POPA NEWS
Patent Office Professional Association
December 2004 – January 2005 Vol. 05 No. 1

Reassess Examiner Production Goals, Inspector General Tells USPTO

The Commerce Department Office of the Inspector General (OIG) recently recommended that the USPTO assess and revise patent examiners' goals to reflect work process efficiencies "resulting from automation and other enhancements." The OIG study discounted examiner and patent user testimony regarding increased patent complexity and production pressure since the goals were set in 1976.

In its report, "USPTO Should Reassess How Examiner Goals, Performance Appraisal Plans, and the Award System Stimulate and Reward Examiner Production," the OIG listed as a key finding, "Goals have not changed since 1976 to reflect efficiencies in work processes and improved technology." As proof of this, the OIG decided that production goals "may be too easily obtainable" because 95 percent of art units processed applications in less than the time allotted. It therefore recommended revising the goals.

The OIG drew this conclusion by misapplying some facts and ignoring others, particularly regarding the increase in complexity of patent applications and searching over the last 30 years.

Laughable Finding on Complexity

When POPA reported to its annual meeting in early December on the OIG's discovery that patent complexity had not increased significantly in the last five years, the audience of patent professionals laughed out loud.

The OIG said that goals set in the 1970s don't account for the vastly increased USPTO use of technology. The USPTO uses computer technology in three ways that impact examination: automated search tools, automated office-action writing software and electronic file wrapper maintenance. None has shown time savings.

When told of increased patent complexity, the OIG pointed to most art units processing applications in less time than allotted goals. The OIG also said that the USPTO had "cited seven statistics as reasonable indicators of patent complexity, none of which showed a noteworthy increase in complexity."

One of the OIG's statistical findings demonstrates the OIG's confusion: "The number of hours for first actions on the merits—a subset of total examiner hours per application—has remained virtually unchanged through the years—averaging 18.5 total hours per application in fiscal year 2002 compared with the 1998 average of 18.3 hours." Examiners wish they had that much time.

Given that a first action usually takes about half of the total examination time per case, the OIG should have recognized that these numbers were contradicted by the statistics that it listed to prove the lack of increased patent complexity, namely the OIG's claim that the estimated average hours to process the different types of applications have only risen slightly and ranged from 21.5 to 22.1 hours per application.

Another cited statistic indicates the OIG's lack of knowledge about patent processing. It lists differing figures for the "grant" rate and "allowance" rate as if these have any significant difference. The concept of "grant rate" is not a

(continued on page 2)

Law School Program Reinstated, Dudas Announces at POPA Meeting

Director Answers Questions on Outsourcing, Recertification

USPTO Director Jon Dudas on Dec. 9 announced the reinstatement of the Non-Duty Hours Legal Studies Program, which POPA and the USPTO agreed upon in 1998 and which the USPTO unilaterally suspended in September 2002.

The law school program "will be reinstated," Director Dudas declared before a roomful of examiners, who applauded the announcement at the POPA Annual Meeting. While Director Dudas noted that the USPTO had halted the program "to cut costs," the program "attracts and retains employees and it's a wise use of resources," he added.

Excited employees spread the news of the revitalized program throughout the gratified patent corps.

Following the POPA meeting, the agency sent a memo to managers announcing the program and requiring applications for law school tuition reimbursement for the coming 2005 semester to be submitted by Dec. 17. It didn't specify paperwork requirements and to whom to submit the application. A later undated memo sent the week of Dec. 13 to managers for chain-of-command distribution extended the deadline to Dec. 22 or two weeks prior to the end of the registration period,

USPTO Director Jon Dudas (right) answers audience questions with POPA President Ronald Stern during the 2004 POPA Annual Meeting in December.

(continued on page 4)

Examiner Production Goals

(continued from page 1)

meaningful term in the patent community; it would be Greek to most patent professionals.

The OIG swallows whole the idea that technology has reduced search time. The USPTO has never statistically proven that overall search time is less given these technologies versus the older search methods. In 1988, the USPTO-commissioned Mitre Study 21 showed that technology did not speed searching. No rigorous studies have been done since.

