

- - - - -x
In Re: :
UNITED STATES PATENT AND :
TRADEMARK OFFICE :
Patent Public Advisory :
Committee :
- - - - -x

Monday, June 27, 2002
Arlington, Virginia

The above-entitled matter came on for hearing at 2121
Crystal Drive, Arlington, Virginia, commencing at 2:50
p.m., before Patricia A. Edwards, Verbatim Reporter.

A G E N D A

Page

1. Opening Remarks	10	2.
Deputy Director's Remarks	4	
3. USPTO 21st Century Strategic Plan	14	
4. Report from E-Government Subcommittee.	93	
5. Report from Quality Subcommittee.	104	
6. Report from Pendency Subcommittee.	111	
7. Discussion and Wrap-Up.	113	
8. Adjourn	116	

P R O C E E D I N G S

1
2 MS. BOULWARE: I'll start the public meeting of
3 the Patent Public Advisory Committee and I'd like to ask
4 each of our members who are present -- we can start with
5 Ron Stern to introduce themselves around the table so that
6 we have everybody on the record.

7 MR. STERN: I'm Ron Stern. I'm president of the
8 Patent Office Professional Association and I'm a nonvoting
9 member of this Advisory Committee.

10 MS. INGRAHAM: I'm Patricia Ingraham from the
11 International School.

12 MR. NORVIEL: Vernon Norviel. I'm the General
13 Counsel of Biotech Companies.

14 MS. WHITE: I'm Kathy White.

15 MS. BOULWARE: If you can get everybody when we
16 finish up. Make sure you get everybody's name on the
17 record. I'm Meg Boulware. I'm the Chair of the Patent
18 Public Advisory Committee.

19 MR. DUDAS: Jon Dudas, Deputy Director.

20 MR. MOSINGHOFF: Gerald Mosinghoff of Olwon

4

1 Spivac and George Washington University Law School.

2 MR. FERGUSON: Jim Ferguson, independent
3 inventor.

4 MR. MYRICK: I'm Ron Myrick, Chief Counsel for
5 General Electric.

6 MS. WATSON: Julie Watson. I'm Vice President of
7 NTE U245 and a nonvoting member.

8 MS. BOULWARE: Thank you. I'm going to rearrange
9 the schedule just a bit because I'm going to ask Jon
10 Dudas, our Deputy Director, if he would like to make his
11 remarks at this time prior to my opening remarks.

12 MR. DUDAS: Thanks very much. Thanks everyone
13 being here today. It's an honor and a pleasure for me to
14 be here with PPAC, getting questions, concerns and
15 comments on what we're doing at the Patent and Trademark
16 Office, and guidance, and directions as well.

17 This year we are celebrating the 200th anniversary of
18 the Patent and Trademark Office. So it's a wonderful
19 experience. We've seen a lot of changes obviously over the
20 last 200 years and there's a number of challenges facing

5

1 us today. I wanted to give you just a little brief
2 background.

3 I've been here for under six months. A lot has
4 been going on in those six months and I just wanted to
5 give a little background of what Under-secretary Rogan saw
6 and what I saw and some of the background of the reasons
7 for the changes. When Under Secretary Rogan and I first
8 came to the office looking internally what we saw was a
9 wonderful group of very dedicated public servants. We saw
10 people that are dedicated to the system and have been
11 doing an absolutely fantastic job. What we also saw were a
12 number of problems and concerns that were the result of
13 the application increases in the '90s and another number
14 of factors as a result of funding budgets, etc.

15 And what we found early on in looking externally
16 and listening to people was great concerns about quality
17 and perceived quality within the office. Great concerns
18 about pendency, great concerns about how quickly we were
19 going to electronic filing and as we looked internally we
20 saw the very same thing and saw that possibly we have an

6

1 office that is not in crisis but possibly on the verge of
2 crisis with pending backlogs growing in the patent area,
3 with pendency going well beyond what is perceived of
4 within an industry and a community and from within the
5 office as acceptable levels of pendency.

6 As we looked to external factors capital health,
7 the administration and others we have a lot to say about
8 what happens to our budget, what happens down in the
9 Patent and Trademark Office, whether or not we can have
10 legislation to make changes. What we found was a fairly
11 unified voice saying we need to do something. We need to
12 have change and you need to have change very quickly or
13 you won't have the budget that you've requested. You won't
14 have the resources you've requested.

15 You need to make the case and the model. And we
16 came to the determination that we needed to do whatever we
17 could to do that in fiscal year '03. What could certainly
18 be a 12 to 18 month process we've tried to roll up into
19 about six month process and try to come up with some of
20 the answers and all of the answers that we can and come

7

1 together with the unified plan addressing all of the
2 challenges, all of the questions, all of the concerns that
3 have been posed upon us by people who will make decisions
4 and to do so within the mandates in which we've lived.

5 Under-Secretary Rogan took the mandate very
6 seriously and called together a team from within the
7 office to work solely and exclusively on coming up with
8 the ideas for the strategic plan. What do we need to do
9 differently? How do we make it consistent with the
10 President's management agenda and that it's focused on
11 customers and citizens rather than on the bureaucracy. How
12 it is focused on finding ways to use the markets to help
13 in doing what you're with the business? How do you find
14 ways to do all of this? How do you basically find ways to
15 do more with less?

16 What we put together was the 21st Century
17 Strategic Plan and that's the subject of much of what
18 we're discussing if not all of what we're discussing
19 today. The Strategic Plan puts together a plan that will
20 reduce pendency to 18 months by the year 2008. Most

8

1 importantly it puts quality first ahead of everything
2 else. And that's what we heard both internally and
3 externally was quality comes first above anything else.
4 We've also done it in a way that we expect hirings to be
5 2500 less than what was under our business plan that we
6 sent up several months ago. We were told when we set up a
7 business plan that asked for 950 new hires each year for
8 the next five years that, that plan was dead on arrival
9 and were told find a business model that works and that's
10 from the people that were going to decide whether or not
11 we have the resources to put together our business model.

12 We've been very pleased with the progress we've
13 made thus far but our goal is essentially to have a plan
14 that we put together that we can present to everyone whose
15 put the demands and the mandates on us. To be able to
16 explain what the plan does, how it brings the office into
17 the 21st century in a way that it meets the demands that
18 they've placed upon us. It meets the demands that our
19 office has placed upon us, that the industry and our
20 (inaudible) have placed upon us.

1 The community in general has placed upon us. And
2 we're open to any criticisms, concerns, and questions. But
3 what we're trying to do is make sure that everyone knows
4 Capital Hill, the administration, applicants, we within
5 the office understand the mandates that we live under and
6 the challenges that we're facing and that we have a
7 comprehensive plan that deals with all of this. I think
8 that's much of what we discussed earlier today and I look
9 forward to discussing here in the open session and I thank
10 you very much.

11 Unfortunately, I'm going to have to leave in
12 just a very few minutes but certainly Nick Godici and
13 others can answer any questions. Thanks.

14 MS. BOULWARE: Thank you, Jon. Thank you for
15 attending. I would in my opening remarks I would like to
16 commend the PTO for looking at innovative approaches to a
17 new business plan. I do regret that the Public Advisory
18 Committee has not had as much of an opportunity to
19 participate in developing the new strategic plan or the
20 new structure prior to the release to the public. But at

10

1 this point in time we are engaged in significant
2 discussions with the PTO on the Plan and the new fee bill.

3 The Patent Public Advisory Committee has
4 continually supported quality initiatives and innovative
5 quality initiatives as the Patent and Trademark Office
6 similarly the Patent Public Advisory Committee has
7 continually supported electronic processing, electronic
8 filing and the goal of paperless Patent Office in the
9 future.

10 The Patent Public Advisory Committee is very
11 important because by statute we have to have members who
12 represent the diverse community that is served by the
13 Patent and Trademark Office. We don't just represent
14 people who are users of the Patent and Trademark Office,
15 but those who benefit from the public dissemination on
16 published technology and pending technology and each of us
17 bring our point of view to the table without representing
18 a formal constituency to advise the PTO where we see fit
19 and these very important initiatives.

20 During the public session, we will do our best

11

1 to include on the record our advice to the PTO. We
2 recognize that the PTO is looking at some marketedly
3 different directions for the processing examination of
4 patent applications and is advocating some new strategies
5 for the office.

6 The legislation that's proposed in the fee bill
7 itself will make dramatic changes in the way applications
8 are filed, reviewed and examined. The PPAC is very
9 devoted to the proposition that we want to have the best
10 patent office in the world and continue to have the best
11 patent office in the world, and assist and advise the PTO
12 in the strategic implementation of these goals. We will be
13 covering the Nick Godici challenge of covering the
14 paperless entry strategic plan for us and we do have a
15 discussion period at the end of the program.

16 I've noted that some of the people who are
17 attending and we will appreciate the public coming. I feel
18 like they have not had an opportunity to make comments or
19 ask the Patent Public Advisory Committee questions. What I
20 hope to have is a few minutes at the end of the meeting so

12

1 we can bring some of those questions to the committee
2 members. What I will also say on the record is that this -
3 - we have unfortunately limited time so that we can get
4 our own views available and open and on the record. So we
5 do have limited time ourselves to participate in the
6 public meeting but I will try to have some time at the end
7 of the meeting for those of you who are attending where
8 it's appropriate to engage in some conversation.

9 With that, if there's anything else you would
10 like to add Jon? We'll move on to our first agenda item on
11 the strategic plan. Our Commissioner Nick Godici.

12 MR. GODICI: Thanks, Meg, very much. I like to
13 start out thanking the PPAC, the Patent Public Advisory
14 Committee for their help, their support, their input and
15 certainly we value the relationship we have with this
16 committee. I want to try to give you an overview of the
17 21st Century Strategic Plan that was released on June 3rd.
18 I want to start and I hopefully not being repetitive with
19 both Meg and Jon have said but kind of set the stage and
20 then walk through the principles that are in the new

13

1 strategic plan.

2 What this strategic plan does is respond to what
3 I feel is a mandate that has come out of both the House
4 and the Senate and the '02 Appropriations process that the
5 U.S. PTO put together a five year plan that addresses the
6 three areas that you see here and the ones that everyone
7 knows and has been talking about. Quality, timeliness and
8 electronic government. As Jon said before he and Under-
9 Secretary Rogan arrived there had been an '03 -- what we
10 call the '03 business plan that had formed the basis for
11 our submission to Congress for the '03 President's budget.

12 The reaction that we got from that plan was one
13 that as Jon stated it appeared that, that was a
14 traditional plan that relied too much on spending money on
15 people and maybe was not innovative enough.

