



Patent Public Advisory Committee Public Meeting

February 28, 2001



UNITED STATES
PATENT AND
TRADEMARK OFFICE

Director's Report

Nicholas Godici



USPTO Organization

Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

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Patent Operations
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Deputy Commissioner for
Patent Examination Policy
Stephen Kunin

Deputy Commissioner for Patent
Resources and Planning
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Modernization
Wesley Gewehr

Deputy Chief Information Officer
for Information Technology
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and Quality Management
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Patent Operation Update

Esther Kepplinger



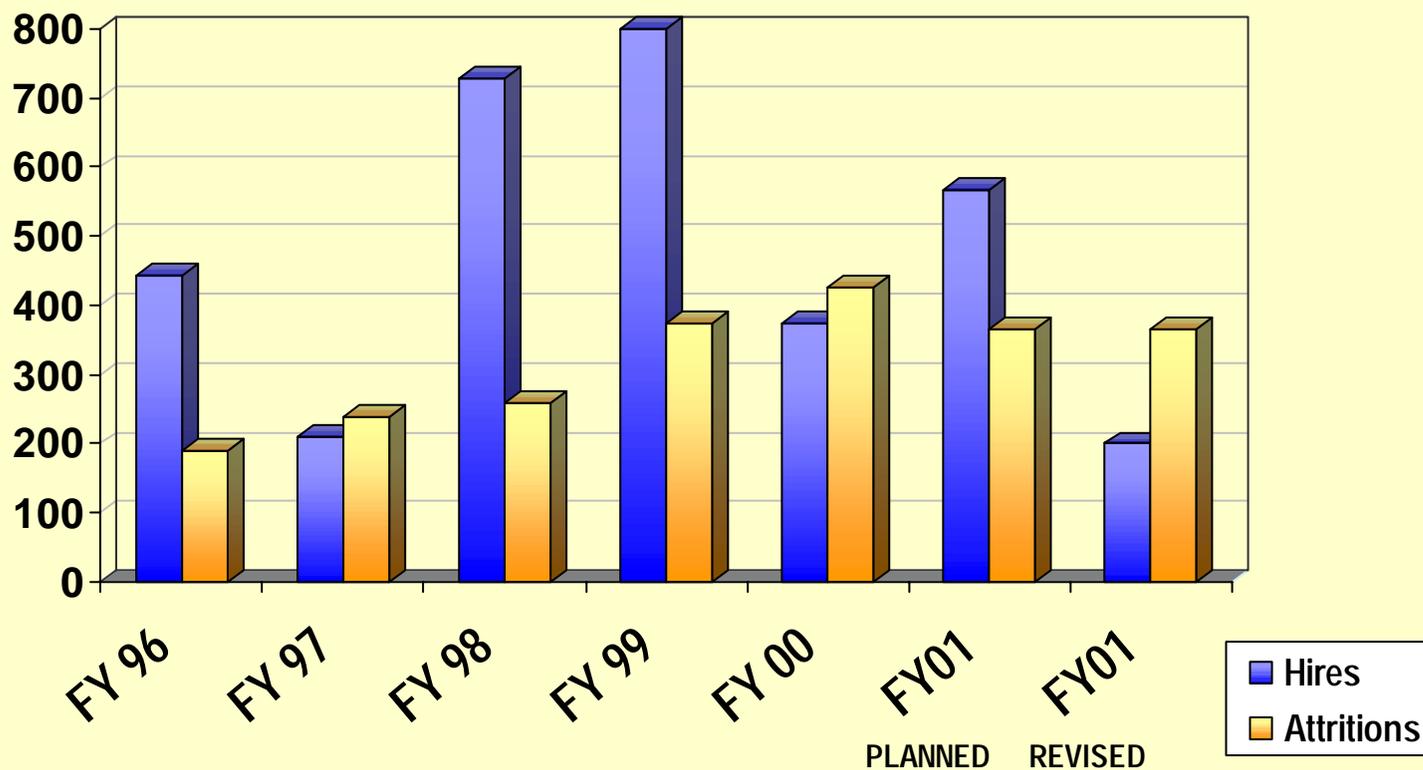
Patent Examiner Hiring

- Plan to hire 200 examiners in FY01
 - A net loss of 170 examiners
- Administrative hiring freeze effective January 20
- FY01 Hiring to-date:
 - 151 on-board
 - 46 offers confirmed, 36 offers outstanding
 - Continued recruitment and processing, but not making new offers



