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USPTO Revised Strategic Plan Cedes Control to Private Searchers

The USPTO is asking Congress for the power to contract patent searches "from a qualified search authority"—which could include foreign patent offices and commercial search providers—as part of the agency's recently proposed USPTO Fee Modernization Act.

The Fee Act would provide a refund of the search fee to "any applicant who provides a search report that meets the conditions prescribed by the Director," thereby negating the near unanimous patent community opposition to allowing the applicant to control the search. (The "conditions prescribed" were not outlined in the legislation.) This carefully chosen legislative language gives the director authority to do what was proposed in the first strategic plan, and denounced by the intellectual property community, by allowing applicants to submit their own search.

The USPTO claimed in the Revised 21st Century Strategic Plan, "Based upon the valuable and insightful feedback we have received from our constituency groups ... USPTO will contract with private sector commercial search organizations in lieu of the previously proposed requirement for applicant-commissioned search reports." But the agency can wholly circumvent this through Section 2(d)(1)(C) of the USPTO's proposed Fee Act, which was released concurrently with the agency's revised strategic plan.

Putting the Cart Before the Horse

The new strategic plan also says that, in response to constituent feedback on the first strategic plan, "USPTO will demonstrate the plan's concepts through elaborate testing and evaluation methods, most notably in the areas of outsourcing, quality enhancements and e-Government." It

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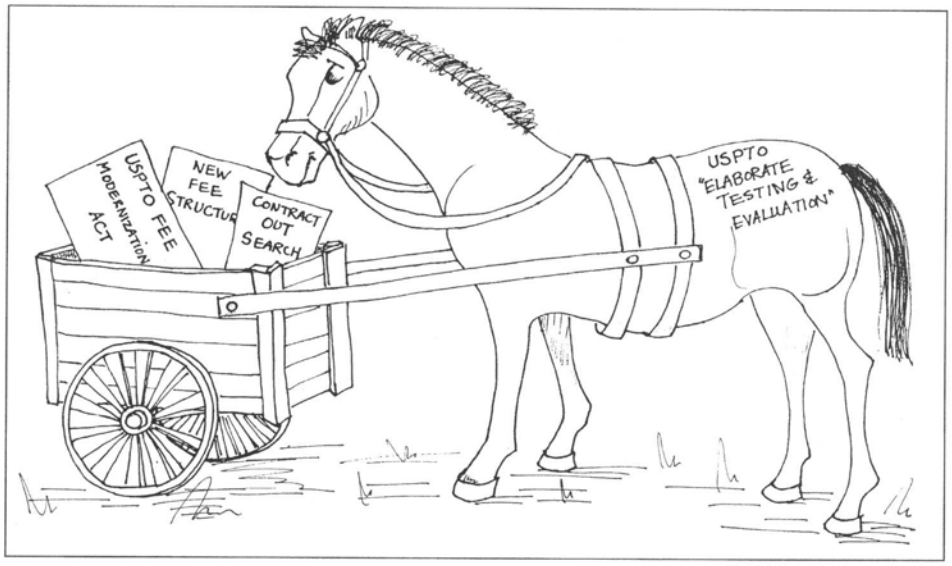

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USPTO proposes: Change the patent system first, test the changes later.

USPTO's Proposed Fee Bill Increases Costs for Inventors

In its proposed Fee Modernization Act, the USPTO is pushing to increase the cost to applicants to make it economically feasible to outsource the search.

Charging $500 for a search is an outright increase in cost for applicants. Conversely, allotting $500 for a search by a USPTO examiner would produce more than double the search that applicants receive today based on current employee salaries. This doesn't include other management, search engine and infrastructure costs, which will remain the same even with outsourcing.

The agency was not, and is not, willing to provide this level of resources for searches done by U.S. government employees. Would the USPTO be willing to structure the contracts to allow examiners to do the work as contractors themselves and get $500 per search?

