHEPPARD: That's excellent. And
3 I'm just wondering, and you probably don't know
4 the numbers, have you gone over the amount that
5 you expect to train, or are you about at the right
6 level?

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

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

21 MR. FAILE: Just to add in real quickly
22 to Christal's question. So the big pieces of

1 training, we have those pretty accurately scoped
2 out in the model. You know, the first inventor
3 file, the CPC transition. We can calculate those
4 pretty well. We kind of know that we're going to
5 do these other trainings in the year, so we kind
6 of have a bucket for that, and so far we're pretty
7 close to that. But that's the area where we can
8 be a little plus or minus in.

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

18 MR. THURLOW: Can I just say just two
19 separate points and quick comments? I know we're
20 tight with time today. Two big issues that raise
21 a concern is the patent term adjustment and how
22 the PTO is handling that, especially for companies

1 in the pharmaceutical area. And then the other
2 point just to briefly mention, the whole Federal
3 Register notice about the assignee transparency
4 during the application stage is something I think
5 we discussed briefly in the last PPAC meeting.
6 It's raised a lot of angst or consternation, or
7 pick whatever word you want, concern. So maybe
8 just briefly mention where we're at with that.
9 Thanks.

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

16 MS. SHEPPARD: One point about that is
17 that we didn't receive that. We're supposed to
18 get those rules in advance, and we did not, the
19 PPAC. At least we didn't, so that's one
20 observation that hopefully you will get us the --
21 so I was surprised when it came out and, you know,
22 we had not known anything about it.

1 MR. SOBON: Can you remind the public
2 when the comments are due for the attributable
3 ownership package?

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

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

17 MR. SOBON: Just to volunteer maybe on
18 behalf of PPAC, but in the past those roundtables
19 have been very successful, I think, and we're
20 happy as PPAC members to help assist in that, you
21 know, if there are local events like that to, in
22 some sense, co-sponsor or provide a PPAC

1 opportunity for that because as part of our
2 mission to encourage user community input, I think
3 we're happy to help, and we've done that in the
4 past in prior roundtables.

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

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

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

17 MR. THURLOW: That's okay. Please.

18 MS. KEPPLINGER: The sooner you can get
19 the information out about the process that you're
20 going to take, for example, in the previous case,
21 you created, you know, a procedure for people to
22 just apply and get the PTA in that way. And the

1 sooner people know about that, because right now
2 applicants have to make a decision: Do I pay five
3 months' extension of time, or are you going to
4 provide it, in effect, for free? Because if
5 someone has paid five months' extension of time
6 and then you subsequently provide a procedure
7 which allows anybody who received a patent within
8 this period of time can apply for PTA, you know,
9 for the time between notice allowance and
10 issuance.

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

18 MR. HIRSHFELD: Okay, thank you. I just
19 wanted to know where you were going with that. A
20 couple of notes on it. We certainly are very
21 cognizant of putting a procedure in place for
22 people, and this is the Exo Lexus Novardis issue.

1 I do think before we can come out with something,
2 we need to make sure that the timing is ripe in
3 the appeal process, et cetera, so we are in a
4 little more of a waiting state to be able to
5 publicly address that. Should we be able to
6 address it soon, then, of course, we will be very
7 cognizant and are cognizant of the points that are
8 being raised about a procedure in place.

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

20 CHAIRMAN FOREMAN: Thank you, Drew. And
21 so we're running a little bit behind. We have a
22 scheduled break that I'd like to power through.

1 But being consistent with our PPAC winter games,
2 we actually have to break for an awards ceremony.
3 So I'd like to invite Commissioner for Patents,
4 Peggy Focarino, to join us.

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

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

20 And we had a team that was recognized
21 for the AIA implementation, and, of course, PPAC
22 played a critical role in that, particularly with

1 the fee setting and all of the efforts that went
2 into that.

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

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

18 MS. KEPPLINGER: That's a big one.

19 (Applause)

20 CHAIRMAN FOREMAN: It's good to see some
21 team PPAC bringing home the gold. All right.
22 Congratulations.

1 All right. So at this point, I'd like
2 to introduce Mark Powell, and invite him to give
3 us an update on international.

4 MR. POWELL: Good afternoon, everyone.
5 And as usual, I've been allotted a certain amount
6 of time, and I'll use a lot less of it to attempt
7 to get everyone back on schedule.

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

17 Up here you'll see a mission statement,
18 which is a little bit wordy, but I think I'll just
19 share with you more of a strategic vision. And
20 that really is to improve the international patent
21 system, and by improve that, I mean in terms of
22 certainty of rights and reduction of costs.

1 Certainly of rights includes quality, timeliness,
2 you know, transparency, and so on.

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

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

1 international now with the CPC and so on.

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

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

17 I think that we have done really, really
18 well given the ad hoc nature of how this work has
19 been organized, different people doing different
20 pieces, in different departments, under different
21 management, with a general direction. But I think
22 standing up this organization is really going to

1 enable us to be extremely effective.

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

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

15 So I'm looking forward to working with
16 PPAC. And Mary Lee, I guess, who wasn't able to
17 make it during this cycle, but on the stakeholder
18 part of this. Oh, Mary Lee, hello. Okay. And
19 just simply finally to add that really everything
20 we do has a stakeholder component, right? This is
21 the stakeholder system, all right? The days of
22 build it and they will come are over. We need to

1 hear what is needed, and what is desired, and how
2 it can help as we move forward on the various
3 initiatives.

4 So with that, I will take any questions.

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

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

13 I've gathered a number of comments from
14 others in the broader and global community, you
15 know, especially the issues that were created by
16 sequestration and the contraction of the USPTO's
17 work in the international community was sorely
18 missed during that time, and at a time when
19 actually with the passage of AIA and First to File
20 has actually provided, I think, a great platform
21 for us to proceed further on harmonization topics
22 and other things with the IP-5, and the

1 trilateral, and all the other activities you're
2 doing.

3 I'm hopeful that that work will now
4 escalate again and we'll be seeing the USPTO very
5 active on the international stage in these events
6 because I think there's a lot of things that can
7 be accomplished.

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

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

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

20 JUDGE HORNER: Good afternoon. I'm
21 Linda Horner. I'm the Acting Vice Chief Judge of
22 the Patent Trial and Appeal Board, and I want to

1 make a few introductions here of other people at
2 the table with me. Scott Boalick is the other
3 Acting Vice Chief Judge for the Board, and we also
4 have with us Judge Thomas Giannetti and Judge
5 Jameson Lee.

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

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

1 please.

2 This just shows you by month what the
3 filings have been. The blue shaded portion at the
4 top with the horizontal shading are the number of
5 inter parties review petitions. Stacked below it
6 are the number of covered business method
7 proceedings with the hash marks. And in orange
8 are the number of derivations, again, those only
9 being four. And you can see there's been a
10 general trend upward in the filings peaking in the
11 November/December timeframe where we had 110 and
12 12 petitions respectively. That was giving us a
13 filing rate of about 3.6 petitions per day.
14 However, you can see in January we had a downturn
15 down to 69 petitions, so it was about 2.2 per day.

16 So far in February, we have 22 petitions
17 as of yesterday. We're on a two per day rate, but
18 we'll see what happens with the filings there.
19 Next slide, please?

20 Technology breakdown. And those of you
21 who have been following the statistics from the
22 beginning will not be surprised to see the

1 breakdown is roughly what it was, slightly over 70
2 percent in the electrical computer area, then
3 followed by about 16 percent mechanical, seven
4 roughly percent chemical, about five to six
5 percent biotech and pharmaceutical, and the
6 remainder, we've got six design petitions.

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

13 Dispositions. I'll spend just a moment
14 on these. These include the number of trials
15 instituted, and you can see that in fiscal year
16 '13, we instituted 167 inter parties reviews.
17 Here just at the beginning of the second quarter
18 of fiscal year '14, you can see that we're already
19 at 121 trials instituted. So our institution rate
20 has actually come down if you look at the total
21 numbers of decisions on institution that we've
22 had.