Hiring/Attrition Levels

Patent Examiner Hiring/Attrition Levels





Timeliness Performance Scores

Optimize Our Processing Time

Measure	FY 00 Results	FY 01 1st Qtr	FY 01 Targets
Applications receiving first Office actions within 14 months of filing while factoring in term adjustment reductions	82.2%	78.2%	75%
Applications receiving actions after an applicant's amendment within 4 months	98.3%	97.8%	98%
Applications receiving actions after a Board Decision, within 4 months	76.9%	74.6%	84%
Applications granted within 4 months after issue fee payment	89.1%	90.3%	85%
Patents granted that do not qualify for term extension for exceeding 36 months	86.7%	89.5%	82%



Timeliness By Technology Center

Timeliness by Technology Center – First Quarter FY01

Measure	1600	1700	2100	2600	2800	3600	3700
Applications receiving first Office actions within 14 months of filing	93.6%	88.1%	61.2%	50.3%	84.0%	94.4%	92.4%
Applications receiving actions after an applicant's amendment within 4 months	96.5%	98.6%	98.6%	93.9%	99.0%	99.3%	98.7%
Applications receiving actions after a Board Decision, within 4 months	58.7%	80.5%	65.5%	76.6%	80.5%	89.9%	77.0%
Applications granted within 4 months after issue fee payment	81.0%	92.6%	88.3%	92.7%	93.3%	92.7%	91.1%
Patents granted that do not qualify for term extension for exceeding 36 months	84.9%	91.1%	81.8%	81.2%	92.6%	94.6%	93.6%



Quality Performance Scores

Enhance the Quality of Our Products

Measure	FY 00 Results	FY 1st Qtr 00 Results	FY 01 Targets
Percent of allowed applications with a material or significant defect	6.6%	4.6%	5.5%
Percent of allowed applications where a significant question relating to the quality of the examination process was raised	7.7%	6.7%	7.0%
Percent customer satisfaction with setting forth positions clearly in written communications	63%	N/A%	66%
Percent customer satisfaction with results of the search of prior art	61%	N/A%	64%
Patent Customer Service Overall	64%	N/A%	67%
Patent Employee Satisfaction Overall	55%	N/A%	58%



PGPub Update

- **Projected that first application will publish mid-March 2001**
- **Publication volumes**
 - **First weekly publication will be about 45 applications**
 - **Increase to about 2,500 per week by July 2001**
- **Projected PGPub date now appears on Filing Receipt**



PGPub Funding

- **Costs in first year include:**
 - Fixed costs for infrastructure to process
 - Processing and publishing applications before collecting fees (\$300 fee is paid at allowance)
 - Estimated first year total up to \$22M

- **Volume of Pre-Grant publications in the first year**
 - Of those eligible for publication, 7% "opting out"



UNITED STATES
PATENT AND
TRADEMARK OFFICE

Financial Report

Clarence Crawford



FY 2001 BUDGET (\$ in Millions)

FY 2001 Budget (\$ in Millions)

	Budget Request	Budget Request	Enacted Budget	Current Estimate*
Fee Collections	\$1,152	\$1,152	\$1,140	\$1,113
Plus Carryover from Prior Year	\$255	\$255	\$255	\$255
Less Carryover to Next Year	-\$368	-\$368	-\$356	-\$329
Less Rescission	0	-\$2	-\$2	-\$2
Total Available Resources	\$1,039	\$1,037	\$1,037	\$1,037
Unobligated Balanced and Prior Year Recoveries	N/A	N/A	11	11
Total	\$1,039	\$1,037	\$1,048	\$1,048

* Projected end of year fee collections (seasonally adjusted) based on fees processed through February 15, 2001.



FY 2001 Fee Collections

FY 2001 Fee Collections (\$ in Millions)

	Patents	Trademarks	Total
Projected Fee Collections - 10/00	\$943	\$209	\$1,152
Application filing levels	335,000*	470,000	
Adjustments:			
PG-Pub revised estimates	-\$2	0	-\$2
Revised planning assumptions	-\$7	0	-\$7
Economic slowdown	0	-\$30	-\$30
Application filing levels	—	-75,000	—
End of year seasonal adjustment	\$934	\$179	\$1,113
Application filing levels	335,000*	395,000**	

