POPA NEWS
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Fee Modernization Act Passes House

Contains More Limits than USPTO Had Hoped

The USPTO Fee Modernization Act (H.R. 1561) that passed the House of Representatives in early March will dramatically increase applicants' fees—particularly claims fees—without giving applicants any insurance that they'll get the extra examination time for which they're paying.

The bill contained more protections for employees, small business and the integrity of the patent system than the administration had originally planned, thanks in part to POPA's educational efforts and the championing of employees' concerns by Rep. Marcy Kaptur (D-Ohio) and other House members.

Conditions on Search Outsourcing

The bill would allow the USPTO to start the process of outsourcing the patent search, but an amendment by House Judiciary Committee Chairman James Sensenbrenner placed requirements on commercial entities that wish to be considered as a "qualified search authority":

- All individuals employed to conduct searches for the USPTO would have to be U.S. citizens.
- Only USPTO personnel may search applications that concern classified information.
- A commercial entity may not search an application if it "has any direct or indirect financial interest in any patent or in any pending or imminent application for patent filed or to be filed," the bill reads.

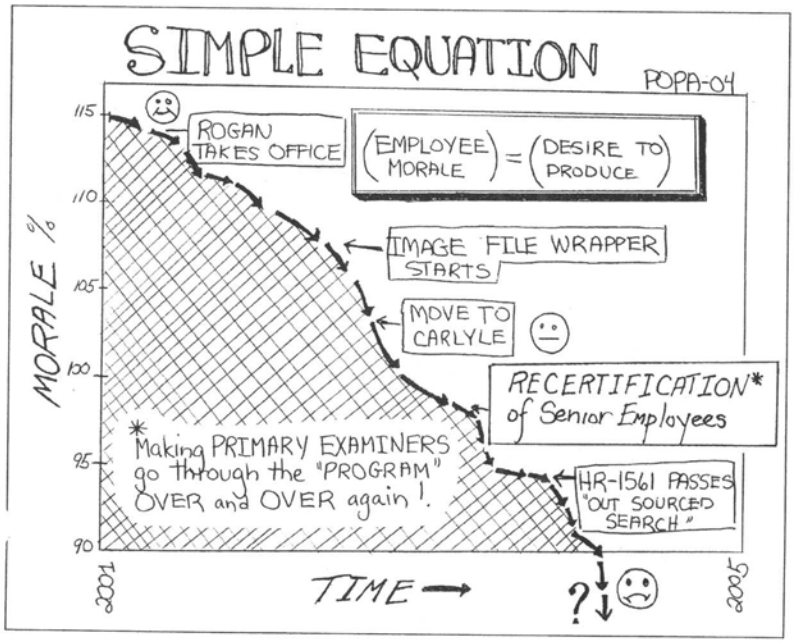
Most companies that currently would bid for the searching contract hold patents and would seemingly be excluded from bidding. However, the law's intent could be undercut if a corporation's subsidiaries could be deemed independent of other subsidiaries of the same parent corporation. The contracting process must be overseen closely to prevent such conflicts of interest.

Rep. Marcy Kaptur (D-Ohio) stood firm for USPTO employees' concerns during the House debate.

In arguing against outsourcing the search, Rep. Kaptur stated that Sensenbrenner's amendment would not prevent outsourcing to foreign companies that work within the United States.

"It doesn't matter if U.S. citizens are in those jobs," Kaptur said. "What matters is who owns the company."

Some House members pooh-poohed comments by Kaptur and others who spoke against the search outsourcing and separating search from examination. Many cited that outsourcing is not a threat to employees because the USPTO plans to hire 2,900 examiners under the proposed bill. This is not the gross number of new hires, but accounts as well for examiners hired to replace those who leave. And though the search outsourcing may not force any examiners out of work, it does affect the nature and integrity of patent examination, about which most examiners care deeply.



Pilot Program for Private Searching

The bill requires that the USPTO conduct a pilot program to evaluate private sector searching. It states that a permanent program will not be put in place unless the pilot demonstrates that the commercial searching is accurate and meets or exceeds the standards of searches now done by USPTO personnel. The agency must report on the pilot to Congress, including the methodology used to evaluate the pilot. The report must also assess the pilot program's effects, as compared to searches conducted by the Patent and Trademark Office, on patentability determinations, productivity, and costs to the USPTO and to applicants.