16 Under-Secretary Rogan and Jon Dudas when they came on
17 board saw the need to take that as a base and a jumping
18 off point and to put together a plan that they thought was
19 more responsive to what they were hearing from our
20 constituents on the Hill and outside. That's the results

14

1 of 60 days work. Not many people here in the PTO and what
2 was made public on June 3rd, the new strategic plan up on
3 our website also conveyed to Congress and is the attempt
4 to modify what we had previously put on the table to rely
5 on less hiring and be more innovative and more aggressive
6 respect with to electronic government and to move in
7 different directions with respect to addressing the
8 quality issues that are here at the PTO.

9 I want to start out by pointing out the mission
10 statement that's now in our strategic plan, the new
11 strategic plan. If you look at this mission statement, I
12 know that's been a issue with the PPAC over the last few
13 sessions and here is an attempt to address what we feel
14 we're all about here at the USPTO. Obviously what we need
15 to do is contribute to a strong global economy. Any of you
16 have heard Secretary Evans speak. He speaks of two things.

17 He speaks of homeland security and he speaks of
18 economic security. And when he comes to the PTO or when he
19 speaks about the PTO he talks about the PTO in terms of an
20 interval portion or part of economic security. Part of

15

1 our mission, a very strong part of our mission is to
2 contribute to economic security by contributing to a
3 strong global economy. Obviously we are here to encourage
4 investment and innovation. We want to foster the
5 entrepreneurial spirit that we've seen in the United
6 States since the founding of the United States and we hope
7 we are in position to contribute to that as well as the
8 quality of life for everyone. What we hope this does is it
9 puts into perspective and balance the needs of the public
10 or protecting the public and also the needs of the users
11 of the patent system.

12 That's the attempt here. The other thing and
13 Jon made the point -- what we hope to show here in this
14 strategic plan is quality is number and quality is seen
15 throughout the different areas of the strategic plan. Not
16 only in quality of products but in the e-government area
17 and all the other initiatives that are contained. What I
18 want to do is talk about the
19 over-arching goals and objectives of the strategic plan
20 and then I'll breakdown more specific initiatives into

16

1 three areas quality, timeliness and electronic government.

2 First of all our goals in putting together this
3 plan were: a. to increase the quality of the patents and
4 trademark examination operations and to do that by looking
5 at how we do quality assurance activities and I'll talk a
6 little bit more in detail about that when I get to the
7 quality area but certainly a basis and a starting point
8 with respect to increasing the quality of the products and
9 services that we deliver here at the PTO is a look at and
10 an overhaul, so to speak, of our quality assurance
11 activities.

12 Second of all, we had an objective to reduce
13 cycle time for pendency, I should say. First action
14 pendency particularly, I'll talk about that in a second as
15 opposed to the '03 business plan where we were able to
16 achieve 12.3 month first action pendency in 2008. This
17 plan betters that and we will be able to achieve 5.8 month
18 pendency on the patent side first action pendency in 2008.
19 Overall pendency in 2008 will be 18 months patent pendency
20 as opposed to the 25 months that was in the previous

17

1 business plan, the '03 business plan.

2 So in summary here, looking at the two
3 traditional ways that we look at ourselves, first action
4 pendency and overall pendency. This is an improvement and
5 we feel is a significant improvement over the previous
6 business plan. Another goal or objective here was to
7 accelerate or move quickly from a paper environment to an
8 electronic environment. What this plan will accomplish is
9 in the trademark area by October 1, 2003, we will have
10 electronic processing of all trademark applications within
11 the PTO.

12 Not only electronic filing but processing
13 through the PTO. That same vision or that same processing
14 will occur on the patent side October 1, 2004. As Jon
15 said and I've already said what this new plan does is rely
16 less on hiring the examiners and more on becoming more
17 efficient. If you look at the total cost and the total
18 number of hires in the '03 business plan versus the new
19 strategic plan you'll see from 2003 to 2008 we're relying
20 on 2500 fewer hires and our new strategic plan then we

18

1 relied on in the '03 business plan.

2 We will competitively source some of our
3 functions such as classification and search functions so
4 that we'll be relying and concentrating our resources on
5 examination and the examination process and decision
6 making. We feel that this is going to help us both from a
7 timeliness standpoint and from a quality standpoint to
8 foster our resources to the critical and the core areas
9 that are needed here at the PTO.

10 The last bullet on this page we will partnering
11 and have them partnering with our sister offices,
12 particularly in the trilateral offices and some of the
13 other major offices around the world to reduce duplication
14 amongst the offices and to work together. Forty-five
15 percent of our patent applications come from abroad, come
16 from foreign filers and virtually all of those
17 applications have been filed in another office before they
18 get to us.

19 Likewise, many of the applications that are
20 received in other offices such as the EPO and the JPO come

19

1 from the United States and so the office of first filing
2 has normally put in considerable resource and effort to
3 the examination process and what we hope to do is leverage
4 the work done in all of the offices so that the office of
5 second filing can take advantage of the work that has been
6 done in the office of first filing. Now,

7 I'll breakdown some of the initiatives in the strategic
8 plan into the three areas that I've talked about. First of
9 all in the area of enhancing the quality of our products
10 and services what we intend to do in this new strategic
11 plan is to look at a different model and a different
12 approach to the way we train and the way we use training.
13 What we will do is we will determine what the knowledge
14 skills and abilities are for each of the jobs in the
15 USPTO.

16 We will then deliver the needed training to
17 bring those knowledge skills and abilities to our
18 employees. We'll measure the results and that's a key
19 component here. We will measure the results of the
20 training that we deliver and we will modify as needed.

20

1 This is going to be an enterprise wide approach that we
2 will use with all of our training modules and models and
3 it will involve a significant change in the way we look at
4 training today. We also intend to restructure the USPTO by
5 directing resources to the core examination activities. I
6 mentioned this a little bit earlier but we now have some
7 valuable examiner resources that are used in areas such as
8 classification, such as in some of our PTC work.

9 There are examiner resources that are used
10 outside the examining core in helping us design automated
11 systems and so on and so forth. One of the things that
12 Under-Secretary Rogan and the team has done is a top to
13 bottom review of how we use all of our resources in the
14 USPTO and a result of that review will be a redirecting
15 and pushing of all the available resources we have into
16 the examination process. We look at transforming the work
17 force by exploring alternative organizational concepts and
18 structures. What do we mean by that? Are there ways to
19 gain efficiencies by reducing duplicate organizations
20 within the USPTO. Can we look at the interface between the

21

1 CI organization and the patents organization to see if
2 there whether there is a way to make that more efficient.

3 Are there areas in patents and trademarks that
4 are duplicates that we can bring together? So again, we'll
5 look at the organizational structures within the USPTO to
6 see if we can gain efficiencies there. We're going to
7 assure that all employees responsible for patent process
8 possess the required skills needed to carry out the
9 responsibilities. Again this kind of relates to the
10 training bullet up above. The bottom line is our new model
11 will be -- let's figure out exactly what each and every
12 employee needs to do to do the job well in terms of
13 knowledge, skills and abilities.

14 Let's make sure that each employee has the
15 opportunity and has those knowledge, skills and abilities
16 and let's measure to ensure that they retain that
17 knowledge, skills and abilities that are needed to
18 continue to do the job and do it well. If you want to
19 stop me as I'm going along, please feel free to do that,
20 otherwise I'll keep rolling.

1 MS. BOULWARE: Why don't you keep rolling.

2 MR. GODICI: Okay. There will be considerable
3 training needed and we've done this and we will continue
4 to do this with respect to employees coming up to speed
5 with the electronic tools that we will be introducing here
6 at the PTO and we need that and we know that. We will
7 address that and we will continue to address that. We
8 will implement a pre-employment testing for all patent
9 examiners. We have taken an inner look at ourselves and
10 the way we do our hiring. We've been in
11 a mode of hiring hundreds of patent examiners each and
12 every year and what we intend to do is do that better. Do
13 that process better and one of the things that we will do
14 is to do communication skills testing prior to employment
15 and we will also be looking for what are the attributes
16 successful patent examiner and we will be testing for
17 those attributes before hiring to do a better job in that
18 area.

19 We also will be recertifying the KSA of our
20 skills, -- our experienced examiners and our primary

1 examiners. Currency is something that is very, very
2 important, what we intend to do in this new strategic plan
3 is spend more time and more resources in training of our
4 primary examiners and we also want to make sure that our
5 primary examiners have kept current and that this training
6 that will be delivered is translated into the work
7 product. We will be instituting practices to not only
8 change but to certify that the training has impact on work
9 product.

10 We will ensure that before an examiner gets to
11 the top of the grade level and becomes a primary examiner,
12 we will certify that they are ready with respect to legal
13 competency and negotiation abilities that are required of
14 primary examiners. Again through work product review,
15 through the possibility of testing, through required
16 training courses and prerequisites before obtaining the
17 level of primary examiner, we will certify that those
18 examiners that reach that level and are independent and
19 primary examiners have the tools to do the job correctly.

20 We will improve the way we select and train our

24

1 SPE. We feel that it is very important and that's probably
2 one of the most important areas that we can improve on
3 quality is to make sure that our SPE's are top notch. They
4 are the right people to mentor and train new examiners.
5 They have the training themselves to do the job correctly.
6 We will look at the way we have in the past selected SPEs
7 and we hope to improve that process and improve the
8 training of SPEs so that it translated into better
9 training our primary examiners, our junior examiners and
10 better quality products.

11 Continuing on the quality thing I want to talk
12 about some of the changes that we see with respect to
13 quality assurance techniques. What we will do is move from
14 a model that had heavy emphasis on end product review,
15 which was primarily done at our quality review shop on a
16 lot of applications. We will move to a model that looks at
17 the office actions and reviews office actions at all
18 stages of examination. This will require a reorganization
19 of the resources, an increase of the resources that we
20 spend with respect to application review and a movement

25

1 more to the front end process with respect to our reviews
2 and our quality assurance program.

3 I said before, we'll be expanding and increasing
4 the resources for these reviews and consequently we'll be
5 able to expand the number of reviews or the percentage of
6 applications that are reviewed particularly of the work
7 done by our primary examiners.

8 Many of you know of the second pair of eyes
9 review process that we've used in the past and we've seen
10 some positive results with respect to certain technologies
11 particularly business method patents and we intend to take
12 that model and expand it into the core, in the BTO and
13 have resources available to do second pair of eyes types
14 of review which are 100 percent reviews in certain areas
15 of technology where we see the need for that type of
16 particular oversight. Hopefully, retraining
17 of the organizations that we put under that second pair of
18 eyes. Finally, we feel -- when we get to and I'll be
19 talking about surging in a bit. As part of our internal
20 quality assurance program, and internal look at the way we

1 do things, when we move to the situation where we may
2 searches that are provided by external sources, whether
3 they be a certified searching authority or another IP
4 office around the world, we want to ensure that those
5 searches are of the highest quality and we maintain them
6 of the highest quality.

