POPA NEWS
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Problems Pending: Patent, Trademark Plan Far from a Fix

by Ronald Stern

The following commentary was submitted to The Federal Times *and published on June 17, 2002.*

The *Los Angeles Daily Journal* quoted James Rogan, director of the U.S. Patent and Trademark Office, speaking about the USPTO, "We're going to blow it up and reassemble it." On June 3, he announced the details of the planned explosion at a press conference, including a new higher fee structure. Will the exploded parts fit back together "to promote the useful arts"as required by the Constitution? Numerous experienced patent examiners say no.

The plan breaks up the current system in three key ways. First, it separates the investigation of prior inventions (the prior art search) from decisions on intellectual property rights (examination) and gives control over who will do the search to patent applicants. Second, it allows applicants to defer decisions on intellectual property rights, lengthening the period of uncertainty over who is entitled to what. And third, it seeks to reassign the duty of classifying patents to foreign intellectual property offices or the private sector.

Under the plan, commercial search services chosen by the applicant will conduct the bulk of prior art searches. This will lead to abuse. Patent applicants by definition want patent rights for themselves. Evidence of prior, very similar inventions uncovered during the search stands in their way. Letting them choose who finds (or doesn't find) the prior art evidence to be used against their application, and how much the searcher gets paid, pits the searcher's efforts against the applicant's interest. It is the equivalent of letting the fox guard the henhouse.

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POPA BARGAINING UNIT MEETINGS

TOPICS:

- ★ **Work at Home**
- ★ **Radical Changes at USPTO**

July 17, 10 a.m. & 1:30 p.m.
Crystal Forum

All bargaining unit members are invited. One hour of official time will be available. All dues-paying POPA members will have the opportunity to vote on POPA's negotiating position regarding work-at-home policies and the USPTO strategic plan.

For more information, go to **www.popa.org**

USPTO Misleads Public, Congress on Work at Home

The USPTO threw some red herrings at employees, the news media and members of Congress in an attempt to obscure the real issues hampering a negotiated agreement with POPA on work at home.

A WTOP-Radio report on June 15 stated, "The Patent Office's Richard Maulsby says this [the negotiations disagreement] is about whether employees with performance problems should be allowed to take secret documents home, and the office wasn't willing to continue a pilot program past its expiration date until that's settled."

This is false.

At the point that the agency halted the program, POPA *and* USPTO negotiators believed that conduct and performance issues were only minor points that could be resolved without delay. POPA and the agency agreed in the Millennium Agreement that to be eligible, an employee had to "be performing at least at Fully Successful in the current rating of record and for the employee's cumulative most recent four full quarters of work." Both the USPTO team and POPA team still agree with that. POPA has also agreed that the agency may add a clause that "Management may exclude or remove an employee from the program if an employee's conduct justifies their exclusion or removal."

The agency is misleading the public away from the real reasons for the impasse: 1) USPTO insistence on a one-year program limit and consequently additional employee concessions next year, and possibly every year; 2) severe reductions in the number of work at home Level 1 and Level 2 positions; 3) USPTO's demand that Level 2 employees use all USPTO-supplied software and take personal time to install it or fix bugs when agency software fails on employees' own at-home equipment; 4) USPTO's requirement that

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Problems Pending: Patent, Trademark Plan Far from a Fix

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We must also think of the international consequences. Can we sufficiently assure the quality of patent searches coming from Japan or Germany to justify granting a monopoly in the United States to Mitsubishi or Siemens? Will they agree to use Microsoft's searches in their countries?

Even with the best of intentions, search quality is likely to suffer. As the only American patent office, the USPTO is able to direct all the applications in a particular field to a small group of examiners. Commercial search services, on the other hand, will need to cover a broad area of technology to amass sufficient business. Examiners as specialists have an inherent advantage over their private sector generalist counterparts.

The functions of patent searching and patent examining shouldn't be separated at all, even within the government. The Europeans had such a separation, and are now more than halfway to converting to the more efficient system in which the same individual conducts searching and examination. During the search, examiners think about how they will combine what they find into a decision. They have read the application and analyzed the scope of the proposed invention. Once examiners select the relevant prior art documents, writing the decision is straightforward: the examiners were thinking about it all along. The agency's plan to separate the functions would eliminate that synergy and require a duplication of effort to read and analyze the application, and read and analyze the selected prior art.

