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USPTO Moves Forward on Contracting Out Patent Examination

The USPTO's recently announced plan to contract out "certain stages" of examination work on international patent applications will have a definitively adverse impact on U.S. patent examiners and could open a Pandora's box of ethical conflicts.

The plan, outlined in USPTO Fiscal Year 2003 budget documents, states, "The search related to completion of Patent Cooperation Treat (PCT) Search Reports will be outsourced, thus freeing examiners to act on the backlog of U.S. applications."

In addition to outsourcing the search, the USPTO also hopes to contract out the preliminary examination report. The agency posted a "Sources Sought Notice" for vendors on the General Service Administration's Federal Business Opportunities Web site (www.fedbizopps.gov) on April 12, stating that it is "conducting market research to identify organizations" that can do the search and examination reports. While the USPTO specifically stated that the posting was not a solicitation for bids, the posting is the agency equivalent of testing the water before it goes fishing.

The USPTO also stated at the latest meeting of the Patent Public Advisory Committee (PPAC) that it has allocated funds in the FY 2003 budget specifically for contracting out this work.

Duplication of Effort

According to one of the proposed contracting-out plans, when the search reports are done by contractors, examiners would still be expected to do the initial preliminary examination report without credit. Given the current USPTO production system, such a plan would deny examiners fair credit for work they would still have to perform on PCT applications. An examiner now gets the equivalent of first action credit for doing the search report, and disposal credit for doing the final preliminary examination report. Any intervening preliminary examination report gets no separate credit. When an examiner hasn't done the initial search report, but then has to do the initial preliminary examination report, he or she will have to absorb the time that was previously accounted for in doing the search report. Time for reading and understanding the case, and for reading and understanding the references, is accounted for only in the search report.

The amount of the adverse impact on examiners has already been quantified as a half count by the agency's decision to grant credit for only a half count when the same examiner previously examined the U.S. application corresponding to the PCT application.

Potential Ethical Conflicts

The USPTO also is entertaining the idea of contracting both the search and the preliminary examination report. This would eliminate the duplication of effort by taking the USPTO examiner entirely out of the process. While this change would not harm the examiner's production, it could damage the integrity of the U.S. patent system.

If the agency gives full faith and credit to patent examination performed by the private sector, it will be relying on individuals who do not disclose conflicts of interest and who may not be U.S. citizens. It will be abdicating control of an essentially governmental function.

National Treasury Employees Union National President Colleen Kelley echoed POPA's long-held position on maintaining the principles and honesty of the U.S. patent system. "PTO employees perform the quasi-judicial function of adjudicating patent and trademark applications – an inherently governmental function that appropriately belongs in

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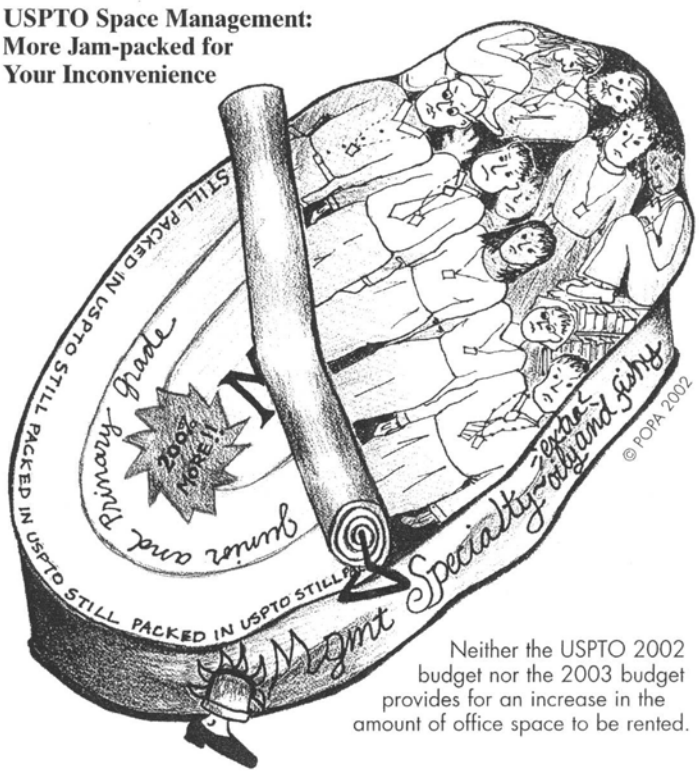
USPTO Space Management: More Jam-packed for Your Inconvenience



Neither the USPTO 2002 budget nor the 2003 budget provides for an increase in the amount of office space to be rented.