In deciding that improved technologies resulted in "efficiencies in work processes" that require the revamping of production goals, the OIG gave no consideration to the increased volume of patents and the world's technical literature that needs to be searched and its impact on search times.

Even if technology eases some aspects of searching, the search is just one small part of examination—the larger part, an individual's reading and understanding, hasn't gotten any easier and in fact likely has gotten harder with the increased sophistication of technology, the increased number of claims, and larger specifications. Computerized word processing may have speeded the ability to use form paragraphs, but the increased USPTO demand for detail and explanation for the rationale to support rejections—demonstrated by the increased average length of office actions—counteracts any word processing gains.

The final example of dubious technological time savers is the Image File Wrapper (IFW). While IFW may enable the USPTO to save money by reducing its clerical staff, it has shifted the workload to examiners and increased their amount of work time needed per case.

When told that many examiners devote hours of voluntary overtime to reach their production goals, the OIG decided that if the agency didn't measure voluntary overtime, it must not exist. "PTO does not document voluntary overtime because there are no sign-in/sign-out requirements. Therefore, based on PTO statistics, most examiners use less time per application than they are allotted," scoffed the OIG report.

Shortsighted Hindsight

In the course of evaluating prosecution complexity, the OIG looked at the number of claims per case and concluded that they haven't risen significantly. The OIG used the incorrect statistical baseline, but even using those incorrect numbers the increase is significant. Because the OIG cited that goals haven't changed since 1976 in its rationale for the need to change production goals, the proper baseline is the number of claims in 1976. Its statistics go back to only 1998.

In January 2000, POPA published a study of the increase in high-claim-count patent applications since 1976 up to 1998.

Percentage of Patents With at Least "X" Issued Claims

Year	X=13	X=23	X=37
1976	23.4	5.9	1.4
1987	32.3	9.0	2.3
1998	47.8	16.9	4.9

By indicating the increase in high-claim cases versus the average number of claims, these figures show that the overall time to review cases is higher.

The OIG states that the average number of claims filed in 1998 was 18.4 and rose to 23.5 in 2002, a rise of "only about one claim per year." However, viewed as a percentage increase in total average claims, the statistics look different.

Increase in Original Claims per Application per Year

	Claims in Filed Apps.	Percent Increase	Cumulative % Increase
1999	19.3	5%	5%
2000	20.5	6%	11%
2001	22.2	8%	21%
2002	23.5	6%	28%

Based on these OIG findings of an approximate increase of 7 percent per year, examiners would gladly accept this incremental increase in their time per case each year.

The increase in total claims considered throughout the prosecution of an application is the true measure for productivity purposes. The USPTO and OIG can derive this figure easily by tracking fees paid for excess claims.

The OIG found that production award recipients decreased from 72 percent in 1999 to 61 percent in 2003. This would also indicate that the amount of work and complexity has increased, forcing down that number.

Managers' and Examiners' Goals Should Differ

The OIG also found that examiner performance appraisal plans (PAPs) "are not linked to supervisor and PTO goals" and recommends revising PAPs to connect them. It specifically suggested setting PAPs to "better measure examiner success at processing applications within specified time periods."

To link PAPs to the USPTO goal of reducing pendency and to set time limits confuses enterprise goals with employee goals. Only management can control resources, such as the number of people hired, and therefore only management can control the fate of pendency. The amount of time management allows per case has a minor impact on pendency, but time is a major determinant of patent quality.

Incentives to work faster won't appreciably reduce the current 40-month pendency in some technology centers. If examiners could work a small percentage faster with incentives, it would reduce pendency only marginally. It's neces-

(continued on next page)

Examiner Production Goals

(continued from page 2)

sary to double the number of examiners to halve the pendency, which is a valuable goal. Small reductions in pendency are not that important to patent applicants as evidenced by the sizable fees that they pay for extensions of time.

