

UNITED STATES PATENT AND TRADEMARK OFFICE

PATENT PUBLIC ADVISORY COMMITTEE MEETING

Alexandria, Virginia

Thursday, May 22, 2014

PARTICIPANTS:

PPAC:

LOUIS FOREMAN, PPAC Chair
MICHELLE LEE, Deputy Under Secretary and Deputy
Director of the USPTO

DREW HIRSHFELD, Deputy Commissioner for Patent
Examination Policy

BRUCE KISLIUK, Deputy Commissioner for Patent
Examination

MARK POWELL, Deputy Commissioner for
International Patent Cooperation

DOMINIC KEATING, Director, IP Attaché Program

TOM KRAUSE, Deputy Solicitor

TONY SCARDINO, Chief Financial Officer

DANA COLARULLI, Director, Office of Governmental
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JOHN OWENS II, Chief Information Officer

DAVID LANDRITH, Portfolio Manager

DEBBIE STEPHENS, Associate Commissioner for
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JUDGE SCOTT BOALICK

JUDGE JAMES SMITH

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P R O C E E D I N G S

(9:06 a.m.)

CHAIRMAN FOREMAN: Good morning, everyone. I'd like to welcome everyone to our Quarterly Meeting, of the Patent Public Advisory Committee. This is our second meeting for the year, and I'd like to welcome those from the public who are joining us online.

Last night we had the opportunity, or some of us had the opportunity to attend the National Inventors Hall of Fame Induction Event, where 15 inventors were inducted for their achievements, and their contributions to society, and it kind of dawned on me that all of these inventors, first off, received patents from this Agency. But more importantly, those patents were the foundation of what they used to create their businesses, or to give them the incentive to bring their products to market, and so I think it's important to recognize the staff and the leadership at the Patent Office for what you do.

You create kind of a catalyst for innovation in this world, and sometimes I think

the U.S. Patent Office doesn't get the due recognition that it deserves. I also want to thank the members of PPAC who give up their day jobs for a day or two days to come and join us, and take off their civilian hats to represent the Patent Office and the Patent stakeholders. It is a sacrifice sometimes and their contributions should be noted as well.

So with that said, I'd like to get this meeting started, and first go around the room, and let everyone introduce themselves, and what organization they represent. And I'll start with myself, Louis Foreman, Member of PPAC.

MS. FOCARINO: Peggy Focarino,
Commissioner for Patents.

MS. KEPPLINGER: Esther Kepplinger,
PPAC.

MS. McDEVITT: Valerie McDevitt, PPAC.

MR. HULLMAN: Clinton Hullman, PPAC.

MR. KISLIUK: Bruce Kisliuk, Deputy
Commissioner of Patent Administration.

MR. POWELL: Mark Powell, Deputy
Commissioner for International Patent
Corporation.

MR. HIRSHFELD: Drew Hirshfeld, Deputy
Commissioner for Patent Examination Policy.

MR. FRIEDMAN: Howard Friedman, NTEU
245.

MR. BUDENS: Robert Budens, PPAC.

MR. THURLOW: Peter Thurlow, PPAC.

MS. JENKINS: Marylee Jenkins, PPAC.

MS. SHEPPARD: Christal Sheppard,
PPAC.

MR. JACOBS: Paul Jacobs, PPAC.

MR. SOBON: Wayne Sobon, PPAC.

MR. FAILE: Andy Faile, Deputy
Commissioner for Patent Operations.

MS. LEE: Michelle Lee, Deputy
Director, USPTO.

CHAIRMAN FOREMAN: So thank you,
everyone. And we are fortunate and honored this
morning to have a former PPAC Member, and now the
Deputy Director of the U.S. Patent Office,
joining us. I think at our last event we were
snowed out and didn't have the ability not only
to have members of the public but some people
weren't able to join us, but I'd like to turn the
floor over to Michelle Lee, for her opening

remarks.

MS. LEE: Thank you, Louis. And I am delighted to be here this morning, and you are absolutely correct. I think the last PPAC meeting was in February, and we all wanted to get you, I think, out of the D.C. area before the storm hit, so we had change a change in schedule, and unfortunately I was not able to participate, but I have been looking forward to this, I welcome the opportunity, and there's a lot of great content coming up today.

So with that, thank you, Louis, for your leadership of PPAC, and thank you, all, to all the PPAC members for your hard work and dedication in advising the USPTO.

Since last PPAC meeting, we have been very busy on a number of initiatives, and that includes the Cooperative Patent Classification System. Our 2014 to '18 Strategic Plan, in that plan the U.S.-led White House Executive Action Items, so on the Examiner Guidance on subject matter eligibility, three topics for strategic plan, White House led Executive Action Items, and subject matter eligibility, have been keeping us

busy.

As to CPC, we are about 17 months into the implementation since our January 13th launch, and will be done by this coming January. And I'm sure you can appreciate that transitioning 8,000 patent examiners into a new classification system is no small feat. It has required extensive training, a total of approximately 20 hours per examiner, the training focuses on how to search and classify in CPC, as well as technical subject training related to the nuances of a particular CPC field.

And in addition, on average, examiners receive about 120 hours of CPC on-the-job training. The training is an important investment in quality, and not surprisingly, it has a temporary impact on our examination output. That, combined with a continuing increase in filings has resulted in a temporary increase in our patent application backlog. We expect to reverse that trend in the next fiscal year, and of course we continue to hire more examiners to continue to reduce the backlog.

Decreasing our backlog is core to our

objective in our 2014 and 2018 Strategic Plan. And this is something that we have been anticipating and planning for, so it's not at all a surprise. We published that plan, our Strategic Plan in March, after a lot of thought and effort, and some great feedback from, of course, you and the public.

We had of course been working diligently the last five years to achieve the goals of the 2010 to 2015 Strategic Plan, and they included, reducing our backlog impendency, modernizing our IT systems, guiding to passage and implementing the Leahy-Smith America Invents Act and securing sustainable funding.

So that was our prior strategic plan. Our progress was significant and quantifiable, this new Strategic Plan raises the bar. We will continue to enhance our human resources, retaining and hiring more talented examiners, and Patent Trial and Appeal Board judges, including, from our satellite office locations, while continuing to ensure that the USPTO remains one of the best places to work in the Federal Government.

In fact each of us is inspired in this mission every day when we walk through the front doors of this building, and I'm sure you didn't miss that very large banner hanging in the Atrium there. Advancing the new Strategic Plan will ensure greater quality and transparency of our patent operations; coupled with continued and expanded engagement with our stakeholders and the public and with PPAC.

That engagement has and will come in many forms, from multiple public events, to outreach through our satellite offices which we are using very strategically for outreach into the stakeholders community. And those satellite offices, as I'm sure you all know are in Dallas, Denver, Silicon Valley and Detroit.

We are particularly excited about our permanent Denver location which will open this summer, and our San Jose and Dallas locations to open in the next year. I should also discuss our focus on implementing executive actions promoted by the White House. You will recall there were five executive action items originally announced on June 4th, 2013, four of which were tasked to

the USPTO. And then of course three more were announced with the White House, the Department of Commerce and the PTO, on February 20th of this year.

We've updated you regularly on our progress on the first four executive actions, and of course stakeholder input, including PPAC's, has guided us in that process. While continuing to advance those executive actions, we are now also seeking input to refine our existing third party- submission program, exploring other ways for the public to submit prior art, and updating our guidance and training two examiners to more effectively use crowd-sourced information.

We have also been actively engaged in the House and Senate on their Patent Reform efforts; focusing, in particular, on increasing transparency, helping main street technology users, and streamlining patent litigation. You'll hear quite a bit more about from Dana Colarulli later today.

Of course, the Senate Judiciary Committee's removal yesterday of the proposed Patent Reform Legislation from its schedule is

indeed a setback, and will slow the momentum toward bringing further legislative improvements to our patent system. But as Chairman Leahy noted, it isn't easy to craft legislation that effectively addresses the problem of abusive litigation while simultaneously protecting the interest of intellectual property owners and inventors, and of course, we need both.

But we've always known that it would be a challenge and a challenge that we were not afraid to face. The administration and the USPTO will not stop doing their part in improving our patent system. As many of you know, besides the legislative efforts, we have been actively engaged in, of course, the series of executive actions to further improve patent quality, clarity and transparency, and we'll continue to move forward on those fronts.

