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STATEMENT OF

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COMMITTEE ON THE JUDICIARY
U.S. HOUSE OF REPRESENTATIVES

On The Subject Of

"Oversight Hearing On The U.S. Patent and Trademark Office"

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Chairman Conyers, Ranking Member Smith, Members of the Committee,

Thank you very much for this opportunity to present the views of the Patent Office Professional Association (POPA) on issues facing the U.S. Patent and Trademark Office (USPTO) and POPA.

POPA represents more than 6,200 patent professionals at the USPTO. The vast majority of these are the agency's patent examiners – the engineers, scientists and attorneys who determine the patentability of the hundreds of thousands of patent applications received in the USPTO each year. POPA's members are diligent, highly skilled, hard working professionals. They take great pride in the work they do and are committed to maintaining the quality and integrity of America's patent system.

America's current economic problems have once again highlighted the importance of stimulating innovation and protecting intellectual property in the United States and the world. Throughout its history, America's ability to innovate has been a key driver in reversing economic downturns such as we have experienced recently.

The U.S. patent system is a powerful engine driving innovation in America. It has been the foundation upon which America has built the most powerful and robust economy in history. The vital role of patents to the U.S. and global economies is clearly evidenced by the rapidly expanding efforts of inventors and companies to protect intellectual property throughout the world.

Today, I wish to share with the Committee POPA's views on areas where we see significant improvement at the USPTO as well as some areas that continue to concern our patent professionals.

SIGNIFICANT IMPROVEMENTS IN LABOR RELATIONS AT THE USPTO

When I addressed the Subcommittee on Courts, the Internet and Intellectual Property in February, 2008, the relationship between the USPTO and its patent examiners was particularly strained. Attrition was high, morale was low and the agency and POPA were in the midst of a contentious negotiation of a new collective bargaining agreement.

Today, I come before this Committee to tell you that I believe POPA and the USPTO are in the midst of a revolutionary, and I hope long-lasting, change in our labor-management

relationship. Under the leadership of Under Secretary David Kappos, the parties have agreed to place our collective bargaining negotiations in hiatus and have worked very hard in recent months to solve problems facing us through less adversarial and more collaborative and interest-based methods of problem solving. Working together, we have begun addressing significant issues that have plagued the parties for decades.

Since August, 2009, the USPTO and POPA have had a joint Task Force in place led by Deputy Commissioner for Patents Peggy Focarino and myself that has successfully – some would say miraculously – addressed several issues regarding the time examiners have for patent examination. These "Count System Initiatives" provided the most profound changes to the USPTO's current performance system since its inception in the 1960s. Among other things, the Count System Initiatives provide for:

- the first increase in time for examination since 1976 and the most significant change in time since creation of the "count" system more than forty years ago;
- non-examining time for examiner-initiated interviews to incentivize compact prosecution and reaching allowable subject matter early in prosecution;
- realignment of examiner work credit to more accurately reflect when work is actually performed by examiners;
- an improved award system to stimulate reductions in pendency by putting monetary awards within the reach of more examiners, thereby increasing their productivity;
- reducing pendency by creating disincentives for applicants and examiners to pursue Requests for Continued Examination (RCEs) so as to reach allowable subject matter early in patent prosecution;
- removing agency-created obstacles to appropriate allowance of patent applications; and
- continuous monitoring by the Task Force of the effectiveness of the Initiatives and a commitment to make adjustments to the Initiatives if necessary.

Since implementation of the Count System Initiatives between November, 2009 and February, 2010, hardly a day goes by when an examiner doesn't stop me in the hallways and thank POPA for negotiating these changes with the USPTO. Under Secretary Kappos has repeatedly stated that he is being told by applicants' representatives that they, too, are noticing the difference in the culture at the USPTO. The Task Force will be reevaluating the Count System Initiatives in August, 2010, but I believe the agency and POPA will find few, if any, issues that need changing. So far, from all appearances, the Initiatives are having a positive effect.

