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PATENT PUBLIC ADVISORY  
COMMITTEE MEETING

Public Session

October 28, 2003

[2:53 p.m.]

United States Patent & Trademark Office

PTO Meeting Room  
2121 Crystal Park Drive  
Crystal Park 2  
Crystal City, Virginia

P A R T I C I P A N T S

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

1  
2 MR. NYDEGGER: If everyone would take their  
3 seats, we'll start into our public part of the meeting.

4 Apparently, we've been waiting for the slides to  
5 come back down for this part of the session. I think  
6 we'll go ahead and work from the handouts for now.

7 Just a couple of administrative matters to begin  
8 with, if I may. Please, as you have a comment, would you  
9 make sure that you turn your microphone on and that you  
10 first precede your comment by clearly stating your name so  
11 that we can get a clear record.

12 I would also like to take just a minute and have  
13 the members of the P-PAC committee introduce themselves  
14 for the record. So starting down here to my left, Ollie  
15 with you, if you just go around quickly, we'll introduce  
16 everyone here.

17 MS. PERSON: Ollie Person, NTEU, Local 243.

18 MS. FAINT: I'm Cathy Faint. I'm a Trademark  
19 attorney and vice president of NTEU 245.

20 MR. LAFUZE: I'm Bill LaFuze, member of the  
21 P-PAC.

1 MR. GIBBS: Andy Gibbs, member of P-PAC.

2 MR. MOSSINGHOFF: Gerry Mossinghoff, member of  
3 P-PAC.

4 MR. JACOBS, JR.: Albert Jacobs, Jr., a member  
5 of P-PAC.

6 MR. NYDEGGER: Rick Nydegger, member of P-PAC,  
7 current chair.

8 MR. KAZENSKE: Kaz Kazenske, Deputy Commissioner  
9 for Patents, Resource and Planning.

10 MS. KEPPLINGER: Esther Kepplinger, Deputy  
11 Commissioner for Patent Operations.

12 MR. GODICI: Nick Godici, Commissioner for  
13 Patents.

14 MR. KLEIN: Howard Klein, member of P-PAC.

15 MR. DILLON: Andrew Dillon, member of P-PAC.

16 MR. FOX: Steve Fox, member of P-PAC.

17 MR. STERN: I'm Ron Stern, a nonvoting member of  
18 the P-PAC and president of the Patent Office Professional  
19 Association.

20 MR. NYDEGGER: All right. With that, I'd like  
21 to begin with this afternoon's agenda. We have scheduled

1 a fiscal year '03 recap, followed by some discussion of  
2 the impact of the fiscal year '03 appropriations on where  
3 we currently are in respect to implementation of the 21st  
4 Century Strategic Plan.

5 And in conjunction with that, we'll also have  
6 some discussion of where things currently stand with  
7 respect to the PTO's ongoing efforts to reduce pendency  
8 and improve quality and implement electronic government.

9 So having said that, if I may, I'd like to turn  
10 the time over to Commissioner Godici.

11 MR. GODICI: Thanks, Rick. Hopefully, our  
12 slides will get here soon. Otherwise, I'm going to be  
13 handicapped looking at this very small print.

14 I'll start out by talking about the slides in  
15 order. I'm going to lead off here. Esther will pick up  
16 with respect to some of the other operational issues,  
17 including quality, and Kaz will get into E-Government  
18 toward the end. And, please, feel free to stop me along  
19 the way or any of us for comments or discussion or for  
20 questions.

21 The first slide I want to talk about is our

1 workload slide, basically the filings. If you look at  
2 this slide, this is what you'll see for fiscal year 2003.

3 We've just closed the books with respect to fiscal year  
4 2003. These are our latest numbers.

5 We basically had flat filings. The same number  
6 of filings that we saw in 2002 occurred in 2003. And  
7 that's at the level of about 335,000 applications. And  
8 those are utility plant and reissue applications.

9 We had seen over the previous few years  
10 substantial growth in filings, particularly in 2000 and  
11 2001. And now we've seen a leveling off of application  
12 filings. In conjunction with this, we've seen a little  
13 bit of a change in the landscape with respect to  
14 technology and with respect to filers.

15 With respect to technology, in the big growth  
16 years, we were very heavy in filings in the  
17 computer-related and internet-related and  
18 telecommunication art areas. And we saw in some of those  
19 arts as much as 20 to 25 percent growth right around 2000,  
20 2001, 2002.

21 With this leveling off, we're seeing a leveling

1 off of those areas of technology. But we've recently seen  
2 an increase growth in the biotech area. So we're  
3 anticipating that that may continue, and we'll adjust our  
4 resources accordingly.

