

STATEMENT OF  
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**UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY  
AND  
DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE**  
  
BEFORE THE  
**COMMITTEE ON THE JUDICIARY  
U.S. House of Representatives**  
  
"USPTO Oversight"  
  
**MAY 5, 2010**

## **I. Introduction**

Chairman Conyers, Ranking Member Smith, and Members of the Subcommittee:

Thank you for this opportunity to appear before you to discuss the United States Patent and Trademark Office's (USPTO) operations, programs and initiatives.

As we move into the second decade of the 21st Century, it has become increasingly clear that innovation is a principal driver of our economy. Promoting innovation, stimulating economic growth and creating high-paying jobs are key priorities of the Obama Administration. Because intellectual property (IP) delivers innovation to the marketplace, a well-run and appropriately funded USPTO is critical to supporting those priorities.

We at the USPTO are proud of the role we play in serving America's innovators and providing the IP protection they need to secure investment capital and bring their products and services to the marketplace. And, to support the changes taking place at the USPTO, the Administration has strongly supported the work of the House and Senate to reform U.S. patent laws as reflected in currently pending legislation.

## **II. Overview**

Mr. Chairman, before I discuss the array of our programs, initiatives and other efforts to serve America's innovators, I want to provide an overview of our funding situation and our strategic direction.

### *Our FY 2011 Budget*

I am pleased that the President's FY 2011 budget request provides the USPTO with the resources and flexibility needed to aggressively reduce the patent application backlog, shorten patent pendency, improve patent quality, enhance patent appeal and post-grant processes and invest in rethinking our information technology (IT) infrastructure. These investments will support actions

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we have already taken and have underway at the USPTO to create a more efficient and effective Office – an office that fuels economic growth, strengthens the competitiveness of U.S. companies that bring new products to market, and hires employees to support those new products and services. The proposed budget also represents the first step toward establishing a sustainable funding model to finance the USPTO's patent and trademark operations in support of the USPTO's strategic priorities and the Administration's goals.

We are working closely with the Department of Commerce in planning and preparing our strategic priorities and budget requirements to ensure our goals and initiatives are aligned with and support the goals of the Department and those of the Administration.

The President's budget requests \$2.322 billion for the USPTO, and it projects that fee collections of \$2.098 billion will be yielded by the current fee schedule. The estimated additional \$224 million would be generated by an interim patent fee increase. To help put the USPTO on a path towards a sustainable funding model, the budget proposes legislation for fee setting authority to permit the USPTO to work with its external partners to better align fees with the actual cost to the USPTO of its services. It also emphasizes business tools, such as creating an operating reserve to ensure that the Agency can execute multi-year plans and can continue to serve the public without disruption during periods of economic downturn.

Specifically, the President's Budget supports a five-year plan designed to:

- Reduce the average time to first office action on the merits for patent applications to 10 months by 2014;
- Reduce total average pendency for patent applications to 20 months by 2015;
- Invest in IT infrastructure and tools to achieve a 21<sup>st</sup> Century system that permits end-to-end electronic processing in patent and trademark IT systems.

In addition, we are developing an option to provide end-to-end processing within 12 months for those patent applicants who desire it. To achieve these performance commitments, the USPTO plans to:

- Conduct targeted hiring to recruit and hire 1,000 patent examiners (projected to be a net increase of 400 to 500) annually during FY 2011 and FY 2012. This temporary hiring increase will begin with bringing on experienced former examiners and IP professionals, which will allow Patent Operations to reduce the time necessary for training, and realize benefits that will reduce the patent backlog and reach a targeted inventory level; and
- Achieve efficiency improvements as a result of reengineering many USPTO management and operational processes. Our current efforts to optimize examination capacity, pursue compact prosecution, revise the patent examiner production system ("count system"), prioritize incoming work, and increase international work sharing will contribute to yield efficiency gains to help achieve these goals.

The USPTO's aggressive pendency reduction goals of 10-month first office action and 20-month total pendency set forth in its FY 2011 budget are based on our analysis of factors related to international filings, patent term adjustment considerations, publication of patent applications,

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patent application docket management and international best practices, with an overall objective of providing optimal service for our innovators.