In view of the success of the Task Force in addressing the Count System Initiatives, Under Secretary Kappos requested that the Task Force continue working together and address the problems surrounding the examiner Performance Appraisal Plan (PAP) as well as disciplinary issues at the USPTO. Lack of agreement on these issues has plagued the parties for years and represents a major source of frustration and animosity driving the adversarial relationship of the USPTO and POPA. Now, since March, 2010, the Task Force has been working diligently and appears very close to reaching an agreement on a new performance appraisal system to go along with the Count System Initiatives. If the Task Force is successful, it will represent the first time in history that POPA and the USPTO have reached a negotiated agreement on performance appraisal.

POPA and the USPTO have also reached agreements on stimulating innovation by accelerating examination of patent applications involving "Green" technologies, allowing small entities to accelerate examination of one application by abandoning another, and expanding the First Action Interview Pilot, currently underway at the agency, to more technology areas. In addition, a more comprehensive study of examiner production goals is currently being undertaken that will allow the agency and POPA to better address the issue of time for examination.

A source of great frustration for many teleworking employees participating in the agency's Patents Hoteling Program (PHP) has been the requirement for examiners to report back to the agency headquarters in Alexandria, Virginia at least two times per pay period. Recently, POPA and the USPTO reached agreement to remove that requirement for PHP participants working within the local commuting area of the USPTO headquarters (a 50 mile radius around Alexandria). This agreement has significantly reduced the time and travel burden on teleworking examiners living within the metropolitan Washington area. While more changes are needed to address this requirement for those outside the local commuting area, POPA believes that this agreement represents a significant step forward in creating a nationwide work force of patent examiners. We look forward to working with the agency to remove the reporting requirement for all teleworking employees.

These and other changes that POPA and the USPTO have recently worked on together have led to a decrease in attrition and, a new level of morale that is noticeable within the

examining corps. Allowance rates are starting to go up while the backlog of pending applications has gone down. These are definite trends in the right direction for the U.S. Patent System.

On behalf of POPA's bargaining unit members, I wish to commend Under Secretary Kappos, Deputy Undersecretary Sharon Barner, Commissioner of Patents Robert Stolle and Deputy Commissioner for Patents Peggy Focarino for their visionary leadership that has allowed POPA and the USPTO to work together collaboratively in addressing the issues discussed above. I sincerely hope that these agreements represent a quantum change in labor-management relations at the USPTO that will continue to serve the parties well into the future.

ISSUES OF CONCERN TO POPA

Examination Time

Patent examination is a labor-intensive job – mentally and physically. While improvements in automation can accelerate some processes such as searching large databases of information, it cannot make the examiner read and understand the results of those searches any faster. To do the job right requires a serious investment, not just in resources such as automated search tools, but in real time for examiners to use those tools, examine applications and determine the patentability of inventions.

While the USPTO and POPA have made some strides in providing more time for examination of patent applications through the Count System Initiatives, these efforts represented a broad-brush approach that provided an increase in time for examiners across the board. The Task Force did not have sufficient time or resources to look more closely at the amount of examining time for specific technologies, Much more work needs to be done to address the question of whether examiners in a particular technology area have sufficient time to do a quality examination of patent applications in their respective technologies.

To address this issue, the agency and POPA have been working together with an outside contractor to do a more in-depth study of examination time in the many different technologies examined at the USPTO. POPA commends the Congress for championing a comprehensive study of examiner goals.

It is hoped that the results of this comprehensive goal study will be available within the year. Once these results are reviewed, POPA expects that the parties will once again get together and determine an appropriate course of action to address the findings of the goal study. POPA has no doubt that the study will show that examiners still need further increases in examining time in order to provide quality examination of inventors' patent applications. POPA recognizes, however, that increases in examining time for examiners will necessarily require hiring more examiners if the USPTO is to meet the goal of Secretary of Commerce Locke to reduce pendency.

Adequate agency funding is essential to pendency reduction.

Examination Tools

Examiners' automation tools continue to be a concern for POPA's bargaining unit members. Examiners remain frustrated by inadequate and/or dysfunctional systems that slow the examination process. Years of neglect of the U.S. classification system is a hindrance to examiners in technologies that do not lend themselves to keyword searching. This is a particular problem in many of the mechanical technologies.