* Includes 7,500 Refilings

**Actuals could be as low as 300,000



Indicators for Fee Projection Purposes

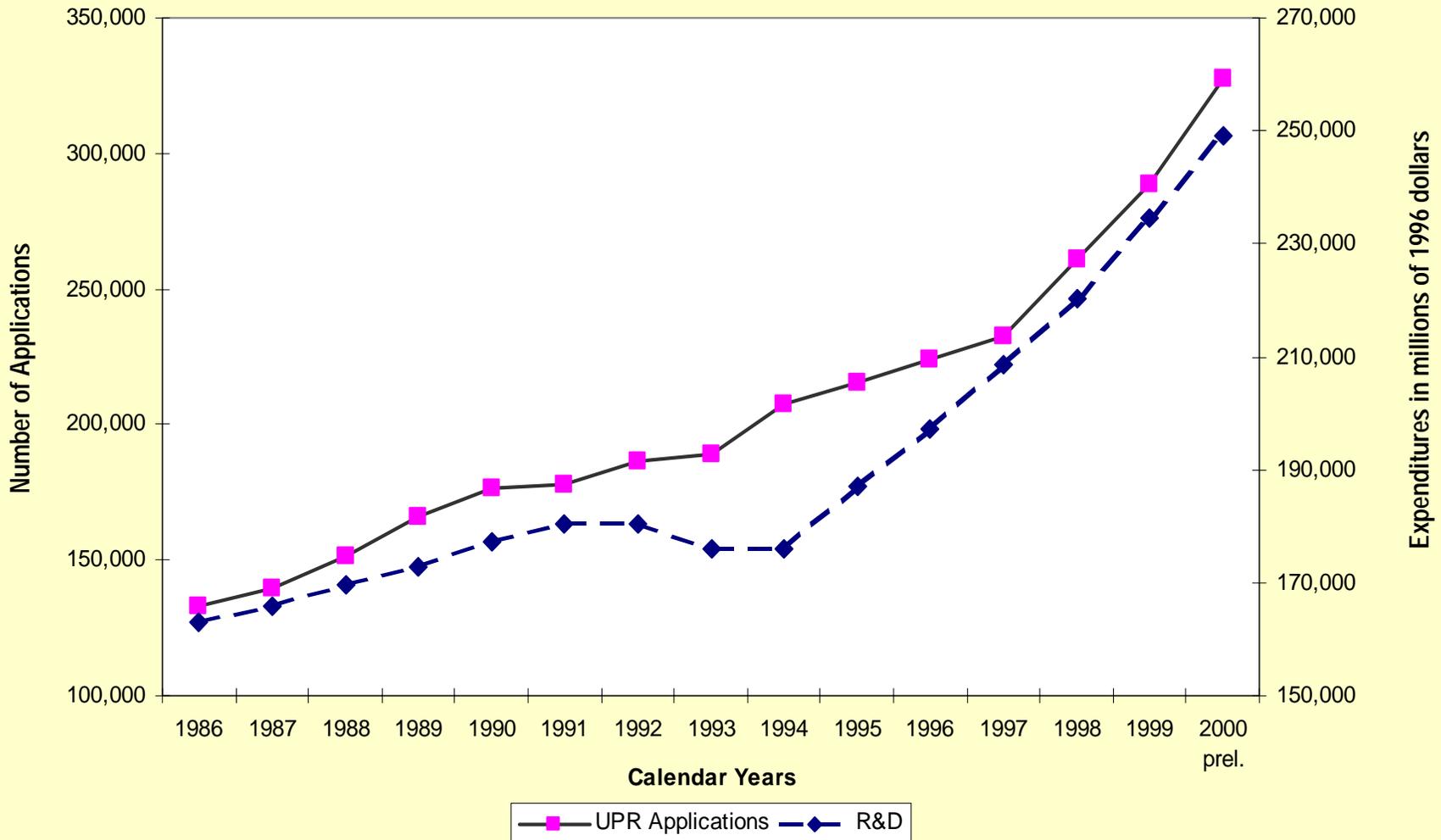
Indicators for Fee Projection Purposes (\$ in Millions)

	FY 2001 Revised President's Budget	FY 2001 Enacted Budget	FY 2001 Current Plan	FY 2001 Current Estimate
Patents				
UPR Applications Filed	335,000*	335,000*	335,000*	335,000*
PCT (Chapters I, II and National Stage) Issues	81,519	83,482	88,469	88,469
Issues	186,239	186,239	168,077	168,077
PG-Pub	\$58,100	\$12,500	\$10,400	\$10,400
Maintenance Fee Renewal Rates				
First Stage	89.2%	87.9%	87.1%	87.1%
Second Stage	63.1%	64.7%	61.1%	61.1%
Third Stage	40.1%	43.0%	41.6%	41.6%
Trademarks				
Applications filed with extra classes	496,000	470,000	450,000	395,000
Total USPTO Fee Collections	\$1,200,000	\$1,152,000	\$1,139,000	\$1,113,000