*Hiring and Promoting a Nationwide Workforce*

An additional component of the USPTO's hiring strategy is to promote a nationwide workforce. While the Office's current array of telework programs serve as a model for the Federal government, we continue to review possible improvements and geographical expansion of telework opportunities for our employees to attract and retain a highly skilled workforce.

The USPTO has demonstrated its strong commitment to teleworking by expanding its telework programs Office-wide. At this time, telework programs are available for almost all USPTO staff who have served at the Office for at least two years. The USPTO now has 5,518 employees teleworking at least one day a week. In a very competitive job market, the USPTO's decision to incorporate telework as a corporate business strategy, where appropriate, will enable the USPTO to hire and retain quality employees.

*Update on User Fee Collections and Current Fiscal Situation*

Mr. Chairman, as the Committee is aware, the USPTO's revenues from user fee collections declined substantially during FY 2009 and the Office was forced to cut spending sharply in many important operational areas – cuts that cannot be sustained over the long-term. Notably, without swift and decisive action from Congress in late FY 2009, the USPTO may have been forced to take even more drastic measures.

Our financial constraints carried over into FY 2010, forcing us to continue operating on a bare-bones budget. Because we are funded entirely from fee revenues, the reduction in user fee collections below our appropriations level that occurred in FY 2009 forced us to continue making hard choices including hiring less than the planned number of examiners, limiting overtime, and postponing critical upgrades to our information technology systems. So far during FY 2010, we have lost 127 patent examiners and have only replaced nine.

In total for FY 2010, we project that nearly 300 examiners will leave USPTO and that we will be able to hire 250 examiners. After a complete halt in hiring for many months, the USPTO recently began to implement a limited and targeted hiring initiative designed to attract experienced former patent examiners and other experienced IP professionals. These professionals, who will require less training and therefore be productive earlier, will help us turn the tide on the mounting backlog of unprocessed applications.

With respect to our fee collections, I am pleased to report that, based on the first seven months of FY 2010, we are seeing a rebound in user fee collections at the USPTO attributable to an improving economy and increased production that also may be attributable to managerial initiatives. Our most recent estimate is that USPTO will collect between \$146 and \$232 million more than its appropriated amount in FY 2010. While the rebound in user fee collections is very positive, it does not, however, lessen the need for an interim fee adjustment.

Finally, Mr. Chairman, we are studying ways to strengthen our organizational structure to support our strategic initiatives and operational programs and look forward to working with you as we move forward with this process.

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### **III. Patent Initiatives**

We are in the midst of fine-tuning our strategic plan to address the patent application backlog and focus on high-quality, efficient examination. As we do so, we have sought to create a stronger partnership with our external stakeholders, advisory committees, unions and our employees. We look forward to even more collaboration with these important groups to address a great number of issues facing the Office.

Our new leadership team at the USPTO has undertaken a broad array of efficiency initiatives to improve the speed and quality of patent processing. These initiatives include a “first in a generation” reform of the patent examiner count system. We expect this new system to create an environment where examiners efficiently review applications and work with practitioners to come to correct decisions more quickly. Our first action interview pilot has led to an increased percent of first action allowances. Also, we are pleased to see a sustained decrease in actions per disposal which is an indication that issues are being resolved more efficiently. While the average number has ranged from 2.8 to more than 2.9 in the past few years, we are now seeing a sustained level of approximately 2.3 in FY 2010. Importantly, these accomplishments have been made without any sacrifice in quality. In fact, our non-final in-process compliance rate and our allowance/final compliance rate are at their highest levels in several years. As indicated below, we are working to reengineer our quality programs and measurements.

At the end of last year, the USPTO announced a new program to provide accelerated examination for green technology innovations. We also launched a program specifically designed for small and independent entities to allow for accelerated examination of one patent application in exchange for abandoning a second unexamined application. If successful, we will consider whether to expand this pilot to other applicants as well. With this program, while the applicant benefits from faster service, the USPTO benefits from a smaller backlog.

We are actively engaging overseas patent offices and our user community to obtain substantial benefit from work done by other patent offices on applications filed both overseas and in the USPTO, an effort that can significantly improve the USPTO’s efficiency.