These efforts complement the commitments we have already made in building a better patent system as articulated and spelled out in our Strategic Plan. Pursuant to one of the executive action items that was announced on June 3, 2013, in particular, Executive Action Item

number 2, on tightening scrutiny of functional claiming and enhancing patent clarity, we have begun a series of legal refresher training programs for our examiners. Today we have provided our examiners and the public with three legal refresher training modules, and a fourth one to be rolled out to our examiners within weeks, all on the topic of 112(f).

In addition to ensuring consistent examination practices all the training modules feature strategies for examiners to clarify the prosecution record. The improved clarity will provide numerous benefits including a more complete prosecuting history record to assist the public in interpreting issued patent claims, and understanding the boundaries of protection for patented inventions.

Next, I'd like to turn to recent examination guidance to facilitate determinations of subject matter eligibility of claims reciting or involving laws of nature, natural phenomena and natural products. The guidance of course responds to the U.S. Supreme Court decision in the Mayo versus Myriad case, and

was given to our examiners in March. Two weeks ago, I think, as many of you know, and some of you participated in, we held a forum to provide individuals and organizations and opportunity to present their interpretation of the impact of the Supreme Court precedent on the complex legal and technical issues involved in subject matter eligibility analysis.

We appreciate the feedback we received, and we are continuing to engage or encourage feedback on that guidance including through written submissions, as we consider and develop further iterations and improvements to our examination guidance materials.

Now, I would like to highlight two very important discussion topics on today's agenda, areas where we can make great progress in the coming months. The first topic is on patent -- on our Patent Quality Composite measure. This discussion will be led by Deputy Commissioner, Drew Hirshfeld. In 2011 the USPTO adopted a new composite quality metric to track quality indicators, and provide an additional metric representing an overall state of Patent

Examination Quality through a combination of those indicators.

I believe this is a great demonstration of this Agency's focus on quality. I've observed the metric as a member PPAC sitting in the seats where you are sitting, and now for the last year-and-a-half from the inside, if you will.

With a few years of experience under our belts, with the metric, it seemed a good time for me to ask our Patents Team to work with all of you to fully examine the metric and determine what lessons can be learned, what changes might be needed and how we can improve the metric.

The second topic I'd like to highlight is optimal pendency levels. This discussion will be led by Deputy Commissioner for Patents, Bruce Kisliuk. Our new Strategic Plan includes an objective to refine optimal pendency -- patent pendency. I asked our Patent Leadership Team to work with the public to examine our current pendency goals, and determine if we are aiming at the right targets. You can, and I hope you will play an important role in this process.

In addition to these two very important

topics, we will also discuss International Initiatives and Updates with Mark Powell, Deputy Commissioner for International Patent Corporation. The USPTO's IP Attaché Program with Dominic Keating, Director of the IP Attaché Program. The Patent Trial and Appeal Board, with Chief Judge, James Smith; Finances and Budget with Chief Financial Officer, Tony Scardino. Legislative issues as I had mentioned with Dana Colarulli.

IT Activities with Chief Information Officer, John Owens; and Patent's End-to-End Portfolio Manager David Landrith; and finally, an update on or Call Centers, from Associate Commissioner for Patent Information Management, Debbie Stephens.

These are exciting times to be working in the field of intellectual property. The USPTO has never been in a better position to effect positive change, as it further empowers our nation's innovation economy. I'm excited to work with you, including with those of you with whom I have served as a member on PPAC in my new role as Deputy Director.

So, thank you again for joining us today, for your dedication and your contributions and we look forward to a productive discussion. Thank you.

CHAIRMAN FOREMAN: And thank you, again, for being with us this morning. We appreciate it. All right we are going to start off this morning with a presentation from Bruce Kisliuk, Deputy Commissioner for Patent Administration on optimal pendency issues.

SPEAKER: That's Drew.

MR. HIRSHFELD: Oh. We've had a last-minute switch in the order, so we are going to start with the Patent Quality Composite, okay --

CHAIRMAN FOREMAN: Okay.

MR. HIRSHFELD: -- that Michelle mentioned. So I will start the discussion and basically, the idea here with the discussion this morning is to bring everybody up-to-date, and as Michelle indicated, was a very important topic of our Patent Quality measures specifically, the composite that we've had the last number of years, and the next steps we are taking to move forward

in the most effective way.

So I'm going to start with some background to give people a very high-level overview of the composite so far, and then we can discuss what the next steps we've taken to move forward include. So the composite we have now, as Michelle stated, started in 2011, and it consists of seven different measures. It was a way to try to give a look at patent quality and say, how are we doing as an Agency, and are we meeting our quality goals? And back in 2010 timeframe we created this composite to be able to have that measure, and this measure has a combination of survey data, statistical analysis based on examiner performance, purely statistical, as I said. And then also reviews by the Office of Patent Quality Assurance, and various measures, the seven measures, were used to put together in a single composite.

And we've had it in our Strategic Plan and it's been one of Michelle's priorities to make sure that we refine that, or move forward in a very effective way. So, what we've done is we've started discussions the PPAC

Sub-Committee, which is Peter, Paul, Wayne and Esther, and we've started the discussions about what we should be doing to move forward. And basically the discussions, at the very high level, included, first us, proposing some high-level procedure, and I'm purposely not saying high-level composite, because some of the discussions have been, should we even have a composite moving forward, or do we want to do something else.

So what we are trying to do as a group, is to put a framework, a skeleton on what is the right way to move forward and then we plan on putting that skeleton or that proposal out to the public for public comment and feedback, we would be looking at having a federal register notice around the time of July to be able to get input from the public.

So part of our discussion started with this one slide that you can all see on the screen, and basically this is to outline what we think of the current composite, and what went into the current composite, and it was helped to frame the discussion for how we move forward, and basically

you can see there's three different columns, one of -- the first column has -- we call it the influencers, that's what's coming into an examiner's job, and on that we have an internal survey for examiners that survey is based on the examiners' experience, their training tools, they work that they see coming in the door, et cetera.

And currently we have a survey that our examiners use to tell us what the influencers are. Then the biggest part of this would be the middle column where you can see the big circle with the patent examination, and we have a number of metrics that measure the patent examination. And you can see there's the QIR, which is the Quality Index Reporting, and that what I refer to as the statistical measure, and there is the Office of Patent Quality Assurance Reviews, which involve a person from the Office of Patent Quality Assurance digging into a case and deciding whether it was a quality office action, whether there were errors, et cetera.

And that is all used together to evaluate the examination process. And then you

can see on the outputs, we also wanted to measure the office actions, so we look at, say, final dispositions and in-process office actions. In the composite we've had these were all put together in a single metric and used to track the progress that we were doing on quality.

So this next slide is entitled Patent Quality Composite measure, but I should tell you it should be more of lessons learned, right, and this through the discussions with PPAC. As I mentioned we -- one of the topics that we are discussing is, should we even have a composite, so really, looking at the lessons learned, I wanted to highlight some of those. I'll go to the second one, and we all believe that certainly any measures that we do should be very objective. Of course that goes without saying. I will also say that looking to the second to last one, that's easily understood, we've had significant discussions with the members of PPAC about the current measure and the difficulties that people have had understanding it.

And I think it's very safe to say that feedback we've received both from PPAC and people

on the outside is the current measure, the composite is somewhat of a mystery to people that they don't quite understand what it measures, and of course it's hard to have confidence in something that you don't understand. So one of the discussion points that we've had is, moving forward, how do we make whatever we do, whether it's a composite, whether it's something else, how do you make that so that everybody, the public completely understands what we are doing, what the measures represents, et cetera. And so, I mentioned the public confidence piece, but I think that works with the easily-understood metric.

So I'm going to move into some next steps, and then I'll discuss some of the highlights that we've discussed. So, again, we've started discussions between members of the PTO Team and the PPAC Sub-Committee, that I mentioned the names before. We've had just a few meetings so we are in the initial stages. We certainly will have ongoing meetings, and we will be planning gain to get ready to have notice to the public, so that the public can see what we are

proposing, what we are considering, be able to have time to weigh in and then whatever we put in place, we will of course take into account everybody's feedback.