* Includes 7,500 Refilings

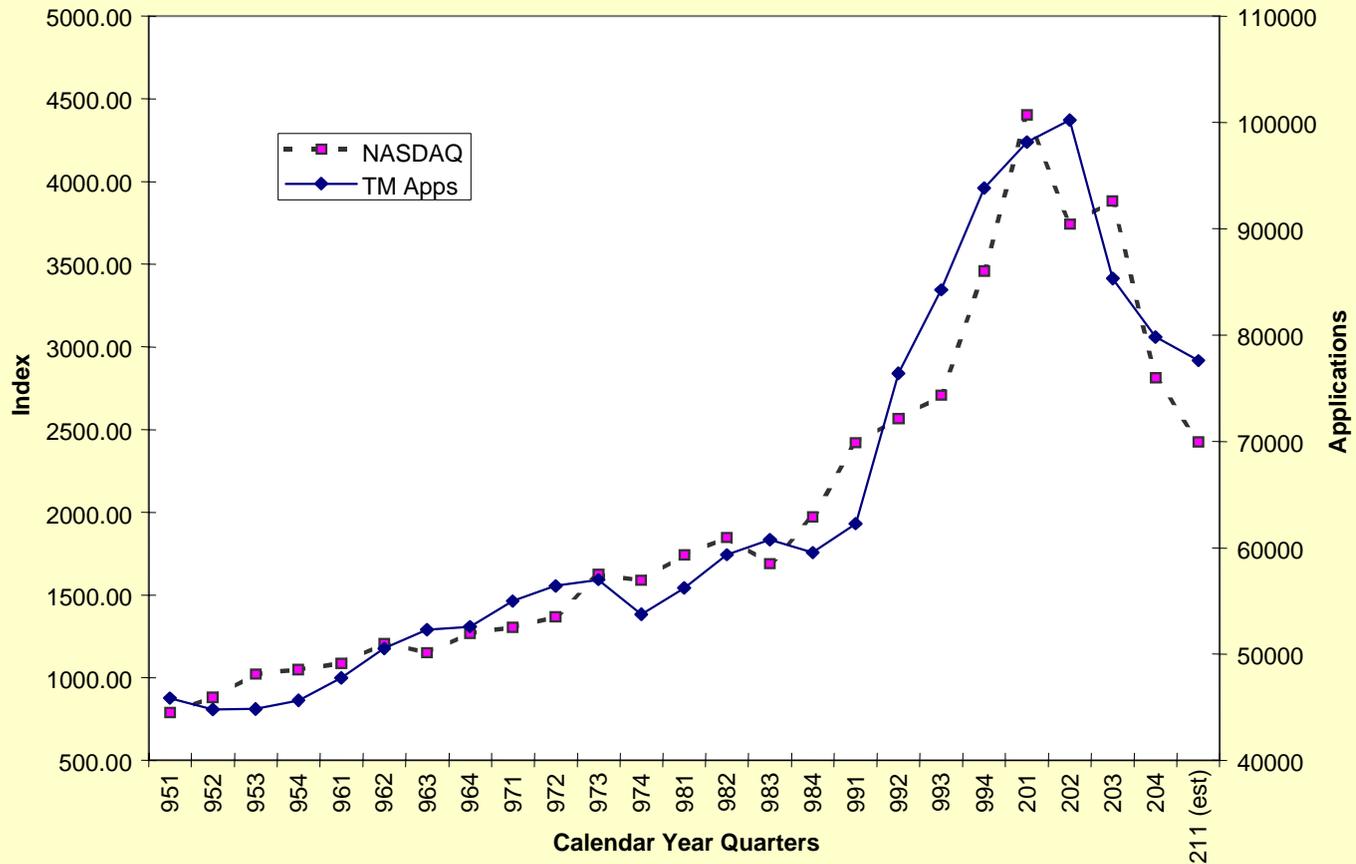


UPR Patent Applications Vs. U.S. Research And Development Expenditures





Trademark Applications (seasonally adjusted) vs. NASDAQ Index



	<u>10/00</u>	<u>2/01</u>	<u>Revised Range</u>	
Filings	470,000	450,000	395,000	300,000
Fee Collections	\$209,400,000	\$202,800,000	\$179,000,000	\$135,300,000



Alternative Fee Structure

Representative Sampling

Clarence Crawford

Frances Michalkewicz



Alternative Fee Structure Study

- Mandated by AIPA November, 1999
- The Director of the United States Patent and Trademark Office shall “conduct a study of alternative fee structures that could be adopted to encourage maximum participation by the inventor community in the United States”.