Our patent related initiatives are critical elements an important component in the road map for the USPTO to achieve 10-months First Action patent pendency and reduce the application backlog. These initiatives are described in more detail below:

#### *Hiring Initiative*

In FY 2010, the USPTO initiated a new hiring model, supported by strong publicity and expanded “nationwide” recruitment, to encourage individuals with previous IP experience to apply for a position as a patent examiner. This new model places more emphasis on recruiting candidates with significant IP experience while previous hiring focused on scientific background and experience. Individuals with significant IP experience will require reduced training time so that they can examine applications sooner than a new hire with little or no IP experience. The new model concentrates on: (1) hiring experienced professionals such as registered patent attorneys and patent agents, as well as skilled technologists having experience with the USPTO as inventors, and (2) developing a nationwide workforce using telework which will allow us to hire experienced IP professionals interested in joining the USPTO, but who do not want to relocate to the Washington Capital region. It is expected that this different hiring demographic will provide a more productive and balanced workforce, lower attrition, and faster transition to productivity for new hires.

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### Retention Initiatives

The USPTO's mission requires the recruitment and retention of highly skilled individuals in a highly competitive employment market. As a result, the USPTO must continually improve and enhance its recruitment and retention strategies to make the Office an employer of choice.

The USPTO analyzes patent examiner hiring and attrition, down to the smallest business unit. As part of this analysis, Deputy Under Secretary Barner has instituted bi-weekly meetings with Technology Center (TC) Directors. These meetings are focused on developing better methods to manage and stem attrition and ways to retain our highly skilled examiner workforce. Utilizing employee exit data and employee satisfaction surveys, the USPTO is addressing examiner-specific areas of job satisfaction concerns. For example, based on this information the Office has developed and enhanced "best practices" for retaining examiners and Supervisory Patent Examiners (SPE) which includes front-line, active management, mentoring, detail appointments, an improved wage structure and other proactive management efforts to enhance employment.

Patent examiner attrition is tracked on a monthly basis to allow Technology Center Directors to address retention and set measurable retention targets. The Deputy Director will continually monitor the effectiveness of retention initiatives and seek to uncover developing trends from exit data.

The USPTO's retention initiatives, in combination with current economic conditions, have helped reduce the Patent examiner attrition rate to 5.5% in FY 2009 from levels as high as 8.8% in FYs 2005 and 2006. Current projections are approximately 5%.

### Revision to Patent Examiner Production System (Count System)

In February 2010, in collaboration with the Patent Office Professional Association (POPA), the USPTO established a new examination count system that was reengineered to recognize patent examiner effort at various stages of the examination process. The changes increase the overall time examiners have for examination to improve their ability to do quality work. The new system provides incentives and modified work-credits which provide more time up-front for the First Office Action to allow any issues to be addressed early in the examination process. These changes provide real time compensation based on the effort involved in preparing the office action and which will reduce examiner frustration by curtailing rework. Implementation of the new count system is a primary reason our patent application backlog was reduced by approximately 10,000 cases in March 2010. While we only have one month worth of data and it is too early to tell, we believe that the revision will serve the Office well. We are carefully monitoring the performance indicators, and will work with POPA to fine tune the system so that it serves to achieve the USPTO's goals and objectives.

### Improving Patent Quality and Identifying New Ways to Measure It

The USPTO is reengineering its quality management program from top to bottom to focus on improving the process for obtaining the best prior art, as well as improving the quality of the initial application and the entire examination and prosecution process. We have sought comments from IP professionals on methods to enhance the quality of issued patents (for both applicants and the USPTO), to identify appropriate indicia of quality, and to establish metrics for the measurement of the indicia. We have engaged our external partners in a very public discussion through comment, with our Patent Public Advisory Committee and upcoming

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roundtable discussions on the best way to address patent process inefficiencies, while also improving patent quality and reducing overall application pendency.

We are committed to being fully transparent with respect to pendency. To that end, we have developed and are fine-tuning an online "dashboard" that will show pendency from many perspectives (including pendency from the first filing dates and Requests for Continuing Examination (RCEs)) and other key metrics of patent pendency and quality. We intend to publish and update the dashboard monthly so that the public can have access to this important information about how the USPTO is doing its job.