Congress Hears More on Patent Quality

The following is excerpted from April 11, 2002, testimony by John K. Williamson, president of the Intellectual Property Owners Association, at an oversight hearing before the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property:

Measuring and improving patent quality is vital to any 5-year plan for the PTO. Industry and inventors cannot be confident about the status of legal rights in technology without high patent quality. There is a huge cost to the economy from invalid patents, which is paid initially by industry but is borne ultimately by consumers. It is time to rethink the current practice of measuring national innovation and PTO productivity simply in terms of the absolute number of patents issued annually. Quality must become an integral part of these metrics.

Quality is an elusive concept with many facets. In essence, patent "quality" in the context of PTO work is the degree of excellence achieved by the PTO in (1) analyzing the written description and claims, (2) finding and analyzing the prior art relevant to the invention that the applicant is seeking to patent, (3) applying the substantive criteria for granting a patent, and (4) creating a reviewable record of the patent examination.

To illustrate what we are talking about, the following are examples from the many suggestions that have been made by IPO members and others for possible actions the PTO might take to improve patent quality:

- Insure that the PTO is able to recruit, train, and retain the best possible examiners and supervisors.
- Establish performance goals for examiners that will incentivize and reward superior quality, in addition to rewarding superior production.
- Expand the current business method patents "Second Look Initiative" to all classes of patentable subject matter.
- Reduce the number of patent examiners assigned to each Supervisory Patent Examiner to allow for more "hands on" supervision.
- Adopt procedures to ensure that an accurate and detailed record is made of all patent prosecution proceedings.
- Review whether the appropriate level of resources is being devoted to reclassification of search files, and promote international cooperation on harmonization of patent classification systems.
- Develop plans to use patent searches from other patent offices to save examiner search time.

In order to improve patent quality, the PTO also should plan to improve its capacity to measure quality. Measures of quality should be as objective as possible. Results of quality measurements should be published and used to drive improvements in quality. To measure quality, for example, the PTO could:

- Track reviews of examined applications conducted by the PTO or an independent outside organization and publish a detailed error rate index.
- Track changes in the confidence level of specific industries in the validity of patents granted in their industries as indicated by polls conducted by the PTO or an independent organization.
- Track patents for which a reexamination request was granted and claims were cancelled or amended, and patents in court litigation in which claims were invalidated.
- Track the number of and reasons for rejections of patent applications that are reversed by the PTO Board and the Court of Appeals for the Federal Circuit.

Contracting Out Patent Exam

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the public domain and is of Constitutional authority," stated Kelley in April 11 testimony before the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property. "The American public and business community place great importance on the registration of patents and trademarks in the United States as a key to the protection of valuable intellectual property rights."

To otherwise pay USPTO employees to review and potentially redo all search and examination performed by the private sector would be prohibitively expensive.

Alternatively, the USPTO could simply hire more examiners to perform this work and handle the backlog of cases.

Trademark Examiners Becoming Patent Examiners

The USPTO also announced at the recent PPAC meeting that Trademark examiners are now being trained to do this patent examination work. Since they were transferred to patent work, they are part of the POPA bargaining unit. POPA is concerned that these new patent examiners get the training they need to do the best possible job and get appropriate learning curves when they begin production so they aren't expected to do the same production as an experienced examiner at their grade.

Negotiating to Minimize Adverse Impact

Because of the adverse impact on employees these outsourcing proposals will have, POPA has formally requested to negotiate the impact and implementation of the proposals with the USPTO and hopes to begin as soon as possible.