5 And the other thing that we're seeing with  
6 respect to domestic versus foreign filers is that, for the  
7 domestic filers, there's still a steady, slow increase in  
8 domestic filings. A slight drop off with respect to  
9 foreign filing particularly from Japan. We expect overall  
10 filings to be somewhat level between 2003 and 2004.

11 The next chart we have reflects staffing. It  
12 shows the last couple years and then a couple of  
13 projections in 2004.

14 In 2003, we were able to hire 308 new examiners.  
15 We had an attrition rate at about 240-some. So the net  
16 increase of examining staff was in the neighborhood of 50  
17 to 60 examiners.

18 The reason that we weren't able to hire more --  
19 and quite honestly our plans were to hire more if we had  
20 gotten the full appropriation that the president requested  
21 -- is because of the level of appropriation we got in



1 2003. As a matter of fact, in 2003, we went through  
2 almost four months with a continuing resolution before we  
3 finally got an appropriations bill passed.

4 The bottom line here is we were limited to this  
5 number of hires based on the number of dollars. And it  
6 contrasts to what our original plan was in 2003, which was  
7 to hire 750 new examiners so that we had a plus-up in  
8 terms of net increase in the neighborhood of about 500.

9 We're not going to be able to cut into the  
10 backlogs the way we hoped we would. On the other hand, I  
11 think we got some very good candidates with the 308 that  
12 we hired this year.

13 The two scenarios that we show with respect to  
14 hiring in fiscal year 2004 are basically the differences,  
15 like some of us like to say, between the Tale of Two  
16 Cities. If we get the appropriation and if we get funding  
17 via the fee bill, we will move forward in implementing the  
18 Strategic Plan and the level of hiring will be in the  
19 neighborhood of 750 which will give us that 500 increase  
20 and that will enable us to start cutting away and chipping  
21 away at the backlog.

1           If we don't get funding at that level and are  
2 funded in the neighborhood of what we are now seeing on  
3 the marks from the House and the Senate side on the  
4 appropriations committees, we'll be in the mode of pretty  
5 much replacement-mode hiring. And we won't be able to put  
6 the resources to reducing backlogs like we hope we would.

7           Rick.

8           MR. NYDEGGER: One question that I have is about  
9 how many new hires realistically can the Patent Office  
10 absorb every year?

11          MR. GODICI: There are limits. There are limits  
12 as to how many we can absorb, and how we spread those  
13 hires across the different technology areas just based on  
14 our ability to train new examiners.

15          I think in the past we've hired upwards of 800  
16 examiners in a single year and done that successfully.  
17 And we've had experience just two years ago of hiring over  
18 750 examiners. So we have the ability to absorb that many  
19 examiners and train them properly. If we get much over  
20 that, then it becomes real difficult.

21          MR. NYDEGGER: And my point is that, in a year

1 like 2003 where you basically are simply doing everything  
2 you can to maintain present numbers of examiners to  
3 replace the attrits, if you will, it's not like you can  
4 easily make up those lost hires in subsequent years it  
5 seems to me.

6 MR. GODICI: No, absolutely not. It's not the  
7 situation where, if we got the funding, we would hire the  
8 750 next year and then make up another three or four  
9 hundred like you're talking about if we don't get it this  
10 year. The bottom line is that a lost year's hiring is a  
11 lost year. It just delays the catch-up plan and extends  
12 pendency.

13 MR. FOX: Have you found that the attrition is  
14 spread across all technology centers, or is it focused at  
15 a certain area where you find it more difficult in some of  
16 the TCs than others?

17 MS. KEPPLINGER: It's spread across all of them.  
18 Although, most recently our biotech has been among the  
19 highest in attritions. Ironically, it had been the  
20 lowest. And then it jumped this year to the highest.  
21 It's all demand on the outside.

1           We had had difficulty hiring electricals. And  
2 then there's been a little down-ticking in the  
3 marketplace. And so we have good hiring of electricals  
4 right now. So it goes with the way that things are going  
5 on the outside.

6           MR. NYDEGGER: Let me just, once again, remind  
7 everybody, and I think I was the first one to violate my  
8 own rule here, if each of you will, please, state your  
9 name since this is a public proceeding and we're making a  
10 record as you state a question and an answer. Thank you.

11           MR. GODICI: I think we can go on to the next  
12 slide. And we'll show patents issued.

13           And what we're seeing here is a total of patents  
14 issued. Utility plant reissue and design patents, you'll  
15 see an up-tick between 2002 and 2003 with respect to the  
16 total number of patents issued. And we hope to continue  
17 that trend. As we've talked about in the past, patents  
18 issued are a source of revenue and fee generation. So to  
19 keep up the funding stream, we need to keep up the output  
20 at the PT0.