H.R. 1561 also requires the Patent Public Advisory Committee (PPAC) to review and report separately to

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Fee Modernization Act

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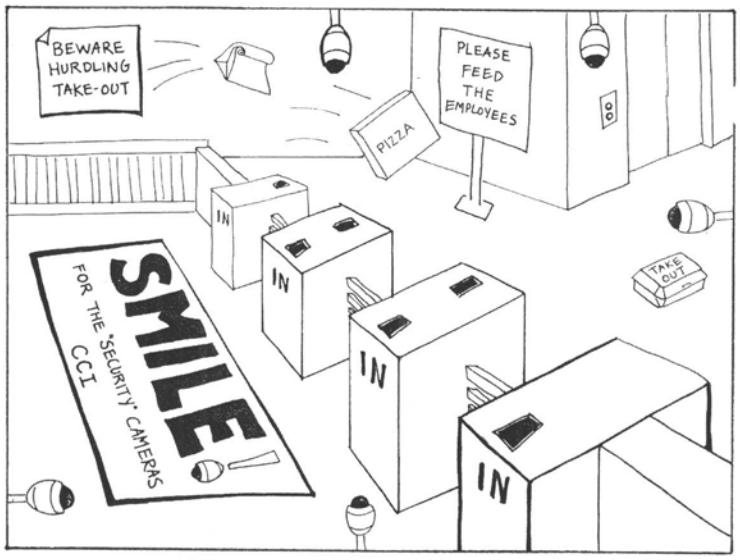
Congress on the pilot program. To provide truly independent oversight, the General Accounting Office should be required to also review the pilot.

The House also built in a one-year waiting period after the PPAC submits its report on the pilot program for Congress to deliberate the program's merits and whether it should become permanent. To stop private sector searching from becoming the new standard, Congress would have to enact another law within one year to prevent it. Rep. Berman had proposed a sunset provision, which was defeated, that would have required an affirmative act of Congress to continue outsourcing. POPA will advocate to the Senate the inclusion of that sunset provision.



Missing Economic Analysis

The pilot program requires the agency to show the impact of search outsourcing on costs to the government and the applicants, but before passing the bill the House did not ask for any direct comparisons between the cost of USPTO examiners' searching and private sector searching. While the agency mistakenly pawned the search outsourcing idea as a time-saving tool—supposedly freeing examiners for more patent examination—it did not demonstrate its actual impact on costs and search quality. Neither did the agency present, nor was it ever asked for, a business plan. Undertaking such an endeavor without a business plan would be unheard of in the private sector.

Another question remains regarding whether or not the USPTO will provide workstations and database access to the contractors without counting that toward the total cost of outsourcing. Doing so would not truly represent the cost to the government of contracting the search.

New Fee Arrangement

The new fee structure would split the current filing fee into components. The fees would be $300 for the basic filing fee, $500 for the search fee, and $200 for the examination fee. This structure trivializes examination, implying that it is the easiest and least important step in the process. The agency says that it bumped-up search fees to cover administrative costs. If so, it alternatively could have increased fees for maintenance and extension of time for the same purpose. The new structure was originally intended to set the stage to enable deferred examination.

The new fee table increases out-of-pocket costs for applicants but includes a price break for small-entity applicants. They would receive a $75 reduction in the basic filing fee if they file electronically. Small entities also can receive a 50 percent discount on search fees.

New Fees to Pay for More Examination

The agency justified the bill's substantial increase in excess claim fees by maintaining that excess claims equal more work for examiners. This is true. Therefore, the increased fees—$200 for each independent claim in excess of three plus $50 for each claim in excess of 20—would give the USPTO more funds directly applicable to more time for examination of the claims. The agency should pass the time on to employees to do the work for which applicants would be charged. If the agency doesn't, applicants will be charged for something they will not receive.

More time also should be allotted to examiners for applications with large specifications in light of the new fee structure. A new fee would charge $250 for each additional 50 sheets of paper—or equivalent if filed in an electronic medium—or fraction thereof, in excess of 100.

An End to Fee Diversion—Maybe

The House Appropriations and Judiciary Committee compromised on the bill's language that would end the diversion of patent fees to the general treasury. H.R. 1561 states that if the fees collected exceed the amount appropriated to the USPTO for the year, "the Director shall, if the Director determines that there are sufficient funds in the Reserve Fund, make payments from the Reserve Fund to persons who paid patent or trademark fees during that fiscal year."