Deferred examination will "marginalize" the patent system, says scholar Sri Krishna Sankaran in his law review article on "Patent Flooding in the United States and Japan." Patent flooding involves filing volumes of patent applications covering minor variations on a groundbreaking technology. Using the potential for a flood of deferred, unexamined patent applications and the resulting expensive litigation, one company can coerce patent rights from another, often smaller, company. A substandard search of the prior art compounds the uncertainty and increases the advantage of those who would abuse the system.

The third piece, patent classification, provides the fundamental framework to organize the USPTO. It organizes our files of patents into small sections for prior art searching, and organizes our people into narrow areas of specialty. Both productivity and quality increase with more reclassification. In many areas reclassification has been neglected so that now searching is like trying to find a needle in a haystack. With more resources, it could be like trying to find a needle in a sewing kit.

Rather than relinquishing control of patent classification, we should beef up our activities. That coupled with providing examiners an adequate amount of time time per case is the best road to quality patents that meet our Constitutional mandate.

More Fees, Less Service

Proposed USPTO Fee Legislation, from the 21st Century Strategic Plan

Note: Fees would apply to future and existing applications and patents.

Basic Patent Fees	Current	Proposed
Filing Fee	$ 740	$ 300
Examination Fee	N/A	$1,250
Issue Fee	$1,280	$1,660
Maintenance–1st	$ 880	$ 900
Maintenance–2nd	$2,020	$3,000
Maintenance–3rd	$3,100	$5,000
Total for Basic	**$8,020**	**$12,110**

[Total for Proposed is 51% higher]

USPTO Proposed Fees to Affect Applicant Behavior

Description	Current	Proposed
Sheets of Spec and Drawing in Excess of 50	None	Prescribed by Director
Independent Claims	$78/claim in excess of 3 claims	$160 to $640 for 4th to 6th, 125% more for each additional
Total Claims	$18/claim in excess of 20 claims	Scale rises from $80/claim in excess of 20 to $640/claim in excess of 35. Scale rises 125% per claim for each group of 5 beyond 40 claims.
Continuing Applications	None	Scale rises from $1,000 per application that refers to more than 3 earlier applications.
Claims Not Patentably Distinct	None	Scale rises from $10,680 for one application with a claim not patentably distinct.

Preceding from information prepared by the Intellectual Property Organization

USPTO Strategic Plan — Verbatim

Following are excerpts from the USPTO's 350-page reference document for its 21st Century Strategic Plan. The USPTO has not publicly released the document, which POPA obtained from sources outside the agency. The full document is available for view at www.popa.org.

Certification of Searching Authorities
Given the current challenges in the patent system, putting the prior art search in the hands of private industry would have substantial benefits for the USPTO. Much of our "overhead" expense lies in the development and maintenance of search tools for our examiners. Substantial savings in automation development and maintenance costs for EAST, WEST, ABSS, CDB access, etc., potentially could be realized in addition to the savings resulting from the reduced upkeep and maintenance of the classification systems for both International Patent Classification and U.S. Patent Classification....

A substantial saving in examiner resources should result from our examiners concentrating on patentability determinations rather than spending a substantial amount of time searching....

Expansion of Patent Application Work Product Reviews
The USPTO will integrate the allowance reviews currently performed by OPQR into the Technology Centers by expanding the In-Process Review program to include allowance reviews. The allowance reviews will be performed by Quality Assurance Supervisors....

QASs will perform IPR quality reviews on 12 applications per year for every Primary Examiner (six allowances and six other office actions)....

Also, each individual SPE will receive the IPR results and feedback about their Primary Examiners. When significant quality concerns are noted for an individual examiner the SPE will select additional applications to be reviewed by the SPE....

IPR results will become the basic application quality metric for the USPTO....