Objectives

- Maximize inventor participation
- Provide proper incentives for customers and management
- Align costs and fees as a means of managing patents workload
- Maintain the overall USPTO revenue base



Overall Strategy

- Perform study internally
- Retain public policy experts to advise and lend credibility
- Interact with P-PAC on regular basis
- Consult with wide range of stakeholders



Scope Of Study

- Complexity fees
- Unity of Invention
- E-filing fees
- Fee disaggregation
- Issue and/or Filing fee redistribution
- Maintenance fee schedule
- Appeals and interference fees
- Microentity fees



Principal Dates

- November 29, 1999 - AIPA Act (Pub. L. 106-113, Sec. 4204)
- March 13, 2000 - Decision to focus on patents
- October 2, 2000 - Federal Register Notice
- December, 2000 - Cross-agency working group formed to support Patents
- January 10, 2001 - Status Report to Congress
- March, 2001- Contract for public policy oversight consultant
- July, 2001 - Internal phase of study complete
- December, 2001 - Full study, together with legislative recommendations, completed



FRN Comments

- **17 Respondents: 13 individual;
4 associations**
- **Support for cost-based and
complexity-based fees**
- **Concern about proliferation of fees**
- **Mixed views on specific issues,
(e.g. retaining maintenance fees)**



Representative Sampling Project

- **Senate Appropriations Report 106-404 (September 8, 2000) directs USPTO to “develop a workload forecast ... with advice from a representative sample of industry and the inventor community”**
- **Provides legislative impetus to applications survey effort already underway**



Ongoing Commitment To Improve USPTO Forecasting

- Levenbach Report spelled out specific recommendations, February 1998
- Developed econometric forecasting techniques by technology center
- Participating in global forecasting effort with Trilateral partners
- Clear improvement in recent years



PTO Fee Income Forecast Accuracy

	<u>Forecast</u>	<u>Actual</u>	<u>Error</u>
FY00	\$984,853,919	\$1,005,515,831	2.1%
FY99	\$861,119,553	\$887,148,372	3.0%
FY98	\$830,915,156	\$890,504,802	6.7%
FY97	\$716,723,145	\$755,510,205	5.4%
FY96	\$643,145,754	\$665,215,231	3.4%
FY95	\$571,439,487	\$646,186,616	13.1%
FY94	\$518,692,000	\$546,881,059	5.4%



Phase I

- **Pilot survey of largest Patent corporate applicants**
- **Performed by professional survey firm in cooperation with Association of Corporate Patent Counsel (ACPC)**
- **Currently awaiting OMB approval under Paperwork Reduction Act**
- **April 2001 completion**



Phase II

- **Expand to cover all Patent customer groups and Trademarks**
- **Develop procedures to annualize survey**
- **Completion within 12 months**



Phase III

- **Expand globally**
- **Coordinate with EPO and JPO annual surveys**
- **First joint survey targeted for 2003**



Effects of *Festo* Decision on USPTO Operations

James Toupin
John Whealan



Background

- **The Doctrine of Equivalents (DoE) and Prosecution History Estoppel (PHE) reflect the tension between notice to public and fairness to patentee**
- **CAFC flexible bar versus absolute bar**



Festo – Four General Holdings

- ① Amendment for a substantial reason related to patentability includes any reason affecting the issuance of a patent.
- ② Voluntary claim amendments are treated the same as other amendments.
- ③ If a claim amendment creates prosecution history estoppel, no range of equivalents is available under the doctrine of equivalents for any claim limitation so amended.
- ④ No range of equivalents is available for an unexplained narrowed limitation.



Another Potentially Important Case

Johnson & Johnston Assoc. Inc. v. R.E. Service Co., Inc.,
order, (Fed. Cir. Jan. 24, 2001)

- *en banc* hearing ordered to consider whether and under what circumstances a patentee can rely upon the doctrine of equivalents with respect to unclaimed subject matter disclosed in the specification



How Will *Festo* Affect USPTO Operations?