Any separation of search and examination would be more expensive for applicants because it would require a duplication of effort. Both the person doing the searching and the person making the determination of patentability will have to read and understand the invention and the claims, will have to be educated as to the state of the art, and will have to read and understand each of the references selected in a prior art search.

Underselling Examination

On the flip side, the proposed $200 examination fee would not begin to cover the costs of the actual examination. Even for a case that has three or fewer independent claims or 20 or fewer total claims, $200 per examination is

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USPTO Revised Strategic Plan

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failed to say upfront, however, that the testing and evaluation would run after passage of the legislation enacting the new fee structure. Therefore the agency seeks to change the system permanently before knowing if the changes work.

The USPTO has proposed no methodology for a pilot and no independent testing or evaluation. Without a specific outline, the agency itself – the proponents of the program – could run the actual testing and evaluation, thereby prejudicing the outcomes. Allowing the USPTO to test the feasibility of contracting-out a search would enable the results to be a self-fulfilling prophecy. Without an independent evaluation of a pilot program before implementing the new fee structure and strategic plan, the USPTO just gives lip service to its constituents on the idea of "elaborate testing and evaluation."

Using Foreign Searches

Contracting searches, or accepting applicant-submitted searches, from "qualified" foreign patent offices abdicates U.S. sovereignty over the patent process.

Under U.S. patent law, an applicant is entitled to a patent unless the examiner can provide the evidence to show that the grant of a patent is not warranted. In other words, the examiner bears the burden of providing the evidence that will justify denial of a patent grant. Should we trust the citizen of a foreign country to affirmatively make the effort to find the evidence that will deny, to a company from his/her country, the property rights that a patent represents in the United States? To ensure that an examiner is worthy of that trust, the federal government requires its examiners to be U.S. citizens and to take an oath that they will faithfully carry out the laws of this country.

Only those who have an emotional tie to the United States should be trusted to make the necessary affirmative effort to find the correct prior art to enable a correct determination of patentability. Even the most experienced and knowledgeable examiner cannot produce a valid examination without a search that yields the most pertinent, combinable prior art.

Built-in Conflicts of Interest

Examiners who make decisions on patentability file a confidential financial disclosure statement to provide evidence that they have no financial interest in any of the companies— or the competitors of companies—whose patent applications they review. In addition, patent examiners are incapable under 35 U.S.C. 4 of "applying for a patent and of acquiring, directly or indirectly, except by inheritance or bequest, any patent or any right or interest in any patent issued or to be issued by the Office."

As public servants, patent examiners' loyalties are solely and exclusively directed to maintaining the public interest. The U.S. Code section cited above was crafted with the expectation that it would apply to the search function as well as all other aspects of examination. The same standards must apply to contract searchers.

Existing commercial entities that would be large enough to be able to handle the volume of searches required by the annual USPTO application throughput already have a conflict of interest (based either upon their own interest or those of other subsidiaries of a common parent company) in existing patents or in pending applications or both.

Would a parent company be willing to have all its subsidiaries forswear ownership of patents in order to contract with the USPTO to search? If not, and companies who search are financially tied to patent owners, how will the agency deal with this inherent conflict of interest?

Ignoring Key Patent Community Input

The bedrock of the Revised 21st Century Strategic Plan is the separation of search and examination, and the contracting of the search. While the USPTO in its introduction to the revised plan specifically thanked the American Bar Association's Section of Intellectual Property Law (among many others) for its "input and full support" of the new plan, the ABA in congressional testimony on the first plan last summer stated emphatically that "the search is part of the examination, and if the examiner does not do the search, it will not be done as well, which would weaken the presumption of that validity."

Members of Congress also oppose contracting the search. "It seems to me that conducting thorough searches is an integral part of the PTO's examination role," stated Rep. John Conyers (D-Mich), a member of the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property in testimony on the first strategic plan.

In addition, approximately one-third of USPTO examiners signed a petition to Congress in July urging "Congress to ensure that the prior art search remain part of our examination duties."