7 We would have a review process in place to
8 evaluate the quality of the search that we receive from
9 outside the USPTO to make sure that they meet the
10 standards that we have set with respect to quality.

11 MR. MYRICK: Thank you very much. I'm encouraged
12 to see this emphasis and I commend the Patent Office for
13 putting so much redirection in that area. I commending
14 Kathy White and her subcommittee and having worked with
15 the office on that matter. There are a couple of things I
16 would like to suggest however, first I think the emphasis
17 on enhancing work force capability is very important
18 because in the end the professional staff is the first
19 line and ultimately the last line defense against poor
20 quality.

1 I think that's critically important. I think on
2 this particular one I'd like to suggest that the increased
3 emphasis on quality assurance technique and the process
4 review, and so forth, on work product review be used for
5 the purpose of gathering data and that data is to be used
6 for the purpose of process analysis, where to look or the
7 root cause of errors are in 6 Sigma type context. We've
8 talked 6 Sigma before and this particular spot really
9 addresses the issue of gathering the data, and will allow
10 you to determine what part of the process is flawed and
11 then fix the process so that you don't get any of that
12 when you inspect the end quality. Inspecting end quality
13 is a very inefficient process.

14 Sometimes the only way you can do it and
15 certainly it is the process of which you can gather data
16 from which you then make analyses to fix the problems that
17 caused all of the issues in the first place. We're really
18 encouraged that is being an objective of this particular
19 plan.

20 MR. STERN: Nick, I do want to say at this point,

28

1 that one of the things the union has believed for a long
2 time is the problem in the agency is not having enough
3 time in order to do a complete job. When people are asked
4 to take shortcuts expanding the degree of review, I think
5 has the potential for creating a culture of disappointment
6 and dissatisfaction. While we don't really oppose the
7 concept of reviews we do feel it is very important to
8 provide the training and the amount of time that is
9 necessary in order to get the job done.

10 When sufficient time is given to do the job then
11 of course you can have an expectation of higher quality.

12 Thank you.

13 MS. WHITE: I just wanted to make a follow-up
14 comment to Ron Stern's comment and also Ron Myrick's
15 comment. It seems to me that we need to redefine what we
16 mean by more time. More time for examination is probably
17 not likely to be what would be given. But perhaps we could
18 build in incentives for supervisors, or those working with
19 the examiners to spend non-examining time with examiners
20 to help train them so that they have someone to go to for

1 questions.

2 So that they learn properly, the mistakes that
3 get made can be corrected early in the process and the
4 will not continue to be made. I think we need to more
5 careful how we use this term time. We need to free up, I
6 think, supervisors to get credit for spending their time
7 on training and supervision. They need incentives. They
8 need to be incentivized to do that because otherwise it won't
9 get done as efficiently. Thank you.

10 MR. GODICI: I appreciate all those comments.
11 Certainly, Ron, your comment with respect to using this as
12 a tool to measure to then pull back into the process,
13 the process changes that need to happen. I think that,
14 that is exactly the approach that we're attempting to make
15 here. The linkage is between the reviews and the
16 measurement is back to the training aspects. We
17 certainly recognize and we'll attempt to move it more in
18 that direction as we implement these changes. One of the
19 things that we heard from you and from others that use our
20 system is the need to enhance the reviewable record in the

30

1 prosecution or the prosecution history respect to
2 application file.

3 We will be implementing programs that will do
4 just that in terms of the examiners completeness of the
5 record, going from things like interview summaries being
6 more complete and other approaches that will make a
7 complete record so that the rationales, and the
8 discussions, and the decision making process that occurred
9 throughout the prosecution of the application will be
10 apparent and transparent.

11 We will look at secondary review of applications
12 for proper claim interpretation. Obviously one of the
13 things that is critical to doing a good job is the
14 examiners ability to have the correct claim interpretation
15 and therefore being able to then apply that properly and
16 reach the proper conclusion. We will certainly be looking
17 to increase, and modify, and improvement the training, the
18 KSAs, so to speak, of our examiners in that particular
19 area.

20 As I mentioned before we're looking to establish

31

1 searching authorities that will contribute to the search
2 function that delivers searching to the USPTO but only
3 after careful evaluation of the quality and the
4 certification of those searching authorities.

5 Decertification of those searching authorities if need be
6 and continually monitoring of the quality of the work
7 product that we get from those searching authorities
8 whether they be a private searching authority or whether
9 they be other intellectual property owners.

10 I'm going to move processing and away from
11 quality, unless there are any other comments or
12 discussions.

13 MS. BOULWARE: I think Kathy's going to have a
14 presentation on quality so we're going to continue with
15 that after we finish up with the strategic plan.

16 MR. GODICI: To help us out with respect to
17 timeliness in delivering the first action pendency and the
18 overall pendency that I talked about in the overview and
19 the objectives we'll look at competitive sourcing and
20 working with both private sectors and other IP offices to

1 help us do some of those functions that are not as
2 critical.

3 They're not the examination and decision making
4 functions. For example we will be looking to out source or
5 competitively source classification functions that are now
6 done by examiners and classifiers within the USPTO. Both
7 from an initial classification determination that occurs
8 in our OIPE, office of initial patent examination. Then to
9 the PGPub classifications that are now required because of
10 18 month publication. We can expend considerable resources
11 putting classifications on applications prior to
12 examination.

13 Reclassification projects is an area where we
14 have in the past expended considerable examiner resource
15 in doing reclassification projects that maintain a US
16 patent classification system and improve it. All of these
17 areas are areas that we feel that we have the ability to
18 partner with external private concerns to help us to these
19 functions and we're in the process of putting out requests
20 for information, or feelers, so to speak with respect to

33

1 the industries and private sector entities that can help
2 us in this process.

3 By doing so we will be able to recoup a
4 significant portion of our examination resource to draw
5 back into the examination process to help us reduce
6 pendency.

7 MR. SPEAKER: I support this very ardently. I
8 think this is a very good move. Classification is
9 extremely important in my view to have the right hardware
10 where it's supposed to be is extremely important for
11 anybody who searches and examines an application. But
12 examining resources are so precious with the workload you
13 have and just the constraints you have in terms of hiring
14 examiners and training them that I think in the interest
15 of quality and in pendency it's a very smart move to move
16 this non-examining related effort outside of the examiners
17 and into an out source situation.

18 I have no question from my experience you're
19 going to find some very talented out source capabilities
20 to help you in this area. I really support this.

1 MR. GODICI: Just piggy backing on that I think
2 it also allow us from a quality standpoint to probably get
3 more of the much needed reclassification work done as you
4 say. Quality stems from being able to have that work done
5 and there's always been a tradeoff in the past. Hopefully
6 we'll get past that tradeoff by having good externals that
7 will help us to do that.

8 The next bullet has to do with searching both
9 PCT searching and searching of our national applications.
10 As I mentioned earlier and those of you have read the
11 strategic plan know that what we are looking at is an
12 approach where we will have either a certified high
13 quality external searching authorities that will be used
14 by the public in delivering a search report, an
15 international style search report.

16 The patent examiner before examination that will
17 outline the areas that have been searched. The results of
18 that search and how it applies to the claims that are in
19 the application. We're also looking at that possibility of
20 partnering with IP offices around the world and getting

35

1 the results of their search when they've been the office
2 of first filing and we are the office of second filing.
3 We're also looking at using or leveraging the work that
4 has been done by the international searching authorities
5 in the PCT and using those in our examination process.

6 So this strategic plan moves in that direction
7 of taking advantage of the work that has been done
8 outside, or will be done and has been done outside the PTO
9 in the area of search. Delivering that product to the
10 examiner and moving from there in the examination process.

11 MR. SPEAKER: Nick, may I say something?

12 MS. BOULWARE: After I get a chance to say
13 something. Since the out sourcing of searches has been
14 discussed as part of the strategic plan and is a critical
15 part of the strategic plan, I think that the certification
16 process is going to be very important for any private out
17 sourcing. One of the aspects and this is something that I
18 wanted to put on the table and I second it in that.

19 The patent office is going to be out sourcing
20 the reclassification projects and other things that are

36

1 critical to the office functioning and if there is a
2 search out source then could it be directed to the private
3 company in the same way as the reclassification is
4 directed by the PTO so that the -- concerns that private
5 companies would be dealing directly with private companies
6 that there might be some problems there?

7 One of the things that Steve wanted to bring up
8 on the table and that was the PTO more involved in the out
9 sourcing of the search so the controls would be very
10 direct with the product coming in. I hope I'm articulating
11 that appropriately.

12 MR. GODICI: If I understand the suggestion, one
13 of the ways that we feel that we will maintain the level
14 of integrity and quality that is needed and is required by
15 us from the organization, that are pretty rigorous
16 certification and constant review, and decertification, if
17 the quality standards are not there.

18 We will go through a process of all these
19 entities applying to a review process before they'll even
20 be certified as an authority that we'll accept the work

37

1 from.

2 MS. BOULWARE: I believe that answers his
3 question, but I think that his thought and mine is that
4 the PTO when an applicant requests an examination and a
5 search needs to be provided, then the direct link it
6 wouldn't be from the applicant picking among the certified
7 search groups. It would be the PTO going to the searching
8 authority rather than the applicant picking and choosing
9 what search authority they may want to use.

10 So it's more neutral, if you will, in how the
11 search is received or commissioned.

12 MR. GODICI: Quite honestly that's not the model
13 that we have on the table today. The model we have on the
14 table today is that as I said before, we would certify
15 only those entities that qualify as to our standards and
16 that would be up to the applicant to go to those certified
17 entities, get the search done, and bring it into us. Now,
18 this is a different approach but it's not the one that we
19 had envisioned in the current thinking. Comments? Ron,
20 your concerns?

1 MR. MYRICK: I did want to say that most
2 examiners consider that search and the examination managed
3 in the decision making process are really integral and
4 that there is synergy between those two. Because of that
5 synergy we would suggest that searching really is an
6 inherently governmental function that should not be
7 released to the private sector. In addition to that
8 because of this synergy there is also an inherent
9 deficiency associated with having the same person do both
10 search and examination which will be lost if those
11 functions are separated.

12 The Europeans currently have decided that
13 separation of those functions is unwise and are going to a
14 system in which examination and search are being brought
15 together. Their conclusion is that is more efficient and
16 more effective and I think that needs to be taken heed of.
17 That conclusion is an important conclusion.

18 I have one other thing and I think that there is
19 a essential synergy in addition between examination and
20 classification. While it is potentially possible to

39

1 contract out classification, no one has ever done it in
2 the past and there hasn't even been a pilot project on
3 this. We would certainly recommend that before one
4 involves the patent office's ability to do the job that we
5 at least pilot this so that we can get an idea of whether
6 or not it is possible to do this in an effective and
7 efficient manner. Thank you.