Recently, the IP 5 countries set forth a list of foundation projects to improve patent examination throughout the world. One of the IP 5 Foundation projects involves development of a global classification system. POPA supports this concept provided that the system incorporates sufficient granularity in the classification of technologies so as to allow quality searching by classification within the time constraints faced by examiners. We also support the USPTO's recent proposal to accelerate this particular IP 5 foundation project.

Efforts are also underway to upgrade the USPTO network and improve or completely rewrite the automation tools in use at the agency. POPA supports these initiatives. Unfortunately, work on these initiatives has been severely restricted by the recent funding problems at the USPTO and are several years away from completion.

Adequate agency funding is essential to quality search and examination.

Work Sharing at the USPTO

Recently, there has been increasing interest in the concept of work sharing between the world's patent offices as a means of increasing efficiency and reducing the worldwide backlog of

unexamined patent applications. Ideally, where an applicant has filed a patent application in multiple countries, many in the intellectual property community would like to see a single search done in one of the major patent offices and then have those search results relied upon by the other offices for purposes of determining patentability. POPA does not believe such an approach is currently feasible in the real world of patent examining.

A feasible work sharing program must satisfactorily address several issues to be truly successful in gaining efficiencies in the examination process. It must:

- address differences in the world's patent laws;
- recognize the sovereign nature of granting patents; and
- provide for a process that ultimately reduces issues facing an examiner throughout the examination process.

Following is a discussion of each of these points.

Even amongst the largest patent offices, the U.S., China, Japan, EPO and Korea (the so-called IP 5 countries), there exist numerous differences in patent laws. Some laws such as 35 U.S.C. § 102(e) in the U.S. are unique. In the U.S., 35 U.S.C. § 102(e) allows U.S. examiners to use U.S. patents as prior art based on the effective filing date of the U.S. application. All other countries rely solely upon the publication date of a reference to determine its relevance as prior art. Thus, the result of these differing laws is that different countries will rely upon different references as relevant prior art.

The one-year grace period accorded applicants under U.S. patent law is also unique to the U.S. Therefore, a reference that may be usable as prior art in the European Patent Office may not be a relevant prior art reference in the United States. While there has been much discussion on harmonizing worldwide patent laws for decades, the plain fact is that harmonization remains an elusive goal and it is difficult to see it happening any time soon.

Issuance of a patent is the creation of a property right within the country issuing the patent. A successful work sharing program must recognize the sovereign and inherently governmental function of determining patentability in each country. For example, certain business methods as well as software are considered patentable subject matter in the U.S. while the European Patent Office does not consider such subject matter to be patent eligible. The failure of harmonization over the years is a manifestation of the strong national interests of

nations around the world that protect their intellectual property with patents. Work sharing is a possible mechanism for increasing quality of examination by placing the best prior art in front of an examiner prior to examination, but it should not prevent examiners from performing their own search and making their own patentability determinations.

POPA has and continues to oppose any work sharing proposal that would attempt to gain efficiency by removing from a U.S. examiner the ability to independently search and examine a U.S. patent application and determine patentability in accordance with U.S. patent law and regulation. We oppose work sharing where an examiner would be required to give "full faith and credit" to the work of another patent office – not because the work of other offices lack quality – but because different offices examine patent applications under different laws and fundamental philosophies. We firmly believe that this is as much an issue of sovereignty as it is an issue of efficiency. We believe that examiners in the other major patent offices have similar feelings.

To truly increase efficiency and reduce pendency, a work sharing program must ultimately reduce the number of issues that an examiner needs to address during the examination process – and it must do so early in prosecution. A fundamental weakness of the Patent Prosecution Highway program (PPH) is that, to gain efficiency, most patent offices would need to sit on pending applications until allowable subject matter had been identified in the patent office doing the first examination and applicant had appropriately amended the remaining pending applications to correspond with the allowed application. Thus, while the PPH program may increase efficiency, it may do so at the cost of pendency.

Instead, POPA believes that work sharing must be done much sooner in prosecution to both increase efficiency and reduce pendency. In other words, when an applicant becomes aware of prior art and/or relevant rejections from examination in one patent office, the applicant should amend or cancel claims or otherwise constructively address the prior art and rejections from one patent office in accordance with the laws of the other patent offices in which the applicant has filed a similar application. Only by reducing the issues facing examiners, can work sharing result in efficiency gains.