The search of prior art produces the facts upon which examiners rely to determine patentability. Judging patentability decides property rights worth millions of dollars. Removing the search from the hands of federal government employees removes control over patentability determinations. It represents a danger to the soundness of the patent system and the principles of integrity upon which it functions.

Proposed Fee Bill

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insufficient to adequately examine a case. Such a proposal is an insult to conscientious examiners who spend many more hours to do a proper examination. If enacted and examiners were forced to limit their amount of time examining, the proposal would force a radical change in the nature of examination, disabling an examiner's capacity to make a sound judgment.

Application fees don't cover total examination costs. The agency uses some of the additional fees, such as maintenance

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Proposed Fee Bill *(continued from page 2)*

and time extension fees, to offset examination expenses.

The proposed fee act gives the impression that the USPTO devotes more than twice the amount of time and effort to search over examination. The agency's suggested 500:200 ratio between time spent on search and examination would need to be practically turned upside down to more accurately reflect the work as it is done, and even then, would still exceed the average amount of search time.

A Tax on Invention

The administration intends to divert approximately $100 million from USPTO revenue in fiscal year 2004 to the general treasury. Additional fees equal a tax on invention, and a larger tax on small inventors.

The proposed fee bill would retain the current small-entity discounts on the application and examination fees, but would offer no search fee discount. The small-entity basic fees for application, search and examination would therefore double their costs under the fee bill proposed. The large entity fees for the same services would rise only 33 percent. The proposed Fee Modernization Act would discriminate against the small inventor.

In addition, the agency's bill, as offered, places no specific limit on the search fees charged to applicants. The legislative proposal states that the USPTO director shall establish fees "to recover an amount not to exceed the estimated average cost to the Office of searching applications for patent either by acquiring a search report from a qualified search authority, or by causing a search by Office personnel to be made, of each application for patent."

Though the bill language deemed the cost of a search by USPTO personnel to be $500 for most original patent applications, the cost of acquiring an outside search is unknown and likely to rise yearly. The USPTO's fiscal year 2004 budget projects that the average cost for contract searches will be more than $800 each by FY2008. No language in the bill delineates any limit on the "estimated average cost."

One Good Thing

The suggested fee reform also provides for several increases in excess claim fees. The proposed fees for extra independent claims over three, extra total claims over 20, and extra pages of specification are all justified by the extra work required for their examination. However, the agency so far has not committed to provide extra time to examiners to do the extra work for which these fees are earmarked.

Submitting Public Transit Subsidy Requests Via E-mail

When submitting Public Transportation Subsidy application forms by e-mail, employees must send the application form as an attachment, according to the USPTO.

POPA and the USPTO first negotiated the agreement in 1999. In May 2002, they agreed on a new Public Transportation Subsidy program that grants up to $100 per month to each qualifying employee to offset commuting costs via public/mass transit. Applications must be submitted no later than the first business day of the month preceding the month for which the subsidy is requested.

Unfortunately, an employee learned the hard way that application forms could not be submitted within the body of an e-mail when the USPTO refused to provide the transit subsidy to the employee because the request was not submitted as an attachment. Though the application contained all the necessary information for processing (including address, detailed description of commuting costs, a copy to the supervisor, etc.), the USPTO claimed that the application was not complete as it did not contain the box that is checked in the case of an address change (even though the employee's address had not changed). As a result the agency would not honor the request.

Interestingly, the USPTO had honored the employee's initial request, submitted in identical form, for the previous three month period.

The requirement to send the request as an attachment

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Special Rates Settlement Payments Likely in 2003

Patent employees who received special salary rates between 1982 and 1988 could get an extra check before the end of 2003 as the result of recent court approval of the $173 million settlement of the National Treasury Employees Union (NTEU) long-running special salary rates class action.

In December the U.S. Court of Federal Claims approved the back pay award. The order became final in February. NTEU will send packages of materials to the class of some 212,000 current and former special rate federal employees sometime this spring—with payments estimated to follow in late 2003. Each package would include information describing the amounts the current or former federal employee is owed under the settlement and the process for claiming those amounts or challenging the underlying data used in the calculations.