Leave Needed

After a heart attack in October, Primary Examiner Bekir Yildirim in Art Unit 1764 had triple-bypass and aortic replacement surgery. He exhausted his leave and maxed-out his advanced sick leave, yet still needs additional surgery. Yildirim has been approved as a leave donation recipient.

For a leave donation form, please go to the USPTO employee Web site or call Lorna Douyon, 305-3773.

USPTO Hopes to Expand Reliance on Foreign Searches

The USPTO could significantly reduce its workload if "rather than doing our own search and examination of the applications we receive from abroad, we could rely on the searches and examinations already done by other patent offices as the basis for granting a United States patent," said USPTO Director James E. Rogan during an address to the World Intellectual Property Organization (WIPO) conference in Switzerland last month.

To achieve that end, Rogan acknowledged that "the substantive standards for granting patents and the basis on which searches and examinations are done should be reconciled," and the USPTO will work with other WIPO members to achieve that goal.

In addition, Rogan stated that the USPTO, the European Patent Office (EPO) and the Japanese Patent Office (JPO) at a "Trilateral Conference" last November "agreed on drafts of a Trilateral proposition for WIPO regarding electronic filing under the PCT [Patent Cooperation Treaty], aimed at guaranteeing the continued harmonization of online filing software systems and recommending standards to cover all office-applicant communications."

Rogan said that the three offices will also "work on a common classification as a means toward coping with increased workloads." The offices will cooperate on reclassification projects, with a concentration in the most active technology areas.

While this is potentially useful in the development of classification schedules, cooperation with EPO is needed to reclassify the backfile, i.e., all of the patents placed in the system up until now. The USPTO's past practice has been to place the entire backfile into the newly established classification schedule. This has not traditionally been the practice in other international patent offices.

Since 1995 the USPTO has not been classifying any foreign patents.

"Likewise, where non-patent literature is concerned, the offices have agreed to collaborate on a list of desired capabilities for presentation and searching defensive publications in electronic form and to begin an effort to share data included in non-patent literature databases," said Rogan.

Before creating a universal patent search and examination system, the USPTO can determine how useful foreign searches are to USPTO examiners. The agency can study its own records of U.S. national-stage applications that come after a preliminary exam by another international patent office under the PCT. The USPTO can measure the extent that U.S. examiners have considered it the best art or decided additional art should be found and, when they did, the number of cites of additional art netted through USPTO examination. The USPTO can also discern with its internal resources why the U.S. examiner didn't use the foreign art.

Likewise, the other international examining offices can do similar studies to determine the usefulness of USPTO searches to their examination. Such multi-office investigations would be a prudent precursor to creating and relying on an international search and examination system.

EPO Stops PCT Work for U.S. Patent Applications

The European Patent Office (EPO) announced in November 2001 that it "is no longer the competent authority" for Patent Cooperation Treaty (PCT) searches or preliminary examinations on U.S. applications in certain subject areas.

The Nov. 26 notice from the EPO President Ingo Kober stated that the EPO will not carry out international *searches* on any biotechnology or business methods patent applications filed by U.S. residents or nationals with the USPTO or the International Bureau (IB) as of March 1, 2002.

The EPO also will not carry out international preliminary *examinations* on patent applications with any claim relating to biotechnology, business methods or telecommunications filed by U.S. residents or nationals with the USPTO or IB after March 1.

The mounting EPO workload is likely the primary reason for the action. Because the USPTO was demanding that its examiners use less time for PCT searches and rely more on the results of their initial search, U.S. patent applicants appeared to turn to the EPO for more thorough PCT work. Patent applicants' concerns are validated by a recent USPTO proposal to have patent technical support staff repeat on the PCT search what was in an examiner's initial search report without having the examiner double-check and do an update.

The EPO action signals U.S. patent applicants that they will no longer be able to turn to the EPO to ensure a comprehensive PCT search.