#### *Reformulating Performance Appraisal Plans (PAPs)*

The USPTO established a task force with representation from all TCs to craft new performance appraisal plans (PAPs) for supervisory patent examiners (SPEs) to focus on enhanced examination quality, reduced application pendency, and improved stakeholder responsiveness. The new SPE PAP, finalized and rolled out in early April 2010 for these critical managers, provides increased recognition of key SPE activities in coaching and mentoring examiners while also recognizing the importance of contributions to agency-wide initiatives. The task force also created an SPE award program to provide additional incentives to the achievement of these new SPE goals.

In addition, a new joint labor and management task force is completing its work to update the patent examiner performance appraisal plan (PAP) and to evaluate the existing processes for addressing performance and conduct issues at the USPTO. The focus of this effort is to align the patent examiner PAP to organizational goals, and ensure strategic alignment at all levels. A strong emphasis will be placed on clearly defining objective measures that will be universally applied during the performance appraisal process, as well as developing a framework that focuses on coaching, mentoring, and training. The task force will be looking to modify the PAP to ensure transparency, educate employees on their responsibilities, and enable managers to set clear expectations and objectives for the achievement of organizational goals.

#### *Training of Examiners*

The USPTO is giving all of its patent examiners detailed training in efficient interview techniques, compact prosecution, and negotiations -- all targeted to streamline the examination process by working with applicants to identify and correctly resolve issues early in the process, thereby reducing patent application backlog and pendency.

#### *Training of Supervisors*

In addition to the required supervisor training certificate program, patent managers and supervisors are participating in a newly developed, state of the art leadership development program. This program is designed to help managers and supervisors hone their skills so they can enable all employees to reach their full potential.

#### *First Action Interview Pilot Program*

This recently expanded program has effectively served to improve prosecution by enabling applicants and examiners to identify issues and come to agreement more quickly. The success of the program is reflected in an increased percent of first action allowances and at least some initial

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reduction in RCE filings. The total number of hours of interview time for patent examiners in FY 2010 is projected to exceed the FY 2009 level by more than 60%.

#### Stakeholder Survey

In January 2010, the USPTO expanded its survey methodology to better measure the quality of services provided by the patent examining staff. This survey will give applicants an opportunity to provide feedback on the patent process on a semi-annual basis. The survey design ensures each data-collection period covers a representative sample of patent filers, and that survey findings can be extrapolated to the applicant population as a whole. The survey provides a valuable complement to other initiatives, such as enhancing interview practice. The survey results, along with customer outreach efforts and other initiatives, will enable the USPTO to improve service quality based on the input collected through the survey process.

#### Re-engineering the Classification System

To improve quality, reduce pendency and reduce costs, the USPTO is reviewing its patent classification system. An improved system will allow effective assignment of applications for examination and is critical to enable examiners to effectively locate prior art relevant to determining patentability. The USPTO is also learning from and building upon best practices of our partners in foreign IP offices to provide our examiners with the best prior art available. This initiative will improve pendency and patent quality and reduce cost by putting the best prior art in the hands of examiners efficiently, and by partnering with our international counterparts to leverage resources.

#### Ombudsman Program

The USPTO recently established a new "Ombudsman" Pilot Program designed to provide patent applicants with more assistance in handling application-processing problems if the normal channels have not been successful. This one-year pilot program is intended to provide applicants with additional resources to ensure application-processing problems are handled in a more efficient way, thereby saving applicants and the Agency both time and resources and improving patent quality.

Under this new program, applicants, attorneys or agents who have application-processing concerns, and haven't been able to get the assistance they need through normal channels in the Technology Center (TC), can contact the ombudsman representative for the TC through the USPTO Web site. The applicant will receive a phone call within one business day for a discussion of the specifics of the issue. From there, the ombudsman representative will work with TC staff to address the concerns expressed by the applicant and try to get the application back on track. Each TC will have one ombudsman representative and a back-up, both of whom are selected based on their experience. The program is supported by senior supervisors and TC staff, including supervisory patent examiners, training quality assurance specialists, and subject matter experts.