Affected USPTO employees don't need to do anything at this time. Instructions will be provided in the mailings.

However, if you never received a notice stating that you are a member of the class and you believe that you are:

- Call the Special Rates Line at 800-750-3406.
- Press 2 to hear answers to frequently asked questions.
- Press 4 to speak to a representative; you will need to provide your name, address and Social Security number.
- If you received a notice but it was mailed to an incorrect address, send a letter briefly outlining the situation and stating your new address and Social Security number to:

Special Rates Settlement
P.O. Box 4068
Portland, OR 97208-4068

Tell Job Applicants of Production Goals Before Hiring, Inspector General Says

When recruiting candidates for patent examiner positions, the USPTO should "be very candid and direct with applicants regarding what the work entails before they are hired," concluded a report on patent examiner hiring processes released in March 2002 by the Department of Commerce Office of the Inspector General (IG).

In its discussion of the high attrition rate, particularly among newly hired examiners, the report stated:

> "During our interviews with some of the former patent examiners, they expressed concern that neither productivity requirements nor job requirements were adequately explained to them during the pre-employment interviews. As one former patent examiner complained, 'I had no idea what I was getting myself into.' Another former examiner said, 'There was simply too much pressure to meet goals and not sufficient time to do a thorough search.'...
>
> "...The reality is that the nature of patent examination work is difficult, often repetitive, and always time sensitive."

The IG's report added, "The loss of these new employees within such a short period of time is particularly troubling because of USPTO's sizeable investment in training new employees."

In his response to the IG, USPTO Director James Rogan stated, "We have incorporated into our recruitment literature reference to our production system. Our recruiters are trained on the importance of describing our expectations along with the independence, responsibility, and flexibility that such a system provides....We intend to meet the recommendations in a diligent manner given the appropriate resources...."

USPTO Proposals for Transition to Carlyle

POPA and the USPTO are negotiating the implementation of the agency's coming move to the new Carlyle campus and its impact on patent employees. The USPTO anticipates that the transition to the new site will take 12 to 18 months to complete. During that time the workforce will be split between the two sites.

Following are just a few of the USPTO's positions on how best to accomplish the transition. The agency proposes:

- To refuse to move any personal items, including professional awards and certificates (such as full signatory authority certificates) and furniture, such as file drawers or bookcases.
- No "other" (or non-production) time for employees to pack or move any personal items or furniture.
- No new furniture for examiners, though all new furniture was previously promised to induce employees to lessen the opposition to the Carlyle move.
- To make individual move coordinators responsible for all decisions concerning what furniture to move with no employee right to appeal.
- To disallow employees with handicapping conditions or special needs, for which they have brought furniture to their offices, the ability to move and use that same furniture.
- To refuse to move paper search files for employee use—including foreign patents and non-patent literature, which are not in electronic form.
- To disallow employee shuttle bus use between sites for reaching the credit union, fitness center or car pools.
- To allow shuttle bus use only for official business. The agency has not outlined how employees are to prove official business purposes, e.g., will individuals have to show work papers or a supervisor's note before stepping on?
- To operate the shuttle bus for fewer hours than the USPTO's own proposed "facility operating hours" of 6 a.m. to 7 p.m.
- To disallow "other" time if computers aren't installed timely after the move. Employees will be expected to be able to work as if working at home, with no computer, for up to 12 hours.

Submitting Public Transit Subsidy Requests Via E-mail

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was not part of the negotiated agreement, nor was it ever discussed at the bargaining table. POPA has filed a grievance on the employee's behalf.

To assure employees that their application has been properly and timely submitted with the necessary documentation, Office of Finance Representative Tom Hellmer stated at the informal grievance meeting that his office and that of the Transit Subsidy coordinator would welcome separate inquiries from any/all employees submitting a transit subsidy form/request. When submitting these inquiries, tag e-mails for return receipt and retain copies for your records should a problem arise. Please also remember to copy your supervisor when submitting the transit subsidy form/request.

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