The time that we are looking for Federal Register Notice would be around the time of July, as I mentioned previously, and the goal is to have something in place, some new measures or new procedure in place by the start of fiscal year '15. So one of the discussion points that we've had, and it's interesting to me because I was on the initial team back when we started in -- the discussions actually started in 2009 is: what is quality? And we've spent a lot of time discussing that, and from the standpoint of what does -- what are we trying to create that's important to the public? And if you ask, you know, 10 people what is quality, you'll probably get 15 or 20 different answers, and I think that's what we are struggling with.

And many people want to look at the existing metric that we have and say it's a validity indicator, where it's an examination health indicator, and these are all issues that

we are discussing. So we are trying to frame what is quality, so that we know what is most important to the public, and once we know that, we'll be able to frame our next steps, so that we are getting the best information to people. So I don't know if the PPAC members or if anybody else want to jump in on any of the discussion points, we can --

MR. THURLOW: To a certain extent just, say, my comments overlap with what you've already said, and just for the people in the audience and the people on the webcast, just a quick summary. So as Drew mentioned, we have had over the last couple weeks several teleconferences with the PTO Team, and I always start with saying how helpful Drew is, Andy, and what a pleasure it is working with them and their team, Paul and Marty, everyone at the PTO. One of the big things that we are trying to do is, we see on PPAC all the good things that the PTO is doing for patent quality. We all agree.

As Michelle mentioned, there is a key, I mean, it's just so important to everything that's done, that we need to continue to focus on it. As far as the approach and the steps going

forward, everything that you are saying makes perfect sense, more feedback from the public during the Federal Register Notice, possible roundtables. What we were just saying in earlier discussions, we saw that the feedback in the recent PTAB Roundtables was very positive, as far as work for the PTO, and Patent Quality, due to its importance, we need to possibly consider having roundtables, some more Federal Register Notices, getting not only the public engaged, but we'll also the Patent Office, and I'll just leave on one other -- one note.

In our meeting yesterday, what I particularly enjoyed is, that you had three Directors from different groups come in and give their feedback. This can't be just what the PTO can do more, I think it needs to be as well also, can the applicant community do more as far as making, you know, submitting applications that have basic requirements that the PTO needs to examine the application, so it needs to be a two-way street. But I do think the PTO is heading in the right direction, and clearly, for PPAC we'll do whatever we can to help.

MR. HIRSHFELD: So I would also add, just a couple comments to Peter's comments. You mentioned the roundtables, and it's crystal clear to all of us at PTO, and we've had these discussions certainly with Michelle many times, that while we believe the metric that we have is a really good measure of our quality, and how we are doing, we certainly recognize that, as we explain this to the public it's just something that's not easily grasped, and we think it's easier for us to, who are in the weeds every day, to be able to understand what means. And moving forward we are definitely looking for the public's input, and PPAC's input on how we can make that something that is -- and again, I say that, I don't mean a composite, because we might not even end up with a composite.

But whatever we do is easily understood, something that people can really see and say, okay, we understand what PTO is measuring here, we understand what the results are and can move forward in the most effective way. I also wanted to just point out that through discussions with Michelle, she is really pushing this as a

primary goal of hers to improve the way we measure quality, evaluate quality, and is really giving us carte blanche to move forward in the most effective way, and I think that's a very -- for us all of us, and I know I speak for the PTO Team, and I believe the PPAC Team, it's very exciting to be able to be in that situation where we really can feel like we can create something that's really good here and make a big difference.

MS. KEPPLINGER: Thank you. And I want to echo all that Peter said, in terms of appreciation or the attitude and tenor of the discussions that we've had so far, and the efforts of the PTO to be very transparent, with quality and the data, and what they are doing. Having said that, the composite, while it is a good representation, it has a lot of different data in it, it is a more representative picture of lots of different aspects of quality, because it includes some very objective data. It includes some that might be subjective because anytime you do an analysis of quality, it's one person's opinion of the case, but putting -- having all of those kinds of measures is a good thing.

However, when you put it together into one measure, it makes it difficult to really see what's happening in any one of those individual ones. So I think mixing all different measures together doesn't allow the public to really get a good focus on the individual pieces. I do think it's important for the Agency to continue to make public a lot of the data that they have, and that allows the public to get a sense of what's going on, including some of the additional QIR data. The QIR data are a lot of data points, of course, that this Agency has a history of counting and measuring and looking at everything.

So there's a tremendous amount of data there, and I think there's some very valuable data that currently isn't provided, such as what happens after Appeal Conferences, after Pre-Appeal Conferences, those kinds of things I think would be very valuable indicators for people in the public as well. But I think that it's important to measuring a lot of it, but maybe not put it together in a composite, but provide some of the information in individual pieces.

I also think that it would be very

helpful to focus our efforts on not just measuring quality but having some real -- I know you already do feedback and you have lots of initiatives for improving quality. But if there is any additional money or opportunity for increasing the efforts this year, then I would say we put those into ways to improve the quality of the work that's done in addition to just measuring what we are doing.

And if you can provide avenues that actually allow applicants to find better resolution of the problems that they have, quality and all sorts of things, I think that would be a really winning initiative, because in an applicant's mind, I can tell you that quality sort of seeps over into a whole lot of different aspects of their interaction with the USPTO. It is a mixture of all of the calls and the times that they contact the PTO, whether the PTO -- it blends customer service. Did the examiner call back right away? If you have a problem and the case sort of gets off, you have an examiner who -- and most of the examiners are very good, but sometimes you have an examiner that won't change their mind.

And if there were better and easier resolution than going to the Board, which is a very long time, I think that would be a really positive quality initiative, some third party that could help resolve the issue, and actually look into the merits of it. So, from an applicant perspective and a public perspective quality has a lot of different facets, not only the actual quality of the action that's done.

MR. SOBON: Yeah. I would probably tee-off of what Esther was saying with the -- I think all the things you are doing, and I think the fact the Office continues to look at this and to reevaluate these measures and take that from a public perspective is, I think, very, very good, and constantly rethinking how you are evaluating your quality.

I don't know if I have any answers for these things, but, you know. To, I think, Drew's point about whether it's a little bit more inward focused, I think to Esther's point, if you look at applicants, applicants really think of quality, I think, in a very maybe simple way; which is, are they getting value for the

money -- the good money that they are paying for what they expect would be a full, thorough, initial search of their applications, and a complete compact prosecution with examiners that are ready, willing and able to be there to work collaboratively, and appropriately, and not just give in, but to work very, you know, effectively and intelligently with the applicant to reach a resolution one way or the other.

That's from the applicant's side, and I think the other thing that really needs to be borne, that's very current right, I think very much an issue for public perception of the entire patent system is -- and I have no answer to this -- but I think the public's perception is, every time a patent is found invalid in a litigation, or is asserted too broadly. Or, is then taken up on an IPR and then found invalid, what about those, those are seen as failures.

In a way they are sort of seen as a car manufacturer having to recall defective parts, and I think somehow or another, I think the longer-term lifespan results have to have some sort of feedback loop, looking at why did that

failure happen, even if it was five or 10 years later, and again, I don't have no real direct answer to do this. I know a lot of quality measures are sampling currently in your current assembly line.

All that's important but like any production process, looking further down and figuring how you feedback loops about how failures may have happened, is something to think about as well, because I think that's what the public thinks about when they think about patent quality.

MR. THURLOW: So, in an effort to find out some concrete steps of things that we can do to improve it, here is one example that maybe you could address. So, over the past year or so, if not longer, there's been a real focus on Section 112, training. Part of the Executive Action, that was Functional Claiming, I know you've done a lot of work, so though we may have our concerns with metrics, maybe in a smaller focus, or more detailed focus. For example, if you do training in a particular area where there is the patent applications, the software or so on, have the

functional claiming, and then you notice in the off sections by tracking after training that was more Section 112 rejections. Maybe those are two metrics that can be looked at. Is that something that's worth --

MS. LEE: So, thank you, Peter, for that question. That's exactly what I've asked my team to do. So, thank you, for raising it now.

MR. HIRSHFELD: I was going to ask if Michelle told you to ask that here. So certainly that is as Michelle has just indicated, conversations that we've had at length with Michelle about exactly that issue and, you know, I'd like to point out, so in this short discussion, we've talked about, you know, customer service. We've talked about a health indicator of examination. We've talked about validity, we've talked about a litigation issues, and you can see how difficult it is to pull all of that together and how do you do that.

