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USPTO Offers Empty Pledges on Fee Diversion and Pilot Programs

Two patent community organizations testifying before Congress in early April supported the USPTO's Revised 21st Century Strategic Plan in exchange for hollow administration assurances of continued decreased fee diversions and adequate testing and examination of the plan before implementation.

As proof of the administration's intent to decrease fee diversions, representatives of the Intellectual Property Owners Association (IPO) and the American Intellectual Property Law Association (AIPLA) both cited in their testimony a March statement by Commerce Secretary Donald Evans: "To support technology innovation and provide for intellectual property protection, the Department is working to eliminate the practice of using USPTO revenues for unrelated federal programs."

AIPLA Executive Director Michael Kirk stated that AIPLA's support for the strategic plan is "based upon the assumption that the Bush administration would effectively address the issue of diversion, noting that our members would insist that we strongly oppose any proposed fee increase that does not include an appropriate solution to diversion."

However, he went on to note that, "... the president's budget does not recommend an end to diversion, and executive branch officials have not set any date for eliminating diversion...."

POPA also observed this lack of commitment on fee diversion. "There is not a single provision in the agency's proposals that would put an end to the continued diversion of USPTO fee income through the appropriations process," testified POPA President Ronald Stern. "Any belief by some that passage of this bill will induce appropriators to reduce the amount of fee diversion is not based upon any written commitment or even the oral commitment of those responsible for appropriations."

The administration has proposed a fiscal year 2004 fee diversion level of $100 million, down from its proposed FY2003 fee diversion level of $162 million. This is based on USPTO fee collection estimates. The actual fees collected tell a different story. The projected actual FY2003 fee diversion – representing the difference between the congressional USPTO appropriation and actual fees collected – will only be $21.8 million. In FY2002, the actual fee diversion was $22.2 million. In FY2001, it was $45.6 million. In comparison, diverting $100 million as the administration proposed would represent a huge increase.

The proposed $100 million diversion would also return the diversion level to what it was approximately in 1997. The fee diversion level averaged less than half of $100 million between 1992 and 1997.

The hearing on the USPTO's revised Strategic Plan before the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property included four witnesses: (from left to right) Ronald Stern for POPA, John Williamson for IPO, Michael Kirk for AIPLA and James Rogan for the USPTO.

Testing and Evaluation Paradox

IPO and AIPLA supported testing of the strategic plan before its widespread use. "Where appropriate, pilot projects should be completed before office-wide introduction of new procedures," stated IPO President John Williamson, later adding, "we support the outsourcing initiative provided there is adequate testing and evaluation...."

AIPLA also backed "full implementation of the PTO's 21st Century Strategic Plan, following successful testing and pilot projects," said Kirk. But he later added, "AIPLA strongly believes that the revised fee bill should become effective October 1, 2003."

With a USPTO-proposed implementation date five months from now, and with no pilots underway, proper testing before the suggested launch date is impossible.

Separating Search and Examination Harms Quality

Outsourcing the search function will hurt patent quality. "Examiners' expertise is continuously refreshed through the significant amount of time examiners spend searching the patent and non-patent literature in their assigned area of

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technology," testified Stern. "The expertise of examiners will be diminished rather than enhanced by separating the search from examination. This will reduce the quality of patent examination."

Private sector searchers will not be as qualified to search as patent examiners, who are specialists in a relatively narrow area of technology. Commercial searchers will most likely be generalists because there is only one USPTO but there will be multiple, competing search firms. Only the USPTO will have the volume of work to allow the current level of examiner specialization. In addition, only the USPTO has certain search resources, such as a set of foreign patents prior to 1995 that have been classified according to the U.S. Patent Classification system. Most importantly, examiners are knowledgeable in patent law and thus trained to identify references that can be legitimately combined under the law.

Rogan also recognized that separating search and examination is undesirable. As he said in a town hall meeting with employees in September 2002, "…in a perfect world, we wouldn't be looking at undergoing such radical changes…." He repeated this sentiment at the congressional hearing. He then went on to explain that the reason for the new plan is that congressional appropriations committees are demanding that the USPTO increase examination efficiency.

During the question and answer session of the House hearing, Rogan said that European Patent Office President Ingo Kober in a letter stated that EPO's current change to combining search and examination was done only for efficiency, not for quality. "They did it for productivity reasons," said Rogan. This is an inherent admission that combining search and examination in one job is more productive. The money then saved through this efficiency can be used to increase quality by hiring more examiners and giving them more resources.

Many in the patent community place a higher priority on quality than on speedy throughput. "High patent quality is even more important than short patent pendency," stated Williamson at the hearing.

Combined search and examination gives the best value. It is possible to get high quality at a cost-effective price.

Who will update searches?

With the total outsourcing of searching, the USPTO intends to disallow all search time and tools for examiners. An intrinsic aspect of examination is the ability to update searches and deal with revised claim subject matter. Stripping examiners of all search time will reduce the quality of patent examination by forcing decisions to be based solely on the original search. Patent examiners will not be able to determine if a search is "complete" without conducting searches themselves. They will not be able to conduct supplemental searches as appropriate when the very search tools they use today are no longer available or properly maintained. They will be held ultimately responsible in each case, but they will not be allowed the necessary tools to perform their duties.