1 We had 87 percent instituted in FY '13,
2 percent instituted in '14. Of these institutions,
3 and something we don't have here today, but just a
4 note, many of these institutions are on less than
5 all of the requested grounds. Some of them are on
6 less than all of the requested claims. So the
7 institutions we don't have broken down for you
8 today, but the institution can be, if even one
9 claim and one ground in the request was granted,
10 it counts here in these statistics as an
11 institution. The denials are completely denied,
12 so no grounds, no claims.

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

19 The final dispositions are just starting
20 to come out. Last year we had only two. And
21 actually the fiscal year -- well, correction.
22 Last year we had only one. There was a CBM

1 petition in Fiscal Year '13. This year, as you
2 can see, we've had two inter parties reviews as of
3 January 30th. However, yesterday we had two CBM
4 final decisions, and I believe it was four inter
5 parties review final decisions. So the final
6 decisions, these numbers are changing every day
7 now, and they're starting to increase. That's the
8 far right column.

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

21 The next slide is one that you've all
22 seen. I just put it up here for reference because

1 there may be some questions later where we would
2 want to refer back to some of the timing of what
3 happens in trials. So I'm not going to spend time
4 on this right now, but we may come back to it
5 depending upon the questions.

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

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

21 For the standards for institution, AIA
22 proceedings, depending on whether it's an inter

1 parties review or a covered business method, they
2 have slightly different standards, but either
3 reasonable likelihood that at least one claim
4 would be found to be unpatentable or more likely
5 than not. Inter parties re-exam has a similar
6 reasonable likelihood standard, reasonable
7 likelihood of prevailing with respect to at least
8 one claim being challenged.

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

15 For amendments, there is a distinct
16 difference among all three proceedings here. In
17 AIA proceedings, you have a right to move to
18 amend. You have a right to make a motion to amend
19 your claims, but no right to actually have the
20 amendment entered, so there's a limited ability to
21 amend. And we have some slides later. We'll get
22 into that in a little more detail.

1 In inter parties reexamination, you have
2 amendments submitted before final action are
3 entered as a matter of right. Amendments after
4 final must comply with 37 C.F.R. 1.116. And, of
5 course, in district court litigation, no amendment
6 is possible.

7 Discovery, here the differences are
8 clearly between AIA and district court litigation.
9 There's no discovery in inter parties
10 reexaminations. In the AIA, and we have, again,
11 another slide that will get into more detail on
12 this, we have three categories of discovery:
13 Routine discovery, mandatory initial disclosures,
14 and then additional discovery that can occur by
15 agreement or by motion. And in district court
16 litigation, the standard is really whether the
17 discovery is reasonably calculated to lead to
18 admissible evidence.

19 And then time to completion, AIA, we're
20 required by the statute to complete within one
21 year of institution. Inter parties re-exam, about
22 75 percent are now completed within 18 months.

1 The average time to completion for all inter
2 parties reexaminations is around 21 months from
3 filing. And district court litigation, we took
4 this from a PriceWaterhouseCoopers survey, and
5 median time to trial they estimated as
6 approximately 2.5 years.

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

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

17 One thing on a motion to amend is that a
18 conference with the Board is required by the rule.
19 This is generally a good thing because it's a
20 chance to discuss what should be in the motion,
21 again because the statute gives only one motion as
22 of right. Any subsequent motions need to be

1 agreed upon by the parties. So if you're going to
2 get your one motion as of right, it makes sense to
3 confer with the Board and go over what the
4 expectations are so the party has their best shot
5 of success in the motion.

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

15 Something to understand on the next
16 slide that makes amendments in the AIA proceedings
17 so different than the examination proceedings or
18 any other proceeding before the PTO is that unlike
19 examination, the Board does not examine the
20 claims. We don't examine the amended claims.
21 There's no search conducted by the Board. There's
22 no rejections as such of the claims that are made.

1 So really, the burden here is on the patent owner
2 as the movant to show patentable distinctions
3 between the amendment over all of the prior art,
4 and it's a big distinction. It sort of flips
5 things around where the patent owner needs to show
6 how the claims distinguish over the art rather
7 than having the burden be on the Office to show
8 that it's not distinguished.

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

11 JUDGE BOALICK: Sure.

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

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

20 MR. THURLOW: So just taking a step
21 back, so as we've discussed, this motion to amend
22 has raised a lot of concern. So you're exactly

1 right where there is a representative decision on
2 there, namely the Idle Free case. What would be
3 helpful maybe for the patent community is maybe if
4 you had a few examples of motions to amend that
5 were done correctly. And whether it's an expert
6 opinion is needed in each case, because in that
7 last slide the word that I circled on mine was,
8 you know, "to show the patentability distinction
9 of the proposed amended claim over all prior art."

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

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

19 JUDGE BOALICK: I guess the first thing
20 to say is that we are fairly early in the process
21 of issuing the final decision. So Idle Free was
22 the first that dealt with a motion to amend.

1 Since that time, I believe yesterday we issued two
2 more decisions, final written decisions, that
3 dealt with motions to amend. However, there are
4 more on the way, so I think the landscape will be
5 evolving. And certainly what we would do is think
6 to supplement our web page on illustrative motions
7 or decisions where we can highlight things that
8 were done or practice tips. And something we'll
9 be incorporating into our materials are practice
10 tips.

11 MR. THURLOW: That's great.

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

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

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

21 MR. THURLOW: Okay.

22 JUDGE GIANNETTI: It is very early, and

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

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

22 The fact that we've seen just a few

1 cases, and I'm hearing anecdotally that the
2 quality of motions to amend is improving, and so I
3 think we're hopeful that patent owners will be
4 more successful as they learn how to do it
5 properly with our guidance.

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

17 And this is on top of the patent. It's
18 already gone through patent examination over a
19 number of years by the Office against directly all
20 prior art to get to this stage. So you are
21 looking at a contested case on very specific art
22 brought by petitioners. I guess users are

1 confused why they would have to aver again in some
2 detailed way why the new proposed claims, which
3 are supposed to be more limited than what was
4 allowed by the Office in the first place and are
5 intended to surmount the proposed art, have to
6 beyond that make any sort of detailed, taking of
7 precious space and limitations on motions, all
8 other art. Why it's not enough just to surmount
9 the actual art that is at issue in the contested
10 case.

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

1 ordinary skill in the art.

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

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

20 So you're not going to automatically get
21 a notice of allowance just because you narrow a
22 claim, because previously you had an unpatentable

1 claim, and then you say, well, in combination with
2 this element, I've narrowed it. But the examiner
3 still has to go out and search for that feature in
4 combination with the other claim elements. We
5 can't do that at the Board.

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

17 MR. THURLOW: Just, I guess, from the
18 applicant community, the concern is that the
19 provisions of the amendment obviously was not in
20 the rules. The PTO has the discretion to
21 determine that. There's some concern that the
22 PTAB Trial Practice Guide, which had three or four

1 columns of information on how to do the motion to
2 amend, I don't know if it was as specific as
3 requiring the "all" as detailed as may be the
4 case. But I may be wrong in that.

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

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

21 MR. SOBON: Thank you, Judge Lee, on the
22 explanations. I think I'm still a little

1 confused, and I think the user community, the
2 patent community, is a bit confused, too, why the
3 Office and the PTAB don't treat these amendments,
4 which is an actual giving up of the patented state
5 that already has been granted by the Office and
6 contracting that before you in the face of a
7 contested case, why that isn't just liberally
8 granted. If, in fact, the amendment narrows the
9 claim scope and does surmount, at least facially,
10 the proffered prior art, the limited focus pieces
11 of prior art brought by the petitioner, why the
12 Office is not treating that in a very liberal way.