In a USPTO Roundtable discussion on work sharing held at the USPTO on November 18, 2009, POPA proposed an alternative to the several existing work sharing programs. POPA proposed that an applicant would receive an initial examination and office action from an "Office

of First Filing" (OFF, perhaps the IP 5 office closest to applicant's/assignee's home country to insure a distribution of work worldwide). Once applicant had received the office action from the OFF and prepared an appropriate response under the laws of the OFF, the applicant would then also submit copies of the prior art and office action along with an appropriate response and/or amendment in the Offices of Second Filing (OSF, all the other patent offices where applicant had filed patent applications). The response to each OSF would be preliminary to examination in the OSF and would be appropriate for the laws of the particular OSF country. This way, when an examiner in an OSF picks up the case for action, the issues in the case would be reduced/simplified/eliminated because the applicant would have already responded to the art/issues cited by the OFF and their responses in the OSF would take into account the applicable patent laws of the OSF, thus reducing or eliminating the problems associated with the lack of harmonization of laws. POPA's proposal also addresses concerns over countries having to rely on a search from another country which may have different laws and issues arising in examination (such as the 35 U.S.C. 102(e) issue here in the U.S.). The examiner in the OSF would then only have to search/examine the claims still remaining in the OSF application. Each OSF examiner would still be permitted to do their own searches and examination in accordance with their own laws but there would hopefully be fewer claims and issues to deal with in the OSF applications. The requirement to address issues in each OSF would also serve to focus applicant's attentions on where he/she really wants patent protection since the costs of responding to all those OSFs could be significant. This proposal would become a bit of a control on applicants filing a PCT with all countries checked when, for example, they may only really want or need protection in the IP 5 countries.

While our proposal may not solve all the problems of work sharing, the above proposal is the only one POPA sees that would provide efficiency gains in the OSFs while not impinging on the sovereignty of each country's decision on patent property rights in that country.

Patent Reform

During the course of the last three Congresses, there has been much effort and debate on the subject of patent reform in both houses of Congress. Recent compromises in the Senate have attempted to overcome some of the major hurdles of the patent reform process such as the

provision on damages. Nevertheless, several issues in the patent reform legislation remain of concern to POPA.

The proposed Manager's Amendment to S.515 does not contain a provision to maintain the one-year grace period for inventors filing in the U.S. POPA believes the elimination of this grace period will adversely impact America's small inventors and, in particular, those inventors associated with colleges and universities. American academic inventors operate in a "publish or perish" environment where promotions and tenure may well depend on the number of publications and presentations researchers have made in a particular time frame or in their careers. Elimination of the existing one-year grace period would force these inventors to withhold disclosure of their scientific or technical discoveries until such time as a proper patent application has been filed. This could have the unintended consequence of delaying public awareness of new drugs or treatments for diseases or the application of newly engineered technologies to meet long felt needs in society.

POPA encourages the Committee to support inclusion of language maintaining the one-year grace period as patent reform legislation moves forward.

As discussed above in POPA's proposal regarding work sharing among nations, we believe that the grant of a patent is a sovereign and inherently governmental function and should be reserved solely to the patent examiners in each country. POPA is dismayed to note that language requiring search and examination of U.S. patent applications to be performed in the U.S. by U.S. citizens who are employees of the Federal government has been deleted from the proposed Manager's Amendment to S. 515. By deleting this language from the bill, USPTO management will be free to require U.S. examiners to give full faith and credit to a search from a foreign office, effectively transferring patentability determinations and, hence, creation of U.S. property rights, to a foreign government entity.

POPA encourages the Committee to insure that language requiring search and examination to be performed in the U.S. by U.S. citizens who are employees of the Federal government to be included in any final version of the patent reform legislation.

One of the largest issues regarding patent reform has been the creation of a "post-grant review" process (PGR) whereby a party could request review of an issued patent based on the

submission of new evidence. POPA continues to have serious concerns regarding the proposed post-grant review process.

A major concern of PGR is that is will ultimately siphon resources away from initial patent examination. POPA does not believe that this will be good for the U.S. Patent System. Quality should be built into the patent examination process from the beginning, not months or years after a patent has issued. The resources that will be expended on PGR would be better spent hiring and training examiners and improving the search tools available to them.