The program is a direct response to feedback received from members of the patent community who have suggested the need for a dedicated resource they can turn to when they have concerns about the prosecution of their application.

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### Increased International Work Sharing

A large percentage of applications received in the major global patent offices are filed in more than one national or regional jurisdiction. To the extent that each national or regional jurisdiction conducts its search and examination entirely independently of the search and examination done in other jurisdictions, there is significant potential for redundancy and duplication. Accordingly, the USPTO has, for several years, been proactively pursuing work-sharing as a means for avoiding duplication of work among offices and for reducing its own pendency and backlog.

The Patent Prosecution Highway (PPH), which was jointly developed by the USPTO and the Japan Patent Office (JPO), is the first concrete implementation of a work-sharing framework among patent offices. The objective of the PPH is to promote work-sharing while at the same time allowing applicants to obtain patentability determinations faster in multiple jurisdictions. The concept is fairly straightforward—when an office determines that one or more claims are patentable in one application, the applicant may request fast-track examination of the same or similar claims in the second, related application filed with the second office. To have the request for fast-tracking accepted, the applicant must make available to the second office the relevant work of the first office as well as any necessary translations. By restricting the scope of claims presented to the second office, and by requiring the applicant to make the relevant work from the first office available to the second office, the PPH promotes a high degree of reutilization of first office work. The PPH also respects the principle of sovereignty noted above because each office maintains responsibility for the final determination of patentability in accordance with applicable law.

The first PPH was launched between the USPTO and the JPO in 2006 as a pilot project. Since then, the USPTO has established bilateral PPHs with nine other patent offices, including the offices of major trading partners such as Korea, Canada, the United Kingdom, Australia and Germany, and those and other offices have established PPHs of their own.

The PPH has proven to be a useful work-sharing vehicle, as shown by the following statistics (as of the beginning of April 2010):

- 2,713 total PPH requests received by USPTO since 2006
- First action allowance rate for PPH applications (i.e., the rate at which an application is allowed the first time the examiner considers the merits of the claims) is approximately 25% - about double the first action allowance rate for all applications
- Overall allowance rate for PPH applications is about 93%, also about double the allowance rate for all applications
- The number of actions per disposal (a critical productivity metric) for PPH applications is about 1.7 vs. about 2.7 for non-PPH applications
- Observed reduction in the number of claims in PPH applications of 15-20% compared to the number of claims that would have been examined in the same application.

While the PPH has been successful, it can be improved. The USPTO has taken a number of steps, in concert with the JPO and other PPH partners, to enhance the PPH framework to make it



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more user-friendly and encourage more participation. In January 2010, the USPTO, EPO and JPO (Trilateral Offices) agreed to expand PPH on a pilot basis to include Patent Cooperation Treaty (“PCT”) work products (search and examination results). This expansion has the potential to dramatically increase the number of applications eligible for PPH processing.

The efficiencies realizable through work-sharing are likely to be maximized to the extent that the office of second filing (OSF) does not begin its work until after the office of first filing (OFF) has provided initial results. Although the PPH process can be used to mitigate such timing imbalances, the scale of a voluntary process like PPH is likely to be smaller than that of an office-driven process. Accordingly, at the November 2006 Trilateral Conference, the USPTO introduced a proposal for office-drive work-sharing known as “SHARE”—Strategic Handling of Applications for Rapid Examination. According to the SHARE proposal, when corresponding applications were filed in multiple offices, the first-filed application would be given precedence in examination in the OFF. Further, each office would await the search and examination results for which it was the OSF until results were available in the corresponding application from the OFF.

The USPTO, in cooperation with its stakeholders and taken into consideration its rules and regulations, is committed to mitigating these timing imbalances and implementing SHARE in an effort to optimize work-sharing on a global scale.

Towards that end, the USPTO and the Korean Intellectual Property Office (KIPO) are currently conducting a small scale pilot to gather empirical data and test the feasibility of the SHARE concept. During fiscal year 2010, approximately 360 commonly filed applications in the semiconductor and fuel cell technologies have been identified for prioritized examination and enhanced collaboration on search and examination results between the two offices.