8 MR. STERN: Two points, to follow up a little
9 bit on Steve Fox's comments. Chief concern is the system
10 can be gained by no matter how well you certify, somebody
11 files another case and is going to find out this
12 particular searching agency has these characteristics and
13 this other one has these characteristics. One might choose
14 particular characteristics for an in particular situation,
15 if you gather my meaning. I think there are a number of
16 ways to handle it without fundamentally changing the role
17 the old one had.

18 Obviously the PTO has a critical role in
19 certifying searches but inside my own company we're trying
20 to set standards for searching for the commercial

40

1 searchers we use for our own purposes and it's not easy.
2 It's bloody hard. I'm very concerned that we can actually
3 establish standards that are repeatable, and so on. One
4 thing that might be considered or at least one step that
5 might be considered would be perhaps to have a random
6 selection of the searchers.

7 In other words, a case get filed and you get a
8 number. That means you're going to go to searcher A as
9 opposed to the next time you get searcher C, and so forth.
10 So that people at least can't gain the system consistently
11 and the variation of the searchers get spread around in a
12 random manner. With a random assignment is the way good
13 judges in most of the District Courts in this country want
14 random assignments.

15 MR. GIBBS: I'd like to follow-up on what Ron
16 said. There are a couple of issues that I have questions
17 about. First of all the concept of putting the PTO in
18 between the applicant and the searcher fundamentally makes
19 sense to prevent the gaming but it also puts the PTO in
20 position of where if in deed there are private contractors

41

1 involved in the search, that puts the PTO in a position
2 where it's directing some of the searches to different
3 search authorities that it might have bilateral agreements
4 with versus a private contractor which is a for-profit
5 entity.

6 There must be some issues there. The concept of
7 take a number and just have a random assignment may lead
8 you around that. You indicated that would be requests for
9 information and distributed -- I would be interested to
10 know how those are going to be distributed. Whether there
11 are hand selected companies, PTO fields being qualified as
12 a contractor searching authority or if it's going to be
13 open to the public. Any potential measure to go ahead and
14 apply, is there going to be a criteria set up that would
15 actually encourage US based companies to apply for search
16 contractor status versus any kind of relationship that the
17 PTO may have with a foreign search approach.

18 MR. GODICI: As far as soliciting interested
19 parties we are in the process of doing that when we're
20 talking about out sourcing some of our classification

42

1 functions and some of our PTC work and the way that would
2 work, it would not be a hand picking, they would actually
3 go through a process of setting out basic criteria and
4 having a corporations or entities reply to us stating
5 their case with respect to that.

6 Then there would normally be a second go around
7 where we could get much more specific on what the criteria
8 would be and what the contracts would be and then go
9 through a normal selection process. With respect to
10 certification of search entities we worked out the details
11 of how we would go about soliciting and then certify
12 whether there would be an application type of system where
13 entities would apply to us and then we would go through
14 the certification process and we would run it more like a
15 procurement process. When I was talking about the RFIs I
16 was talking about some of the other out sourcing with
17 respect to PTC and classification.

18 I think we still need to work out with respect
19 to the searching, is that the certified searching
20 authorities whether it's an application type of process

43

1 that we then go back, you apply. We do our investigative
2 work and we either certify or not certify versus some kind
3 of a contractual relationship with the entities.

4 MR. GIBBS: There is an RFI out currently for the
5 PCT certification and it was very clear in the RFI that it
6 was not a request for proposal. Will it be a similar kind
7 of RFI issued for domestic or ETO search and will it be a
8 very -- there was no criteria -- search for criteria
9 issued with the RFI. Will there be criteria issued with
10 the RFI that will be posted for the US search?

11 MR. GODICI: We haven't made necessarily or I'm
12 not aware of necessarily all of the details of how we're
13 going to go about the certification process but the
14 solicitation of the interest and then the certification
15 process -- I can tell you for sure that we will have
16 criteria and the criteria will be very specific. Now, Ron
17 said it's difficult to define those criteria, a starting
18 point will be the criteria that's set forth in the PCT for
19 international searches and we will build upon that.

20 But the exact process for applying and being

44

1 certified is something that we're working on right now.

2 MR. PURLOGEN: I may have missed something. But
3 it doesn't seem to me operationally that it would make a
4 lot of difference to the USPTO if you were to select the
5 searcher, out source the search done for applicant A, or
6 whether you told application A to do it. It seems to me
7 that your fundamental trust of your institution plan could
8 be done taking into account Steve Fox's concern and Ron
9 Myrick's concern and indeed it might be an easier world
10 where you're actually a procuring agency and you decide
11 which of these qualified searchers you're to go to at any
12 given case, as compared with a certification scheme which
13 is FCC kind of operations.

14 So it seems to me you may -- I'm not asking for
15 a comment. It's just my own comment is that it doesn't
16 seem to be fundamentally different from what you have in
17 mind, and in deed, and the scheme of how the government
18 operates. It might even be easier for you to select a
19 contractor to do a search and examination A, and to keep
20 up current certifications and so on, and I would ask that

45

1 you the USPTO to take that into account. If I happen to be
2 true and I don't need a comment here.

3 MR. MYRICK: I think one issue might be whether
4 it's on budge or off budget because it goes through the
5 PTO it's going to be on budget. That may cause another
6 problem. One of the purposes I think of going to out
7 sourcing the searches like this removes it from the budget
8 and the budget item.

9 MS. BOULWARE: Have you gone through the cost of
10 what an administering and a certifying program would cost?
11 That would be on budget, wouldn't it?

12 MR. GODICI: Yes. It's going to cost us resources
13 to evaluate the quality of these searchers and these
14 search entities and continue that evaluation as an ongoing
15 basis. We're in the midst of putting those numbers
16 together. We have estimates of what those numbers are and
17 they are part of the budget that we submitted in
18 connection with the new strategic plan.

19 MS. BOULWARE: Any other comments?

20 MR. SPEAKER: I do have one other comment and

46

1 that is you ought to consider the costs of the applicant.
2 The applicant is going to wind up paying for a very
3 inefficient system in which they are going to have to pay
4 searchers in order to read and understand the patent
5 application. Read and understand the references. They are
6 going to have to pay examiners to do exactly the same
7 thing in the same case.

8 Examiners will not have as much training in the
9 technology if they are not themselves searching. So there
10 will be additional training costs for maintaining currency
11 in the particular field that an examiner is working in.
12 You're going to wind up with a system that has many more
13 costs in it and is much more inefficient than the current
14 system.

15 MS. BOULWARE: Let me make one comment. When we
16 put the agenda together the Fee Bill was not public. So
17 you don't see this on the agenda this afternoon. However,
18 where you have comments on the Fee Bill, where it folds
19 into the strategic plan or otherwise please feel free to
20 make those comments at this time.

1 MS. SPEAKER: My comments on the Fee Bill is just
2 a follow-up to Ron Stern's comment. I have a concern about
3 what will happen to the cost of searches if the patent
4 office is not doing them because all of a sudden you're
5 having to pay now the filing fee, and then separate
6 examination even though you're paying for a search. Is
7 there any movement in the patent office to set some type
8 of limit as to the cost of the search or would that effect
9 the quality of the search too much?

10 Would that be market driven totally the costs of
11 search?

12 MR. GODICI: Right now our thinking is that it's
13 market driven. It's going to depend upon the technology
14 and it's going to depend upon whether we're talking about
15 railroad spikes or jean patents. I'm sure the market will
16 set the costs for the external search.

17 MR. SPEAKER: I think I would add one more point
18 that one of the things we talk about in executive session
19 which I think is appropriate now to discuss in the public
20 session is that the connection between these initiatives

48

1 and actual increase in quality and reduction in pendency
2 and so forth as yet to be fully demonstrated and I think
3 that's point that was being made about the best system in
4 Europe.

5 Having the United States going in this direction
6 exactly when the Europeans are going in the opposite
7 direction raises a question about how is right. I think
8 that speaking enlightening the input I would like to
9 suggest that there still needs to be some more of a case
10 made for many of these changes that demonstrate that they
11 are in fact going to produce the results we are hoping for
12 and in this particular one I can see the distinct
13 advantage to the office in being able to handles its
14 workload. So I think it does have a beneficial effect on
15 that tendency.

16 And minimizing the number of additional hires of
17 examiners which means minimizing the training costs and
18 all that sort of thing but I am concerned about the
19 ultimate cost to the public and increase expense and so
20 forth and also whether or not it will actually produce a

49

1 higher quality patent which is what we're after. I would
2 say the office still I suggest needs to do more work in
3 showing all that to be true.

4 MR. SPEAKER: I would like to say that out
5 sourcing the classification seems to be a good idea. There
6 might be a case made for a preliminary search prior --
7 after classification which was not considered the official
8 search in this case. Most of us are very cost conscious in
9 our patent filings. I can't speak for everybody but I
10 think almost everybody sitting at this table would say
11 that is a key ingredient and this might make possible a
12 weeding out if you will of patents that are not -- that
13 need not be admitted for an official examination.

14 It would keep the search as part of the official
15 examination. That's just a suggestion.

16 MR. GODICI: Moving on with respect to looking
17 at the strategic plan and the linkages to reducing
18 processing time we're going to look at applicants having
19 choices in processing. For example, those of you who have
20 looked at and seen the Fee Bill know we are proposing a

50

1 separation of the filing fee, an actual reduction of the
2 filing fee but then adding what we're calling an
3 examination fee. That will allow an applicant to decide
4 whether or not we need to move forward quickly, to do the
5 filing and pay the examination fee at the same time so
6 that the applicant gets in queue and moves forward as it
7 does today.

8 Or whether the applicant for some other issues
9 or business reasons will get an application on file for a
10 fairly low amount of money, \$300.00, is the proposal for a
11 large entity and then have the ability or the opportunity
12 to make these business decisions up until an 18 month
13 point from the filing this application, decide whether to
14 move on with the examination. That would be one approach
15 to take with respect to applicants from a market driven
16 perspective. Having a choice on how they proceed and have
17 their application processed through the PTO.

18 MR. MYRICK: Well, this is an issue that has a
19 great deal of interest for many of us. I want to revert to
20 the new mission statement and focus that you properly put

51

1 on the public's interest in this whole system, a vastly
2 improved mission statement over the old one because it
3 even talks about the public. I have a great doubts about
4 this particular position and the 18 month deferral.

5 I'm not that dead set against deferral per se,
6 but 18 months has an impact upon the public that we cannot
7 ignore. While it gives choice to the applicant it also
8 institutionalizes delay. First, I would like to actually
9 say that I think we haven't considered PPAC, tendencies,
10 measures, the problems of filing late and I don't think
11 anybody in the PPAC -- the tendency should be measured for
12 filing late and not from the examination requests made.