- If applicant efforts to adjust to *Festo* are unsuccessful, effects on PTO generally negative – e.g.,
- More rejections for:
 - Indefiniteness
 - New matter/written description
- More appeals to Board and Court



Possible Application Changes Adjusting to *Festo*

- File more precise Specification
- More thorough Prior Art Searches and Disclosures
- More precise claiming, possibly leading to more first action allowances



Possible Applicant Adjustments – Claims and Applications

- **Filing more applications – many applications with varying scope, drop applications that lose DoE due to amendment**

- **Filing more independent claims**
 - **Of varying scope**
 - **Mix of means-plus-function and “structural” claims**



Possible Changes Addressing *Festo* – Interaction with Examiner

- More examiner interviews; greater resistance to examiner amendments
- Amendment practice:
 - Retention of equivalents through use of means-plus-function limitations and open-ended ranges
 - More arguments traversing rejections to avoid Amendments and PHE argue procedural issues
 - More substantive argument to define over prior art



Possible Responses to *Festo* – Change in Overall Applicant Strategy

- Current typical strategy to claim as broadly as possible, then narrow
- Possible new strategy – File (and obtain patent) on narrow claims, then try to broaden, resulting in
 - Continuations with broader claims, and maintaining continuations for specific claiming against potential infringers
 - More Requests for Suspension of Action



Possible Post-Allowance Consequences

- **More Reissues – especially broadening reissues (within two years of patent grant)**
- **More Reexaminations (Ex Parte and Inter Partes) – especially by third party requesters seeking to invalidate claims or force PHE by amendments**



Possible Benefits to the USPTO

- Higher quality examination due to:
 - Narrower claims drafted to avoid prior art
 - Better disclosure in specification
 - Better prior art disclosure

- Increased revenues from increased fees for filings, claims, petitions



Possible Costs to the USPTO

- **Difficulty of examination increases due to:**
 - Greater number of more complex cases
 - More related cases (double patenting issues)
 - More Appeals

- **Longer pendency before the Office**



Conclusion

- **Variety of possible responses, or lack thereof, makes consequences of decision on USPTO uncertain**
- **Many possible changes difficult to measure**
- **Net effect on USPTO may depend on applicants and their representatives**



E-Government Issues

E.R. Kazenske



Electronic Filing Of Patent Applications

- EFS Status Report as of February 26, 2001
- Total Downloads
 - PASAT (Microsoft® Word based) – 2565
 - TSA (Corel® WordPerfect based) – 816
 - ePAVE – 1366
- Total Number of Filings: 221
 - New Utility Applications – 193
 - Pre-Grant Publications – 26
 - Bio Sequence Listing – 2



Incentivizing Electronic Filing

- **Current EFS Benefits**
 - **File patent applications 24x7**
 - **Flexibility/convenience filing via Internet**
 - **Pre-Grant Publications accuracy**
 - **Automatic validation with USPTO business rules**
 - **Immediate electronic Acknowledgement Receipt**
 - **No waiting for paper postcard**



Incentivizing Electronic Filing

- **Possible EFS Incentives**
 - **Fee Differential**
 - **Priority of Examination**
 - **Applicant Review after USPTO receipt**



Incentivizing Electronic Filing

- **EFS Planned Enhancements – Budget Issue**
 - Automatic load of EFS bibliographic information into PALM
 - Accommodate provisional application filings
 - Support server-based EFS software
 - Support expanded Microsoft® Word function in PASAT



Incentivizing Electronic Filing

Discussion



Organizing and Searching Applicant IDS Material

- **Current status**
 - Relevant documents copied and placed in paper search files
 - NPL databases/Class 705 NPL project



Organizing and Searching Applicant IDS Material

Business Methods Intranet

Home Page • What's New • Site Map • Patents Home • Intranet • Internet Home

[BPL Home](#) [Business Base](#) [Site Map](#) [US Patent Classification](#) [Search Patent](#) [Classifications](#)

Classified Menu of Business Methods Topics

Core Non-Patent Literature Resources connect with databases, web sites, electronic and print literature resources on the following business methods topics:

<u>Class/Subclass</u>	<u>Business Methods Topic</u>
705/2-3	Health Care Management
705/4	Insurance
705/5-6	Reservation, Check-in & Ticketing Systems
705/7-11	Operations Research
705/14	Advertising, Coupons, and Incentives
705/16-25	Point of Sale Systems
705/26-27	Electronic Shopping & Catalog Systems
705/28-29	Inventory Management
705/30, 33	Accounting, Checkbook Balancing
705/31	Tax Processing
705/35-36	Investment Planning/Stock-Bond Trading
705/37	Auction Systems
705/38	Credit and Loan Processing
705/39-45	Electronic Funds Transfer
705/60	Business-Cryptography