Finally, on March 10, 2010, the USPTO and the United Kingdom Intellectual Property Office (UKIPO) committed to develop within one year a plan that would optimize reutilization of work in all patent applications jointly filed at the USPTO and the UKIPO. This plan will, to the maximum extent possible, utilize elements of the SHARE concept.

#### *Application Acceleration Pilot for Small Entities (Project Exchange)*

Project Exchange, an application acceleration pilot program open to small entities, allows qualifying applicants with more than one application pending at the office to accelerate examination of one application if they abandon a second unexamined application that may no longer be of value to them. This initiative, which began last year, also helps the USPTO prioritize its workload while reducing the backlog of unexamined patent applications.

#### *Green Technology Pilot Program*

The USPTO has implemented a pilot program in which a qualifying green technology application may be accorded special status. Applications pertaining to green technologies including greenhouse gas reduction, environmental quality, energy conservation, development of renewable energy resources or greenhouse gas emission reduction qualify for accelerated consideration under this pilot program.

Outside of this program, such an application could not be advanced for examination unless it meets the additional requirements of the USPTO's accelerated examination program (e.g., submission of an examination support document). The USPTO will accept only the first 3,000

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petitions to “make special” in previously filed new applications, provided that the petitions meet the requirements set forth in the notice published on December 8, 2009, in the Federal Register.

More than 900 applications have been submitted to this program since it was announced and approximately one-third have been found qualified for advanced status. We look forward to working with interested parties to expand participation in the program.

### Reengineering the MPEP

Stakeholder input also is being sought on reengineering of the USPTO's Manual of Patent Examining Procedure (MPEP). In addition to expediting updates to the MPEP, we will establish a more collaborative process involving contributions by our stakeholders; provide more examples and greater integration of guidelines; and include links to related USPTO online examiner education materials. The objective is to create a new MPEP that will enable practitioners and examiners to find information quickly, get accurate and complete guidance, and ensure that the examination and prosecution of all patent applications complies with the laws and regulations governing the patent system.

### Transparency of USPTO Materials

The USPTO is promoting transparency by increasing the availability of its public information and by providing patent examiner training materials on the Internet for reference by the innovation community. The USPTO has launched a public “Directors Forum” blog, especially designed to improve the exchange of information between the USPTO and the public, and is establishing dedicated “Feedback Channels” to solicit public input on important initiatives like the count system changes, the application exchange pilot for small entities, and the Green Technology pilot.

The USPTO is working to release all patent and published patent application data to enable applicants and the entire innovation community to better understand trends in USPTO application handling. In particular, we will be publishing decisions on petitions and full-text, searchable application file histories.

Finally, as mentioned above, the USPTO will be launching an on-line “dashboard” providing key pendency metrics publicly available. Additionally, speeches by USPTO officials are being published on the Internet, and USPTO officials have significantly increased their public speaking frequency.

### Investing in IT Infrastructure

It is critical to innovators, job growth and the American people that high quality patents and trademarks are issued in a timely manner. Intelligent investment in our IT infrastructure holds the potential to dramatically accelerate the USPTO towards those goals.

In FY 2011, the USPTO will fund the continued operations and maintenance of its existing IT systems. In parallel, we will begin the work of setting up new systems that will enable end-to-end electronic processing of patent and trademark applications. By removing the constraint that the new system must interface significantly with our outdated, current systems, we allow the work to be driven by these guiding principles:

- (1) stakeholders’ (internal and external) needs drive the process;
- (2) build lean, build fast, and own the design.

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We will be moving quickly to get an end-to-end system built that demonstrates basic functionality and meets core needs of our stakeholders, while at the same time re-engineering our business processes to modernize and streamline them.

#### **IV. Trademark Initiatives**

Our Trademark Operation continues to meet or exceed its performance goals. The decade-old telework program in our Trademark operation has expanded over the years to include 87% of all eligible trademark examiners in its voluntary program, and has served as the model for the successful hoteling program in our Patents Operation. Other Trademark initiatives include the following:

##### *Trademark Pendency*

In FY 2011, the Trademark operation will continue to maintain first action pendency at optimal levels, on average between 2.5 – 3.5 months with 13 months final pendency.