And maybe that was an attempt to hit some of that with a composite, and maybe as we -- you know, lessons learned, getting to Esther's point, maybe that the composite focuses

you one place where you really need to look at the picture, and I think that's what the team is trying to discuss. So it is, again, really exciting to move forward and try to mesh all of these different points together and see what is most effective.

I'm not getting around the answer to the question, to get back to specifically the question, we have certainly had many discussions internally about measuring and following up on whatever training initiative we have. And certainly with regard to the 112(f) training modules where we've now finished the third training module on that, and the fourth will be -- as Michelle indicated will be started in, literally, weeks, and up on our website shortly after that.

So, we've come to a good place with 112(f). What we've done is, and I'm going to say it's a little bit ad hoc right now, okay, but we have tried to have out Office of Patent Quality Assurance reviewers as they are going through cases, having a more refined focus on 112(f), and seeing, okay, what is being done there. Are

examiners being responsive to training and what are the impacts of the training? The reason why I said, it's ad hoc, is we all know that our IT systems have fallen behind with -- in recent years with budget issues, and our Office of Patent Quality Assurance data capture is no different.

So the systems that are Office of Patent, of Quality Assurance, is currently under and has right now, literally we'll say, was there a 112(f) error or not, right? And so the challenge with that is we all know 112(f), 112 is much broader than any section -- there's many sections to it, so it's not refined enough to give us meaningful information about this data. So while we have done an ad hoc procedure to have our -- Office of Patent Quality Assurance staff trying to get more refined review of 121(f) and the training that we've been doing, it's also our plans.

And we've started in the initial work here to improve the database that the Office of Patent Quality has so that we are doing better data capture as they are going through the cases, and will be able to capture more refined analysis

of whatever it's trained on. If it's going to a B or A or F, et cetera. So I think, you know, we are trying to attack that in two steps, a long-term view of how to make the system better, and what can be done now to gage the impacts of the training.

MS. LEE: I'd just like to add something there. So that's exactly right. I mean, I've asked the team, and Peggy and I have discussed this extensively, what does a world-class Patent Quality system look like? And it's not only kind of what you measure, and how you measure it, and how you present it, but it's what are all the IT needs that you need to support, measure, and continue to improve and refine so that you do have a world-class system? So it's not, like I said, there's a lot of pieces in play here, but what I've said to the team is, we are in a situation now, where we are not at bare bones, thankfully, and this is the time, to be investing in these things.

MR. SOBON: I have one question, and I haven't thought to ask before, but to what extent are you and the team, you know, the IP5 meetings

are coming up in the two weeks in Busan, Korea; are you working with other key offices to look at how they evaluate quality and seeing if there's common measures across the globe?

MS. LEE: So I've been in conversation with I think -- I was talking to a gentleman, I think he was from Poland, from their office there, and they said they underwent an extensive investigation and also some patent quality on their side. I can't remember which country it was, but I think there's lots to be learned in what the foreign offices -- and we are clearly not the first person trying to improve and evaluate and measure patent quality.

And I think what I will be asking a lot of, and I will be asking my team members to do a lot of, is let's talk to our international counterparts, and let's find out best practices that they have underway, and we'll take what we like and other issues that we think aren't so helpful, we won't, but I think it's certainly worth considering all those. So thank you. Thank you.

MR. HIRSHFELD: And we've in

fact -- we've in fact had some of those conversations already, and over time. The problem that Michelle has given us I think is the problem we should all want, right. It's, how do you -- how do you turn something you have into the best in the world, right? And I think that's a great position to be in, and I know personally, I'm very excited about being able to really see what can be done and work with everybody and see what are the right steps, and put something really meaningful into play, so it's great.

MR. THURLOW: Just a quick follow up on IT needs, and I'm going to use some examples from working with committees. So one of the things we've been discussing, I went on the PTO website and did a search for Patent Quality, and I came up with the Office of Patent Quality Assessment. A lot of the stuff is confusing, mystery, and so on about QIR and all this data, and how the PTO defines certain things. It's really difficult for people outside the PTO to understand it.

So one of the suggestions was to have a Patent Quality webpage if possible, then include this information, I'm going to change

from what Janet Gondola did with the PTAB Roundtables. I'd say anyone who needs information from there, you go right at this page. And Remi and Andy did a lot of great work on the RCE, and they did a nice table, as far as, here is where you are and after final consideration, and here are your options.

So for the public, this patent quality is confusing to the extent -- I know it's there, and these training modules I'm not really sure, but if there's a way to make that information available to the public, so you could say, here is -- you know, if someone asks you a question about patent quality, you'd say, here is the page go to it, and we can discuss more of that. It may be something worth considering.

MR. HIRSHFELD: So, absolutely, and I think that's a great idea, and something we certainly should do, to be able to pull this together in one micro site or webpage. Certainly the information is all on the website, I do recognize that it's not the easiest, because it's in multiple places, and I think your feedback is well taken that it would be better served for the

public if it were all in one place.

I do want to mention -- you mentioned that the training modules, and I don't want to mention that right on our -- the main page USPTO.Gov we have linked to all the main pages, just right on the main, the Examiner Guidance; and if you click on that, it takes you to a page which has all the trainings that we've been given. And what we've been doing with the Legal Refresher Training is putting that all in computer-based training module format, so that the public can see exactly what we are giving examiners.

That's one benefit to the CBTs. The other benefit was, since we are attacking this in smaller sections rather than trying to, say, training all of 112 at once, we are creating a library for the examiners to be able to go back as well. But we have made that link right from the main page, you know, and we can't get that word out enough, quite frankly, that people can see exactly what we are telling examiners.

MR. JACOBS: Yeah. I want to punctuate a couple of things, but first I want to put in kind of an unabashed plug for measurement. There is

a tendency when you look at that composite, you might say, well, it's opaque, it's hard to understand, but the reality is there's a lot of meaningful measures that go into that composite, and when the Office had been reported progress against this measure, it really is progress. And there's a couple of cases, for example, where the stretch goals were quickly exceeded, and you could say, oh well, we'll just dismiss that, we must not be measuring the right things.

But that's not the case, right, we are measuring a lot of the right things, and a lot of that progress is real progress, and I'm a big believer that you're going to get better at the things that you are measuring. Now, that said, to underscore a couple of points. One, Esther was right on in saying well, the big opportunity here is for enhanced clarity. The problem isn't always just what we were measuring, the problem is communicating what it is that we are measuring and communicating the results.

And by lumping all these things together, as a number of members have said, sometimes we confuse things, and we make it harder

to understand when we combine them all. And then the second area for improvement, I think to sort of Wayne's point, well there are lots of other areas for improvement in terms of where we measure. But one thing is, I think there are areas where we get downstream results. It's not just in litigation, but now we are getting, you know, PTAB actions for example.

The PTAB is invalidating a lot of claims, right. And so we are going to want to know, for example, what's the relationship between these claims that are being invalidated and actions that we were measuring upstream, like the examiner search and the office actions, and allowances, whether missed rejections based on one or two, or one or three, or whatever, we are going to want to gather more data, certainly, as that becomes available to us.

So that we can tie the results that we are achieving as an office to the downstream actions, certainly; or, to Wayne's point influencing the public perception. I don't think that public perception is always right, by the way, but we certainly want to look at all the

data available to us, and that downstream data is very important.

MS. KEPPLINGER: One other thought, and of course the USPTO has become a number one place in the government to work, and congratulations on that achievement. But you could piggyback, you could possibly piggyback on that because the way in which the examiners behave has a great influence on the perception also of quality on the outside, and on the reality of it, so you could sort of say, hey, we are number -- we are the number one place to work in the government, let's work to become the number one office in everyone's mind.

And you can incorporate that into the training at the academy, because of the quality work that examiners do, is their own attitude of, you know, I'm putting my name on this, I'm going to do a really good job. And sort of trying to change and drive the examiners towards an attitude of pride in their work, and I'm doing the best job I can, and I'm really working to be a good public servant and give the best service that I can to the public who are paying for my salary.

I think is an effort worth undertaking and trying to sort of bring everybody to say let's become the best at what we do.