13 You know, the ultimate outcome of this
14 is the potential destruction of a patent right
15 that's already been granted by the Office. And
16 why the PTAB isn't treating that as a very much
17 more liberal standard, that so long as the claim
18 is narrowed beyond what was already granted and
19 examined by the Office, and actually at least
20 facially surmounts the proffered prior art, why
21 isn't that more liberally granted? I guess I
22 don't understand, and maybe you can help me

1 understand, the rationale you're providing as a
2 Court.

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

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

22 So adding a feature to a claim where the

1 feature was not the focus of anyone's attention
2 does not sound like an area where the Patent
3 Office should be liberal about granting the
4 amendment because no one was focusing on the
5 feature before the amendment. I mean, perhaps not
6 even the petitioner, not even the examiner. And
7 we have no basis of doing an examination based on
8 the added feature.

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

18 And then in the motion to amend, as
19 you've painted it, the patent owner then has to
20 show that the amended claim is valid over the
21 patent owner of record and the patent already
22 known. Doesn't that then put the burden on the

1 petitioner in opposing the motion to raise any new
2 art, which would be a function that would normally
3 be carried out during the examination process?
4 And isn't that part of this process also
5 accelerated so that that would be an issue with
6 this process as well in the case that a claim is
7 amended that would be valid over the prior art of
8 record, but not potentially over prior art that
9 hasn't been considered?

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

20 MR. JACOBS: Of course. So the point is
21 that once the patent owner has met that burden of
22 showing that the claim appears to be valid over

1 the prior art of record, then that shifts the
2 burden then to the petitioner in the case where
3 there may be additional art that has not been
4 considered in the case where this is focused on
5 the additional features of the claim that have
6 been added. I'm just trying to summarize the
7 process to show that there's actually a burden on
8 both sides in this process, and that burden on
9 both sides is kind of in a narrow time window due
10 to the accelerated schedule.

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

22 I don't think the Patent Office can

1 simply allow claims to go into a patent when
2 there's only a demonstration that these claims
3 define only these two references. What about the
4 rest? So at least right now, unless there's a
5 change in management policy, the burden is to
6 demonstrate general patentability and not simply
7 patentability over the one or two or three
8 particular references that are raised by the
9 petitioner initially.

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

13 (Laughter)

14 MR. THURLOW: But in the interest of
15 just moving forward, let me just go back to one
16 quick question that's raised a lot of issue. I
17 mean, you understand the concerns about the motion
18 to amend. If there is something that the Board
19 can do, whether it's a separate paper or a
20 separate something, representative decision, or
21 anything to provide, I think the patent community
22 would find that very helpful.

1 The other comment that has come up a lot
2 is when petitions are submitted, whether a patent
3 owner should submit a patent owner preliminary
4 response. Now, as you're well aware, in the past
5 the patent owner response was not required until
6 after the PTO decided whether or not to grant or
7 deny the petition. Congress, and I think very
8 correctly so, made that requirement before the PTO
9 makes the decision.

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

21 Right now, I'm actually surprised with
22 so many patent owner preliminary response waivers

1 being submitted, it's not clear to me why someone
2 would do that. But if you could provide that or
3 just mention that.

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

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

19 But there's another aspect to the patent
20 owner preliminary response, that even if it
21 doesn't prevent institution, it is a chance to
22 shape the trial by giving the patent owner's views

1 on how the claim should be construed. I just
2 think without the filing of a preliminary
3 response, when the Board goes to institute what it
4 has in front of it is the views of the petitioner
5 on claim construction with no corresponding views
6 of the patent owner, which, again, while it may
7 not end up preventing institution of all claims or
8 grounds, it may shape non-institution of some of
9 those, and certain shapes the preliminary claim
10 construction at the outset.

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

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

21 JUDGE BOALICK: Right.

22 MR. THURLOW: Okay.

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

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

17 MR. SOBON: Along those lines, I think
18 that some of the charts you have are very helpful.
19 And earlier we asked some of the others in the
20 Patent Office and the other departments, if we can
21 get some details. Like, for instance, on the
22 final dispositions on the settlements, if there's

1 any way to code or show data on is that
2 settlements where the entire patent is now
3 forfeited, claims are amended.

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

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

1 MR. SOBON: Sure.

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

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

16 There are the initial disclosures that
17 are mandatory. Again, those are if upon
18 agreement. There's routine discovery and then
19 additional discovery. The additional discovery
20 tends to be where most of the disputes have
21 arisen. Once the discovery has been exchanged,
22 then it's the parties who are seeking to get

1 discovery on things that go beyond the discovery
2 that's allowed as of right.

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

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

1 additional discovery. It does not meet the
2 interest of justice standard in IPR.

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

12 And again, in the Board's representative
13 orders is the Garmin decision that gives the five
14 factor test in IPRs and guides discovery requests
15 in the business method proceedings. The five
16 factors are listed here, and again, it's as I had
17 mentioned before. The mere possibility or
18 allegation that something could be found, and
19 seeking to identify in opponent's litigation
20 proceedings, it has to be something more than
21 that. Whether the party can obtain or generate
22 the information on their own. The interrogatories

1 need to be clear and not overly burdensome to
2 answer.

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

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

17 JUDGE BOALICK: Okay, sure.

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

21 Our current inventory of ex parte
22 appeals is just over 26,000, so it's pretty steady

1 at 26,000 right now. As I think we reported at
2 the November meeting, we've had to divert some
3 resources that were handling ex parte appeals to
4 deal with an increase in the AIA workload. But we
5 have managed to keep appeals at 26,000.

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

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

1 good progress there.

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

7 So since October of 2011, we've been
8 hiring and in a steady growth mode. We've
9 reviewed nearly 2,100 applicant records for APJ
10 positions. We've interviewed over 370 candidates
11 and selected 128 highly qualified candidates to
12 become new judges. And currently as of January
13 27th, we're at 179 judges. I'd like to stress
14 that there are opportunities at all of our
15 locations, and we're finding that having presence
16 in cities outside of Alexandria has helped us in
17 recruiting for folks who may not have considered
18 joining the Board had they had to relocate to the
19 Alexandria area.

20 We are currently selecting candidates,
21 sending lists to the Secretary of Commerce for
22 approval, and continuing our interviewing. And

1 our goal is to add a lot more judges, as you'll
2 see in the next couple of slides. I think you'll
3 be able to figure out how many judges we're hoping
4 to add.

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

16 And then in private practice, we've
17 hired a large number of the hires have come from
18 private practice, from solo to very large practice
19 firms. And across all types of industries,
20 although we've had some announcements go out with
21 a specific focus on electrical and mechanical
22 backgrounds because it's certainly where the bulk

1 of our work is. But our current announcement is
2 not limited to any particular area of technology,
3 so we're hiring across all technologies.

4 Current judge staffing. So this is a
5 breakdown of how the judges are allocated. Of our
6 179 judges, we have almost roughly the same number
7 handling AIA and handling ex parte. We like that
8 balance. We're going to try to maintain that so
9 that we're not diverting too many of our resources
10 away from ex parte appeals. In the green you'll
11 see about 10 percent of our judges are working on
12 appeals from interparties' re-exams, and we have
13 some judges focused, not entirely, but primarily,
14 on management responsibilities within the Board.
15 And then we have a small interference practice
16 group that handles our legacy interferences.

17 I will say that as we on board new
18 judges, we start them in ex parte appeals. We've
19 reserved our very experienced judges to stay
20 working on ex parte appeals and serve as mentors
21 for new judges so we can get them trained as
22 quickly as possible. And we find that the core

1 skills they learn in handling ex parte appeals
2 translate well into our other areas of
3 jurisdiction.