USPTO Director James E Rogan recently stated at an international conference that the United States wants to increasingly "rely on the searches and examinations already done by other patent offices." Ironically, while the USPTO prefers not to do the PCT work, neither does the EPO.

Court Allows Carlyle Construction

The U.S. Court of Federal Claims rejected claims by Chas. E. Smith Co. and the General Services Administration that the new building lease modifications were actually new procurement that the government had to open to competition. The court's ruling on March 18 allowed building at Carlyle to go forward.

Smith had also asked the court to enjoin a separate lease for adjacent office space and a parking garage, stating that it should be treated as a modification to the GSA lease. The court also rejected this argument.

While Judge J. Bruggink found that Chas. E. Smith Co. was injured, he found more compelling the public interest in the USPTO's consolidation of its operations. If the lease had to be reopened for competition, the office consolidation would be delayed for years.

Legal Studies and Other Issue Updates

The USPTO's payments to examiners enrolled in the Legal Studies Program have changed because of the need to withhold income and Social Security taxes. The agency now pays the student, and the student pays the school. Before, the USPTO paid the school directly.

The agency's aim with the new system was to reimburse employees immediately after they received their first bills, providing for early submissions so requests could be paid before the bills were past due. It hasn't worked out that way.

The problem with the new procedure is that the agency is not getting the money to the students in time for semester "bill due" dates. Students have had to use credit cards and take out student loans to cover their payments. POPA has proposed to work with the agency to ease the transition to the new system, but the USPTO appears very willing to allow the employees to assume the interest debt and the hassle involved in the current process.

18-month Publication Negotiations

The USPTO refused to allow bargaining unit employees official time to meet with POPA to voice their concerns about 18-month publication prior to beginning negotiations.

Under Article 14 of the collective bargaining agreement, and by past practice, POPA is entitled to hold all-employee meetings to communicate with and solicit direct feedback from bargaining unit employees on topics that affect them. The agency provides for these meetings on non-examining time. POPA notified the USPTO of its intent to discuss with employees the topics of 18-month (pre-grant) publication, Electronic Information Disclosure Statements (EIDS) and pay-related issues. The agency, ignoring its own past practice and its contract, refused to permit POPA to hold the meetings. POPA filed a grievance over this action, but felt compelled to represent employees in negotiations that are now ongoing.

When negotiations began in late February, POPA submitted 43 proposals to the agency for its consideration and response. As of press time, the USPTO had responded to only two. The agency has said that it will respond to those remaining, but had not as of mid-April.

Your Rights Can Help Your Career

Sometimes availing yourself of your right to disagree with a management decision can make a very big difference in the course of your career, and prove to be a relatively quick and simple process.

This was the case for one patent examiner who was denied full signatory authority after reviewers found one error more than allowed for success in the program. A reviewer had alleged that a prior patent by the same applicant was sufficient to fully meet a claim in the current case. The examiner knew that the error wasn't truly an error and, with POPA's assistance, verbally initiated the grievance procedure to state that the alleged erroneous allowance was in fact correct.

The process worked. The examiner convinced the group director that the reviewer had misunderstood the nature of the claims and what the examiner had said was allowable indeed was.

The grievant/examiner was granted full signatory authority and received back pay to the time that full sig should first have been granted.

SHORT TAKES

Patent Pros Will be Part of Special Pay Rate Lawsuit Settlement

Any patent professionals who were paid as special salary rate employees between 1982 and 1988 – and did not receive raises equivalent to the standard yearly regular pay raises – are part of a class that will receive more than $173.5 million as part of a settlement between the National Treasury Employees Union (NTEU) and the U.S. government.

NTEU confirmed that patent professionals that meet the above criteria qualify for the backpay. The job series of the approximately 212,000 current and former employees covered by the settlement have not yet been determined.

Class members do not need to do anything to claim money they may be owed. Following final court approval, each class member who is entitled to a recovery under the settlement must submit a "claim form," and will be included in distribution packages mailed to class members following final court approval of the settlement.

Further information is available at a new Web site, www.SpecialRatesSettlement.com, and telephone hotline at 800-750-3406.

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