Last July, AIPLA's Kirk agreed. Commenting on the USPTO's first strategic plan, Kirk then stated, "the ultimate responsibility in each individual case must rest with the PTO examiner, to ensure that the search is complete in the first instance and to conduct supplemental searches as appropriate as the claims in the application are modified as the application advances through the examination process." However, AIPLA now supports outsourcing the search function.

Proposed Three-year Sunset Provision

AIPLA and IPO both strongly support a simple "sunset" provision "that would automatically revert the revised fee schedule to the current fee schedule after three years unless extended by the Congress," testified Kirk. "This would give the PTO and the [Commerce Department] three years to continue the effort they have initiated to reduce and/or eliminate the diversion of PTO fee revenues in the president's budget."

"A sunset provision would give PTO managers a strong incentive to achieve measurable goals on schedule," suggested Williamson.

In answering a question at the hearing about this provision proposed by IPO and AIPLA to authorize the new fee structure for three years only, USPTO Director James Rogan showed the administration's lack of commitment to an end to fee diversion. "Whether diversion ends one day or doesn't end, we still have a backlog of a half-million cases going to a million," he said.

USPTO won't be able to improve, "without the predictability of having fees," added Rogan, which meant increased fees.

Don't Allow the USPTO Director to Set Search Fees

The USPTO's proposed new fee structure would allow the agency to recover its annual average search cost by enabling the director to set the search fees each year. This is tantamount to granting the director a blank check that would be paid each year by patent applicants.

Both Kirk and Williamson opposed this facet of the legislation and urged that the new fees for searches be set by Congress, as is the case with other patent fees.

"After fee-setting was reviewed during hearings on the American Inventors Protection Act, Congress retained its fee-setting authority for the fees now in the statute," stated Williamson. "We believe this authority provides a desirable system of 'checks and balances.'"

Based upon the USPTO's budget request for FY2004, search costs are expected to rise from $500 initially to over $800 per case by FY2008. That amount is greater than the current large-entity basic filing fee of $750.

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Protecting Examiner Integrity

POPA testified in opposition to many of the 21st Century Strategic Plan proposals that would be more punitive than productive for examination. These initiatives include such proposals as recertification of primary examiners and supervisors, requiring passage of the examiner-relevant portions of the Patent Bar Exam for promotion to GS-13, quadrupling the number of work product reviews for primary examiners, and expanding the "second pair of eyes" review.

"POPA believes these initiatives represent a burdensome imposition of managerial authority designed to increase control rather than enhance quality," testified Stern.

POPA's closing statement reflected a widespread sentiment among patent examiners. "Give the examiners more time and you will get better quality," said Stern. "Let me repeat: Give the examiners more time and you will get better quality."

Part-time Positions Available

Longer waiting times for promotions, forced office-sharing, and increased flexible schedules likely have contributed to the decline in requests for part-time positions within the patent corps.

The USPTO reported that as of Jan 28, 2003, 65 out of 80 childcare/eldercare slots were filled and only 8 of 20 retention slots were filled. This represents a marked decrease over the highest period of enrollment approximately 18 months ago when almost all the slots were reported to be filled.

This also means that part-time positions are now available. Employees interested in learning more about part-time opportunities and application procedures can view the terms of the program at www.popa.org, click on Useful Info and then Part Time under the Agreements heading. Forward completed applications to Janice Falcone (listed in the agreement as Janice Howell), a TC 2800 director.

No Pay Raise for Special Rate USPTO Employees

The locality pay increase touted in the newspapers won't make a difference to USPTO special rate employees. An increase can only occur for patent professionals if the USPTO makes a formal request (as outlined in the USPTO-POPA Millennium Agreement) and the Office of Personnel Management approves it. So far the agency has not made the request and the prospects, both for the request and its approval, are dim. Currently the USPTO special rate pay for Grade 14 Step 1 is only 7.3 percent greater than the Washington, D.C.-area General Schedule. The special rate incentive will degrade each year that USPTO and OPM do not act to make up the difference.

Under the Millennium Agreement, the USPTO is required to provide a substantially equivalent alternative if OPM refuses requests for maintaining special pay rates at the original differential relative to updated general schedule rates. When this happened last year, the USPTO refused to even discuss any program that did not provide a payback to the agency, such as increased production, that would offset the cost of additional pay. Since POPA believes employees already gave an adequate *quid pro quo* in the Millennium Agreement, a remedy is being sought via the grievance procedure, which includes arbitration by a neutral third party.

Recruitment Bonuses End; Retention Incentives Stagnant

The USPTO announced in April that effective immediately the agency will no longer pay recruitment bonuses to new patent examiners. "We have concluded that such payments are contrary to law because we no longer face recruitment and retention problems sufficient to justify such payments," the agency stated.