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

17 And we're hoping by between now and
18 April we're going to have about another 20 judges
19 joining, and then the remainder of the hires in
20 the rest of the fiscal year. Our goal in hiring
21 is to maintain the high quality of candidates and
22 judges that we've been able to attract so far.

1 We're building the best corps of the dream team,
2 so to speak. And we expect our satellite
3 locations to continue to grow. We're hoping to
4 max out on our available office space and all of
5 our satellite locations, and even before our
6 permanent offices open in California, Colorado,
7 and Texas, we're hoping that those branches will
8 continue to grow.

9 Coming soon.

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

21 Again, we can work with the
22 subcommittees on some of the desired statistics

1 and new representative decisions as decisions come
2 out. Also some of these may end up going into our
3 presidential or informative decisions, which is a
4 slightly different process. But we will do that.

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

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

20 We also have some new blog entries that
21 are going to be coming on the AIA microsite.
22 We've had those in the past, so we have some new

1 lessons learned blogs that we'll be featuring on
2 that.

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

18 And I think when you see the statistics,
19 at least some of the new ones, again, we are in
20 the early stages, but I've heard some out there
21 essentially proclaiming that the sky is falling.
22 I think you'll see the sky is not falling, in

1 fact. It's a very focused, narrow, deliberate
2 process. Just as an example, the PTO is now
3 issuing about a thousand patents a day. We've had
4 less than a thousand petitions filed since
5 September 16th, 2012. So I think those alone just
6 sort of say, look, it's a select group of patents
7 that are being challenged. We're taking the job
8 very seriously. We're doing our best to be fair
9 to all parties. So I just wanted to let everybody
10 know that.

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

20 We mentioned in the past, the PPAC has
21 worked with Andy and others at the PTO on
22 partnerships for, like, RC programs. So to the

1 extent you do a thing around the country, I think
2 we'd be happy to assist where we can.

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

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

18 I have a couple of questions or just
19 things that would be useful for us. We asked in
20 the past, and it would be helpful especially as
21 you're growing the divisions, if you could have a
22 more detailed work chart for -- I've been asked.

1 The question has come to me. Is there a work
2 chart or can we can get a work chart of where the
3 judges are assigned in detail, which judges are in
4 which details and how you're structured. I think
5 that would be very, very helpful for us.

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

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

21 Particularly I've seen on some cases
22 where you're examining a patent or patents that

1 have gone through detailed expensive litigation,
2 reach jury verdicts, had awards given. And you're
3 analyzing those patents. I think it would be
4 curious to people how much attention you give to
5 the weight and the importance of issues that are
6 being brought before you and when you exercise
7 your discretion to allow further time for that
8 case load.

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

17 JUDGE BOALICK: Okay. And we can
18 certainly look at, again, providing more detailed
19 information. I guess just a quick word. The
20 assignment of cases is something that is not
21 entirely random because we want to make sure that
22 we have a mix of experience on the panel. So at

1 least one of the judges on the panel is one who
2 will be more experienced in the handling of the
3 phone calls, although any judge potentially on the
4 panel can handle the phone calls and the
5 interlocutory matters. But again, we have, of
6 course, a conflict clearance proceeding so that
7 anybody who has a conflict with a particular
8 matter will not be assigned to the case.

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

13 As far as the one-year period, I guess
14 what I would say, one of the things we're
15 interested in hearing from you and from the public
16 is what circumstances you view as constituting the
17 good cause to go over the 12 months, because as
18 you know, the statute has the one year, but gives
19 up to six months for good cause. And what
20 circumstances constitute good cause? Should it be
21 a blanket six-month extension or month by month,
22 week by week?

1 Our view has essentially been that
2 Congress seemed to intend 12 months with very
3 limited exceptions, but again we're interested in
4 hearing views on that.

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

9 JUDGE BOALICK: Yes.

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

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

1 that's a mistake.

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

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

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

21 JUDGE GIANNETTI: I think at least one
22 has been granted that was involved in the case, so

1 they're not a few. I would say that if you really
2 have something to say, something was really
3 misapprehended or overlooked, you should file your
4 motion, notwithstanding the fact that there
5 haven't been very many granted.

6 The problem with assigning it to a
7 different panel is then you have to get a
8 different panel up to speed in order to look at
9 it.

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

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

21 MR. HALLMAN: -- and when you hired new
22 judges. Have you considered at all whether or not

1 trying to hire judges who have a litigation
2 background, whether or not that would be helpful
3 to you. And I'm not on the subcommittee that
4 handles PTAB, but I suspect some of what you've
5 seen in the early filings has been a result of
6 people who've been involved in district court
7 litigation getting involved in these matter. And,
8 well, this is the paper I use in district court,
9 so this is paper I'll use here. I think I've
10 gotten a flavor of that.

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

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

21 JUDGE GIANNETTI: Thirty-four years.

22 JUDGE HORNER: So we see plenty of

1 candidates who have never prosecuted a patent
2 before the Office who are strictly patent
3 litigation folks. And they're naturally drawn to
4 this job because there is that litigation aspect
5 of the AIA trial work that intrigues them. And
6 so, we are seeing a healthy number of candidates
7 with that kind of background.

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

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

22 We are kind of back on schedule at this

1 point, but Wayne's stomach is reminding me that we
2 haven't had a break.

3 (Laughter)

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

13 (Recess)

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

19 MR. COLARULLI: Thanks, Louis, and happy
20 to be here. As was commented, I'm donning a new
21 look to prepare for the storm. As you all know,
22 the entire D.C. metro area has begun to shut down

1 as they do with the threat of any type of ill
2 weather report. So thank you all for meeting
3 here.

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

7 So thanks for letting me come, again, in
8 front of the committee and give you an update on
9 both what are the issues that are important in
10 front of our committees of jurisdiction.

11 Primarily we spend most of the time with the
12 Judiciary Committees in the House and the Senate.
13 So I'll spend a little bit of time on that on the
14 front end, and then we can get into the patent
15 litigation reform issues, which I know are of
16 great interest to this crowd.

17 Start off with, and as I said, we'll get
18 into the patent litigation issues a little bit
19 more deeply. But there's a lot of interest in
20 moving forward on IP legislation continued. It is
21 one of the few issues that members on both sides
22 of the aisle can get around and support. Some

1 find it somewhat surprising that so soon after the
2 AIA, we're engaged in such a strong push forward
3 for additional follow-on legislation, although
4 there are good arguments to say this addresses
5 something further and builds on much of the work
6 of the AIA.

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

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

18 I had included in previous presentations
19 an update on copyright issues. The House
20 Judiciary Committee in particular has started a
21 series of hearings to review the copyright system.
22 That was done somewhat in parallel to our own

1 efforts here at PTO and within the Department of
2 Commerce to really look more critically at some of
3 the changes that could be made to the statute to
4 improve the copyright infrastructure. We issued a
5 Department of Commerce green paper in parallel to
6 some of the congressional discussion. A number of
7 hearings in front of the House Judiciary Committee
8 that occurred both before and after the House
9 moved on its patent litigation reform bill.

10 We expect that to continue to be a
11 secondary focus of the Committee. It's a question
12 of whether there would be legislation that would
13 be circulated this year. Certainly, even
14 optimistically it seems like legislation wouldn't
15 move forward, but perhaps circulated. So that'll
16 take the attention at least of the House Judiciary
17 Committee. We're not seeing the same attention
18 there on the Senate side on copyright issues, but
19 we hope some of the activity that we're doing here
20 in the PTO in trying to tee up some of these
21 issues, as was seen in the green paper, might help
22 further congressional discussions and later

1 conversations. So on the copyright issue,
2 sufficient to say that this is one of the focuses
3 of their attention.