Organizing and Searching Applicant IDS Material

EFTNPL - Netscape

File Edit View Go Communicator Help

Back Reload Home Search Netscape Print Security Shop

Business Methods Intranet

Home Page • What's New • Site Map • Patents Home • Intranet • Internet Home

[EFT Home](#) [EFT Home](#) [Home Base](#) [Site Map](#) [US Patent Classification](#) [Search Panel](#) [EFTNPL Feedback](#)

Electronic Funds Transfer (EFT)

Class 705, Subclasses 39-45

Subject matter is drawn to a computerized arrangement for 1) transferring funds electronically between accounts, Subclass 39; 2) distributing and paying bills, Subclass 40; 3) programming of portable memory devices such as IC cards, Subclass 41; 4) remote/home banking, Subclass 42; 5) Automatic Teller Machines, Subclass 43; 6) authentication or authorization of funds transfer, Subclass 44; and 7) paper check handling as part of the funds transfer operation, Subclass 45

Submit comments and suggestions to content manager: [Carol Wong](#)

This page provides access to core NPL resources on Electronic Funds Transfer in the following categories (* represents highly recommended items):

[Databases](#) [Digest](#) [Books](#) [Journals](#) [Reference](#) [Web Resources](#) [Assignees](#) [Associations](#)

Databases

Click [here](#) to see a listing of core databases.
Click [here](#) to see a Thesaurus of Electronic Funds Transfer.

- * Search Dialog core databases: [Topic Interface](#) (Novice)
- * Search Dialog core databases: [Classic Interface](#) (Experienced)
(Currently server is insecure.)

[More](#)

Examiner's Digest/Articles

Click [here](#) to see a listing of major articles.

Examiner's Suggestions

Click [here](#) to see a listing of major articles.

Books available in PFC7000

Start | Document Done | EFTNPL | Intranet | Cataloging | Searching | Table Edit | Microsoft P... | EFTNPL | 2:45 PM



Organizing and Searching Applicant IDS Material

- **Current status** *(cont.)*
 - **Reviewing EPO NPL capture system**
 - **Researching feasibility of USPTO maintaining search system for NPL**



Organizing and Searching Applicant IDS Material

Discussion



Electronic Delivery of Office Actions

■ Current Plans – Funding Issue

- Notify customer when Office Action is available
- Customer connects to USPTO e-commerce server and downloads Office Action
- Use EFS Digital Certificates
 - Identity verification, confidentiality, access control, data integrity and non-repudiation



Electronic Delivery of Office Actions

- **E-mail Option – Issues**
 - **Security concerns**
 - **Proof of delivery/authentication**
 - **PALM workflow tracking issues**
 - **Content: letter / forms / references**
 - **File size considerations**



Electronic Delivery of Office Actions

Discussion



P-PAC Rules Review Protocol Process for Nomination

**James Toupin
Bernard Knight**



Rules Review Protocol

- **PAC Consultation Required**
 - Proposed change to patent or trademark user fees
 - Proposed patent or trademark regulations for which opportunities for notice and comment are required by 5 U.S.C. § 553. 35 U.S.C. § 3.

- **Consultation not required for procedural or interpretive rules, regulations or notices**



Rules Review Protocol

(continued)

- **Changes in Patent or Trademark User Fees and Regulations**
 - Draft proposed rule/regulation provided to PAC at least 10 business days before submission to OMB if a “significant” rule/regulation and at least 10 business days before submission to Federal Register if not a “significant” rule/regulation
 - Final rule/regulation provided to PAC at least 10 business days before submission to Federal Register
- **Other Rules that Commissioner Decides to Send to PAC**
 - Draft proposed/final rule provided to PAC when submitted to OMB or Federal Register



Regulatory Review Plan*

“Regulatory Review Plan” requires all items for publication in the Federal Register to be cleared by department or agency head; no substantive rules are being approved at this time.