21           As I said before, we're just finishing up the

1 fiscal year. It's a good time to take stock of where we  
2 stand with respect to overall pendency and first action  
3 pendency. It's important in terms of a gauge of our  
4 ability to meet the demands of the workload that we've  
5 seen in the first few slides.

6 We've projected an overall pendency at the end  
7 of this year based on the resources that we finally got in  
8 the appropriations bill, an overall pendency of 27.7  
9 months on the average. We beat it by about a month, and  
10 we ended the year at 26.7 months average pendency.

11 We projected first action pendency at the end of  
12 the year to be about 18.4 months. We came in at about  
13 18.3. So while we're on target with respect to the goals  
14 that we set or the targets that we set at the beginning of  
15 the year, it's pretty clear that the trend is in the wrong  
16 direction. The trend is upward.

17 And, again, I'll go back to what I stated  
18 earlier. What we hoped to do is bring about change here  
19 at the PT0, get these numbers going in the other  
20 direction, start bringing them down. And, you know, the  
21 21st Century Strategic Plan, has components that would

1 allow to us do that if we have the ability to execute that  
2 plan.

3 MR. MOSSINGHOFF: Two questions, Nick. One,  
4 that 18 months that was up there in the previous slide is  
5 against the 14-month statutory period. So, automatically,  
6 you end up with about four months of patent term  
7 restoration under the American Protection Act. When  
8 realistically -- let's assume that things go as well as  
9 you could reasonably predict -- are we going to be back  
10 down to the statutory period of 14 months?

11 MR. GODICI: Fourteen months to first action  
12 allows us in the out-years of the Strategic Plan which  
13 would be 2008. If we were able to start implementing the  
14 Strategic Plan this year in 2004, by 2008, I think we  
15 could pretty well average first action pendency to the  
16 14-month range.

17 MR. MOSSINGHOFF: I don't have to be among them,  
18 but there are economists, academic economists, that worry  
19 about this patent term restoration, that it's giving more  
20 than we really should under the patent laws. I don't  
21 share that view. But it looks to me that there's almost a

1 four-month addition to the patents at the end.

2           Secondly, what is and has there been any change  
3 of the ratio of patents that are finally granted as  
4 compared with patent applications filed? In other words,  
5 the ratio of granted to abandoned applications, has that  
6 changed; and what is it currently?

7           MR. GODICI: It hasn't changed. Kaz or Esther  
8 may have the exact number. But, traditionally, it's been  
9 in the neighborhood of about 67, 68, 69 percent. And it  
10 hasn't varied much more than a percent either way. And  
11 it's still in that ballpark.

12           MR. MOSSINGHOFF: That's been for a long, long  
13 time.

14           MS. KEPPLINGER: A long, long time.

15           MR. MOSSINGHOFF: I think it was that when I was  
16 here. It was roughly two out of three were granted; one  
17 out of three went abandoned. Thank you.

18           MR. GODICI: Looking at the pendency now, those  
19 two numbers, the overall pendency and the first action  
20 pendency by technology area, this highlights one of the  
21 points that I made earlier when I talked about filings.

1           Our filings in the past, especially the  
2 high-growth years of 2000, 2001, were predominantly in the  
3 electrical area and the computer-related technology and  
4 telecom area. Those are Technology Centers 2100 and 2600.

5           That's where we see the longest pendency times, the  
6 longest pendency to first action, the longest overall  
7 pendency. So those are the areas we have the largest  
8 backlogs, and those are the areas that we have to attack  
9 those backlogs aggressively.

10           We talked about hiring 300 examiners this year.

11           I think approximately 285 of the 300 examiners that we  
12 hired in 2003 went to those two technology areas. So this  
13 is the strategy we have in terms of the ability under the  
14 current level of resources that we have to attack the  
15 backlogs, and that is to move our hires to the areas of  
16 high growth and the areas of large backlogs.

17           Obviously, if we get the ability to move forward  
18 with the full Strategic Plan, we'll increase the hiring  
19 substantially. And we'll have the ability to maybe get  
20 ahead of the curve in some of the other technology centers  
21 that we're afraid might start growing because we're



1 putting most of the emergency hires in the area that we  
2 absolutely need them.

3 So this is where we stand with respect to  
4 different areas of technology as of the October of 2003.

5 I want to talk about production. We talk about  
6 pendency a lot, and we talk about how long it takes to  
7 process applications. But I want to make the point that  
8 we continue to increase the raw number of applications  
9 examined. And I think we've done a pretty good job of  
10 that.