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

15 So let's get right into patent
16 litigation reform proposals. I'm going to show
17 you a set of slides that are updated from previous
18 slides that we had shown to the committee. This
19 goes back to much earlier last year in February.
20 The President had said patent litigation reform is
21 something he'd like to spend some time on, he'd
22 like the Administration to focus on. That

1 followed on with June of last year a White House
2 statement that identified seven legislative
3 priorities, and got us working on some executive
4 actions here at the Agency. We've made
5 significant progress in addressing some of those.

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

19 So in addition to those executive
20 actions, there are a number of legislative
21 recommendations. We had a bill that passed the
22 House at the end of last year in December, and we

1 have an active bill in the Senate. Of those seven
2 recommendations, there's a number that are
3 included in the bills, not all of them. Four out
4 of five of those recommendations are addressed in
5 some way in those bills.

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

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

22 And both the House and the Senate

1 introduced quite a few bills. As the House ended
2 their process, the proposals that were introduced
3 earlier in the year in the House all came together
4 in H.R. 3309. Some of the amendments that were
5 offered at subcommittee, some of the amendments
6 that were offered on the Floor, reflected
7 provisions that were in other bills earlier in the
8 year.

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

18 I think the House bill was really a very
19 aggressive bill, addressed many, if not all, of
20 the issues. I had mentioned one that was not
21 included, the expansion of CBM. But addressed a
22 lot of the issues that had been discussed over

1 that last year, and resulted in very aggressive
2 provisions on the issues of discovery, on
3 heightened pleading, certainly on customer stay,
4 on transparency, although some variations were
5 discussed throughout the process. But it really
6 is a very comprehensive bill. I think as you move
7 then to the Senate, we see a much more modest
8 approach.

9 But continuing with the timeline, the
10 House passed its bill December 5th. That bill
11 essentially then is referred over to the Senate.
12 The Senate has a decision. They could pick up
13 that bill or they can move forward on their
14 legislation. Senator Leahy had opted to introduce
15 a more modest version and build from that. I
16 think folks are mistaken if they think that the
17 bill that Senator Leahy introduced is the end
18 game. I think he did it simply to tee off a
19 deliberative discussion in the Senate. And those
20 of you who have been following the press, I think
21 the Senate has gotten some very credit for slowing
22 down the process and really thinking through these

1 issues a bit more through a series of briefings.

2 And I'll talk a little bit more about that.

3 But in the process of that, the
4 Administration supported moving the House bill
5 forward. It reserved, however, a couple of things
6 that it had expressed concerns about. One of
7 those things is addressing maintaining judicial
8 discretion, or taking away discretion from the
9 judiciary to work through these cases. And it's
10 an issue that the Administration wanted to work
11 with the Senate as it considered these same
12 provisions to ensure that there's proper balance
13 there. We also signaled some concern about
14 limiting the PTO's ability to use the broadest
15 reasonable interpretation in claim construction.
16 So those are two things that were mentioned in the
17 statement of Administration position. But
18 overall, the Administration the Administration
19 supported moving forward the bill.

20 The President then in January, as you
21 all know -- I think this is the second time
22 running -- mentioned the word "patent" in his

1 State of the Union speech. Some of us find that
2 very significant, the President actually raising
3 it in the State of the Union. As someone else
4 said to me last week, you know, you can say a lot
5 of things during the State of the Union. It's
6 quite a long speech. So take that for what it's
7 worth.

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

16 That includes other parts of the
17 Administration as well, including the PTO,
18 including the Department of Commerce as a whole.
19 Secretary Pritzker has made this a priority as
20 part of her Open for Business strategy. Has asked
21 us to also take a much more active role than we
22 had been now with Michelle Lee in position as

1 Deputy Under Secretary, to both inform the process
2 and to facilitate the process so we can move
3 forward.

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

17 But then it did not specifically address
18 the issues of discovery, of heightened pleading,
19 of fee shifting. All of those are very active,
20 and we saw the briefings with Senate Judiciary
21 staff that just ended last Friday address all of
22 those issues. And I think there's a great

1 likelihood that some language would be
2 incorporated in the Senate bill at the appropriate
3 time to discuss those things or when the bill
4 comes to the Committee for action as a markup.

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

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

1 that third hearing.

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

14 Happy to take questions on the patent
15 litigation reform issues afterwards. Let me end
16 my official slides with just some other
17 considerations for this Congress from my office.
18 Certainly I already mentioned kind of increased
19 engagement on patent litigation legislation, and
20 that's both with the stakeholder community to the
21 extent that we can discuss and facilitate the
22 discussion. But then certainly I'm spending a lot

1 more time up on the Hill trying to do the same
2 thing for members of Congress, Michelle Lee as
3 well, and expect the Secretary of Commerce to take
4 a large role in facilitating the discussion.

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

17 But there are congressional delegations
18 around each of those offices that are very, very
19 interested in us being successful. So we're
20 already starting the outreach there. We're also
21 helping to pull in some of the educational
22 resources in those areas to interact with other

1 parts of the PTO so that we can start contributing
2 to those resources locally on the ground. Having
3 actually feet on the ground in those areas gives
4 us more opportunity to be more visible in those
5 communities.

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

21 So that's my official presentation. As
22 I said, happy to talk about the patent litigation

1 reform as we see it moving forward over the next
2 couple of months if folks have questions.
3 Questions?

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

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

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

17 MR. COLARULLI: The language reads not
18 bound by a specific, but that the PTO would
19 construe the claims as a district court would.
20 And that language is consistent in both what
21 passed in the House and what was introduced in the
22 Senate bill.

1 MS. SHEPPARD: Thanks. That was a
2 fantastic presentation. I guess I have many
3 concerns about the language of the bill, which
4 that's not your fault.

5 (Laughter)

6 MR. BUDENS: Yes, that probably is.

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

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

17 The Octane Fitness case is before the
18 Supreme Court right on Section 285 and fee
19 shifting. So it really concerns me that -- I
20 guess the argument is February 26th. And Congress
21 is really trying to do something very similar
22 while the Supreme Court is looking into these

1 issues. Are people cognizant of this, because
2 this is what happened with patent reform where
3 these issues were up. Congress started looking at
4 them. The Supreme Court started fixing them, or
5 the Court of Appeals for the Federal Circuit
6 started fixing them, pretty much removing the need
7 for legislation. Are we going to see this move
8 regardless or maybe instead of before the Supreme
9 Court gets done with it?

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

21 I think, Christal, you also mentioned
22 the issue of conference. I think that's right.

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

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

18 You know, on fee shifting, yes, members
19 are cognizant that there are Supreme Court cases
20 that are addressing these similar issues. The
21 Supreme Court is going to be limited to discussing
22 how exceptional a case is interpreted by the

1 courts, and in all likelihood probably would
2 result in some additional flexibility.

3 I think those who advocate fee shifting,
4 they say two things. Number one, fee shifting is
5 one of the provisions that's being discussed here
6 that goes directly to the cost calculation,
7 changing the cost dynamic that underlies whether
8 you even enter into litigation, or whether you
9 settle, or you look at any other number of
10 options. So they support I strongly for that
11 reason.

12 I think they also say that certainly
13 while it's productive that the Supreme Court is
14 taking up this issue and there would be some
15 progress, it will only go so far. It can only be
16 tied to redefining that term, and perhaps we need
17 to have a more open discussion. Now, that leaves
18 open what the language is, and there's language
19 that was passed by the House that does a couple of
20 things. It not only makes fee shifting likely
21 used more often by at least some courts, and
22 there's some debate that certain forums -- Eastern

1 District of Texas -- otherwise still would have
2 discretion, so maybe it wouldn't push them as far.
3 But it also shifts the burden. Instead of the
4 "court may," it is the "court shall, unless." And
5 then there's a quite significant exception.

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

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

20 MR. COLARULLI: It is.

21 MS. SHEPPARD: And about 70 percent of
22 those get fee shifted, and it goes for both

1 parties. So you could be a legitimate patent
2 holder or you could be a legitimate person who is
3 defending against the patent person, and you may
4 be caught up in this.