By recommending that the USPTO set work goals "within specified time periods"—also known as date goals —the OIG ignores the examiners' long-standing requirement to handle cases in date order. The OIG also seems unaware that management controls the size of an examiner's docket. If the OIG's logic is that examiners with larger dockets should be required (simply by virtue of their larger dockets) to work faster to meet date goals, the consequences will be that employees will be forced to take shortcuts that will reduce examination quality.

Dangling a Carrot

The OIG report defined an important issue: Should production awards be set at a level achievable by most employees or should they be always just out of employees' reach? The OIG didn't hide its position that production goals now "may be too easily obtainable."

The OIG recommended revising production award criteria because it found, "Production awards did not improve production because production decreased from 113 percent and has remained at about 110 percent."

To scientifically test if production awards improve performance, one must hold all other factors constant to measure the impact of changes in production awards. This is the approach taught to every school child testing a hypothesis during a science fair project. However, the OIG got it backwards. Virtually the only factor that has remained constant is production awards. If production awards did not change over the years, then some other factors must have caused the differences in actual production. Logic categorically refutes the OIG's conclusion.

The OIG statistics don't show that awards were ineffective but do show an increase in prosecution complexity and an increase in the other activities that require examiners to spend more time per case.

Awards to Motivate All Employees

The OIG noted that while most examiners achieve at 110 percent, relatively few consistently achieve more. It concluded, "An addition of one or two award levels between 110 percent and 120 percent might increase examiner production."

Review Time Sheets for Errors

The USPTO discovered errors on 650 examiners' time and attendance sheets for pay period 22. Please review your pay stub to assure that you were charged correctly for leave and fully paid for overtime.

Indeed, a majority of examiners at the POPA Annual Meeting in December raised their hands in support of setting an award level at 115 percent of production. [Even more indicated their approval for a new award level at 105 percent.]

The OIG concluded that very few employees receive higher awards due to the lack of incentives. The awards pay a 5 percent bonus to achieve 110 percent, but only 2 percent more to reach 120 percent and an additional 2 percent to reach 130 percent of production. For most employees, the reward is not worth the sacrifice.

Setting production goals and awards at levels achievable by the majority of examiners motivates them to work their hardest. If only the top 20 percent of the patent corps can reach the goal, the remaining 80 percent see the award as out of reach. It acts as a disincentive, creating frustration and low morale. The organization depends more for overall success on the 80 percent majority than on its most superlative achievers. It's more critical to maintain the motivation of the 80 percent than it is to motivate the top 20 percent. Employees who continue to achieve at the higher levels stay motivated to keep that award.

USPTO Culture Sacrifices Quality

The USPTO culture has evolved since 1976 when the production "stretch" goals were set. Now the agency expects examiners to reach 110 percent of goal to achieve supervisory approval. The significant number of examiners who rate fully successful at 95 percent to 100 percent understand that they are on the edge of being pushed out of the agency. A "fully successful" rating isn't fully successful anymore.

The correlating factor to the production rate is quality. Speeding up the rate of examiner production to achieve goals will penalize patent quality.

To USPTO supervisors and managers, production is supreme. They essentially demand that examiners cut the corners from quality to produce more. If the USPTO reduces an examiner's time per case, employees will be forced to meet production standards by looking the other way on quality, as will their supervisors and managers.

Inaccurate Quality Measures

The OIG determined that the quality of patent examination has improved based on several measures that are not reliable indicators of quality, such as affirmance rates and appeal rates. Affirmance rates and appeal rates depend upon a complex set of factors and don't directly determine quality. In addition, the OIG completely ignored the wide public criticism of patent quality that has been published in recent years.

The OIG did review error rates, which are a true measure of quality, but it relied on misleading numbers. The OIG looked at error rates from allowance reviews while excluding the higher error rates associated with in-process reviews. The allowance reviews are not currently reliable

(continued on page 4)

Examiner Goals *(continued from page 3)*

quality indicators because the USPTO halved the amount of time per allowance review and changed the review parameters in 2002. Comparing statistics prior to 2002 with those after, based on a different review dynamic, is like comparing apples to oranges. Using those figures to support an increase in quality creates erroneous results.