13 MR. GODICI: Let the record reflect everyone is
14 nodding their heads. Admittedly its' true that from
15 patent term restoration that's a different thing. That
16 should be measured, if there were -- if it comes to be a
17 deferral system, the patent term restoration date should
18 be measured from the examination but certainly not
19 pendency. As you see in the slide we're going to see next
20 up, we're comparing apples and oranges on that chart.

1 We're comparing a pendency system, where we
2 measured from filing date to the new pendency system
3 measured from examination date, built into that is an 18
4 month difference in time. That's not correct. I think the
5 PPAC consensus on that date. You agreed? Yes.

6 MR. SPEAKER: Now, there is an issue that we
7 don't have as -- and I'm not going to put to a vote
8 because I think it's more appropriate for the patent
9 office study this and talk about more with us before we
10 discuss that at a voting stage. But as I said I think 18
11 months is too long for a deferral system. Even if we
12 should have a deferral system that's too long. My request
13 of the PTO is to actively study why any new non PCT based
14 deferral examination should exceed one year in deferral
15 with the maximum.

16 I would really like to see that study? Do we
17 have agreement that, that study should be made? And then
18 as the part and parcel to that there should be a
19 demonstration of what is the benefit overall to the public
20 arising out of such a deferral system. It does give the

53

1 office a chance to do some catchup on its back load of
2 work but at some point unless there's a big drop off in
3 the system there will come again a state where a number
4 of filings has caught right back up to where they were.

5 We'll have

6 built-in institutionally a delay that we can't get rid of.

7 That institutional delay will be something the
8 patent office has no control over whatsoever. A truly
9 measuring tendency from the filing date as we should then
10 12 months max would be in there as a tendency problem for
11 the patent office. I think those things that you study
12 should be discussed with the public and ultimately I would
13 suggest that PTO actually study why -- have they
14 considered a deferral system is advantageous why does
15 provisional patent application system we have today
16 doesn't achieve exactly the same results?

17 I can file a provisional application, get up on
18 date and delay examination for a year. Why doesn't that do
19 the job for the PTO purpose? And that we already have
20 built-in to the log. We don't have to the advocate another

54

1 delay on top of that. My suggestion is that both of items
2 be studied so we have an agreement on that issue?

3 MS. BOULWARE: I would like to see is the
4 modeling that was shown the number of pending cases too.
5 Including those that haven't requested examinations so you
6 see what kind of backlog you're actually dealing with. I
7 think that might have been part of your request Ron.

8 MR. SPEAKER: I agree about and I think the
9 records will show that we're unanimous in requesting these
10 be done.

11 MR. GODICI: Maybe I can suggest this. I know
12 that we have pendency subcommittee if I'm not mistaken and
13 that, that might be a form where we can work through these
14 models and we can show these studies themselves. Let me
15 just say this that everybody in this room knows that the
16 US is one of the few systems that does not have the
17 deferral system. If you talk to any -- we have talked to
18 many people in the private sector and the organized bar
19 and there are a range of thoughts and a range of positions
20 on this and we hear from one segment that 18 months isn't

55

1 long enough.

2 We hear from others that we shouldn't have this
3 at all and then we hear 12 and so on. Be that as it may
4 what we have in the strategic plan is our current
5 thinking. It's our current proposal but I look forward to
6 working with the PPAC and especially the sub-team of the
7 PPAC on examining the numbers behind the scene.

8 MR. MYRICK: I don't think that's the point. The
9 discussion that should be had is why the current
10 traditional system doesn't do the job? Adding more
11 deferral into the system is only adding more delay. While
12 you may have some segments of the PTO who want more delay,
13 the public doesn't feel served by that. I emphasize again,
14 my message to you at the start was if your mission
15 statement has been changed that knowledge has just not
16 work for the patent applicants, it works for the public.

17 So the public has to see a benefit from this too
18 and that's where I don't see this additional 18 months on
19 top of a 12 month provisional period as serving the
20 interests of the public because it leaves a longer period

56

1 -- what rights the public will face when they try to clear
2 those patents.

3 There are lots of people out there who really
4 don't want to infringe somebody else's patent and the
5 longer you keep it in doubt as to what they're going to
6 get, the longer they have to hold off the market those
7 very things that they would benefit from. If they go
8 ahead and release them and not have to worry about patent
9 infringement. So more delay in the system does not help
10 and institutionalizing it makes legal that which we have
11 been trying to condemn.

12 MR. GODICI: I understand your position. Moving
13 on down the list with respect to choices we mention in our
14 strategic plan the concept of 4-track of examination where
15 applicants would have the option, not to go into a lot of
16 detail, of going to an external search firm or using a
17 search that has been provided by another IP office or the
18 PTC process including this
19 4-track in an exception to the search being done outside
20 of PTO for micro entities and they would continue to have

57

1 the opportunity to add the USPTO as the primary searcher.

2 MR. SPEAKER: My question files, is the PTO
3 examiner going to search or is the PTO going to contract
4 that out to the outside?

5 MR. GODICI: Our thinking right now is that as we
6 start moving down this road we will continue to do the
7 searching inside the PTO but it may come to a point where
8 we've had experience with the external searching
9 authorities and we would be able to then contract out
10 those types of searches down the road.

11 You've seen the proposed Fee legislation with
12 respect to the costs associated with increasing number of
13 claims and size of applications. The point being there to
14 concentrate our efforts from a quality standpoint on
15 examination of a concentrated or number of claims in an
16 application would help us, both from a pendency and a
17 quality standpoint.

18 MR. NORVIEL: First, I would like to make an
19 overall comment as well that growing up career wise in the
20 Silicone Valley where out of the box thinking is hopefully

58

1 the norm and certainly is rewarded and I am really glad to
2 see the patent office is starting to think in the same way
3 and they are starting to think outside of the way things
4 were done last year and I think that's a good thing.

5 I have a comment on a number of the things being
6 proposed but I think I would like to focus on this one
7 issue. The fee increase for numbers of fees and large
8 patents and so forth. Over the course of my career I've
9 had the opportunity to work with a lot of creative and
10 brilliant people that have created all kinds of neat new
11 companies which employ lots of people.

12 One look around the Silicone Valley and you can
13 see the founding fathers did a pretty good job of
14 including for the useful arts when they created the patent
15 system because that's sort of what has happened in the
16 Silicone Valley.

17 What has made the Silicone Valley like it is, is
18 the combination of lots of brilliant people thinking of
19 lots of interesting things, combined with an environment
20 that has allowed those to flourish. That has not happened

59

1 in other countries. I think certainly that one part and a
2 pretty important part of that environment is our patent
3 system in the United States.

4 This new fee structure as I understand is
5 intended to modify behaviors with regard to the number of
6 claims. I don't think its intended so much to increase say
7 quality and that sort of thing but it's to modify
8 behaviors. I think that behavior is something along the
9 lines of filing endless claims, endless continuations,
10 thousands of pages of useless disclosure just to sort of
11 muck the system up, to drag it out and see what happens.
12 That's a bad thing. That needs fixing.

13 I've got to deal with some of the people that do
14 that and never really create anything useful. What I'm
15 afraid of here is we're throwing the baby out with the
16 bath water. The baby is the new technologies and so forth
17 that drive a lot of our economy. Why would that be? Why
18 would be throwing out the baby with the bath water and
19 penalizing people for filing large applications or
20 applications with lots of claims? The reason is actually

60

1 quite simple.

2 A lot of where i think the analysis has been
3 done so far really sort of pretends or hopes that things
4 are like they used to be in the old days technology-wise
5 and we're still driving our economy on new railroad spikes
6 and bicycle wheels. Fortunately that is not the case.

7 The new technologies that drive our economy are
8 things like semiconductors, integrated circuits,
9 communications hardware, biotechnology, software, lots of
10 things that are complicated. Your bullet point here says
11 you will reduce the number of claims and size of
12 applications by fee-setting legislation. Unfortunately,
13 the legislation doesn't require that we only file patents
14 on simple technology.

15 So you really can't change that. We live in a
16 world where these things are very, very complicated and no
17 amount of legislation is going to change hopefully the
18 fact that these technologies are complicated. I think we
19 need to go back and think about this and think about
20 whether we are going to throwing the baby out with the

61

1 bath water here and trying to attack what I would agree is
2 a not good situation. At the risk of destroying or very
3 much crippling some industries that are very much help our
4 economy and this country.

5 MS. INGRAHAM: Follow-up on Vern's comments and
6 earlier points made as well. As I look at the slides and
7 the point that was just made about the rocket docket. It
8 seems to me there are two strategic assumptions there
9 underlying these elements of the plan and the fee bill.
10 One is that there is sludge in the system and it's
11 possible in some way to identify that sludge and get it
12 out or keep it out and that would include things that for
13 everyone else.

14 In terms of the rocket docket it seems a
15 different kind of assumption which says some people are
16 willing to bypass and some people really want accelerated
17 service and for that they should be willing to pay. SO in
18 the first place you're penalizing the sludge and in the
19 second case you're asking for higher fees for people who
20 really want to rocket. Are those incorrect assumptions?

1 MR. GODICI: I think you could characterize it
2 that way.

3 MS. INGRAHAM: Do you have information about
4 where the sludge really is?

5 MR. GODICI: I wouldn't know.

6 MS. INGRAHAM: Surely you must know enough about
7 the source of many, many, many people who get filing
8 quick? The question is are we targeting that directly for
9 this kind of structure?

10 MR. SPEAKER: I have a little bit of a comment on
11 that. I did a little bit of a survey of people that I deal
12 with and one of the feelings was that there is a drop in
13 quality of the input disclosure. In other words it's a lot
14 sloppier than it used to be in terms of writing
15 applications for filing. I think this is -- you can see it
16 in a lot of places and the society where you have to
17 convey an idea it becomes very important and creates a
18 problem within the patent office for these particular
19 types of applications especially where the patent office
20 also has a problem with the endless proficiency.

1 We heard about this. The combination of the two
2 I think is one big (inaudible). Now, the patent office has
3 not told me this but it's coming from the outside and they
4 are not properly equipped to weed it out early in the
5 examination process. I think -- that's my opinion.

6 MR. GODICI: I appreciate the comments and one of
7 the things we're going to have to take a look at is
8 exactly what all three of you are saying in terms of what
9 is the threshold? What are we trying to accomplish? What
10 are we trying to prevent both from an incoming perspective
11 and from the out of control type of situation that we see
12 albeit a very minority part of the time.

13 We've heard the stories about the application
14 that came in on that was six million pages and the story
15 about the 6,000 claims and the application and so on, and
16 so forth. You're right. We know that's the upper end. We
17 know where the lower end is. Where's the cut off and
18 what's appropriate? What's not appropriate and that's what
19 we need to make the analysis of and make the determination
20 that we're doing the right thing with respect to the high

64

1 end. The appropriate end of things.