The USPTO will replace the four-per-year direct supervisor review of Primary Examiner work products with work group-wide Supervisory Patent Examiner IPR quality reviews....The examiner's applications will be distributed to work group SPEs not in the examiner's direct line of supervision. Each application will...[be] reviewed by a different SPE....

These four applications per year reviewed by the work group SPEs, the 12 applications reviewed by the QASs, and any further reviews by the direct SPE, all will form part of the basis of the Primary Examiner's annual performance appraisal.

Re-Certification of Knowledge, Skills and Ability (KSA) of Primary Examiners...
Recommended Course of Action: A determination of the current, necessary KSA required for the position of Primary Examiner should be made on a regular basis at several levels within the USPTO, both inside and outside of the Technology Centers. There needs to be ... an expanded review of work product, such as in process review (IPR) of actions, ... second pair of eyes review of final disposals of work product—allowances, appeals, and abandonments to evaluate KSA of each primary examiner. This may involve the evaluation of about 12 actions per year for each primary examiner....

Tests should be developed to ensure that primary examiners, taking the training, prove that they understand the content of the training. Those who do not pass tests given after required legal training should have full signatory authority suspended....

...there needs to be an expanded review of the work product of each primary examiner on a yearly basis to ascertain whether the necessary KSA, such as that reinforced by recent training, is applied in the examination. Review teams of QASs, OPQR Integration, or SPEs (who themselves have been recertified) ... could be used to evaluate KSA of each primary examiner. If this review reveals evidence of an unacceptable percentage of unsatisfactory work, this evidence would be reported to the SPE and Director of the involved examiner, who would then make a decision whether to review additional work of this examiner before adverse action is taken. The examiner would be afforded conventional improvement period(s) to evidence the ability to produce an acceptable percentage of satisfactory work. If a review of the work product during the improvement period does not evidence an acceptable percentage of satisfactory work, then signatory authority would be withdrawn. The examiner would be permitted the opportunity to regain full signatory authority by passing another full signatory review program (recertification), which may occur after a certain period has passed since withdrawal of that authority.

Certification of Knowledge, Skills and Abilities to Ensure Proper Hiring, Retention and Promotion of Patent Examiners
■ Establish a two-year probationary period for all patent examiners through the Office of Personnel Management....
■ Establish a Training Art Unit for new examiners in high volume hiring areas where examiners will spend their first year.... Skilled primary examiners would be rotated through the art unit on one to two year details and would be asked to mentor/train/oversee a small group of newly hired examiners during their first year.

Key Feature of Training Art Unit(s): Primary examiners would be reassigned as trainer examiners.

Estimated benefits:
■ Save costs associated with the inefficiency of the current practice of using primaries to train new examiners in an Art Unit setting....
■ Could adopt "bull penning" of new examiners in abandoned search rooms to both relieve space concerns and promote group training and adhesion....
■ Develop and implement an examination that must be successfully completed before promotion to the GS-13 level....
■ Require Technology Center Directors to review a randomly selected sample of the examiner's work product to ensure that the examiner has demonstrated the ability to successfully perform the job at the next grade level....
■ Develop and implement a structured review process for all examiner promotions to GS-9 to GS-13 (excludes examiner's first promotion)....

Competitively Source Reclassification Functions...
■ Competitively source reclassification of documents into new schemes. Transfer classifiers to examining art units under existing hybrid classifier/examiner position.
■ ... transfer application dispute resolution function to Patent Corps management, i.e., Supervisory Patent Examiners.
■ ... additionally contract out the development of new classification schemes. All but 6-8 classifiers and the Supervisory Patent Classifiers would be assigned to examining functions full time.
■ ...This option would result in the largest amount of work outsourced to the private sector and the greatest number of classifier (37) Full-time Equivalents that could be reprogrammed to patent examining functions.
■ ...Also, in the near future the transition will be made to the reformed IPC which will provide a robust and efficient IPC-extended system.

Separate Filing and Examination Fee
Recommended Option: Adopt the examination fee. Upon their determination of commercial viability, applicants will only require the full patent processing and its associated costs for those they wish to pursue further. The bifurcation of fee events into filing and substantive examination occurrences is expected to induce a reduction in the number of applicants opting for substantive examination, freeing up examiner resources. We estimate a drop-out rate of 10-30%, depending primarily upon the level of fee chosen, and as a result, USPTO examination resources will not be expended for applications that are not considered economically viable by the applicants.