MS. JENKINS: Just sort of picking off of that. I know, we were in a meeting yesterday about outreach, and I said something to Bruce about, you know, what if we look at J.D. Powers Associates, you know, how you rate cars, how you rate hotels, you know, think out of the box, and look to, you know, consumer satisfaction surveys, how do we do this differently?

And I don't know if the Office is necessarily stepping back and saying, okay, this is how we know how we look at quality, and this is how we are trying to change quality, but are we looking at it from a different perspective? Because it's like Esther says, the client who is -- or our clients and us, we have a very different perspective of what the Office is doing, what they offer, and unless it impacts you at point in time, you are not necessarily going to go and look at an index on a website to figure out, oh, yes, you know. You can always try to draw the client there, but it's often a challenge,

particularly when you represent, to explain to the client why certain things are happening and them having the patience to listen. I think that's always an element.

And interestingly on the PTAB, I'd like to comment on that, and then when they had the roundtables which I thought were great, I asked if they were considering any training for examiners based on the decisions from the PTAB as a learning vehicle. So you know I think we all can learn from all these aspects, we have so much new going on, but I cannot support more of the efforts by the Office to address this, this is so important, so.

MS. SHEPPARD: To add onto what Marylee was saying, later today there is going to be a session on Call Centers Update, and then they say same kind of cryptic, but what that's really about is whether the customers, the people who called into the Patent Office, actually think the Patent Office is doing a good job. Answering their questions, getting to resolution, and part of it is getting actual metrics from an external source, they are using 4C to determine whether or

not the customer is happy.

And every big company does this. And previously it was done kind of ad hoc internally, and they are in phase, one of the projects, we'll talk about that quite a bit later one, but some of the perception of Phase II of the project is not just measure, kind of, customer satisfaction, but also customer satisfaction with the process.

About whether or not the right art is being cited, whether or not there is churning, and that sort of thing. So when we talk about patent quality, the data is very important, but what does that really mean? What really, you're looking to see is whether or not the customers -- the country actually thinks there is a patent quality.

And all these things go into one measure, which I don't envy you that job of putting this thing out, that people look at it and say, okay I don't know what that means. And Esther was absolutely right to break it down to pieces makes a lot more sense if you could say, okay, customer satisfaction and the amount of ones that are overturned by the court, which may or may not be a real indication of quality; so,

just to add that point.

MR. HIRSHFELD: I would add one thing, and I agree with what everybody is saying, I would only make one minor correction to what Christal said about not envying me about doing this, it's not envying us about doing this, because certainly, I and the rest of the PTO staff are looking to PPAC to work with us and figure out what is the right thing here. And I'd like to, at the highest level, point out that although we are having discussions about not having a composite, and whether a composite is desirable, that's not to say that we are getting rid of any measures of quality that we have today.

We have many, many, many measures of quality and in different areas and the composite was a miniscule subset of those that we had chosen years ago to put together as a measure of more of an examination performance. But that certainly doesn't mean that those are the only ones, and I would also say, personally, in my view one of the problems with the composite is it made people focus on those only, and not recognize that we have all of these other things as well.

So there is a lot of issues to discuss here, and move forward, but we are looking at -- very excited to do this with PPAC and with the public and again with Michelle's guidance create something that is easily understood and very valuable to everybody.

CHAIRMAN FOREMAN: Robert?

MR. BUDENS: All right. Time to chime in, I patiently listened to everybody's comments, and I appreciate the fact that we are having this discussion, representing the examiners, I do. I think we are all interested in trying to do the best job we can, and provide the public with a good examination, that's been our mantra for many, many years, to have high quality examination.

That said, I would -- I made these same comments to some of PPAC members yesterday, and I'm going to make them public today. I said, you know, we, as an Agency I don't think we have to worry too hard about how we are going to measure something, we are like really, really good at figuring out how to measure something once we decide, but the problem is deciding what it is we want to measure. Okay. And that's where, I

think, these discussions are going to be good, but I would remind members of PPAC, I said, I'm looking at the list of considerations, for example, and literally, it's very similar to stuff we were doing back in 2008, 2009, 2010, asking the same questions.

What is quality? And I think it's going to be imperative if we are really going to do this right, and I hope we do it right, you know, that we hear what does the public really want from this office, okay. And the point is to, you know, maybe the big five issues that are bugging you right now, and see if we can figure out how to solve those issues, and then move on to the next big five or something, because we can't -- we are probably not going to be able to tackle everything at once but --

For example, and no offense, Peter, but I'm going to use your example, because it was fascinating about the 112(f) training. Okay. We can provide training to examiners, and we can sit and measure, okay, did we see more 112(f) rejections, now that we've had the training, and that is a measurement, and that is, you know,

statistics that Marty can -- our statisticians can put together very easily, they are very, very good at measuring things.

But is that the right question? The right question probably is are the 112(f)s that were made after the training, appropriate and, you know, well reasoned, you know, discussions on the part of the examiner? That's a much more subjective issue to try and measure, and it becomes much more difficult for us to measure. I don't think there's anybody in this room who doesn't want us to be able to improve the quality of this Agency.

I liked Esther's comment about not making this just the best place to work, but also just the best Agency in the Federal Government. I already think we are but, you know, that's a personal bias. But I hope that we will focus as we go forward with this initiative, on truly trying to figure out what it is that we should be measuring, because once we know what it is we should be measuring, I have great confidence this Agency will figure out how to measure it. I have to deal with those measurements every day and, you

know, Michelle and Peggy and Annie spend a lot of money putting those measurements together and trying to figure out what they mean.

But let's make sure we are measuring the right things that will help the Agency become the best place to work in the minds of the people that we serve. That's a perception issue as much as it is a statistical issue. That's all I've got to say on that.

MR. FAILE: Okay. So one of the developing threads of the conversation that we'll take back, and I think we'll spend some more time on, hopefully, with everyone, the public included, is kind of the idea of the multiple facets of quality on -- we had a good discussion on that today, and I think that's -- I think that's a place that it will be helpful to spend some time, because if we can kind of scope out what those are, that kind of informs the rest of the actions that we do and ultimately what measurements one wants to take to see if those particular facets are in line or not.

So just to kind of maybe throw out a few of these, and I'd welcome any input from PPAC, you

know, we can work on this, obviously, not just today, but there's a kind of a work product quality measurement, the office actions that we do, ultimately the grants that we make from the offices, is a thing that we'd want to look at for quality. There is a customer service component that we've talked about here, that's another facet, potentially even prosecution quality, such as quality of interview, quality of moving cases forward, that may be another facet.

So maybe at some point, spending some time and kind of answering the larger questions that both Robert and Peter have keyed up, what is patent quality? Maybe we look at what are the facets, the next level underneath, that make up this quality, maybe in a little bit more of a holistic view than just measuring quality of office actions, maybe just a lot more facets in there. Spending some time in trying to identify those and drill down there, figure out what initiatives are already in place that add up to a facet, what other initiatives may be need to be put in place. And then ultimately, a measure that reflects whether we are in tolerance or not

on those facets.

CHAIRMAN FOREMAN: Well, keeping up with measurements, we are right on time, so we are staying on track here. Drew, thank you, for taking us through that discussion, thank you, for the feedback, hopefully, you pick up some good ideas from this dialogue. So at this point I'd like to turn the floor to Bruce Kisliuk, who is the Deputy Commissioner for Patent Administration to talk about optimal pendency.

MR. KISLIUK: Thank you, Louis. And good morning. I almost feel like apologizing for cutting off the quality discussion, it's a very good one and one that's well overdue, and I'll just reflect a little bit, and these are the exact type of discussions we need to have at this level, to keep the dialogue with the public on the PTAB, so I appreciate it from everybody's standpoint.

So using the same model that you did in terms of the time we spent talking about optimal pendency levels, I'd like to spend just a few minutes framing up the issue, try to get people on the same kind of baseline, same page, in terms of where we are, what we are looking at.

As Michelle mentioned, in the Strategic Plan, we do have a specific initiative to confirm or refine what our optimal pendency level is. And I'll explain a little bit about what that measure, current measure is. Why we are looking at it now, and why it's important, particularly to an upcoming fee setting.