2 MR. SPEAKER: I think rather than a broad brush
3 approach for which I think is what's been taken, where you
4 just say how many cases are over 40 pages. I suspect
5 examiners know with very little doubt which of these
6 applications are the sludge. I suspect by doing a sample
7 you could very clearly identify where the sludge is and
8 perhaps find a more intelligent or practical way of trying
9 to deal with it.

10 Another possible alternative is that it may just
11 not be your problem. It may be that something is needed
12 legislatively to deal with these sludge patent
13 applications. I think a Nevada Court for example ruled
14 that one out of one application was barred by laches and
15 so forth. It may not even be your problem but I do think
16 that this is something that really needs to have a much
17 more serious look. I think Pat's coined a term.

18 MR. GODICI: I'll finish up this slide real
19 quick. The rocket docket, I think that's pretty self
20 evident and as Pat as already explained that bullet and

65

1 its terms. It's basically for those who need very, very
2 quick processing and are willing to pay for it.

3 MR. SPEAKER: Rather quickly but I didn't see
4 anything in the current fee bill on the rocket docket.
5 There's no quantification yet on what somebody has to pay
6 to climb on board the rocket, is there?

7 MR. GODICI: No. It's not in the current fee bill
8 and quite honestly it's something that we're looking to
9 implement in fiscal year 2004 rather than in 2003.
10 Likewise with the last bullet, nothing in the legislation
11 with respect to moving to any kind of new procedure post-
12 grant. Although the long term in the five year strategic
13 plan is that we would take a look at and propose a process
14 for reviewing patents that issue post-grant and we look
15 forward to working with you and others in putting together
16 the concepts behind that proposal that would be a future
17 legislative proposal not associated with current
18 legislative proposal.

19 MR. GIBBS: Just a couple of real quick questions
20 before we leave that. The proposed maintenance fees is --

66

1 Actually just following those there is some language
2 proposed to be added section 41, page one, 35 U.S.C. that
3 says under the provisions of this paragraph shall not
4 apply to the fees charged under subsection A.4. Which
5 essentially is small entities. So to be clear are the
6 proposed patent maintenance fees subject to small entity
7 reduction or not?

8 MR. GODICI: Yes. The maintenance fees are
9 subject to small entity. The only fee that is not subject
10 to small entity is the examination fee which I believe in
11 the package is \$1,250.00, if I'm correct. All other fees
12 are subject to the 50 percent small entity.

13 MR. GIBBS: But there will be a micro entity?

14 MR. GODICI: There will be a micro entity. It
15 hasn't been defined. The micro entity will be a subset of
16 small entity and will be a very small subset of two or
17 three percent. It will have a definition of micro entity
18 and that will be at a much lower level than even the small
19 entity.

20 MR. GIBBS: Are these for all for the micro

67

1 entity?

2 MR. GODICI: It's party when we are able to
3 implement to 4-track system. I don't see it happening on
4 October 1 of '03. I think the way the legislation is set
5 we can set that fee by rule. So we wold do that further
6 down the line and implement the micro entity process. If
7 I'm mistaken let me know. Steve says I'm mistaken.
8 Steve.

9 MR. FOX: The intent would be to have a rule and
10 apply the rule in place that will provide the kind of
11 discounts that would lead you to (inaudible). I think that
12 one would be one of the first because potentially what it
13 does it provides the immediate discount on the patent
14 examination for those that meet the definition rule. The
15 rule will undergo revision as the additional tracks are
16 put to into place.

17 That will be the first form of the rule that
18 will provide that immediate discount. But we do hope that,
19 that one will actually be very early along in the process.

20 MR. GODICI: Thank you Steve.

68

1 MS. SPEAKER: I had a question. Is there a small
2 entity fee for the double patent? Is there a fee for
3 that?

4 MR. GODICI: I'm not quite sure I understand.
5 Are you talking about the continuations? Again this
6 language is -- Steve do you know the answer to that
7 question?

8 MR. FOX: I couldn't hear the question.

9 MS. SPEAKER: Is there a small entity fee for the
10 obvious double patenting fee? For one you would have
11 \$10,000?

12 MR. FOX: \$10,000.00.

13 MS. SPEAKER: No small entity fee for that?

14 MR. GODICI: Steve, I believe there would be
15 again, that's considered a filing fee and the section with
16 respect to filing fees are subject to the small entity
17 discount. Isn't that correct?

18 MR. FOX: That is correct.

19 MR. SPEAKER: So it's only \$5,000.00?

20 MR. GODICI: I know I'm taking a lot of time so

69

1 I'll try to move quickly. With these two charts show the
2 comparison between the original '03 business plan and the
3 new strategic plan that we're talking about today. Both
4 from a pendency point of view and a hiring point of view.
5 If you look at the first chart you remember the original
6 '03 business plan called for hiring examiners, the blue
7 line there (indicating).

8 Around 900 or 950 examiners a year through the
9 out years. This plan will drop that hiring to below 800
10 for a couple of years and then drop down significantly in
11 2005 to replacement mode hiring only for attritions and
12 there is a pretty dramatic difference. Remember what that
13 will allow us to do is to bring our pendency down as we
14 talked about very early. 2500 fewer hires in that time
15 frame then what we had originally projected.

16 MR. SPEAKER: I think the feedback was on record
17 to say our numbers were almost impossible to achieve and
18 for the only reasons to train them but I would like to
19 focus on the right side. Because the blue line represents
20 the old basis for measuring pendency from filing date and

70

1 the red line represents the new with 18 months taken out
2 it. I think that slide is not telling the whole story.

3 I would like to ask that you prepare this slide
4 in a different way and that is show what pendency is based
5 upon the filing fees for the red line. On the average
6 basis it won't add 18 months because not everybody is
7 going to go through the system. It's going to add quite a
8 number to that thing and that's comparing the apple with
9 an apple. In 2007, if I recall, we were at 36 or 38 months
10 under the old plan. I don't see it up there that it shows
11 it much less than that.

12 You add 18 months to that red line it's well
13 above the blue line and that's what I'm talking about the
14 public impact is not favorable. You can't ignore the fact
15 that 18 months are taken out of the system. Again, not
16 everyone is going to take the full 18 months. You had to
17 have models suggesting how many people will take X months.
18 How many people will take all 18 and so forth. That's what
19 really ought to be displayed on that slide. This slide is
20 not applicable to apple to apples at all. It's complete

71

1 different. I've got more follow-up I'd like to share.

2 MR. SPEAKER: I would just reinforce that. It
3 seems to me to say that everyone in the public that I've
4 ever talked to knows about patents pending because half of
5 things they buy has patent pending on it. People know that
6 phrase. They know patent pending. It seems to me it's
7 relatively logical to say that a patent is pending when
8 it's been filed in the patent trademark office and not
9 granted as a patent. So the time of its pendency which
10 word perfect tell you is not even a word, but the time of
11 its pendency is from the time of its filing to the time it
12 was granted as a patent or it was abandoned. I
13 don't think you can change that. I can understand having
14 been around this town a while, I can understand why we
15 wouldn't change that. But I really don't think you can do
16 it honestly and I use those words very carefully. I don't
17 think you can say that patent pendency goes down. You can
18 have footnotes all over the place saying from time --
19 there could be other charts. You could say pendency from
20 time of request for examination that's a perfectly

72

1 appropriate thing to say. But just to call it patent
2 pendency in my view is not quite as honest as you should
3 be.

4 MR. GODICI: I made the comment that comparing
5 apples to apples would be great but we're changing the
6 system so it's going to be pretty tough to compare apples
7 to apples. But let me just tell you what the real impact
8 here is that what we're talking about is whether you call
9 it from the examination date or whether you call it from
10 the filing date, when the application is ready for
11 examination under the system after the fee is paid and it
12 goes on the examiners docket to achieve this kind of
13 pendency we're going to have to pick up that application
14 in six months.

15 Right now, we're picking them up at 14 or 15
16 months. This is a real -- we're going to reduce the
17 backlog and we're going to reduce the number of
18 applications on the shelf and this is not a numbers game.
19 You'll see a first action once that application is
20 triggered for examination to meet this time line and this

1 model you get a first action in six months. We can name it
2 something else if we want to name it something else, but
3 it is really a reduction in the backlog of the work on the
4 shelf.

5 MR. SPEAKER: No one is questioning that I think
6 but there is a price to that. The price is from an
7 institutionalized delay that it's still a part of pendency
8 from everybody's common use. You need to invent a new term
9 but the reality is, those of us who have the patent, come
10 out of the patent office are going to face them 18 months
11 later, no matter what.

12 You take them up at six months after you get
13 examination request it's going to be 24 months longer. So
14 that's the point I'm trying to get at. Further, I would
15 like to suggest that no one that I've talked to saying
16 about the fact that there's a discretionary power by
17 ruling to extend this term more. I have a series of
18 questions whether or not having installed this system you
19 want an open ended power in the
20 Under-Secretary to make it back to seven years just like

74

1 the Japanese. IN the end, there's one question that I
2 think Jerry raised and I never heard the answer. That was
3 the question do we need to have a substantive amendment to
4 Title 35 to effect such a system?

5 As Jerry pointed out, it says file an
6 application to get an examination. Is that right, Jerry?

7 MR. MOSINGHOFF: Correct.

8 MR. SPEAKER: And so I haven't seen any proposal
9 to amende Title 35 except with regard to Section 41.
10 According to my guru here, it doesn't seem like that's
11 adequate so I'm asking where that stands?

12 MR. GODICI: I'm certainly not going to pretend
13 to be the expert. I tell you this and our lawyers feel
14 that the fee legislation and the sub-components with the
15 piece of legislation that we have and have made public on
16 our website and is now at the Hill will allow us to
17 implement this change in process. I know Steve had
18 something that he wanted to mention with respect to
19 pendency and he's coming up now.

20 MR. FOX: I wanted to correct the record because

75

1 Ron the truth of the matter is the red line on that chart
2 there is a red line based upon exactly what was suggested.
3 It does not reflect that every applicant who files an new
4 case will have an 18 month deferral. It does exactly what
5 you had indicated that you thought our analysis would
6 include in our model. Namely looking at how applicants
7 would proportion from wanting to get examination upon
8 filing all the way up to the maximum with estimates and
9 that red line is essentially one that reflects that
10 effect. It does not take 18 months and basically put
11 in a time delay of 18 months for all the filings.

12 MR. SPEAKER: I guess it might be difficult to
13 understand that. It gets down to 18 months on the average;
14 right?

15 MR. FOX: Yes.

16 MR. SPEAKER: So I think I agree with Ron, that
17 the vast majority in terms of number of cases to be filed
18 the public delay all the out to months. SO you must have
19 assumed a percentage in there of many cases get delayed.
20 It must be a fairly small approximate otherwise --

1 MR. SPEAKER: By 2008, there have to no defers
2 requested in order to get to an average of 18 months if
3 you're going to use the word pendency the way we used it
4 for the last 100 years.