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

14 It also says something about under any
15 act under patents, which makes it very, very
16 broad. So we should talk more, but that's my
17 concern. It's gone through very quickly. I know
18 a lot of law professors sign onto this, and a lot
19 of people including the Administration signed onto
20 it for kind of a policy reason, that we have some
21 problems in the system. But the language is very
22 broad.

1 MR. COLARULLI: I think that highlights
2 the point that the language is in flux, that the
3 general concept support behind fee shifting is
4 held by many, but the language itself, I think,
5 for the very reasons you raised, still needs to be
6 worked out.

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

17 MS. SHEPPARD: And, I'm sorry, just one
18 other thing. The Commerce Committee is getting
19 involved, the FTC is getting involved, but also
20 the states are getting involved. I don't know how
21 much you all are spending. I know your
22 legislative update and you're Federal, but I've

1 been fighting this battle on the state level where
2 the states are under unfair business practices or
3 deceptive practices are going to start
4 interpreting claims.

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

9 MR. COLARULLI: So we have not have any
10 proactive communication there? I'm aware of some,
11 I think, very productive discussions to even
12 create some model statutes for states that might
13 help to address some of those issues. But I think
14 that's right. I think AGs are going to continue
15 to be very aggressive. I think that in many
16 people's eyes, the AG in New York is a hero. He's
17 the one AG that actually got a settlement in a
18 troll case involving demand letters. So I think
19 the AGs are going to continue to be very active,
20 and well they should, as a way to address the
21 issues that are facing their state. The need to
22 get some uniformity is certainly there.

1 MS. SHEPPARD: And, you know, it's one
2 thing to get a settlement. It's another thing for
3 Vermont and Nebraska to pass laws that are very
4 questionable. So the sooner you can get on that,
5 because I've personally testified against my
6 Agency, who may be our next governor, trying to
7 take this role because people aren't paying
8 attention. And if you want to have to determine
9 who you can send a cease and desist letter to
10 based on what state they're in, that's going to be
11 a giant mess.

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

16 (Laughter)

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

19 MR. COLARULLI: It would be helpful.

20 MR. SOBON: Dana, picking up on a
21 comment that Paul made, you do note that in both
22 bills there is basically an imposition of changing

1 your rule from broadest reasonable interpretation
2 to basically a Phillips standard of how claims
3 would be interpreted in courts, the argument there
4 being that these patents have already gone through
5 an examination process and have been granted by
6 the office. Many of the cases that are going
7 before contested cases are in litigation, if not
8 have already been awarded, granted jury verdicts,
9 and markman hearings, potentially even Federal
10 Circuit Appeal review of claim, claim
11 interpretation. But beyond that, these are
12 granted patents.

13 The argument, as I understand the
14 Office, in not supporting those two provisions in
15 both bills and arguing for broadest reasonable
16 interpretation is that the contested cases allow
17 amendment, and, therefore, sound more in terms of
18 an examination process and allow the patentee to
19 continue to examine the cases and amend the cases.
20 And, therefore, you have to hold them to the
21 broadest reasonable interpretation in the
22 contested case.

1 We had actually a rather engaged
2 colloquy this morning with judges on the PTAB
3 about this, and we're hearing both from the
4 patentees before the Board, but also just actually
5 in the discussion we had today how difficult that
6 it is for patentees as a practical matter, even
7 with the stated rule of only one claim for one
8 claim, but even in practice that there is not this
9 ability for freely granted amendment, in fact, a
10 thumb on the scale, from what I heard today, very
11 much against amendments unless you can make a
12 cogent argument.

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

18 MR. COLARULLI: So I think I'd phrase it
19 slightly different in terms of the Office of
20 Support, not as a continuation of examination, but
21 as a first point, a tool to help us increase
22 patent quality. The proceeding set up by the AIA

1 was meant to be certainly an alternative to
2 litigation, an additional form, an additional --
3 also an attempt for a robust period after the
4 patent is granted to be a quality check. Allowing
5 the Office to in that forum use the broadest
6 reasonable interpretation allows us to bring in
7 more prior art that may result in a narrower claim
8 set and may result in a stronger patent that won't
9 be subject to challenge.

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

19 So all of that discussion led to us
20 making this one of the issues that was cited in
21 the Administration's position. But, you know,
22 again, very much aware of folks' concern. Very

1 much we still strongly believe that this is
2 important for the office to be able to produce
3 quality patents.

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

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

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

22 MR. COLARULLI: So the answer is, yes,

1 I've heard quite a few discussions about how you
2 might change this language, how you might limit
3 it. There's been a lot of discussion around
4 discovery and heightened pleading looking at
5 what's come out of the House in particular, and
6 trying to address some of the very valid concerns
7 of potentially violating the Rules Enabling Act,
8 and removing discretion from the courts.

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

20 But on the discovery, I've heard lots of
21 proposal that might encourage the Court to start
22 its process of establishing more consistent rules.

1 We've seen some very, very good work happening in
2 local patent rules. You know, borrowing from that
3 certainly seems to be a good way to move forward.
4 So I think that's certainly one area. I think on
5 customer stay, there's general consensus around
6 having a provision here. There's some question
7 about some of the unintended impacts of customer
8 stay. But I think that's one that probably will
9 move forward.

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

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

1 or that.

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

9 (Laughter)

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

17 You know, I think it's not inconsistent
18 with a lot of the work that PTO already does,
19 particular in our inventor assistance efforts, and
20 particularly in educating those who are
21 interacting with the system to, frankly, get
22 better and more informed interactions.

1 a little further than that. I think the
2 Administration sees PTO as playing a role as
3 educating the community as a whole on the patent
4 system and how they can interact, and how they can
5 best facilitate resolution of disputes in an
6 efficient way.

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

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

1 resolution of disputes.

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

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

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

13 MR. BUDENS: Yes.

14 (Laughter)

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

22 MR. SOBON: Dana, following up on your

1 prior comment about it being a patent quality act
2 and improving patent quality, AIA was intended
3 overall to do that. And then someone who was very
4 involved in the fee setting section of that, and
5 we'll be hearing more from --

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

8 (Laughter)

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

21 MR. COLARULLI: So from what I
22 understand, Senator Feinstein is introducing a

1 provision we've seen previously. Senator Coburn
2 offered an amendment to the original AIA, S. 23,
3 that was adopted and sent over to the House. The
4 House stripped that provision and came up with an
5 alternative, which is what we have right now in
6 our current statute, the Fee Reserve Fund. So
7 fees that come in in excess of our appropriations
8 are put into the Fee Reserve Fund. We have not
9 yet tested that out, although that may happen here
10 in the near future.

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

21 You know, the situation that PTO finds
22 itself in right now as compared to a pre-AIA is

1 we're in a much better financial situation than we
2 were previously. We have much confidence we'll be
3 able to access our fees. There's some question
4 about timing. There's certainly some question
5 about the impact of sequestration, and we felt
6 some pain in the last year.

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

15 As we read it, it certainly would give
16 PTO more direct access to its fees outside of the
17 appropriations process. That hasn't been
18 something that Congress has been willing to
19 support. And from the Administration's
20 perspective, we're in a much better place than we
21 were before. The Administration has not taken a
22 position on the Feinstein bill.

1 CHAIRMAN FOREMAN: Thank you, Dana.

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

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

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

9 MR. COLARULLI: Who has gray hair?

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

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

14 We've got a little bit of a shorter
15 presentation today because we're in the midst of,
16 I'm not going to say "calm waters," but calmer
17 waters than we had last year. Sequestration is
18 not an issue for us this year, fiscal year. The
19 bill was enacted on January 17th, 2014, and USPTO
20 received its appropriated funding level of \$3.024
21 billion, so we are in the midst of preparing a
22 short spend plan that will go to the Congress.