So on the first slide, our current -- the pendency target measures that we have today are 10-month average, first-action pendency, and I'll reflect a little bit on the next slide what we mean by average, and why that's an important thing to note; and 20-month average total pendency. And again, this is noted in the Strategic Plan that we do have an initiative to -- the words we use are refine, long-term pendency goals, or you could also use the word confirm, or adjust as necessary. Okay. And that's why we are having this discussion.

So the important thing about it, other than from a customer point of view, is from a staffing and resource point of view. As the last bullet notes, we are heading into, soon, one of our second biannual fee-setting exercises, and

the size of our examining staff and the resources around examination are tied directly to our attainment and sustainment of a pendency level. So the discussion we are having today, and the one we'll have with the public just to get advice and input on, is this the target to continue to staff towards, when we get to what would be, hopefully, a steady state pendency level.

So, on the next slide I'd like to just go over -- and I know it's hard to see -- but spend a little time about what our measure is today, where we are, so people can understand when we are asking, should it be changed, what context are we really talking about. So this is a slide that shows together our first action and total pendency back for about a five-year period. And you can see from about the middle of the slide that pendency has improved, the top blue is our total pendency, and that's an average total pendency, and the green is our first-action pendency.

So a couple of things to explain about the measure, one is, what is this really looking at? So, first- action pendency first-action pendency is the time from filing until the first

action, and it is an average, so let me put that into context. This is a core average, so you have currently some technology centers, the lowest one is averaging about 15 months to first action, the longest one is averaging about 21-1/2, and the core average is right around 19.

So there is a little bit of spread, about -- almost a seven-month spread between technology centers right now in first-action pendency. To put that into a little bit of perspective 10 years ago -- it's not on this slide, it goes back even farther. Ten years ago, when our first- action pendency was also 18.6, very close to what we are today, the spread between the highest and the lowest technology centers was 19 months, okay, so the spread that was 19 months, now down to seven.

So, from a first-action pendency point of view, just to know where we are today, we have done a fairly good job of bringing the spread between the technology centers together, and primarily by two things, one was a relatively recent Copa effort, and effort to clean up the oldest application, and the more sustained

efforts that we've been doing over a longer period of time is what I'd like to call targeted hiring. It's hiring exactly where we need it, not hiring where we don't and letting those numbers fall.

So we are coming together, so that's an important thing that even though we have an average pendency measure, one of the things we have been constructively doing over a number of years is trying to bring the ranges between the technologies together.

Total pendencies talk about that measure, that one is a little bit more complicated, so total pendency measures from the filing of the application, all the way till, what we call, the final disposal, and that would be either an issue or an abandonment. Okay. Included in that is the first-action pendency, but just to note, when you look at these numbers, these are offsets, so they are not the same applications, we measure it at the time that the case is finished.

For total pendency we measure it at the time when the first action is completed. So if you look at this chart you don't draw a line up

and down that -- that first-action pendency doesn't go into that total pendency, it's offset by about a year. Another thing to note about total pendency is that this total pendency is what we call our traditional total pendency measure. It does not include RCEs, so when the RCE is filed that basically ends the pendency of that application.

It's important to note because in recent years, and with the help of the PPAC we have had an extensive RCE outreach effort. We have had a rise in RCEs that we have now reduced, and while for modeling purposes, we look at both, for this measure, we are really looking at, without RCEs, we independently measure and approach our RCEs. Also worth noting in this measure includes applicants' time as well, so this is total pendency including the time that applicants, by sensitive time, respond to all the sections.

Okay. So that kind of tells you what the current measure is today. Next slide is just a subset of that, and not just the backlog, so this backlog is sort of directly tied to first-action pendency, and I do want to note that you can see

the little increase on the tail end to the right.

As Michelle mentioned, this is mostly due to the training time we have invested in CPC this year, so we know the time, the additional time we are spending on CPC training, it is a significant amount, but it is a temporary one-time hit, and we expect to be peaking that very soon, and we expect that curve to start coming down any month now.

So I mentioned our traditional first-action pendency and total pendencies measure, I also want to note that it's not the only pendency measures that we have invented a couple of times here, we measure everything twice. And just wanted to note some examples of things that we actually share on the dashboard, today we have a -- they call it a visualization center or a patents dashboard, and on our USPTO.Gov website are a number of measures including the first two which are traditional measures, but we also show a number of other measures.

Including, if you'll note on the bottom of the left column, what we call traditional total pendency including RCEs, so we actually do

measure and share how much more time goes to total pendency when we include cases that file RCEs. So that is one measure that we share; and a lot of other pendencies including those that go to the Board, et cetera. So I just want to share that there is a wealth of other types of measures that we continue to share and monitor.

So, for this morning, I'd like to turn it over to our PPAC members, and we have been in a number of discussions is, as we are planning on doing a request for comments, to the public, and we are working on what questions and what issues we frame as we go get the right input to decide, what should your optimal pendency level will be. So a couple points, is what that optimal pendency level, how you look at it? What are the pendency measures that are important to stakeholders, and why are they important; and the pendency definitions from a variety of perspective? So I'm happy to turn it over to our PPAC members.

MR. THURLOW: So just following up on the conversation we had yesterday, and communication we've had over the last couple of weeks, and to summarize some of our discussions.

Overall, I think -- to look at it in a couple different ways, pendency obviously is valuable. I understand Marylee gave an example of working with our clients, where, we get an application, whether it -- this is particularly relevant for smaller companies, independent inventors, submit their application, work on it for a couple months with them, and then they say, what's the next step? And we say, well, we filed it at the Patent Office, and then, you know, we'll hear back from them in two or three years.

So most of them give you that kind of stunned look, so the overall pendency, and decreasing it to a reasonable number is not unreasonable -- and I have Robert next to me, so it's a reasonable number. What that number is, 10 or so, again, focus on the average, how much, whatever it is, but 10 is surely better than 18, and it's -- overall, it's a very important number.

The one thing that we've been discussing with PTAB also, again all this ties in, that pendency, in many respects, it's important, but what's really helpful is all the work the Agency has done over the years. Track one has

been, very, very beneficial, so at least the applicants have the opportunity to expedite the review of the application for so-called important, and I think the Agency is seeing those numbers going up. Something at PTAB is that they don't have that option for appeals to the Board, so it's a much different scenario with those cases on appeal to the Board as compared to the initially submitting the application.

Like the quality, this pendency, it has helpful information because it guides us on what decisions that can be made, but it also can be relatively confusing. We had a lengthy discussion, and Esther corrected me a few times, as far as whether our RCEs are included in total pendency and how that all -- I think the real important ones is the pendency of the first-office action because there are so many variables.

What happens after the first-office action is that between the applicant and the office, the extension of the time, and so on, that you can't control, but the first in particular, is something that I think is really important.

But again, it's really important, so I think it is also something that we need to focus on.

MS. SHEPPARD: Thank you, for the discussion. I'll say that at first I was very concerned about this conversation about changing from 10 to 20 to anything else, because I was -- I was thinking that there's no way you are going lower, so it must mean you are going higher. So, then we had some conversations, and I started to realize what this really was about, and thank you for that, you are very patient. It's about the allocation of resources, and what's the right place to put the resources, and does 10 and 20 really make sense right now.

And should we be hiring based on a number to get to this 10? Or should we be putting it towards IT, or should we be putting it towards facilities, or something along those lines. And that's what this conversation is about. It's not about making it take longer for you to get your applications through, or for a pair of eyes to get on them, but what are the priorities?

So that said, that's very helpful for me looking at this, but the next part of it was,

again, about a part of the conversation about patent quality before optimal pendency. What does optimal pendency mean to different people; and should it mean something different for different technology centers? The spread has gotten down quite a bit and we applaud you for that, and which is wonderful but there is still a spread. And maybe that spread is a natural spread that should be there, you shouldn't be foreseeing one technology center to get them out in six months, and another one to get them out in 12 months. Do you really want an average across -- across the Agency?

Maybe that's not the optimal goal, and so maybe splitting it out makes more sense. Another thing that was brought up yesterday, that Esther mentioned, was patent term adjustment. And patent term adjustment if -- from the data that Esther had, has been going up significantly over the past few years, and I don't want to put words in her mouth, she knows more about it than I do. Maybe looking at those numbers and how often the PTO is going over the amount of time that's been allotted to them, statutorily, is a

better way to look at what the optimal pendency should be and where those numbers should be set.