11 If you look at the comparison between 2002 and  
12 2003, we increased the number of first actions and we  
13 increased the number of disposals. And we had set some  
14 targets in modeling at the beginning of 2003 with respect  
15 to raw output in both of those areas. And we exceeded  
16 that.

17 And I think the overall production of the corps  
18 was about 105 percent of our target. I think that  
19 indicates that, number one, with the resource that we are  
20 getting through the appropriations process, we're  
21 attempting to use those in the most efficient manner.

1           Number two, the patent corps is doing an  
2           outstanding job in terms of attempting to keep up with the  
3           backlog and increase efficiencies as much as possible.

4           This is a score card that illustrates the status  
5           with respect to PG Pub, and, Gerry, with patent term  
6           adjustment, the issue that you just brought up.

7           With respect to publication of applications at  
8           18 months, we've had some problems in the past with  
9           respect to hitting our target date, the date of  
10          publication, exactly 18 months after filing or priority  
11          date. And we've had an improvement plan in place. And I  
12          think we're seeing the benefits of that.

13          We're up to about 86 percent of the applications  
14          that are actually published on the target date. And we  
15          think that's an improvement, and we'll continue to  
16          improve. We're going to obviously strive to hit the  
17          target date with respect to publication of applications in  
18          every instance.

19          It's interesting to note that we're now  
20          publishing more applications at 18 months than we are  
21          issuing patents. I think there's about a quarter of a

1 million applications published this year. And we had  
2 about 171,000 patents issued. So the bottom line is our  
3 prior art data bases are growing. And this is a big part  
4 of the prior data base that our examiners are using in  
5 their searches.

6 The opt-out rate for publication has hovered  
7 over the last several years at around the 10- or 11-  
8 percent rate. And that's those applications that opt-out  
9 of publication because they will not be filing or have not  
10 been filed abroad. And that's at 11.6 percent right now.

11 Our goal is to minimize or eliminate patent term  
12 adjustment by not exceeding any of the 14, 4-4-4, or 36  
13 administrative hurdles or goals that are part of the most  
14 recent legislation. We're attempting to do that to the  
15 best of our ability.

16 What we've seen here in 2003, there were 33,000  
17 patents that issued that had some patent term adjustment.

18 The average number of days of PTA is 111 days. And I can  
19 tell you right now that probably, if we go back and dig  
20 into the details of the cause of patent term adjustments  
21 exceeding 14 months to first action, that by far is what

1 accounts for the majority of time here on patent term  
2 adjustment.

3 But as I said before, we have a goal of  
4 minimizing or reducing or eliminating patent term  
5 adjustments. Twenty-year patents, good solid quality  
6 20-year patents are our objective but not 22-year patents  
7 or 23-year patents or 24-year patents.

8 Without the Strategic Plan in place, without the  
9 ability to bring down first action pendency to 14 months,  
10 we are going to be issuing patents, obviously, that are  
11 extended; and they are extended by the amount that we are  
12 unable to make that 14-month original goal. And from a  
13 public policy standpoint, we're trying to avoid that as  
14 much as possible. That's another outgrowth of not having  
15 the Strategic Plan in place.

16 I'm going to turn it over to Esther now, and  
17 she's going to run through some of the other numbers we  
18 had at the end of the year and some of the other quality  
19 initiatives.

20 MS. KEPPLINGER: Actually, Patents had a good  
21 year. As you can see on the score card, we achieved most

1 of our goals. One of the goals that we missed by a little  
2 was the quality of our products. For the QR reopening  
3 rate, our target was 4 percent. We were at 4.4 percent.

4 We also do an annual customer satisfaction  
5 survey. And we achieved our target this year of 67  
6 percent. We sent out a questionnaire with an office  
7 action and asked for specifics about the individual  
8 application and also questions about how we're doing  
9 overall on applications.

10 A couple of things that we found from this  
11 survey that are of note are with respect to what the  
12 customer thought their satisfaction was for the overall  
13 search. And we showed quite an increase this year from 69  
14 percent -- or 60 percent, is it? -- 60 percent to 83  
15 percent. And also in problem resolution, we showed an  
16 increase from 69 to 78.

17 There's a question on the survey for an  
18 applicant that, if they have a problem with anything  
19 during their course of communications with the PTO, how  
20 successful were we at resolving the problem that they  
21 encountered. And this has been highlighted in the surveys

1 over the last few years that we have been putting some  
2 effort in trying to improve our performance on resolving  
3 problems.

4 I wanted to just give you an update on where we  
5 are on the quality initiatives from the Strategic Plan.  
6 We have a number of them in place. And we have been  
7 working on each and every one and made some progress.