***Memorandum from Chief of Staff**

Dated January 20, 2001



Nomination of New Members

- P-PAC members whose term expire
- July 12, 2001:
 - Andy Gibbs
 - Patricia Ingraham
 - Roger May



Selection of New PAC Members

Proposed Timeline

Proposed Timeline	
Action	Date
Federal Register Notice Forwarded to the Director for Approval	March 15
Final Federal Register Notice Approved	March 22
Publication of Notice in the Federal Register	March 29
Nominations Due Date	April 30
Director's Recommendations Forwarded to Secretary	May 30
Secretary Makes Appointment Effective	July 30

NOTE: Proposed Federal Register Notice has been forwarded to DoC for Review prior to approval by Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office



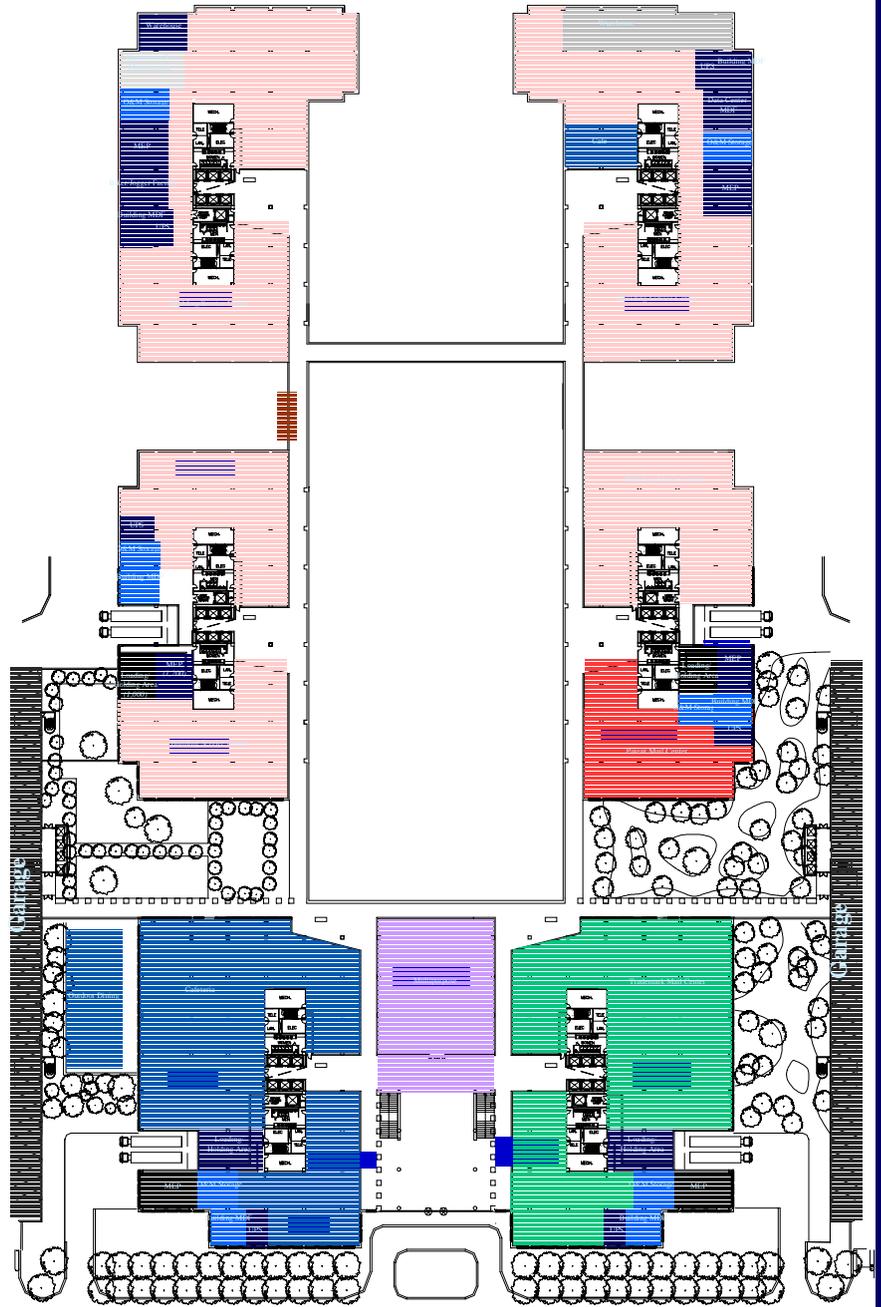
Report on USPTO New Campus

Jo-Anne Barnard



Status of USPTO Space Consolidation

- On June 1, 2000, GSA signed a 20-year lease for USPTO with LCOR Alexandria for a 2 million sq. ft. facility at Carlyle, Alexandria, Virginia
- LCOR's development team is comprised of Skidmore, Owings & Merrill, Gensler and Turner Construction
- Groundbreaking was held January 17, 2001
- Construction will begin Summer 2001, and occupancy will start in early calendar year 2003





CARLYLE





CARLYLE





Preparation of FY 2001 P-PAC Report

Margaret Boulware



UNITED STATES
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Thank You