I don't have a particular opinion on any of those metrics, which is why you are doing this request proposal -- request for comment, and I hope people do comment, because if not, we'll get an arbitrary number, or stay with an arbitrary number, or get some other number that may mean nothing to anyone, but we all want our applications to be high quality and not be sitting on a shelf for two, three years.

MR. SOBON: You know, two things I might add to that discussion, or one, is that there's the concern also that too low, we still live in a world where various applications won't publish that before 18 months. So, are you getting all the right prior art before you've actually issued cases, or have got to weigh down prosecution before -- for issuance?

So it resides in a broader framework -- global framework that we need to think about. And the other thing is, it really does depend on the point of view of the different stakeholders, and I think it brings up the issues

that were discussed several years ago, about having separate tracks, track three. Because some patentees don't want patents to issue too fast because their technology is still being developed and they are still exploring whether it seems to be viable and they would rather not spend a significant amount of money, time and energy on cases until that gets proven.

So I think it depends on the perspective of different applicants, you know, different points of view about, whether they do want as fast as possible. Others would want them as fast -- within -- good quality, so that you are making sure that you've issued something that actually has looked at all the relevant priority, and the others would be, you might want to go slower. And there's all kinds of competing policy demands and issues surrounding those things, but I think it's very good again that you are going out for public comments on all this, because I think there is -- it's not just a one-size-fits-all, or just an obvious answer that, as fast as possible is the best answer.

MS. FOCARINO: Thank you. Very good

remarks, Christal. You summarized a lot of what we talked about -- we talked about yesterday in the meeting. A couple of points, particularly with respect to PTA, I think the office in reducing the backlog of old applications, Copa, and some other efforts, has been done a very good job of reducing the PTA that's given the 14, that's given when an application isn't picked up within 14 months.

So that's coming along nicely. The part that is more of a problem and PTA is a problem from a public policy perspective, because we are giving patent term to applications simply because we haven't been -- either haven't been able to or don't pick the applications up within the timeframes that have been set by Congress for the PTO to act on. So a couple of that have been increasing have been one of the fours, the four months from when the office receives a response from applicants, the office has four months to do an action on that.

So on amended cases, those numbers have doubled in the last two years for the numbers of applications that are receiving PTA and that

didn't use to occur before. It was much -- many fewer applications, so that's an area I think that should be addressed. And the second part is that same four because -- that four-month period, because RCEs represent amended cases. So a new application and a continuation both begin to receive patent term adjustment at 14 months if the office hasn't done a first action. An RCE, however, as an amended case, receives patent term at four months. So in putting the RCEs on a slower track, the office is giving significant amounts of a delay for those cases. And so that is another area, and the Office has been working to address RCEs, but in slowing down how quickly they've been -- they are picked up, that is a significant issue, in my mind.

And the Office has done a good job on reducing the gap, as Christal noted, between the different areas of technology. Unfortunately, it's probably the ones that want it to be slower are getting it faster, and the ones that want it to be faster may be getting it slower. But you have reduced that gap, and I think, Christal -- well actually, Wayne is right on, that

maybe finding out how much time, you know, how quickly is the right number for different technologies that may not be the same for everyone, is a good thing.

And one other thing is that, hopefully, to Wayne's point about the applications, that haven't published. You are exactly right. However, the USPTO receives them, and should have them in their database, so hopefully, with the enhancements to IT, at least one of those will be enhancements that will allow the PTO to also search the pending applications even if they haven't published yet, to identify those applications that are a priority.

MR. SOBON: Yeah, but foreign cases as well, so.

MR. THURLOW: The only thing I'll add is that this conversation follows the earlier conversation we have with patent quality, and Marylee mention the value of patent quality discussion to the public, this is probably more -- this is more relevant as far as pendency, because it helps us as we work with our clients, make our decisions, and we make our decisions like

you make your decisions, based on data, we make it based on data.

So track one, normally at the PPAC meetings we have a patent operations presentation, I think Jim Dwyer and others have done, and that's helpful. We don't have that today and that's fine, but my point is understand, again, putting yourself in the role of a client, someone that wants to get a patent. For track one, I've had five cases recently, and one just issued. We filed it, we got a track one petition, it was granted within one month, and then within two or three months from there, we had first off the section and interviews with the examiner, and then based on that, it just really starts to process years ago, applicants can get funding, which is so critical especially the startups and small companies, based on the application, may find they need for funding.

The need of patent these days, I think the financial community has become savvy with patents overall. So that's why the track one is important. So I'll just reiterate that the pendency information is important, we got to the

official gazette even though you are focused on the average. You do have in official gazettes particularly our units -- TC units where you get more specifics on, that's helpful information. I think on the pair you also have a section that says, expected indication of first-office action, that's helpful.

The one other comment I made earlier that's presenting a concern that we work with PTAB on, is that, you know, there is no way to expedite these appeals to the Board, or the PTAB, or presenting a concern because of the pendency. And imagine again that you are a company that has an application pending before the Board; you want to go to production, and you have this published patent application, with a very broad scope of claims that's pending before the Board.

And you are advising the company and you saying, by the way, it's likely that this application is not going to be reviewed by the Board for another two years. So they are in a state of limbo, and it's presenting a lot of concerns, unlike the regular examination, you don't have that. And hopefully, working with

Judge Horner and, of course, Chief Judge Smith, the pendency issue is something we can look at further from the PTAB perspective. So that's all I have. But again, I do think from a (inaudible) standpoint, that pendency is very critical.

MR. HULLMAN: I just wanted to follow up on something that Christal said. I want to echo her comments, that we appreciate very much that the insights into some of the definitions that go into defining what pendency metrics are. I think it's going to be a very important issue go forward with this notice, and you request information from the public to try to make sure that people understand what you are really talking about, because I think I said yesterday, one of the most counterintuitive things I've come across since I've been a member of PPAC has been -- what some of the data really means when you look at the labels, and it's not what you would naturally think.

And I think that it sounds like a small point, but I think it's a very important point in terms of delivering a metric that's really going to have value to people in the public, but the

discussion that we had, I would hope that your Federal Register Notice would be helpful -- as helpful in terms of explaining that as it was with us yesterday.

MR. KISLIUK: I was going to say, I just want to thank you. I appreciate that. That's great input, and I just want to take a moment because -- for clarity, for sake of the clarity of the discussion. I explained a little bit of what that traditional average pendency measure is, and of course, anytime you are dealing with averages there are inherent flaw, particularly when you get to the TC level.

Let's talk a little bit about how they compare that to what would be, say, the PTA provision type measure, because that's -- those are two issues that we are -- kind of faces, kind of, the obvious, well, how do we minimize PTA? What would that look like in terms of a measure?

So, again, average pendency has quite a spread. You know, PTA is more than absolute, so if you take first action, for example, we'll be looking at minimizing PTA would be to have a few number of applications go over 14 months. So

that's a significantly different type of measure than in average. And if you think about just those times, the 14-month, say, absolute, versus a 10-month average, those are probably very close as the -- especially as the windows of the TCs come closer together. It is very possible that those two almost go hand-in-hand.

If we can minimize PTO, and it's going to be hard to absolute every application, but if you can minimize the number that will go over 14 months mailing of first actions; it's very likely we'll be very close to a 10-month average anyway. So that's a kind -- just a relative understanding of those two measures.

MR. SOBON: This is a further follow-up question. In the graphs and the great work you've done in terms of driving down pendency, and you mentioned some of the things, I don't -- you quote all this great statistics. If you have sensitivity also of what worked great -- what you know -- what were the levers that worked the best to drive pendency? Or maybe you'll come back with more analysis on that. What has been the most effective ways that you've done this? Is it

hiring? Is it the Copa effort? Is it, you know, which things do -- have been effective?

Also, I don't think reading data at this time, as maybe we are going to bring it up during the finance part of it. But where do filings -- is filings a part of this? Has there been a drop off, or increase in filings? Or where do we stand now in terms of filings at the office over the last six months?