1 And we are rolling out kind of full
2 speed ahead with spending as we had anticipated
3 for this year. And this includes hiring up to a
4 thousand patent examiners this year, 63
5 administrative patent judges, and also continuing
6 to open satellite offices in Silicon Valley,
7 Denver, and Dallas. Again, not all at the same
8 time, but we are proceeding at pace and slotting
9 them accordingly. So things are looking good.

10 At the same time, Congress has asked us
11 for certain information to report as part of the
12 '14 bill that was enacted, information on fee
13 collections, hires, pendency backlogs, and our
14 patents and project. So nothing really of
15 surprise there.

16 So far, we are one-quarter and plus
17 change into the fiscal year, and our collections
18 are very strong for the first quarter. And then a
19 few fee rates dropped on January 1st, issuance in
20 PG Pub, so they're slowing a little bit. And with
21 maintenance fees, you know, Bruce and I talked
22 yesterday. You know, it's still early to say. I

1 mean, they've very strong right now, but it's been
2 less than a year since we set new fees, so we
3 haven't really got a full handle on it, but we're
4 tracking them very closely.

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

21 2015, the budget traditionally is due to
22 Congress. The President submits a budget the

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

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

1 thinking.

2 As part of the President's budget
3 submission on December -- I'm sorry -- March 11th,
4 we'll also be submitting our strategic plan for
5 2014 to '18. We've, of course, been working on
6 this for many months. We've gotten public
7 comments. Draft has been provided to PPAC at the
8 end of December 2013. And our goals haven't
9 really changed. We've just refined them a little
10 bit in terms of how we would carry them out. You
11 see the four goals listed there.

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

19 (Laughter)

20 MR. SCARDINO: So I don't want you to
21 think I'm looking at you, Wayne, because I know
22 you like to read when you travel. Exactly.

1 MR. SOBON: It's available to download?

2 MR. SCARDINO: Yes, it is, absolutely.

3 Yes.

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

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

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

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

16 MR. SCARDINO: Last March, yes.

17 MR. SOBON: Are you planning to do a
18 one-year look back this March in terms of then
19 analyzing, because one of the key things that we
20 were looking at when we were working with the
21 Office in evaluating the new fees was the issue of
22 elasticity demand for things like renewals and

1 maintenance fees. And to see if the expected
2 percentages have held up or not, how that's going
3 on. And I think if we're not re-planning, then a
4 one-year look back of analysis that would be
5 useful for us in terms of that monitoring.

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

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

1 currently. Is that true?

2 MR. SCARDINO: You know, it's really a
3 point in time. I think this year we anticipated a
4 6.5 percent increase over last year, and it's
5 running a little short of that. But we are
6 anticipating actually a bump up in March and into
7 the rest of the year, so it is hard to say. But
8 right now we still think it's six and a half
9 percent growth over last year.

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

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

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

20 I'm sure the PTO has -- I know in the
21 past and probably still -- the maintenance fees,
22 the major sources of funding. Do you have kind of

1 break down just along the patent process where
2 you're so-called making money and where you're
3 losing money? Obviously like during the
4 application stage, do the fees fit the study?

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

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

1 maintenance fees.

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

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

1 to keep your patent in force? Send us money.

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

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

19 MR. SCARDINO: Absolutely. I think
20 there's support everywhere to have an operating
21 reserve. At the same time, when is too much too
22 much? So those are discussions that we just

1 started with our colleagues in patents just this
2 week, and we'll be continuing with your
3 participation.

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

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

14 MR. THURLOW: Thank you.

15 MR. SCARDINO: Sure.

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

19 MR. SCARDINO: I'm glad you noticed.

20 (Laughter)

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

1 tale.

2 MR. SCARDINO: Of course. Of course.

3 MS. SHEPPARD: And I can't tell if I'm
4 Chicken Little, or if I'm, you know, Peter and the
5 Wolf, or if I'm Nostradamus.

6 MR. SCARDINO: Well, it's better than
7 Pepe le Pew. That's what Peggy Focarino calls me.

8 MS. SHEPPARD: I have to keep saying
9 that the courts are so active in this area, and at
10 some point something is going to happen -- it's
11 either going to be Congress or the courts --
12 that's going to dramatically affect your
13 maintenance fees and the filings.

14 The whole point in addressing patent
15 trolls, however you define it, which no one can
16 agree on that, is to reduce some of these
17 litigation activities, but also to have a higher
18 quality patent come out of it, come out of some of
19 these activities through the post-grant and
20 through interparties' re-exam.

21 But your charts, and I know you're doing
22 the best you can to model, and there's these wild

1 cards out there. I just want to again say that
2 these wild cards at some point are going to go
3 wild and will affect the system.

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

14 Now, there's no perfect world. And as
15 you know, as PPAC knows only too well, modifying
16 fees takes a while. So it's not like we can
17 change our costs very quickly, and we also can't
18 change what we charge very quickly because our
19 cost basis is pretty flat as well. It's mostly
20 staff. So that's not a variable that we have much
21 control over. So right now, status quo is good,
22 but believe me, I share your concern that there

1 are so many variables. Every day I'm still
2 learning that there are more things. And Bruce
3 and his colleagues are very helpful in that regard
4 because, you know, I'm still learning.

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

7 (No response)

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

10 MR. SCARDINO: Sure.

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

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

17 CHAIRMAN FOREMAN: We figured as much.
18 All right. So please lead us in this discussion.

19 MR. LANDRITH: Sure. So we've been
20 working on rebuilding since the constriction in
21 productivity that we experienced due to the
22 funding constrictions of the sequester. For

1 fiscal year '14, we're planning quarterly releases
2 at a minimum. We actually have monthly releases
3 scheduled for the next several months. The Q-2
4 release, which is scheduled for Friday of this
5 week is focused primarily on improving the quality
6 of the database, improving the application
7 architecture, and improving the performing of the
8 user experience for patents end to end. This
9 represents the work that we did with a skeletal
10 crew during the sequester.

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

20 And just to be clear, patents end to end
21 has no real time access to the Legacy system, so
22 it's completely de-coupled from its up time and

1 its performance issues. It is shuttling data back
2 and forth at regular intervals to keep it current
3 with the Legacy system. And so we just want to
4 make sure that we can shuttle the data for 8,500
5 examiners back and forth efficiently. Does that
6 make sense? And then we also have features that
7 we'll be adding in order to bring it up to par
8 with the features that the examiners expect out of
9 eDan, which is the current Legacy tool that the
10 examiners use to view their docket and to view
11 applications.

12 So then over time we'll be increasing
13 the number of pilot users. Right now, we have 40.
14 We're scheduled this month to increase to 110, so
15 that slipped to early March basically due to the
16 complexity surrounding the release that we're
17 doing on Friday. We plan to continue increasing
18 that, so we hope to have several hundred, if not
19 into the thousands of examiners, well in advance
20 of when we go live to the corps, which is
21 scheduled for quarter one of fiscal year '15. So
22 that's going to be our red letter day. We're

1 still working out the logistics in terms of
2 exactly what the roll out is going to look like,
3 but that's going to put PED in the hands of
4 examiners for real usage corps wide.

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

14 In the Patent Application Text
15 Initiative, as we've gone over before, we're
16 converting in real time all the claim, spec, and
17 abstracts into XML for IP. Those are currently
18 available in PED and Legacy Tools. We've
19 converted so far approximately 101 million pages.
20 We're kicking off work to convert additional
21 document types this month, and that's slightly
22 delayed. We had hoped that we would've been able

1 to kick that off in December, but we've just run
2 into bottlenecks in terms of resources from
3 kicking off so many things as we recover from
4 sequester.

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

17 We are releasing this month, this is
18 something that fixes performance issues that we've
19 had with some of the validation stuff that we get
20 from vendors, and then next month this relates to
21 the Q-2 FY '14. We'll be releasing the CAT tool
22 improvements as well as data.