The USPTO also believes that retention incentives aren't necessary. It has refused to restart payments for the Non-Duty Hours Legal Studies Program. The agency ceased tuition payments with the spring 2003 semester and will not begin them again in the fall.

Hastings Departs as POPA Secretary

Karen Hastings has left her post as secretary of POPA to become a quality assurance specialist. That position is currently classified by the USPTO as a non-bargaining unit position.

Howard Locker has been elected by the POPA Executive Committee to replace Hastings as secretary. Locker has served more than a decade as a Chemical area delegate and is currently POPA director of adverse action challenges.

Hastings served with distinction as a POPA delegate for the Chemical area since 1992, and as POPA secretary since 2000. She held a leadership role in negotiating numerous agreements with USPTO, including:

- Initiatives for a New Millennium Agreement, 2001
- Comp Time, E-Mail and Part-time Agreements, 1997, 1999
- New Patent Rules Agreements, 1997, 2000
- Honor Awards Agreement, 1998
- GATT (20 year term) Agreement, 1995
- Family and Medical Leave Act Agreement, 1994
- 1993 Maternity/Paternity Leave Policy, 1993

POPA will miss her dedication, her quick and sure grasp of complex issues and her leadership, and wishes her well in her new endeavors.

LETTERS TO POPA

Beware of "Temporary" Transfers

A flyer came out stating, "The temporary transfer will last up to one (1) year and may be made permanent upon mutual agreement of the parties."

I e-mailed my current supervisor and asked, "...will you take me back if I don't like it?" He replied with one word, "YES." The supervisor of my new art unit told me that I could stay in my old art unit.

After trying the new art for about two months, I officially notified my former supervisor that I wanted to come back. I got a cold shoulder. My new supervisor told me that the transfer was not going through—the director was holding it up. The program's application and past practice makes clear that one can go back to the previous art as soon as one requests to do so within a year.

I met with the director. He stated that he doesn't like it when people leave thinking they can come back when they want to, and because of my grade he doesn't have to take me back. I pointed out to him that the agreement stated that I could come back at the time of my choosing, and presented e-mails from the supervisors stating that I could come back. He said he would think about it.

Two weeks later my supervisor notified me that the director felt that I hadn't given the new art enough time and that I would have to wait until the beginning of the fiscal year to be transferred.

A week before the end of the fiscal year I was notified that I was to be transferred to a completely different group.

I have documentation that my old art had a backlog of cases. They actually had to shift examiners from other arts to cover the backlog. These shifts occurred even after I had asked to come back.

I had discussions with both supervisors. Both stated that the issue was out of their hands and that it was the will of the director.

Now, I am stuck in a new art with 9 months (including the 6 months after you become a 13) until I "could" start the [signatory authority] program. I say "could" because I will not be able to participate in the program until I have much more familiarity with this new art. I will have to wait a year, if not more, before I start the program. That is an extra year of producing at a GS-13 level when I would have been on the program producing at 110% of a 14. The Office then loses a year that I would have been a primary. Over the term of a career, a year setback can cost the Office a lot of counts. Is this not counter to the mandate given to the Office?

Remember two things, no matter how many facts you have on your side (written agreements, established policies, assurances from your supervisors, and logic): the director doesn't have to adhere to them, and you must file a grievance within [20 calendar] days of the infraction.

(I missed out.... don't you.)

—Author Name Withheld

2002 POPA Cash Flow and 2003 Budget

	2002 Actual	2003 Budget
Income		
Dues	$195,730.00	$204,100
Interest	$ 2,811.71	2,800
FLSA Costs*	$ 28,520.00	
Total Income	$227,061.71	$206,900
Expenses		
Litigation and lobbying	$ 88,361.08	$105,000
Newsletter	$ 28,375.84	$ 35,000
National Activities	$ 6,967.25	$ 10,000
Books & Periodicals	$ 5,371.11	$ 10,000
Elections	$ 3,222.63**	$ 0
Administrative	$ 8,267.14	$ 11,500
Membership	$ 11,534.55	$ 14,000
Membership Meetings	$ 6,776.46	$ 10,000
Capital Expenditures	$ 0	$ 6,000
FLSA Costs	$ 28,520.00*	$ 0
Total Expenses	$187,396.06	$206,500
Net Addition to Reserve	$ 39,665.65***	$ 400

Notes

*FLSA database and accounting expenses needed to administer FLSA settlement payments to employees were incurred by POPA and reimbursed by the USPTO.

**Election expenses are incurred only in even numbered years.

***Reflects funds earmarked for an arbitration that settled and two arbitrations begun in 2002 but carried over into 2003 and no capital expenditures.

National Activities: Membership dues and conference fees for national organizations such as Public Employees Roundtable and the Society of Federal Labor Relations Professionals, and training.

Administrative: Includes expenses for accounting, secretarial, postage, office supplies, insurance, equipment and software, service charges and miscellaneous.

Membership: Membership incentives, including purchases of *The Federal Personnel Guide* for current and anticipated new members.

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