##### *Trademark Quality*

While current metrics show that the quality of decision making is at high levels, to further enhance quality, the Trademark Operation is establishing a new measure that focuses on the comprehensive excellence of the entire Office Action. They have sought input from stakeholders in determining how to define excellence, and last month completed focused excellence training for all trademark examining attorneys.

##### *Public Roundtables on Trademark Issues*

Consistent with our outreach efforts to stimulate public discussion on IP policy and developments, in April the USPTO co-hosted, with George Washington University Law School, a panel discussion titled “The Future of the Use-based Trademark Register.” The discussion focused on the vitality of our used-based trademark register in the wake of the recent decision by the Court of Appeals for the Federal Circuit in *In re Bose Corporation*. In *Bose*, the Court held that cancelling a trademark registration on the ground of fraud on the USPTO requires proof of a false, material representation made with the intent to deceive the USPTO.

The panel discussed whether, as a result of the *Bose* case, trademark applicants and registrants will be more likely to claim use or intent to use on overly broad or inaccurate lists of goods and services, leading to a significant erosion of the use-based registration system.

Panel members considered a number of ideas for ensuring accurate lists of goods and services, including fee-based incentives, requirements for more comprehensive proof of use during the application or registration maintenance processes, and a truncated non-use expungement procedure. The Trademark Operation will continue discussions with user groups on whether to implement these ideas.

##### *Anti-Counterfeiting and Anti-Piracy*

Trademark Operations officials continue to partner with appropriate entities to promote educational efforts to develop public awareness of the adverse effects of trademark counterfeiting. The USPTO and Customs and Border Patrol (CBP) are assessing the feasibility of establishing electronic links between the Trademark Registration System and CBP's recordation

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system.

### Investing in IT Infrastructure

The USPTO is upgrading its Trademark IT infrastructure to improve the stability, availability, and performance of the systems that support trademark examination and the public. As part of this effort, the USPTO will re-architect its Trademark systems to provide scalable, redundant, and virtually hosted systems based on current technologies. This will make the trademark process more efficient and more transparent, and reduce trademark portfolio costs for the innovation community. The Trademark Operation has launched an organized outreach effort for internal and public users to ensure that the new system design best meets the needs of its stakeholders.

## **V. IP Policy and Enforcement**

The USPTO plays a significant leadership role in promoting effective domestic and international protection and enforcement of IP rights and are endeavoring to formulate a data-driven U.S. government IP policy, working to develop unified standards for international IP, and providing policy guidance on domestic IP issues. The USPTO advises Executive Branch agencies on national and international IP policy matters, advocates for the establishment of global IP norms, and conducts technical assistance and capacity-building programs for foreign governments seeking to develop or improve their IP regulatory and enforcement mechanisms. The Office is working closely with the White House's U.S. Intellectual Property Enforcement Coordinator to help formulate a robust and effective Administration IP enforcement plan. Related efforts include:

### Creation of Office of the Chief Economist

To assist the USPTO in generating economic analyses of the IP system and to better grasp the economic impact of proposed and actual changes to the system, the Office has designed and filled the position of Chief Economist. The incumbent conducts studies for presentations to Congress, the Administration, and at public stakeholder events hosted by the USPTO.

### Collection of Data on Role of IP in Innovation and Creativity

In conjunction with the creation of an Office of the Chief Economist, the USPTO has launched an initiative to collect and analyze data on the role IP plays in the promotion of innovation and creativity. More empirical work on precisely how IP operates in different innovation contexts needs to be done. The USPTO will sponsor various symposia and roundtable discussions, and otherwise solicit input from stakeholders, to prepare relevant and informative studies and reports. Several of these symposia will be conducted in conjunction with other agencies (e.g. the DOJ and the FTC) as well as with leading academic institutions.

Recognizing the vital importance of the Internet to U.S. innovation, prosperity, education and political and cultural life, the Department of Commerce has made it a top priority to ensure that the Internet remains open for innovation. The Department has created an Internet Policy Task Force whose mission is to identify leading public policy and operational challenges in the Internet environment. As a component of the Task Force, the USPTO is co-leading an initiative with a sister DOC agency, the National Telecommunications and Information Administration (NTIA), to gather data that will help the DOC formulate positions on digital copyright policy for the 21<sup>st</sup> century. Outputs may include a major policy symposium and whitepapers. The outputs on this

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process may assist the Administration in formulating digital copyright policies as well as the Administration's overall IP enforcement plan. The Task Force is conducting similar reviews of privacy, cybersecurity, and the global free flow of information goods and services, and may explore additional areas in the future.