1 And so questions or comments?

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

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

15 MR. LANDRITH: We're currently targeting
16 October.

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

1 with the releases to the general audience?

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

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

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

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

22 MR. LANDRITH: Yes, all of them are.

1 Yes. So the way we conceive of the pilot is we
2 accumulate these features to a larger and larger
3 audience, and then we release to the corps in
4 October.

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

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

16 MR. THURLOW: David, thank you very
17 much. Very broad question for you. This is an
18 area I just haven't been too involved with in the
19 past. How do you get feedback from the user
20 community? I'm on PAIR every day. It's very
21 helpful. Every now and then I'll get, you know,
22 system is in high demand, so it kicks me out, and

1 I go back, and I get access. PAIR is great. I
2 did hear recently some colleagues that filed about
3 three IPRs. It took them seven hours to do. They
4 said it was a long, laborious, kind of a slow
5 process.

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

11 MR. LANDRITH: Sure. We work closely
12 with the Patent Business Unit and with the unit.
13 We have an open, and, Bruce, you can feel free to
14 speak up if I don't go into enough detail. But we
15 have a User Design Council which right now
16 consists of about 300 patent examiners that we are
17 able to select from when it comes to deploying
18 examiner products. And so those are then used in
19 focus groups through an iterative process to
20 design, starting with, you know, brainstorming
21 ideas, to what are called wire frames, which are
22 kind of like a Power Point presentation of the

1 user interface, to then actually a clickable
2 interactive prototype that uses canned data. So
3 it's not dynamic in the sense that a real
4 application would be.

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

14 MR. THURLOW: But isn't that, I guess, I
15 think based on your answer, is your feedback
16 coming specifically from a union and the
17 examiners? In so many of the groups that we work
18 with, we do roundtables. We do Federal Register
19 notices. And I'm just curious what feedback do
20 you get from people like me that use it? Well,
21 maybe not people like me. People that actually
22 know what they're talking about.

1 (Laughter)

2 MR. KISLIUK: Yes. Yes. So David, I
3 think, I think spoke to how we work with the union
4 and our employees when we're building the tools
5 for examiners. There is another set of efforts
6 under the next generation systems are our external
7 user systems that we talked to. So one of the
8 earlier models or prototypes we talked about was
9 something called TEXT-2-PTO, and that's how you
10 submit a new application. So we had some outside
11 feedback, but we kind of rolled that project back
12 again in the funding situation, and when we're
13 starting to kick back up again, we'll come back.
14 But it's not just the submission of the
15 applications. There's PAIR.

16 There's a lot of other things. So there
17 are a number of initiatives, not necessarily that
18 have already started, but are in the umbrella of
19 the next gen systems. One would be what we're
20 calling My USPTO, which is the user's interface on
21 everything, fee payments, RAM, things like that.
22 So there are a series of efforts we will start

1 getting under way very shortly. And we are going
2 to need some form of outside feedback roundtables,
3 and we will hopefully be working with you guys to
4 figure out how's the best approach to get the
5 right feedback on our outside systems.

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

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

15 MR. SOBON: Maybe along those lines, in
16 prior meetings you came and showed actually some
17 of the examples of what the examiners were to have
18 on their desks. And maybe at the next appropriate
19 juncture when we have more of those systems put
20 together, I think it would be a great thing to
21 have you come back and do another demo for us and
22 for the web audience as well that can see, you

1 know, what's now the current state of the systems
2 you're deploying.

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

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

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

18 MR. HIRSHFELD: So there is obviously
19 software that calculates PTA, and obviously in
20 patent issues we're calculating PTA. As you all
21 are well aware, there's many changes and the law
22 is changing, et cetera, for PTA. So we are in

1 constant desire to change and modify that. Before
2 I referred to an interim rule that came out, and
3 our IT changes didn't keep up with the interim
4 rules. And we're going to be taking some steps to
5 address that.

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

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

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

18 (Laughter)

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

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

1 MR. SOBON: Okay.

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

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

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

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

22 And additionally, the law is continuing

1 to change as well, and there's cases -- Esther
2 mentioned one previously -- that we need to make
3 changes for. So PTA a place where we need to be
4 addressing the calculator.

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

8 (Laughter)

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

11 (No response)

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

14 MR. LANDRITH: Thank you very much.

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

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

22 The first slide is the slide you had

1 seen the last time regarding kind of the current
2 structure and that we have 18 different patent
3 call centers. And we have various ways of
4 monitoring quality, but certainly not a structured
5 approach to that endeavor.

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

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

1 January and into some of February on the kinds of
2 questions that we will engage our customers to
3 survey.

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

17 So like I said, towards the circle
18 there, obviously we deliver services in call
19 centers every day. We're in the process of
20 collecting that feedback and working with 4C for
21 the survey. And once we get that data back, we'll
22 start analyzing it and figuring out the root

1 cause, what's maybe the low hanging fruit of that
2 data, and then figure out a solution and then
3 follow that up with an implementation.

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

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

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

18 And I'm trying to think what else.
19 Yeah.

20 MR. HALLMAN: So who are the experts in
21 customer service that you consulted with to
22 develop the training?

1 MS. STEPHENS: I don't know the specific
2 resources that she used that was over in OHR, the
3 Enterprise Training Division. But she consulted
4 with a couple different customer service, I will
5 say, resources. I'm not sure they're experts, but
6 resources.

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

16 The fact that there's 18 different
17 control centers, 800,000 calls that come in, blew
18 me away when I first heard it, and that there was
19 not one person overseeing it, that there were
20 these stovepipes. And you're just in the
21 beginning portion of trying to figure that out and
22 what the improvement plan is going to be. I echo

1 what Clinton said. Looking to outside
2 organizations who have already kind of gone
3 through this and seeing how they do their best
4 practices makes a lot of sense.

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

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

18 And in terms of also engaging other
19 experts, so 4C has set up our survey questions
20 that really go to industry best practice to what
21 drives customer satisfaction. So those are the
22 key drivers that we're asking them to give our

1 questions the highest, you know, merit and start
2 with those first, and then perhaps a little bit
3 later after we see in the initial results of where
4 we need to improve, if we can drill down a little
5 deeper.

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

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

17 (Laughter)

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

21 MS. STEPHENS: Good. That's good.

22 MR. THURLOW: Thumbs on that. Thank you

1 very much. It's probably just a minute. It's
2 very good.

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

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

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

20 MS. STEPHENS: Thank you. Appreciate
21 that.

22 CHAIRMAN FOREMAN: Well, thank you again

1 for that presentation and for the work that you're
2 doing.

3 So we're near the end of our session.
4 Again, I want to thank the public for dialing in
5 and joining us in this discussion, members of the
6 Patent Office staff who readjusted their schedules
7 at the last minute to brief us and accommodate the
8 weather. And finally to my colleagues, who not
9 only braved the elements to get here, but may be
10 stuck and not get home for a couple of days.

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

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

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1 CERTIFICATE OF NOTARY PUBLIC
2 COMMONWEALTH OF VIRGINIA
3 I, Carleton J. Anderson, III, notary
4 public in and for the Commonwealth of Virginia, do
5 hereby certify that the forgoing PROCEEDING was
6 duly recorded and thereafter reduced to print
7 under my direction; that the witnesses were sworn
8 to tell the truth under penalty of perjury; that
9 said transcript is a true record of the testimony
10 given by witnesses; that I am neither counsel for,
11 related to, nor employed by any of the parties to
12 the action in which this proceeding was called;
13 and, furthermore, that I am not a relative or
14 employee of any attorney or counsel employed by
15 the parties hereto, nor financially or otherwise
16 interested in the outcome of this action.

17 (Signature and Seal on File)
18 Notary Public, in and for the Commonwealth of
19 Virginia
20 My Commission Expires: November 30, 2016
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