8 Now, with respect to a number of them, we've  
9 been negotiating with POPA over the impacts and  
10 appropriate arrangements for some of the changes that we  
11 hope to implement. And we are waiting for a decision from  
12 FSIP on those. And once we get that decision, we'll move  
13 forward as appropriate depending upon what that decision  
14 is.

15 One of the initiatives we have in place is  
16 pre-employment testing for the patent examiners to make  
17 sure that they have the communication skills and  
18 proficiency to do a good quality job. We mandated at the  
19 end of '02 a personal interview and a submission of a  
20 writing sample for each of the candidates. And we  
21 continued that for all the hires in '03. And the

1 assessment that we've done of that shows that the program  
2 is working well to ensure that the candidates do come in  
3 with good communication skills.

4 We also have an initiative on KSA's, the  
5 knowledge, skills, and abilities. And we completed the  
6 final analysis of the KSA's that we think are necessary to  
7 do the jobs of the examiners and supervisors in the  
8 patents area. And those are broken down into those skills  
9 that are absolutely essential to do the jobs and those  
10 skills that we think are desirable. We took that  
11 information from the position description factors and 1224  
12 Job Series, and also with interviews with the supervisors.

13 And we are also looking at including the  
14 information into the training programs that we're putting  
15 in place to make sure that the examiners and supervisors  
16 have all of the skills necessary for doing better at their  
17 jobs.

18 We also had put in place a training art unit,  
19 particularly in Tech Center 2600 because they've been  
20 hiring a large number of new examiners. And in this case,  
21 we try to bring and incorporate into the areas as many

1 examiners as possible.

2           Although the electric areas, we had such a huge  
3 number of applications filed and need for a large number  
4 of examiners to be hired there, we decided to look at  
5 something a little different. And so we have promoted  
6 some of the examiners temporarily to GS-15 positions where  
7 they serve as trainers to the new examiners so that we can  
8 bring more of them up to speed as quickly as possible.

9           And this particular initiative has also worked  
10 out well. We've done evaluations from the supervisors to  
11 see if the examiners were getting the training that was  
12 needed in order to bring them up to speed quickly. And so  
13 we have expanded that this year in 2600 to make more art  
14 units and have these trainers in place for the units.

15           Additionally, we will have a program in place  
16 for certification of skills of examiners prior to  
17 promotion to a GS-13 level. At the GS-13, they get  
18 accorded certain authority independence. They get  
19 negotiation authority and legal competence. So we wanted  
20 to make sure that the examiners have all the knowledge  
21 that they need to do a quality job at the GS-13 level.



1           So we are looking at larger numbers of the  
2 actions that they do, the applications that they examine,  
3 to make sure that they are applying all of the proper  
4 procedures and principles in the examination that they do.

5           We are proposing a legal competence exam that  
6 the examiners would be required to pass before they would  
7 be promoted to a GS-13. And this year, we piloted that  
8 exam with all of our managers, all the SPEs. And the SPEs  
9 took that exam.

10          We're also working with the contractor to  
11 validate that exam to make sure that it links to the job,  
12 that the questions on the exam are representative of the  
13 kind of knowledge that they need in order to successfully  
14 do the examination job.

15          And we started delivering a continuing education  
16 course to help prepare and ensure that the examiners have  
17 a legal knowledge that they need at this level. It is an  
18 evidence and patent law course and also has an update for  
19 a refresher on practice and procedures that they would  
20 need to be sure that they know everything they need before  
21 promotion.

1           We're also proposing a recertification of  
2 primary examiners, and we're looking at doing this once  
3 every three years. An examiner would be required to go  
4 through recertification. Each year the primary examiners  
5 would be required to take a certain number of continuing  
6 education classes. Many training classes would have an  
7 exam or just a quiz at the end of it to make sure they  
8 have in fact learned the basic principles that we were  
9 trying to teach in that continuing education course.

10           We also have instituted in-process reviews in  
11 each and every one of the technology centers and expanded  
12 the reviews of primary examiners with in-process reviews  
13 to make sure that throughout prosecution the examiners are  
14 taking the right actions in the applications.

15           And in Technology Center 3700, which has a  
16 little higher quality error rate, we expanded that sample  
17 of cases being reviewed a little bit more.

18           Also, our SPEs are very important in terms of  
19 making sure that since they are the ones that are  
20 responsible for training new examiners when they come in.

21           So we have some initiatives to make certain that they are

1 also knowledgeable about all the procedures and what they  
2 know. And we're providing additional training for them to  
3 make sure that they are able to do their job as well as  
4 possible.

5 This year in '03, we developed and implemented a  
6 training package which was how to review work, to make  
7 sure that they're doing it as effectively and efficiently  
8 as possible, and also that they are providing feedback to  
9 the examiners on the work that they review so that we can  
10 ensure that that is incorporated into the examiner's  
11 future work.