#### *IP Attachés Program*

The USPTO's Attaché Program was formally instituted in 2006 to promote the value and importance of strong IP protection and enforcement in selected, high-profile countries where U.S. IP challenges are greatest. Since that time, IP attaches have played a critically important role in sharing relevant information about international developments with various parts of the U.S. Government and providing critical input to enable the U.S. to more effectively participate in international discussions regarding the development of IP laws. In partnership with the Commerce Department's Foreign Commercial Service (FCS) and the Department of State, the current team of IP attachés is working to improve global IP protection and enforcement overseas. These experts support U.S. embassies and consulates on IP issues, including devising strategies to stop counterfeiting and piracy, and supporting U.S. Government efforts to improve the protection and enforcement of IP. The attachés also advocate U.S. IP policies, coordinate training on IP matters, and assist U.S. businesses that rely on IP protection abroad. They serve at posts in Brazil, Russia, India, China, Thailand, and the U.S. Missions in Geneva. The Office is also employing its expertise in the overseas deployment of IP enforcement personnel as part of a White House task force headed by the White House's U.S. Intellectual Property Enforcement Coordinator which was established to improve the effectiveness of IP enforcement personnel in countries where strong IP enforcement is needed.

#### *IP Law Development*

The USPTO continues to work with Congress and the courts to improve the state of U.S. IP law. We are actively engaged with Congress to enact patent reform legislation that fairly balances the interests of innovators across all industries and technologies. We are supporting legislative changes that will simplify the patent process, reduce legal costs, improve quality and fairness, and make significant progress towards a more harmonized international patent system, while continuing to protect intellectual property.

As the Executive Branch's statutory adviser on IP policy, the USPTO has been actively involved in developing the U.S. government's legal position on important court cases. In *Bilski v. Kappos*, which was argued in the Supreme Court last November, the U.S. argued that the USPTO appropriately denied patent claims for a business method patent involving a method for hedging risk. In the "Google Books" matter, we worked closely with the Department of Justice and other government agencies to craft a court filing explaining the many benefits of a settlement that would give consumers easy access to vast numbers of out-of-print works, while articulating a series of concerns about details of the proposed settlement.

#### *Global IP Academy*

Since 2005, the USPTO Global Intellectual Property Academy (GIPA) has provided high-level intellectual property rights training, capacity building programs and technical assistance training to foreign judges, prosecutors, customs officials, IP enforcement personnel, as well as officials from copyright, trademark and patent offices from around the world. Those individuals come to the United States to learn, discuss and strategize about global IP protection and enforcement. The program's goals include fostering a better understanding of international intellectual property

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obligations and norms, exposing participants to the U.S. model of protecting and enforcing intellectual property rights, and promoting discussion of intellectual property issues in a friendly and supportive environment.

The Academy provides both multilateral programs and country-specific programs as needed. USPTO further envisions programs dedicated to specific legal issues or technologies as the Academy continues to develop. GIPA also delivers training to other stakeholders, including small business owners, U.S. Government officials, and the general public.

## **VI. Conclusion**

The success of the initiatives described above and progress toward USPTO's strategic goals of improved quality and reduced pendency and backlog are dependent on a number of elements. These include establishment of a sustainable funding model; authority to set fees in a manner to better reflect the actual cost of operations; an interim fee adjustment on patent fees to provide resources in the intermediate term; and an operating reserve to ensure adequate reserves to address multi-year budget plans and fluctuations in revenues. Our FY 2011 budget provides the framework for continuing the work we have started to make critical changes at the USPTO so that the Office is supporting innovation, enabling investment and contributing to U.S. economic recovery.

Mr. Chairman, we appreciate your continued support of the USPTO and we look forward to working closely with you, the members of the Committee and your staff in the weeks and months ahead.

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