USPTO Misleads Public, Congress

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Level 2 participants agree to upgrade their personal hardware and software in accordance with any agency specifications issued in the future, and 5) additional required office sharing for work at home participants.

One-year Program Termination

An ongoing work at home program was part of the overall Millennium Agreement of 2001. The agency violated that agreement by terminating the program unilaterally. The agreement requires negotiation after an evaluation period. No automatic expiration was ever contemplated.

The agency will not allow the program to be continuous or even to terminate only for cause. Rather, it is insisting upon the ability to pull the plug on the program at any time and on having a one-year termination date.

The USPTO's reason for this demand: Yearly work at home negotiations can mean yearly concessions from bargaining unit members. The original 2001 negotiations yielded for USPTO a customer service element and the removal of 75 percent of the examiners' paper files.

Reductions in Level 1 & 2 Positions

The 16-page USPTO work at home proposal, given to POPA the afternoon before the agency's self-imposed termination date, included only 12 slots at Level 1, down from 21 slots in the Millennium Agreement. It capped Level 2 at 40 positions, down from the previously unlimited number. It also limited the total slots at 350 total, up slightly from the 315 existing slots. This level isn't near the 50 percent of eligible employees required under the law. It maintains the level at approximately 25 percent.

Hundreds of employees are waiting to get into this program. The costs for both Levels 2 and 3 are low. The agency has no reason to cut the number of Level 2 slots or for Level 3 to lag behind the legally mandated percentage for the already limited group that management has identified as eligible, that is, primary examiners and their equivalents in other areas.

Agency Software Limitations

The agency proposes new program rules that would eliminate anyone from Level 2 who does not own and use Windows 2000 or Windows XP. The USPTO also insists upon additional software and hardware requirements that

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Work at Home Employees Harmed

The following is excerpted from a letter sent to POPA by a work at home participant on June 24.

I feel POPA represents my position very well. I expressed to both Mr. Rogan and many POPA representatives the burden I bore on Level 2, i.e., purchasing a new computer, office furniture, separate phone, etc., only to be terminated with no regard. I could only justify such a [purchase] because I was looking for a long-term benefit over several years. I have a [large] family and spending thousands of unbudgeted dollars is an extreme burden.

I honestly don't see where the PTO bore such a cost or what they expected to achieve from this program. I also spent many uncompensated hours loading programs. Looks to me like they wanted to use work at home as a carrot for even more concessions.

The following is excerpted from a June 27 letter to POPA.

Instead of "writing your congressman" why don't you [POPA] sit down with management and work this whole thing out? You haven't presented any information about major problems with the management proposals except that they ended the program ... and that they want to continue to limit participation. The participation should be somewhat negotiable, but there have been real problems with the Level-1 program (mine was finally made to work well in March, but still has problems) and also with Level-2 computer issues. Please advise the people you represent of any really difficult sticking points and stop butting heads over the non-issue of the pilot ending, when it is clear that management does not want the work@home to be over.

POPA's response:

We appreciate your perspective, but do not agree that termination of the program is a non-issue. The termination has been very upsetting to the work at home participants and was an unnecessary action by the agency.

All of the really difficult sticking points are described in this newsletter, but the most important is the USPTO's proposal for a fixed expiration date, which will put employees in the position of having to make additional concessions to renew the program next time. POPA negotiators who were at the table for the Millennium Agreement can tell you that there was no intent to end the program after 6 months. It was to continue during any evaluation and discussion of needed changes.

If the USPTO did not want work at home to end, the agency would not have ended it. Just because the agency plays hardball, we cannot give up what we believe to be in all of our best interests.

Ending the program was not in the USPTO's best interest either. It was, and is, a senseless act. We are sorry that the agency has chosen to disrupt so many employees' lives. We hope we can reach a resolution sooner rather than later.