5 MR. SPEAKER: More than that, on page three of
6 the strategic plan, footnote two says pendency will be
7 measured from the time the applicant requests examination.
8 So something is wrong with that slide.

9 MR. SPEAKER: Once again I think we're talking
10 across each other. Pendency is measured from examination
11 request not from filing in the red line. However the
12 comment which I thought you had made was that in
13 calculating the red line that there was a built-in 18
14 months for all applications and indicating that no,
15 actually there is proportioning of the applications filed
16 in a given year for when examination will be requested.

17 Some requests want filing, some requests three
18 months, six months, eight months, and as Nick indicated
19 in order for the red line to be accomplished it means
20 essentially that we have to pick up an application and do

77

1 a first action approximately six months after a request
2 for examination.

3 MR. SPEAKER: I will revert to Jerry's
4 observation that in 2008 nobody's deferring at all.

5 MR. SPEAKER: I think what you're saying Ron if I
6 might characterize it is the way that red line should be
7 calculated it's from the date of filing.

8 MR. SPEAKER: So that we show the real effect.

9 MR. SPEAKER: I think we agree in general that
10 there should at least a green one that shows the real
11 pendency from filing date so that it compares to the blue
12 one.

13 MR. SPEAKER: I'll go back to what I said. That
14 should be recast with the line where you add in the amount
15 of delay with deferring. That should be on there and
16 that's on there and that's the line I'm looking for
17 because that's going to put the blue line above -- pardon
18 me.

19 The green line above the blue line. If you take
20 into account the amount of time that people have deferred

78

1 their applications when you start counting pendency for
2 the red line and you add that to it you're going to have
3 the green line above the blue line. That means we've lost
4 ground not gained it.

5 MR. SPEAKER: I'm talking about people -- they
6 see this pending patent application and we're going to sit
7 there -- the question will it sit there for 18 months as a
8 pending patent application for a year? And we think it
9 might be for a year on average but that's hardly seems to
10 apply 18 months from that person's point of view.

11 MR. SPEAKER: And for those of us who don't want
12 to infringe on anybody else's patent and we have to give
13 clearance opinions before that product get released we
14 have 18 months of uncertainty that we should not have to
15 live with. That's what I'm trying to suggest to you. The
16 public suffers from deferred examination.

17 Yes, we will have applicants who will want it.
18 There are lots of applicants who want a seven year
19 deferred examination in Japan and we've fought like tigers
20 to stop it in Japan. We succeeded in Japan. We at least

79

1 got it down to three. But that doesn't make it right. You
2 have to look at what your mission statement says.

3 Overall impacts on the economy and for those of
4 us who don't want to infringe somebody else's patent and
5 do want to put products out promptly. You've go to take
6 care of that uncertainty factor. As long as the patent has
7 not issued with the claims that are actually going to have
8 to force the United States government behind it, you don't
9 know what the claim is going to be.

10 MS. BOULWARE: Hopefully we have covered --
11 unless Ron there is something we haven't covered on this.
12 I'd like to stop --

13 MR. SPEAKER: There is something on the other
14 slide that I wanted to raise dealing with examiner hiring,
15 if that's okay? I think you're right we have covered the
16 facts with respect to the pendency issue. There is an
17 expectation that you hire roughly 2500 fewer examiners in
18 the next few years under the strategic plan. The question
19 is what is in the strategic plan that will allow to do
20 that? How od you expect to speed up the examination

80

1 process? Is that because examiners will be allocated less
2 time per case in order to do their jobs?

3 MR. GODICI: It's a combination of things I
4 talked about. Out sourcing, classification, some PTC work.
5 We're looking at driving resources from other parts of the
6 office that are not now currently in the examination
7 pipeline towards that pipeline. It has to do with
8 reevaluating, if in fact we get to a situation where we
9 have functions that examiners are not doing. Reevaluating
10 what the responsibilities and what the allocation will be
11 at that point in time. But it's a combination of things
12 all of which we tried to outline in some of those folders.
13 I'm going to do quickly again, three more slides. Do e-
14 government and one wrap up.

15 With respect to e-government some principles
16 with respect to moving from a paper based system to an
17 electronic based system many of you are aware of the event
18 that occurred last week with respect to partnering with
19 five private entities. That was improved and create the
20 next generation of electronic filing software and we are

81

1 moving forward and hope to see in years time or so the
2 next generation of that type of software. That pertains to
3 that first bullet.

4 Second bullet and this is a key component of
5 this new strategic plan is this milestone of October 2004
6 of automating our patent process. As you know and has we
7 discussed with the sub-team that process includes a two
8 track process. A first track that's an image based
9 electronic processing system and a second track which is
10 an XML digitized electronic processing process. We will
11 pursue both of those tracks in our strategic plan.

12 Third bullet has to do with ensuring --

13 MR. SPEAKER: Can i interrupt you? I hear
14 various statements, what are you going to move to your --
15 are you going to move all the papers you have in Crystal
16 City down to Alexandria or is there going to be some of
17 that paper left back at Crystal City or put into the
18 dumpster?

19 MR. GODICI: We have a plan in place where we
20 will eliminating a portion of our examiners search files

82

1 and we reached that agreement and over the three year
2 period -- we've already passed one year 25 percent, 50
3 percent, 75 percent of the examiners search files. WE're
4 scheduled to begin moving into Carlisle in November or
5 December of 2003. As you can see we're talking about
6 having an electronic file wrapper in 2004. We will have a
7 period of time in (inaudible) where we will have some
8 paper application files.

9 All of them at that point in time unless we've
10 been able to bring out the -- 75 percent of the examiner
11 paper search file should be phased out by that point in
12 time.

13 MR. SPEAKER: You're planning to move 25 percent
14 of the search files and 100 percent of the application
15 files?

16 MS. GODICI: Right. Last bullet
17 self-explanatory and the bourgeois leads this effort to
18 ensure that all of our operating systems meet the
19 standards needed for IP security. Let me go to the last
20 slide that I have on e-government and it's a little more

83

1 in-depth with respect to team.

2 All documents in the team, the acronym team
3 which is our electronic file wrappers, is actually all
4 documents between the applicants and USPTO will be in
5 electronic form and will have the ability to transmit
6 incoming documents. Obviously you'll have the ability to
7 transmit the outgoing documents. We will transmit to you
8 an electronic form when we get to that milestone in 2004
9 an electronic record will be the official record and the
10 official file.

11 We will be delivering this system in modules
12 between now and then and you will see the benefit of some
13 of those individual modules sooner than 2004. Obviously
14 these systems have to be integrated with our current
15 systems. Our current legacy systems and as I said before
16 we'll be forward on a dual track of having an image based
17 system and a digital based system.

18 Ultimately, what will be in the long term is
19 everyone using our software to electronically file and if
20 they do that it will create and we will have an XML based

84

1 digital application, electronic application in the USPTO.
2 The more short term is those who don't use the electronic
3 filing system and do use paper, we will convert that to an
4 image based system and use that as the electronic file.
5 That's the basic concept with respect to moving to e-
6 processing.

7 Last slide. There are some critical needs here
8 and these are quite apparent. But they are still not in
9 our strategic plan and I just want to go ahead and mention
10 those critical needs. Obviously the legislation that is
11 currently on the Hill that would change our fee structure
12 and change some of the way we process and some of the
13 applicant choices that I talked about is an integral part
14 and a critical need along with the implementing rules that
15 go along with that piece of legislation.

16 Second critical need is our ability to work out
17 the agreements we have with other IP offices around the
18 world on a multi and bilateral basis and Under-Secretary
19 Rogan and others within the USPTO have been working very
20 closely with several offices and we believe we're moving

85

1 towards those kinds of relationships.

2 Thirdly we will be consulting and we will be
3 dealing with all of our labor organizations and bargaining
4 units within the USPTO on these changes and what the
5 impact of these changes will be on the work force.

6 Certainly last but not least on the
7 appropriations side we still have the critical piece of
8 this puzzle which is the President's requested funding
9 level, make it through the appropriations process so that
10 we've got the resources to implement the strategic plan.
11 These are tough needs but these are the critical needs to
12 make this happen.

13 MR. SPEAKER: I just want to say I really do
14 support the idea of moving toward reducing the duplication
15 of efforts internationally. I don't think the current
16 filing rates are such that you can sustain independent
17 search examination in say the three major offices of the
18 world. Commissioner Orine, former Commissioner of the
19 Japanese Patent Office did a very good briefing called
20 Patent Crisis 2003. Where he pointed out that of the

86

1 10,000, that's a nice round number, patent examiners in
2 the world their workload went from 100 on their docket in
3 1995 to over 600 cases on their docket in 2003.

4 That can't be sustained. So I really applaud
5 those parts of your program where you're doing work
6 sharing with the other major very effective offices of the
7 world.

8 MR. MYRICK: I can't -- since this slides up,
9 I'll take it, Madam Chair. I'd like to say we're going to
10 abridge. I going to ask Doug to speak to the e-government
11 subcommittee report. He's going to abridge his report for
12 five minutes and focus just on image questions that seems
13 to be the most interesting piece of this and I think Nick
14 did a able job of describing generally speaking what were
15 some of you think.

16 I also commend the novelty and resourcefulness
17 that is shown in the strategic plan. I think it's a major
18 step in the right direction. Albeit, I do have some
19 concerns about areas that I remarked on. I still think
20 it's a step in the right direction and I commend the

87

1 Office for the imagination they put into it and for the
2 entire team who worked so diligently the last couple of
3 months to put this together. All they need to do is fix a
4 few things, that's all.

5 MR. SPEAKER: Thanks, Ron. Before I talk about
6 specifically the image based system, I will make one point
7 that's off of mark here which is the e-government
8 strategy. That is e-government or the migration to an
9 electronic government environment is absolutely not about
10 technology. If it becomes about technology then we're
11 heading down the wrong path.

12 What it's about is what technologies role is in
13 helping the office accomplish the goals that Nick
14 described when he went through the strategic plan. It's
15 pretty simple from that vantage point. So with that as
16 kind of our frame work or our principle, our main guiding
17 principle we have three main areas with respect to respect
18 to electronic government that are really our strategic
19 areas of focus.

20 One is electronic filing. The other is the

1 migration to an electronic file wrapper and I'll talk
2 about the image approach here in about 30 seconds and the
3 third is the IT security aspect that Nick mentioned at the
4 tail end of the strategic plan review. That is simply just
5 ensuring that the integrity of the information resources
6 that we have is maintained and is protected commensurate
7 with the risk of or the risk to the data and the
8 sensitivity of that data. That's very simple. It has to
9 permeate everything that we do when it comes to the
10 technology as it enabler for business success.