PGR will not decrease the costs of owning a patent. Rather, it will just result in additional litigation expense and uncertainty that will negatively impact the patent system. It is highly unlikely that a patent holder or a potential infringer will enter into the post-grant process or any other venue for patent litigation unless and until someone decides that there is serious money at stake in the fight. History suggests that, where there is serious money at stake, the losing party in litigation will generally pursue additional appeal routes until all appeals are exhausted or until one of the parties has been essentially bankrupted by the litigation process. Thus, PGR will only serve to provide one more expensive and time-consuming process that a party may use for the purpose of protracted litigation. This may well be particularly frustrating to small inventors who may not have sufficient resources for an extended legal battle over the validity of their patent. They will be no match for a large multi-national organization bent on obtaining the use of the small inventor's invention without proper compensation.

Recently, the agency committed to handling PGR cases within a year of filing. It is difficult to see this goal being reached without throwing considerable funding and resources commensurate with the level of filing of PGR cases. POPA has serious concerns that the USPTO's commitment to the one-year goal for PGR will drain needed resources away from initial patent examination, reduce the quality of issued patents due to the transfer of resources to PGR and ultimately weaken the entire U.S. Patent System.

Finally, if a PGR process must be implemented, POPA believes that the level of the bar for entering the process must be significant to avoid undue harassment of a patent holder. POPA would support a standard whereby a party must establish a *prima facie* case of non-patentability to successfully institute a post-grant review. Such a standard would limit the ability of large entities to force smaller entities into the PGR process.

USPTO Budget and Fee-setting Authority

The recent economic downturn has dramatically highlighted the need to adequately fund the USPTO. It has also highlighted the need for agility in responding to such downturns in the future.

Except for the current Fiscal Year, Congress and the Executive have permitted the agency to retain and use all of its fee income since 2005. POPA commends the Congress and the President for continuing to support the agency's mission by allowing the agency full access to its fee collections.

In recent years, the agency's appropriations provided for access to fee income above the appropriated levels where the fee income exceeded agency projections. This provision, however, was omitted from the Fiscal Year 2010 appropriation. Currently, the agency is on track to bring in substantial fee income above and beyond the FY 2010 appropriations. Without some form of supplemental authorization, this fee income would be unavailable to meet agency needs. POPA wholeheartedly supports the request of the USPTO for Congress to provide access to these additional fees. POPA respectfully requests that this Committee work with the appropriators to free up the agency's additional fee income.

While a supplemental FY 2010 appropriation will address our current excess fee income situation, POPA recognizes that the agency also requires more agility in adjusting its fees in response to changing economic conditions. To create this agility, POPA supports the creation of a reserve fund that will allow carry-over of unused fee income from one year to another. POPA also supports limited fee setting authority for the agency.

POPA is somewhat at odds with the agency regarding the proposed fee setting authority incorporated in the pending patent reform legislation. POPA has consistently maintained that the agency should have access to all of its fee income and have the authority to adjust existing fees through the rule-making process. POPA does not, however, support giving the agency the authority to create new fees or eliminate existing fees with respect to basic filing, search and examination activities. We believe that the authority to create such new fees or terminate an existing statutory fee should remain in the hands of Congress. Only when Congress has created a fee, should the agency be allowed to subsequently adjust it through rule-making. We also do

not believe that the agency's access to its fees should be obtained at the expense of the oversight responsibilities of the both the Judiciary and Appropriations Committees of both houses of Congress. We believe that this oversight responsibility is critical in providing guidance too – and in some cases redirecting – the USPTO in the appropriate uses of its fee income and other resources.

POPA recognize that the future of the patent reform legislation remains in question. Therefore, we encourage the Committee to consider legislation separate and apart from the existing patent reform legislation in order to address the agency's long-term funding and fee setting authority.

Mr. Chairman, Ranking Member Smith, and Members of the Committee, on behalf of all the patent professionals represented by POPA, I thank you for this opportunity to share with you their concerns. I look forward to working with you to ensure that the USPTO and its employees have the resources they need to maintain the U.S. Patent System as the "gold standard" for protecting intellectual property throughout the world.