Because the USPTO has dug in its heels, POPA needs the help of Congress to convince the agency to abide by congressional intent to use work at home to lessen traffic congestion and air pollution, conserve energy, help the disabled to enter the workforce, and provide more time for employees' family responsibilities. Instead, the USPTO is using it as leverage to put employees in a position of having to agree to adverse changes in working conditions. When you call your congressional representative to educate him or her about this issue, you will make a difference in the outcome.

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Level 2 participants must pay for themselves and allots no time for installation or debugging.

These new requirements are extremely burdensome. Many employees bought hardware and software, home office furniture, and rearranged their homes to participate in this program. Many people were performing well at Level 2 within the capabilities of their home systems. The USPTO cannot answer why anyone who has found something that works for them should be required to give up what they are doing successfully.

Office Sharing Required

The USPTO's negotiating position is that it wants to be able to double all employees who work *at home* at least two days per week. It wants to reserve the right to double the most senior primary examiners with a new employee.

The Millennium Agreement provides for sharing an office only when an employee must *come to the Office* no more than two days per week. POPA's position is to permit office sharing only when two employees who both work regular schedules of two days a week in the Office are available to share in the same building. Evidence shows that doubling examiners interferes with performance, so doubling should only occur when scheduling can be arranged so doubled employees do not normally have to be in the Office at the same time.

POPA Officers Visit European Patent Office and Union

POPA's officers noticed the European Patent Office (EPO) employees' spacious, modern offices and facilities, the respect accorded employees by EPO management, and many other interesting differences—and common interests—between the Staff Union of the EPO (SUEPO) and its U.S. counterpart during a European visit in late May.

POPA Officers Ronald Stern, Larry Oresky, Karen Hastings, Pamela Schwartz and Randy Myers took leave to travel to two of the EPO's four offices in The Hague and Munich at their own expense to meet with SUEPO officials. (EPO also has smaller offices in Vienna and Berlin.) The POPA and SUEPO representatives formally agreed to:

- Exchange information on issues such as automation, working conditions, classification and patent law
- Publish developments in each other's offices to their members
- Invite colleagues in the Japanese Patent Office to participate in future discussions
- Organize additional joint conferences
- Aid each other in advocating a high quality, professional approach to patent search and examination and in counteracting attempts to lower quality or register patents.

Production Differences

EPO traditionally separated the search and examination functions, with searching occurring in The Hague EPO office and examination in the Munich EPO office. Modeling the USPTO, however, the EPO in recent years began switching employees to the "Bringing Examination and Search Together" (BEST) program. EPO has now shifted 50 percent of its cases to BEST examining, with a goal of 80 percent by the end of the year. The EPO believes BEST examiners achieve significant efficiencies. While SUEPO acknowledges some efficiencies, it doesn't think that the efficiencies are as great as EPO believes because of the delay between the search report and the examination. EPO examiners do a search report, then about a year later pick up the application for examination after the applicant has had the chance to amend. In the United States, search and examination are done simultaneously in the first action. To now retool the U.S. patent system to separate the two functions would be inefficient.

Employee Ratings and Requirements

The EPO limits the proportion of employees who can receive the two highest performance ratings of "excellent" and "very good," which are comparable to the USPTO's "outstanding" and "commendable." Only 30 percent of EPO employees can receive either of those two ratings combined.

The EPO offers a promotion system similar to PTO's with fewer promotion steps. The EPO has a grade structure that provides for non-supervisory examiners at grades equivalent to GS-15s. Yearly pay increases are based on an amalgamation of wage rates in seven European Union (EU) countries to maintain pay comparability. The pay increases are further equalized through another formula based on the cost of living in the four countries hosting the EPO offices.

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POPA officers with officials of the Staff Union of the European Patent Office (SUEPO) at the May signing of a joint communique in Munich. Seated left to right: POPA President Ronald Stern and SUEPO Central Committee Chairman Desmond Radford. Standing left to right: POPA Treasurer Randy Myers; POPA Vice President Larry Oresky; SUEPO Central Committee Chairman-to-be Hannes Senftl; POPA Secretary Karen Hastings; POPA Assistant Secretary Pamela Schwartz.