Nonetheless, the OIG stated that the error rate fell from a recent high of 6.6 percent in 2000 to 4.4 percent in 2003. It didn't include the 2004 error rate of 5.3 percent, indicating a reverse of what it considered the USPTO's quality improvement trend.

Other problems with the OIG's conclusion that patent quality has improved: It counted as independent parameters both examiner error rates and the number of applications reopened, which the OIG didn't realize is the same thing as examiner error rates. It looked at the examiner allowance rate and the examiner grant rate, which also are virtually the same measure. It reviewed cases affirmed on appeal and found that they've increased in the last five years, but if the OIG had looked at affirmed cases in the 1970s it would have found that approximately 70 percent were affirmed then, down to 48 percent in 2003.

The USPTO had 60 days from the September publication date of the OIG report to respond with a plan. The OIG stated that the USPTO initially had agreed with its findings, but the USPTO has not made public its required action plan for remedying the situation. To view the OIG report in its entirety, go to *www.oig.doc.gov/oig/reports/2004/*

Law School Program *(continued from page 1)*

whichever is later, for courses starting after Dec. 8, 2004.

POPA is continuing its grievance seeking retroactive reimbursement for examiners left holding the bill for law school courses for which the USPTO had agreed to pay. The grievance arbitration hearing has occurred. POPA will be submitting post-arbitration briefs by Jan. 7.

No Examiner Favors Outsourcing

During the question-and-answer period following his remarks, one examiner questioned why the USPTO is pursuing search outsourcing when "no examiners favor it."

"We are the experts in the art," stated the examiner, saying no one else is better qualified to do a quality search.

Director Dudas responded that the agency proposed outsourcing as "a balance between pressures from inside the office and from outside."

He said the USPTO will investigate "work sharing" with the European Patent Office and will only consider search outsourcing in some arts. "In some areas where we don't have backlogs, it won't make sense" to outsource, he said, citing the mechanical arts as an example.

Search outsourcing is not cost effective. Both the searcher and examiner must spend time reading and understanding the invention, the claims and the references. Paying both for their time is wasteful and inefficient.

Attendees at the 2004 POPA Annual Meeting affirm their support for improvements in production awards. USPTO Director Jon Dudas and Deputy Director Steve Pinkos attended the meeting.

The economics of search outsourcing by the private sector differ. Private sector patent attorneys earn approximately $250 per hour or more; private sector patent searchers earn about $50-$60 per hour. Using a searcher saves high-priced patent attorneys money even if there's some duplication of work. But the USPTO would not save money because it would pay searchers the same or more per hour as it would examiners and it would duplicate service, thereby paying for the same service twice.

Recertification is an "Insult," Examiner Comments

One examiner told Director Dudas that completing, even successfully, the recertification process and the second-pair-of-eyes review was an "insult."

"Why does the office assume that everyone else knows more about my art than I do?" she asked.

"It's not a question of confidence in examiners—you are professionals," Director Dudas responded. He cited "subjective factors" and "issues" with some business methods patents as the rationale for the scrutiny. When an examiner noted, "We already have reexamination," Dudas invited employees to contact USPTO management with their concerns.

"If how we initiate things is negative, let us know," he said. "If there's a way to tweak it and improve it, let us know." Dudas encouraged employees to e-mail him directly with their comments with a copy to John Doll, adding the caveat, "Don't expect that every idea will be followed."

To help with follow-up on employee suggestions and ensure fair treatment, employees should e-mail to POPA a copy of their comments to USPTO management.

POPA Recognizes Service

POPA presented its 2004 service awards at its annual meeting on Dec. 9.

Lifetime Achievement Awards

Ed Miller has been the POPA equal employment opportunity expert and has handled many employee grievances. He took some tough cases before the Equal Employment Opportunity Commission and the Office of Special Counsel.

(continued on next page)

Ed Miller (left) accepts Lifetime Achievement Award from POPA President Ron Stern.

POPA Recognizes Service *(cont. from page 4)*

Ray Johnson has been a staunch defender of employee rights since the mid-1970s. He helped negotiate the POPA-USPTO contract. He helped in many arbitrations, once telling opposing counsel, "If you don't want to be called a liar, stop lying!"