11 That said we're focusing on what we'll call the
12 cornerstone of our electronic government strategy is a
13 image base file wrapper. Simply described it's an
14 operational system to process patent applications
15 electronically as Nick pointed out by October 1, 2004.
16 Including the electronic image capture of all incoming and
17 outgoing correspondence. That's what the image file
18 wrapper is. It includes the ability for applicants to
19 access or view file wrapper contents in the image format
20 via a secure, reflecting the IT security aspect electronic

1 environment over the internet.

2 The benefits of this approach which is where Ron
3 really wanted me to go, first is definitely with all of
4 the application contents and the file wrapper contents on-
5 line and accessible. There will a decrease in lost or
6 damaged files. You're handling less paper and there's less
7 paper to handle it stands to reason that it will be
8 damaged less. As a result there will less effort required
9 for the handling of the paper because more of the
10 processing will be done on-line.

11 I think the most important benefit especially
12 from the customer standpoint is that there will be
13 customer visibility to the image based file wrapper
14 contents throughout the prosecution process. I think
15 that's one the customers have really indicated to us that
16 they really wanted to have and with this image based
17 system as of October 1, 2004 they'll have that ability.

18 MR. SPEAKER: The PPAC e-government subcommittee
19 has had some concerns about going to image as opposed to
20 digital. At this point the process or the wherewithal to

90

1 get the image is being evaluated in terms of the software
2 that may be imported from the EPO and the e-government
3 subcommittee is going to continue to work with Doug and
4 his team and others who work on the issues that importing
5 software from the EPO presents and going to image
6 presents.

7 With that unless Doug you've got something else
8 you have a burning desire to talk about. We're going to
9 turn it back to Madam Chair.

10 MS. BOULWARE: Thank you. The next report is from
11 Kathy White who chairs the quality subcommittee and I'll
12 turn it over to Kathy now.

13 MS. WHITE: Thank you. At the last PPAC meeting
14 we discussed a little bit about the quality aspect of --
15 improving quality in the PTO. At that time there had been
16 a focus on evaluating customer service to indicate
17 quality. We the quality subcommittee suggested that we
18 move away from that type of analysis because customers as
19 well as people who are not customers have interest in the
20 quality of patents. This is a property right and a public

1 at large is interested in the quality of patents.

2 The focus has changed and I want to commend the
3 PTO on that. The greater focus is on activities and
4 initiatives to lead to enhanced quality for the PTO. This
5 is the highest priority for the patent office. One of the
6 things that we had to focus on was to really emphasize the
7 need to find ways to improve and increase resources for
8 analyzing quality at the early stage of the process of
9 examination. In particular we're looking at prior to first
10 action where we think targeting resources to detect
11 quality issues would be most useful.

12 The following reasons are why this is the case.
13 One, if we detect the errors early we can train examiners
14 to not make the same mistakes again. And then that would
15 decrease the amount of errors that may be repeated later
16 in the process. That's the main goal. Two, it will create
17 an atmosphere where the examiners have the ability to ask
18 questions of their supervisors along the way and that will
19 encourage that type of communication and education which
20 will also enhance quality.

1 In the slide, we see here one of the initiatives
2 is to enhance the current quality assurance programs by
3 integrating reviews to cover all stages of examination. We
4 see this as a way to increase the focus on quality at
5 earlier stages of examination.

6 Second bullet is expand reviews of work
7 performed by primary examiners. This is also something
8 that's very critical. We have to be able to look at what
9 primary examiners are doing in the quality of their work.

10 The next step that will come into play that Ron
11 Myrick has mentioned this several times. We have to find
12 ways to measure the quality and then instill processes
13 that will help derive continued improvement in quality
14 that we can measure. We haven't gotten to that step yet,
15 but that's the next step that the subcommittee is
16 interested in working with the PTO on.

17 The next bullet talks about engineer quality
18 into our process including selective expansion of second
19 pair of eyes program. The second pair of eyes has been
20 extremely effective in the business method patent area and

93

1 the PTO is expanding on that. We can commend that effort.
2 We don't want however, to have the focus just go to second
3 pair of eyes. We also want to make sure that the quality
4 is instilled like we said at earlier stages in
5 examination.

6 The fourth the certification and monitoring team
7 the quality of newly created searching authorities, this
8 is a very new concept and we haven't had a chance to
9 evaluate how the patent office is going to do that. So
10 they haven't quite worked that out. So we don't have
11 comments on that quite yet.

12 This is also what we're going to be ensuring
13 review of work product through all stages of prosecution
14 and here's the key. We have to get to the point where some
15 of the root causes where errors are occurring or can occur
16 in the examination process are taking place. That's key.
17 So the quality subcommittee wants to work very closely
18 with the PTO on finding methods to do that and we commend
19 the effort to move in that direction by the PTO.

20 Next slide. It's also very important that

1 increase the training for the examiners and supervisors
2 and so forth, that are designed to meet any identified
3 deficiencies. Anything that we can learn about errors that
4 occur in the process we have to find a way to make sure
5 that the training is targeted to correcting those
6 deficiencies that are identified. We have to work on more
7 ways or better ways to do that and increase resources in
8 that area.

9 Also we want to recruiting employees that have
10 characteristics need to successfully perform examination
11 functions. There is a push to look at pre-employment
12 testing to look at the capabilities of those who have
13 characteristics that would be best suited to being
14 extremely successful in the position as an examiner. A
15 particular focus also is going to be the hiring of those
16 people who have excellent written and oral communication
17 skills.

18 This will be a greater focus as we move forward
19 and the subcommittee supports this effort and finds it's
20 moving in the correct direction. I have some final

1 comments that open up some other issues that we may want
2 to look at. We may want to start looking at the method in
3 which we are currently measuring productivity in the
4 patent office. Because measuring productivity with respect
5 to disposal rates really is measuring quantity and not
6 quality. So although quantity is very important,
7 productivity is extremely important.

8 But equally important is quality so we have to
9 make sure that we're starting to balance a little bit
10 better quality with the productivity. We may want to take
11 a second look at the way in which we are utilizing the
12 disposal rate productivity system to evaluate examiners.
13 An example might be that -- I understand supervisors
14 currently their productivity rate is tied directly to the
15 examiners productivity rate for whom they are supervising.

16 There are some dis-incentives there if you're a
17 supervisor. You want your examiner to work for you, to
18 work faster and there's a different setup that's going to
19 slow that process down to get quality. I think we need to
20 look at where we're incentivizing our supervisors and take

96

1 another look at that. Jim, do you have any comments?

2 MS. BOULWARE: Thank you, Kathy. The pendency
3 subcommittee is primarily looking at the new work for act
4 proposals and getting information, as I think you heard,
5 we discussed this quite a bit on what the actual pendency
6 is going to be, what the backlog is going to be. We're
7 getting more information on the miles and we need to
8 review the effectiveness of the decrease in pendency with
9 a 4-track system in connection with the system we already
10 have.

11 With the PTC system where you can defer your
12 examination for a quite a bit of time. Also the
13 provisional PAC system. One of the things I think that
14 came out of the meeting today is that we're going to have
15 Pat Ingraham in charge of sludge removal because I think
16 she brought up a very good point that we need to perhaps
17 come up with creative advice to the PTO on sludge
18 identification and how to do deal with it. It doesn't seem
19 to be a big focus. One of the things I think on the
20 pendency subcommittee that we're also concerned with is

1 examiner retention.

2 If we don't have good examiner retention then
3 we're not going to have the stable examining core to
4 examine the patents to keep the process moving
5 appropriately and that is kind of partnering with some of
6 the other committees and also with other -- it's part of
7 the quality subcommittee as you've got well trained people
8 who enjoy what they're doing you're going to retain them.

9 I believe. I also would like to ask Pat as a
10 member of that committee as is Jerry Mosinghoff, who is
11 the person best known for reducing pendency in the PTO and
12 I didn't know if Jerry wanted to have any additional
13 comments on pendency issues. At this point, the schedule
14 for discussion I didn't know if somebody had gotten cut
15 off when I was trying to move the meeting along this
16 afternoon. I didn't know if anybody around the table had a
17 comment that they wanted to make that I was trying to move
18 us along. If they would like to make at this point can.

19 MR. MOSINGHOFF: I have been on the other end of
20 several advisory committees during my 25 years of

98

1 government, I know exactly what's going through some of
2 the minds in the room. I just want to go on record as
3 saying that I have the highest regard for the senior staff
4 at the USPTO and I think this strategic plan is very
5 creative, very forward looking. They are outside the box.
6 There will always people that have better ideas in some
7 areas that can be accommodated but I just wanted to go on
8 record as saying I am really proud of them.

9 I think they really done a good job in putting
10 this together and I believe they'll work through under the
11 leadership and Jon Dudas, I think, will work through the
12 problems and I really see good things in the future for
13 USPTO and I want to go on record as saying that.

14 MS. BOULWARE: This is not the public critical
15 committee. This is the Public Advisory Committee and I
16 think that we take that role very seriously and I think
17 that when we do come up with a criticism it's incumbent
18 upon us to come up with a solution as Nick and others have
19 asked for. I think that's our target right now is to work
20 on some of the solutions that the committee has asked us

99

1 to make and some criticism of it at this time.

2 Does anybody else have any comments or anybody
3 in the audience have any comments for us at this time?

4 MR. SPEAKER: One question. Any foreign
5 government willing to grant rights to the US on the basis
6 of the search results provided by the USPTO on particular
7 applications for a company based in the United States?

8 MS. BOULWARE: I will tell you that is outside
9 the purview of this committee. I cannot answer that
10 question. That's really a question for someone else.
11 Thank you. It was a request to identify a member of the
12 audience who made a request. Thank you very much. I would
13 like to call the meeting adjourned. If there are any other
14 comments or anything.

15 MR. SPEAKER: Just to follow up on what Jerry
16 said. I think we're very fortunate to have the leadership
17 that we have at the USPTO today. With respect to the
18 influence that is needed to implement something of this
19 magnitude and of this model change and for that I would
20 also like thank the other folks at the PTO who have

100

1 contributed and put together the presentations today and
2 last but certainly not least thank all the members of PPAC
3 for all of your valuable input.

4 I can assure you when we go back, we debrief
5 fully and we take these sessions very seriously. So thank
6 you for all your help.

7 MS. BOULWARE: With that, I'll call the meeting
8 adjourned.

9 (Thereupon, the meeting was suspended.)

10
11
12
13
14
15
16
17
18
19
20

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

CERTIFICATE OF REPORTER

I, Patricia A. Edwards, do hereby certify that I took the stenographic notes of the foregoing proceedings and the same were reduced typewriting under my direction; that the foregoing is a true record of said proceedings; that i am neither related to nor employed by any of the parties to the action herein; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the action.

Patricia A. Edwards, RPR