12 We're also looking at making sure the  
13 compensation for the SPEs is adequate. We have been  
14 trying to increase the level of compensation to the SPEs.

15 Because, currently, the way it's set up and the awards  
16 package that we have negotiated with POPA, it permits  
17 examiners to actually make more money than their bosses.  
18 We want to provide compensation that will encourage the  
19 quality people that we need to move into management ranks.

20 And we've completed a transactional survey as I  
21 indicated earlier. We sent out a survey with actions,

1 individual applications, and asked for a response with  
2 respect to our performance in that particular application  
3 as well as overall satisfaction questions. We sent out  
4 8,000 surveys and completed the survey and reached our  
5 target.

6 Another initiative that we heard from the Bar is  
7 with respect to the reviewable record. The Bar had an  
8 interest in making sure that the file wrapper has a  
9 complete record of everything that's occurred in that  
10 application. So we have revised the interview summary  
11 forms and also the MPEP to reflect the guidelines for the  
12 complete recordation in the interview summary of what  
13 occurred in the interviews. And also in the circumstance  
14 where the examiners drop a rejection, the examiner should  
15 indicate which of the applicant's arguments were  
16 convincing in making that change.

17 And, finally, we have an initiative on  
18 work-sharing. This is to try and reduce the duplication  
19 of work between us and other IT offices around the world  
20 and also to reduce the workload in each of those offices.

21 So we have been comparing the search results of

1 applications, similar applications, that are filed in each  
2 of our offices.

3           What we've discovered is that very, very similar  
4 applications and claims are filed in each of the three  
5 offices. The applicant will file, for example, the EPO,  
6 which is the office of first filing, and 12 months later  
7 file in the US-PTO.

8           We're looking to what extent we could make use  
9 of the search done by the examiner in the office of first  
10 filing by the examiner in the office of second filing. So  
11 we have had a study ongoing with an exchange of the  
12 results where we have applications filed in each of the  
13 offices.

14           We took the search from the office, the first  
15 office, provided that to the examiner in the second  
16 office. And that examiner reviewed the search and office  
17 action that was done by the other examiner and then  
18 evaluated that search, evaluated the search against the  
19 claims that were in the case to see if, in fact, it  
20 covered all of the claims that were already there.

21           The examiner made a determination of any

1 additional searching that may need to be done if there  
2 weren't references that covered the claims or if he felt  
3 that he could find better art. And then the examiner  
4 evaluated the art that he found and any subsequent  
5 searching to determine whether or not he found any better  
6 marks.

7 But we've had very good results with all of the  
8 offices so far. We have determined that, at least to some  
9 extent, the search that is done by other offices would be  
10 utilizeable. So we will be continuing to explore this as  
11 an option for how to reduce the burden of work in each of  
12 the offices.

13 MR. STERN: Can I just ask a question? How will  
14 you know in advance which searches will be utilizable and  
15 which ones won't?

16 MS. KEPPLINGER: Well, the examiner, when he  
17 gets the search, he makes an evaluation of whether or not  
18 he thinks the art covers the claim. That's what we ask  
19 the examiner to do here.

20 For example, if you get a search and if it has  
21 all X references or X and very good Y references, all of

1 which are statutory B references, the examiner can make a  
2 determination whether or not he can rely on that art or  
3 whether or not he needs to do additional searching.

4 I'll turn it over to Kaz for the Patent  
5 E-Government portion.

6 MR. KAZENSKE: On the E-Government side, I just  
7 want to raise a few points. One of the principal goals of  
8 the 21st Century Strategic Plan is for the Office to  
9 process patent applications electronically through the  
10 examination process by October 2004.

11 We have a secondary goal that is related to our  
12 move to the new campus which will commence here in early  
13 December in moving the PTO into the Alexandria facility.

14 In view of those goals, we went into a bilateral  
15 agreement with the EPO on software that they currently  
16 utilize to capture patent applications in image file  
17 wrapper. We have incorporated that same technology into  
18 our system with modifications in that technology so it  
19 becomes, not just an administrative tool, but an  
20 examination tool for our examiners to view and exam  
21 applications electronically.

1           At end of the fiscal year, we have 53 art units  
2 that are operating totally electronically in their  
3 examination process. That's about 800 examiners. At the  
4 end of this week, we'll have 74 art units and about 1,100  
5 examiners operating totally electronically.

6           Also beginning June 30 of this year, we began  
7 capturing all newly filed patent applications  
8 electronically and putting them into the IFW system. And  
9 we're also capturing back files of examiners as we bring  
10 up those art units.