Outstanding Service Award

Randy Myers gave countless hours of meticulous effort as an event planner and business manager, demonstrated compassion and sensitivity as an employee counselor, and provided compelling advocacy on behalf of patent professionals.

Randy Myers (left) was honored for outstanding service by POPA President Ron Stern.

POPA Vice President Larry Oresky (left) congratulates Distinguished Service Award winner David Robertson.

Distinguished Service Award

David Robertson devoted countless hours to representing his fellow employees in arbitrations. In one instance he was virtually in two places at the same time, acting as counsel in two arbitrations in the same day.

Grievance Director's Award

Bill Luther is the POPA Freedom of Information Act expert and also represents employees at arbitrations. In one instance, Bill assumed responsibility at a hearing on a moment's notice, and did POPA proud.

Volunteer Service Awards

Margaret Wambach ably represented the concerns of disabled employees in issues regarding safety, dignity and common sense.

Margaret Wambach accepts Volunteer Service Award.

Robert Ramsuer (left) receives Volunteer Service Award from POPA President Ron Stern.

Maria Fernandez and **Robert Ramsuer** served as Election Committee co-chairs. POPA also recognized the contributions of those who served on the 2004 Election Committee: Nahid Amiri, Steve Gravini, Allen Heinz, Celia Murphy, Mark Osele, James Peikari, Ruth Smith, and Ed Tso.

2005 POPA Executive Committee

	Telephone	Art Unit	Office
President Ronald J. Stern	571-272-2322	2872	JEF-3A25
Vice Pres. Larry J. Oresky	703-308-2581	3652	PK5-5B23
Secy. Howard J. Locker	571-272-0980	1661	REM-2C81
Asst. Secy. Pamela Schwartz	571-272-1528	1774	REM-10C75
Treasurer Randy Myers	703-305-4734	2644	PK2-6D12
Chemical Area Delegates			
Robert D. Budens	571-272-0897	1648	REM-3A35
Dell Chism	571-272-0962	1654	REM-3C11
Dr. Kathleen Duda	571-272-1383	1756	REM-9A65
Dr. Patricia Duffy	571-272-0855	1645	REM-3B05
Jennifer Graser	571-272-0858	1645	REM-3B09
Adrienne Johnstone	571-272-1218	1733	REM-7B19
Geraldine Letscher	571-272-1334	1752	REM-9D55
Frank Prats	571-272-0921	1651	REM-3A41
Dr. Larry Tarazano	571-272-1515	1773	REM-6A69
Electrical Area Delegates			
David Blum	571-272-1687	2813	JEF-7C19
Sheila Clark	571-272-1725	2815	JEF-6D65
Albert Gagliardi	S71-272-2436	2878	JEF-5C83
Raquel Gordon	571-272-2145	2853	JEF-9D25
Kim Lockett	571-272-2067	2837	JEF-10C73
Gene Munson	571-272-1659	2811	JEF-7A51
David L. Robertson	571-272-4186	2186	RND-2A75
Michael Shingleton	571-272-1770	2817	JEF-5D19
Scott J. Sugarman	571-272-2340	2873	JEF-3D11
Mark Tremblay	571-272-2408	2876	JEF-4A31
Margaret Wambach	571-272-1756	2816	JEF-4D11
Julie Anne Watko	703-305-7742	2653	PK2-4R13
Howard Weiss	571-272-1720	2814	JEF-5A15
Mechanical Area Delegates			
Geoffrey Akers	703-306-5844	3625	PK5-7A15
Philippe Derakshani	571-272-4925	3754	RND-10D65
David Isabella	571-272-4749	3738	RND-6D15
Vinh Luong	703-308-3221	3682	PK5-6D32
David Reip	571-272-4702	3731	RND-6B81
Michelle Thomson	703-306-4176	3641	PK5-3Y09
Kimberly Wood	703-308-0539	3632	PK5-6A33
Designs and Others			
Melanie H. Tung	571-272-2613	2911	REM-5B87
Caron D. Veynar	571-272-2646	2913	REM-5A25
Union Office	703-305-3000		CP1-509A
	571-272-2690		REM-2A48

Final 2005 Budget Mandates Hiring More Examiners

Congress acknowledged that the USPTO needs more patent examiners to reduce pendency by establishing in the 2005 budget a minimum number of examiners that the agency must hire, an action unprecedented regarding the USPTO.