The Bush administration has already devised a way to circumvent the fee diversion change. The agency has created a new expense, contending it now must have $38 million to pay for some employee retirement costs that normally would be funded by the Office of Personnel Management. Other federal agencies are not required to, and will not, fund this expense for their employees. The administration can similarly invent new expenses for services rendered to the USPTO by the Office of Management and Budget, the Department of Commerce and other federal agencies—all fees for which it usually would not be billed. The fees won't be diverted to the general treasury but to other administration expenses. It will still be fee diversion, by another name.

The funds that could be added to the USPTO budget from the ending of fee diversion would enable the agency to underwrite additional overtime and training for employees.

Certification Test Results Show Need for More Examiner Training

The results from the first round of employee certification testing indicate that the USPTO needs to provide significantly greater training to enable examiners to master the testing subjects.

Of the first 112 GS-12 examiners tested, 49 percent passed and 51 percent failed. The agency offered the 17 employees who were scheduled for promotion in the bi-week following the exam the option to retake the test immediately or to wait. Seven opted to wait. Of the 10 who retook the test, two passed.

All of the test questions were lifted from the patent bar exam and excluded any questions regarding attorney-client ethics and other questions pertinent exclusively to patent attorneys or agents.

Just as public schools are moving to teaching-to-the-test to meet federally mandated standards for students, so will the USPTO need to train its employees to know all of the material covered in the certification examination. Prospective patent attorneys or agents who take the high-cost, privately offered training courses for the patent bar exam typically experience a pass rate of approximately 80 percent. USPTO patent examiners need and deserve similar training from their employer.

Executive Committee Roster

Union Offices	Telephone	Art Unit	Office	Days Off
	305-3000		CP1-509A	
	571-272-2690		REM-2-A 48	
OFFICERS				
President, Ronald J. Stern	571-272-2322	2872	JEF-3A25	None
Vice Pres., Larry J. Oresky	703-308-2581	3652	PK5-5B23	None
Sec'y., Howard J. Locker	571-272-0980	1661	REM-2C81	Friday
Ass't. Sec'y., Pamela Schwartz	571-272-1528	1774	REM-6A55	Flex
Treasurer, Randy Myers	703-305-4734	2644	PK2-6D12	2nd Friday
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Dell Chism	571-272-0962	1654	REM-3C11	Flex
Dr. Kathleen Duda	571-272-1383	1756	REM-9A65	Part-time
Dr. Patricia Duffy	571-272-0855	1645	REM-3B05	Flex/Friday
Jennifer Graser	571-272-0858	1645	REM-3B09	1st Friday
Adrienne Johnstone	571-272-1218	1733	REM-7B19	None
Geraldine Letscher	571-272-1334	1752	REM-9D55	Flex
Patricia Morris	571-272-0688	1625	REM-5A65	None
Dr. Larry Tarazano	571-272-1515	1773	REM-6A69	1st Friday
ELECTRICAL AREA DELEGATES				
Sheila Clark	571-272-1726	2815	JEF-6D55	Flex
William David Coleman	571-272-1856	2823	JEF-5D55	None
Albert Gagliardi	571-272-2436	2878	JEF-2B07	
Raquel Gordon	571-272-2145	2853	JEF-9D25	
Kim Lockett	571-272-2067	2837	JEF-10C73	Flex
William Luther	703-308-6609	2664	PK2-3D18	Flex
Gene Munson	571-272-1659	2811	JEF-7A51	Friday
David L. Robertson	703-305-3825	2186	PK2-2Y09	None
Michael Shingleton	571-272-1770	2817	JEF-5D19	1st Friday
Mark Tremblay	571-272-2408	2876	JEF-4A31	None
Margaret Wambach	571-272-1756	2816	JEF-4D11	Flex
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Raymond B. Johnson	703-308-2565	3652	PK5-5B25	Friday
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Edward Miller	703-306-4163	3641	PK5-3Y13	1st Friday
Mike O'Neill	703-308-3484	3713	CP2-10D14	Friday
David Reip	703-308-3383	3731	CP2-2B02	1st Friday
Irene Cuda Rosenbaum	703-308-1792	3726	CP2-5A09	None
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Melanie H. Tung	571-272-2613	2911	JEF-2A75	Flex/Friday
Caron D. Veynar	571-272-2646	2913	JEF-2A25	1st Friday

USPTO Must Negotiate with Union, Arbitrator Rules

An arbitrator's February decision, which reaffirms the validity of the 1986 POPA-USPTO contract that the agency had said was "defunct," could pave the way for improved opportunities for negotiations between the USPTO and the union on behalf of bargaining unit employees. However, the agency has appealed the decision.