POPA Officers Visit EPO

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EPO employees are exempt from paying income taxes to their native country. Employees receive significant family allowances and an additional expatriate allowance for living outside their native country. The maximum family plus expatriate allowance is 26 percent plus 200 euros per month per minor child. They also get unlimited sick leave. The POPA and SUEPO officials agreed that overall the European examiners receive greater monetary compensation than the Americans.

The EPO requires its examiners to be fluent in three languages: English, French and German. Examiners must respond to applicants in the language in which the application is written. Examiners also know the language of their country of origin and of the country in which they're working.

Europeans Get Space and Quiet

EPO's private offices for examiners measure 24 square meters (approx. 258 square feet), and double offices are much larger. This compares to the standard USPTO office of 150 square feet, private or doubled.

The comfortable modern facilities include an employee cafeteria and a fitness center with tennis and handball courts. For drivers, underground parking is plentiful. At The Hague, the EPO provides a bicycle storage room, complete with showers, for employees who commute by bike.

On the Topic of Patent Examining:

"When you're experienced at this, you can make decisions whether you know the art or not."

—Esther Kepplinger, Deputy Commissioner for Patent Operations, in *Forbes*, June 24, 2002

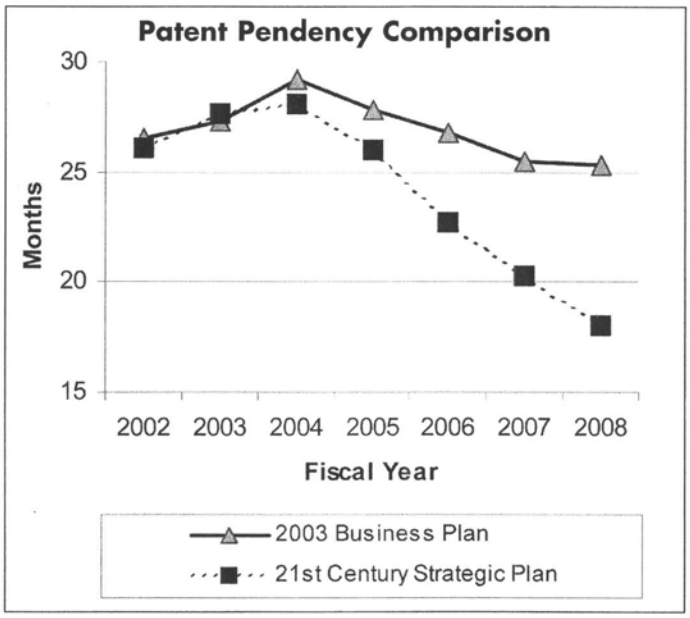
Salary Adjustment Update

POPA joined the USPTO in meeting with the Office of Personnel Management (OPM) on April 3 to discuss a special salary rate adjustment. Deputy Commissioner for Patent Operations Esther Kepplinger presented a strong case for increasing professionals' salaries. OPM at the time responded that it was inappropriate to give an increase to match the locality component of the annual pay increase for employees in the Washington region. OPM stated that the purpose of special pay rates was to eliminate the disparity between private sector pay and federal pay for an occupation in a specific locality. To therefore pay special rates and locality pay would be to make the same adjustment twice. OPM said it would consider a proposal if it is submitted in more absolute terms of comparability between USPTO jobs and private sector DC jobs. Although the USPTO revised its proposal so that it was ready to go in early June it had not been submitted to OPM by July 1.

Comparing Apples to Oranges

This graph, taken directly from the USPTO Web site version of its 21st Century Strategic Plan, shows a decrease in pendency under the new plan. However, it fails to explain that under the 2003 Business Plan, pendency is measured from the date the patent is filed. In the 21st Century Strategic Plan, pendency is measured from the date that the examination fee is paid, which can be up to 18 months after filing. While not everyone will wait until the 18-month point to request examination, the new plan will result in a substantial average pendency increase.

Gerald J. Mossinghoff, former commissioner of patents and trademarks, commented publicly that the agency's presentation of the plan's pendency savings was "not honest."



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