The 2005 Consolidated Appropriations Act (H.R. 4818) provided in its USPTO appropriation that "not less than 5,057 full-time equivalents, 5,139 positions, and $759,021,000 shall be for the examination and searching of patent applications."

The overall 2005 USPTO budget increased by $302 million, approximately 25 percent over 2004, and includes no major capital investments in new technology systems. This, in addition to the specified minimum number of examiners, indicates that Congress recognizes that the only way to increase application throughput is to increase the patent examination corps. The growth in the amount and complexity of prior art, the number of applications and claims within each application—and the knowledge that the available technologies have already reached their productivity peaks—encouraged lawmakers to require the hiring of more skilled examiners to speed the process.

Concurrently, Congress designated a maximum number of hires for the USPTO Office of the General Counsel, giving that office not more than 244 full-time equivalents, 251 positions, and $31,906,000.

Outsourcing with Protections

While the bill authorizes a pilot program to outsource patent searches, amendments offered by Reps. Howard Berman (D-Calif.) and Lamar Smith (R-Texas) should protect search integrity. The amendments stipulate that:

- Employees contracted to search must be U.S. citizens.
- Searches regarding topics of national security may not be outsourced.
- Contracted searchers and search firms may not have direct or indirect financial interests in any patents or patent applications.
- The pilot may last 18 months, after which the Public Patent Advisory Committee evaluates and measures outsourcing's effects on patentability determinations, productivity, USPTO costs and applicants' costs.
- The USPTO must wait up to one year after the pilot for Congress to decide whether the agency should stop or continue outsourcing searches. If Congress fails to act, the USPTO may proceed with outsourcing.

A proper evaluation of search outsourcing after the pilot should show that separating the patent search from examination would duplicate services, ultimately costing the government more money that would be better spent on examination.

Fee Increases plus No End to Fee Diversion

Despite nearly unanimous lobbying by the patent community to end the diversion of patent fee revenue to the general U.S. Treasury, Congress did not stop the practice, signifying congressional intent to maintain oversight control of USPTO appropriations. In addition, Congress passed hefty patent fee increases, which many patentees were willing to accept in exchange for no fee diversion. The quid pro quo was a no-go.

The increases include:

- Fees for independent claims in excess of three rise from $88 to $200 per claim.
- Fees for total claims in excess of 20 rise from $18 to $50 per claim.
- Fees for the specification will be $250 for each batch of up to 50 pages over 100. (For example, 102 pages will now cost applicants an extra $250, and 152 pages will cost an extra $500.)

With these fee increases Congress recognizes that the expansion in application size and complexity requires more work by examiners and a greater cost that must be borne by applicants. Because applicants are paying for the extra time, examiners should get the extra time to do the work so that the USPTO's customers actually get what they pay for.

The appropriations legislation requires the USPTO to assume new financial responsibilities, including paying the Office of Personnel Management for part of the funding for current USPTO retirees. The USPTO is the first and only appropriated-fund agency to pay this fee, which takes needed funds away from the USPTO.

JOIN POPA

Patent Office Professional Association

Letters from readers are welcome. Address to:

The Editor, Patent Office Professional Association,
P.O. Box 2745, Arlington, Va. 22202
(703) 305-3000

Officers

Ronald J. Stern, *President,* (571) 272-2322

Lawrence J. Oresky
Vice President/Director of Grievances, (703) 308-2581

Howard Locker, *Secretary/*
Director of Adverse Action Challenges, (571) 272-0980

Pamela R. Schwartz, *Assistant Secretary/*
Director of Unfair Labor Practices, (571) 272-1528

Randy Myers, *Treasurer,* (703) 305-4734

Visit us on the Web at http://www.popa.org

© 2005 Patent Office Professional Association