The principal impact of the decision by Arbitrator John Truesdale will be felt in the relationship between the union and the agency in areas such as negotiations and official time for labor relations. Both are essential to protecting and improving employee workplace rights.

For example, when the USPTO changes a condition of work, the contract states that POPA has the right to hold a one-hour meeting with all bargaining unit employees to communicate information about the change and solicit employee feedback to take to the negotiating table. The agency has not honored this contract provision during this administration, stating that it didn't have to because the contract was invalid. The arbitrator upheld this contract provision.

POPA anticipates that this decision —and the decision resulting from the USPTO's appeal to the Federal Labor Relations Authority (FLRA)—will ultimately determine whether or not the FLRA will enforce the agency's obligation to negotiate over the Performance Appraisal Plan proposals that POPA submitted to the agency in 1998.

Private Parking Offers Options for Handicapped at Carlyle

At least two privately owned and operated parking garages are offering parking with closer access to the Remsen Building than the USPTO parking lots for USPTO handicapped employees.

The Interpark garage at 1940 Duke St., across the street from Remsen, had three handicapped spaces and 20 regular spaces available at press time. The cost is $115 per month or $230 per month for a reserved space. (Handicapped spaces cannot be reserved, but spaces close to them can.) The USPTO lot costs $100 per month. Payment options at the private lot are check, cash or credit card—including automatic deduction—on Visa, Amex, Diners, or MasterCard.

Driving access and egress to the lot is off of Jameson St. Individual entrance and exit is from Dulany St. via the lobby and elevator, which operates normally between 7 a.m. and 7 p.m. Handicapped employees will be allowed access for elevator use outside of these hours.

A second Interpark garage will be opening soon to the public at 2000 Duke St. For more information, call the garage manager, Temam, at 703-838-0284.

POPA is continuing to investigate parking options for disabled employees in the Jefferson Building. For the latest information, contact Margaret Wambach at 571-272-1756.

"Offshoring Patent Jobs No Threat, For Now"

Following are excerpts from an article of this title in the Business section of The Hartford Courant, March 14, 2004, by Dan Haar.

Cantor Colburn LLP, based in Bloomfield, [Conn.,] has hired employees in India to draft U.S. patent applications for ideas developed in the United States. "We can train Ph.D.s in India to draft these things there for a fraction of the price," [Michael] Cantor said …

The patent cases the firm has sent offshore so far have been those near the bottom of a very large client's priority list. It's work that might not have been done at all. But at newly lowered rates—far less than the $7,000 levy for a typical All-American patent application—that client, whom Cantor declined to identify, is now seeking many more patents for ideas that would have gone unprotected. …

The four people in a New Delhi law office drafted 50 applications last year, and will draft 75 this year. By the middle to the end of this year, those cases will require the full attention of two lawyers and two support staff members in Bloomfield, Cantor said. …

But Cantor asks the scary question before I get to it: "What happens when down the line we have 50 Ph.D.s drafting these, and they're really good?" Will the offshoring of patent drafting continue to bring in new, lucrative legal work? Or will the firm be forced to move higher-level, existing work to New Delhi or Bangalore to compete with other American law firms? …

POPA — In Your Corner

The first in an occasional series highlighting POPA's efforts on behalf of individual bargaining unit employees—people like you.

Partial Signatory Authority Denial Vacated — An examiner in the chemical area recently was denied partial signatory authority based upon alleged clear errors in the critical element of Action Taking. The examiner came to POPA for assistance within the required 20 days after receiving the denial. After reviewing the alleged errors and finding that the examiner acted correctly, POPA filed a grievance on the employee's behalf. At the informal grievance meeting, POPA argued in detail against the agency's alleged deficiencies, citing case law that supported the examiner's position. The technology center director, a TC technical practice specialist, and an employee relations specialist represented the agency.

Subsequent to the meeting, the agency vacated its denial of partial signatory authority and the examiner was made whole—that is, granted partial signatory authority retroactive to the date first eligible.

POPA appreciates the time, attention and consideration of those management officials involved in this matter.

Good Reasoning Prevails — An examiner in the chemical area who received a confirmation of oral warning for the first quarter of fiscal year 2003 came to POPA for help. Because that quarter was only a bit over five biweeks in length, and the agency's position has been that seven biweeks is the minimum period necessary to properly evaluate an employee's performance, POPA felt that the issuance of a performance-based action was improper. POPA presented these facts to the supervisor. Management agreed and the oral warning was rescinded.

Patent Office Professional Association

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