11           As of the end of the year, we had 180,000  
12 applications in the system. As of the end of this week,  
13 we have 225,000 applications in the system captured.

14           The other major initiative in the Strategic Plan  
15 was dealing with patent E-filing, electronic filing of  
16 patents into the office. This year we must say we had a  
17 modest goal this year, trying to improve those filings.  
18 And we worked with five private vendors and a partnership  
19 arrangement.

20           It's had its ups and down on that. But we do  
21 have two of those partners that do have a product. And



1 those products allow for the filing of patent applications  
2 electronically. And we have received some applications  
3 electronically through their software as well as our  
4 software.

5 On that, these are some rough statistics of what  
6 we got, of how many filers are uniquely filing in here.

7 We received about 4,400 utility applications  
8 into the office. I will comment, though, about three  
9 times that amount used for two different processes through  
10 electronic filings; one, electronic IDS's are extensively  
11 used now for filing prior art references. And that's been  
12 very successful.

13 And the second is electronic assignment filings  
14 because of the fast turn-around time. On the assignments  
15 that are filed electronically, we've had about twice that  
16 number, almost 8,000 assignments, filed electronically  
17 through this system.

18 Our goal is to move as aggressively in marketing  
19 this in the '04 time frame and looking at new ways to  
20 enhance this filing in working with this committee and all  
21 of our bar groups to get their ideas on how we can go

1 forward in '04 and make this work a little better.

2 There is a real advantage from the customers  
3 we've seen of these two systems, the IFW and E-Government,  
4 working together, actually, if you follow any of the  
5 comments out there.

6 For people that are filing EFS filings, they may  
7 view what they filed with us the next day in the private  
8 side of the IFW. So they can actually see within one day  
9 what the office received as far as the contents of their  
10 application. And that's been a pretty positive thing for  
11 those that use both of these systems interchangeably.

12 With that, I think that's the extent of the  
13 E-filing initiatives.

14 MR. NYDEGGER: Okay. I'll open it now for  
15 questions. Andy Gibbs.

16 MR. GIBBS: Kaz, just a quick question. Do you  
17 have any percentage targets on what you expect E-filing,  
18 what percentage of applications will be E-filed in '04?

19 MR. KAZENSKE: In '02, we set a goal of 2  
20 percent. We came in about one and a half percent. We had  
21 a goal of 5 that is being reevaluated, though, since we

1 did not achieve the '03. And should we hold to that or  
2 should we modify that goal for '04? That's under  
3 consideration.

4 And we're also reevaluating the partnerships  
5 because we have three partners that we have not received a  
6 product, and should we reformulate those partnerships and  
7 maybe put goals with those partners if they want to be  
8 partners. So we're reevaluating that right now.

9 MR. NYDEGGER: Andrew.

10 MR. DILLON: Kaz, is there still some  
11 consideration of the surcharge for paper filing at some  
12 time in the future?

13 MR. KAZENSKE: It's an item that we have  
14 discussed. However, in view of the current fee bill and  
15 its status, certainly it's not that. But into the future,  
16 you know, is there an increase for paper over electronic  
17 or a decrease in the other? That's being looked at as a  
18 fee incentive. Which way that may go, we're not quite  
19 certain right now.

20 MR. NYDEGGER: Steve Fox.

21 MR. FOX: I have a comment more than a question.

1           A good part of the 21st Century Strategic Plan  
2 is implemented through the contents of some 50 action  
3 papers that are posted on the web site. I reviewed all of  
4 those papers. And I found in one of them, Quality Paper  
5 No. 1, what I consider a remarkably candid statement which  
6 says that, the Office of Patent Quality Review was started  
7 25 years ago and since that time, the error rate has  
8 oscillated between 3 and 7 percent.

9           And it goes on to say, "More importantly, during  
10 that time, there's been no significant increase in  
11 quality."

12           I commend the Patent Office for that statement  
13 in recognizing the issue. And I also commend the Patent  
14 Office for going on and adopting all of these initiatives  
15 regarding hiring and selection, certification, in-process  
16 review in the Patent Office. I think this is remarkable.

17           And I'd just like to thank you for addressing it the way  
18 you have.

19           MR. NYDEGGER: Any other questions or comments?

20           I think it's appropriate for us to take just a  
21 moment to maybe put into perspective very briefly where

1 things stand in the budgetary sense in the context of the  
2 fact that we're now coming to the end -- have come to the  
3 end -- of fiscal year '03, going into fiscal year '04, and  
4 what we see on the horizon in that respect.

5 Commissioner Godici, do you want to make a  
6 comment on that just briefly?

7 MR. GODICI: Sure. I think I alluded to it  
8 somewhat earlier. But what we see here is what some of us  
9 like to call kind of a Tale of Two Cities. There are two  
10 completely different scenarios that could evolve here in  
11 the next few months. And those two scenarios are very,  
12 very different.

13 One scenario would be the successful passage of  
14 HR-1561 and the Senate equivalent with the funding. Then  
15 what would result from that legislation with resources  
16 going to the PTO that will allow us to execute the plan  
17 that we've been working on for so long.

18 The 50 initiatives that Steve Fox talks about  
19 are initiative papers, the ability to hire more examiners  
20 to do the quality improvement, the electronic, and  
21 out-sourcing initiatives.

1           That's one scenario. And we would see the  
2 upward trend in pendency come down. We would see better  
3 service and quicker service in terms of applicants  
4 receiving notices from the PTO on first actions and  
5 disposals and so on and so forth. And that's where we all  
6 want to be, and that's what we want to achieve for the  
7 Agency and for the users of this system.

8           The other scenario is not so good. And the  
9 other scenario is pretty much more of the same in terms of  
10 what we've seen in terms of appropriations that are at the  
11 level of inflationary increases at best which allow us to  
12 do just a portion of what we want to do with respect to  
13 the plans that we've made. That will, I'm sure, result in  
14 increases in pendency which is not good for the system,  
15 not good for the Office, not good for the users of the  
16 system.

17           So the compare and contrast between the two  
18 different scenarios that we see that have developed and  
19 would be reality are quite different. And we hope that it  
20 goes the first way rather than the other.

21           It's pretty clear what will happen under both

1 scenarios. And we're hopeful. We're hopeful that  
2 Congress and those that have the say in terms of which  
3 direction this office will go in the future will see that  
4 it's important for everyone. It's important for the U.S.  
5 economy. It's important for all of us that we have  
6 adequate resources to do the job well here.

7 MR. NYDEGGER: Thank you. I guess just by way  
8 of wrap up, I'd just simply make the observation that I  
9 think we seem to be at a very critical juncture at this  
10 point. Passage of 1561 is critically important, I think,  
11 to the ongoing health and ability of the Patent and  
12 Trademark Office to continue to meet its goals and  
13 objectives in the 21st Century Strategic Plan.

14 There is little question that there's  
15 broad-based support for the PTO's 21st Century Strategic  
16 Plan by many of its major user constituencies. That's not  
17 to say that there is by any means unanimity on all points  
18 in the Plan. But certainly as a general proposition, it's  
19 been viewed, I believe, as certainly a viable and a  
20 meaningful way of addressing it, many of the challenges  
21 the PTO has been facing as Steve Fox pointed out a few

1 moments ago.

2 I think the real question ahead is what will  
3 happen in the coming weeks with respect to the legislation  
4 for the Fee Modernization Act. And the challenge, it  
5 seems to me that all of us need to recognize and be  
6 cognizant of, is these kinds of things are very much  
7 interlinked and ongoing from year to year.

8 Joanne Barnard earlier did a great job in  
9 helping us compare and contrast some of those various  
10 kinds of issues. What happens in this year will affect  
11 what happens next year. What happens under the  
12 appropriations for fiscal year '04 will dramatically  
13 affect what happens in '05.

14 And as you pointed out earlier, I think, it's in  
15 effect a lost year when the PTO does not receive its full  
16 appropriation. It's not like you can make up the hires  
17 that were not hired in that year. And it has accumulative  
18 affects going forward.

19 So I think one of the real challenges ahead of  
20 us is to try to make as concerted an effort as possible,  
21 to continue to be engaged with Congress and with the



1 appropriations process, and to encourage to the extent  
2 possible support for the PT0's fee bill. And, hopefully,  
3 that's something that we will at some point be able to  
4 look back on and say it's been successfully addressed.

5 I appreciate the time, Commissioner Godici, that  
6 you have and your staff have spent with us today,  
7 reporting to us and providing us with the information that  
8 we've been given.

9 Are there any other questions from this group  
10 that anyone would like to raise? If not, then I'll  
11 declare the public session closed and adjourned. Thank  
12 you.

13 [Meeting adjourned at 3:45 p.m.]

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CERTIFICATE OF STENOTYPE REPORTER

I, Jane F. Hoffman Stenotype Reporter, do hereby certify that the foregoing proceedings were reported by me in stenotypy, transcribed under my direction and are a verbatim record of the proceedings had.

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JANE F. HOFFMAN

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2     JANE F. HOFFMAN  
3     TODAY'S DATE: 12/17/03  
4     DATE TAKEN: 10/28/03  
5     CASE NAME: Patent Public Advisory Committee  
6     Meeting/Public Session  
7     \*\*\*\*half hour editing time\*\*\*