MR. KISLIUK: I don't remember the exact numbers, but our original plan for filings, our estimate for this year was going to be, I think, 6.5 percent. We adjusted that down a little bit, but we are still in the 5 percent range I think. So it's a little bit down from what our adjustment was, but it's not down, so it's still 5 percent higher than last year. So the increase continues. It's in the last month or so, it seems to have leveled but again, too small of an increase to statistically worry about that.

MR. THURLOW: So what's the total number, not by percentage, how many applications are you expecting this year?

MS. FOCARINO: I think it's about

635,000.

MR. THURLOW: Okay.

MS. FOCARINO: It's what we thought. Maybe a little lower now, as Bruce said, we are projecting 6.5 percent, and it's looking like we'll finish the year closer to 6, but 6 percent over last year, which was about -- we ended last year at about 6.2 percent over fiscal year '12.

MR. THURLOW: Yeah. That's a lot, I think, yeah.

MR. KISLIUK: Well, actually, maybe Andy, you might want to just mention, I mean, from your perspective about, what are the levers that we've used to drive some of those pendency down?

MR. FAILE: So Wayne hit the bigger ones. On hiring, obviously not just hiring but the targeted hiring has been a really -- really efficient tool to make sure we are looking at pendencies on a more granular level, thus the discussion here about maybe bringing the overall measure down to a more granular level, makes a lot of sense. That's exactly what we do when we are analyzing the workforce and figuring out what resources we need on higher pendency areas, to

help us to bring that spread in.

The Copa effort, which is clearing all patent applications, we are using, you know, acronyms all over the place, of course. Basically looking at the distribution of new cases, and as one looks kind of on the bottom axis, the number of months that go out, we have a kind of a tail of applications that are older. And we had a cleanup effort, Copa, to try to pull that tail into the left, and get rid of those older cases.

The phenomenon there, is when we do one of those older cases that goes into a pendency calculation at a high number, obviously, so you sustain a little bit of pendency increase, but then that comes back down because you don't have as much of a tail, and you are working on newer cases.

That in examiner overtime, examiner efficiencies is another piece, making sure examiners have overtime and they are working overtime to drive that, brings us in extra firepower for that backlog too. But the big ones are mainly the targeted hiring which has been

huge. We've done a lot of hiring over the last few years, and anticipate this year and next year to do, you know, 1,000 hires as well. That and then the cleanup efforts, Copa being kind of the largest one we've done, have been the biggest leverage I believe.

MR. KISLIUK: I'll add one thing, and Andy has mentioned about hiring and it's -- to understand the perspective of what it means on a timeline when we hire big amounts of examiners, and when we see our pendency drop, so any mention we were going to hire 1,000 this year, and 1,000 next year, it would have to be FY '15, next year. We don't anticipate under our current plans to hit our 10 and 20 average targets until FY '19.

What that means is if you look at, kind of a firepower analysis versus incoming work, we are chasing a backlog you have backlog plus your incoming filings, so what we've actually done, is hired more than what's coming in the door. Okay. So a little bit of a risky business analysis, right, because you have a lot more people onboard, than what the work is coming in the door. But then we slow down that hiring and allow roughly

three years of attrition to soft land, so we are getting -- so then we get to the pace back to our filing rate, which is still an increasing rate.

So, it's a challenge from a modeling perspective because of the time, so, you know, when we talk about these measures, I know it -- you know, the key is going into the fee-setting, understanding what those measures are from resources, but from a modeling point of view we are also very, very sensitive to not over-hiring, being careful about the thing we've called the soft landing, and we are, right now, in kind of the risk zone, because we are overstaffed right now.

If cases stop coming in the door, you know, you are sitting with a big staff that you have something to work on. Now we don't anticipate that being a problem, as you know, filings were good last year, they are still above this year. But those are the things that make kind of the modeling, it's why we are asking the strategic question now, is that the right landing point, because that's we are getting into the point of the landing point.

And we are getting to the point Michelle mentioned earlier, we are in a fairly relative good financial situation. We are also approaching our stability on our pendency, which again opens up your ability resource-wise for staffing and dollars to do different and more things that you didn't have the financial ability to do when you are chasing down the backlog. So those are some of the things that are also on the table.

MS. FOCARINO: Just one comment, and the Copa effort was a great one, because it reduced that tail, it reduced the old application so that you could get your pendency numbers into a better spot to keep and lower the actual pendency. However, I have to say that at time that you were reducing that, that tail and that backlog the RCEs were rising. Because the RCEs are not including in the pendency, in the traditional pendency number, those went up, while you were doing the other cases.

And that's what I like about working towards reducing PTA because reducing, if your goal is, maybe pendency but also reducing PTA, you

are forced to address all aspects of examination and all applications, because all of those applications generate PTA in some way.

It makes you address new cases, RCEs, amended cases, all of those things have to be addressed at some point, and you can't let one get out of alignment while you are addressing another.

MR. FAILE: Esther makes a good point. There was -- there continues to be, and there certainly was a balance between the movement of new cases, and the movement of RCEs particularly, when we are a bit of at zenith of the RCE backlog. So one of the things that we have done, working with Robert, is in our workflow system. We've kind of reconstructed examiner dockets to try to achieve that level of balance, and the general principle is, if an examiner has over a certain threshold of RCEs, then they are only working on RCEs for a period of time, until they bring it down.

If they are in kind of the middle range, and they have a combination of the two, and if they are at the low end, they can work new cases RCEs

and any mixture that they want. So we try to put a little bit of rigor in the actually building of dockets of those with RCE heavy dockets over some period of time, we'll be able to bring those down to manageable level. So we are trying to do a balancing of the two, at least one piece of it comes through the workflow system.

MR. THURLOW: I'll just give a perspective from outside the Office, what I sense you are saying, it's you look at the data, I'm looking at, like, chart four, with 618,000 unexamined applications, it must be difficult, you know, I'm not up in New York, but the scrutiny that you are getting from Congress and so on, it's, you know, when I read reports on various logs and so on, it's always 1 million applications in the backlog, and so on.

So this is just part of the education. I guess with the end -- applications being examined, it's you know, people will look at it, so it's all from your vantage point. I agree 100 percent that having listened to you and reading all the materials that you provided, that soft landing is a bigger deal than I probably initially

thought about, but I just said it, from a perspective from outside the Agency, where you say 600,000, we always hear about the million numbers, so.

MR. KISLIUK: And actually the million-number is all applications in the process, so those include amendments too, so that number sometimes gets out of context, and I appreciate your comment about the backlog number, you know, it's been a very effective measure to reduce pendency, but it's a relative measure compared to the size of your staff. So you could have a much higher backlog if you have a much -- I mean, in raw numbers, if you have enough staff. The real question is, kind of an applications per examiner question.

So depending on how many examiners you have, that's way back. So you know, a lot of people like to quote the backlog number as a target. We've kind of been shying away from the backlog numbers being a target, it's really pendency that we are -- that we think we should be driving for. I'd love your input on that too. Not an absolute backlog number.

MR. THURLOW: I guess my own point isn't so much as just perception and how you view this stuff, and you carry all these numbers and there's different perceptions from inside here, from Congress, from the White House, and all around the world and the country, and it's just interesting. Once you hear the explanation as we are lucky to get that explanation in person, it makes a lot more sense, but it's a difficult educational battle to work with.

MR. BUDENS: And I'm going to follow on, and Bruce, because Bruce actually took part of my comment, that which is the perspective that most people don't think about when they talk about the backlog, but it's one we have to think internally for sure, and that is this concept of the soft landing. With the workforce now approaching 9,000 examiners, a backlog of, you know, half-a-million cases is probably only a year's worth of work for the examining corps. So we have to be careful that we don't get to such a short point in time, or a short workload that if something does go south on filings or something, that we have enough time to figure out

other things to do.

We did this, and fortunately went through a mistake with the trademarks back -- attorneys back in 2001 and 2002, and ended up having to lay off several people, you know, 135 people, or something like, and within a year we had to hire them all back. But keep in mind, you know, it takes four -- minimum of four years to train a patent examiner up from the day they are hired to the point where they can be an -- you know, act independently as a primary examiner, and that's a minimum number.

We do not want to get to a place where we suddenly have cut it so close that something goes wrong and all of a sudden the Agency decides they don't have enough work for some people, and then things around again, and we are trying to hire people back, and we end up in the same kind of hiring mess we ended up through the 2000s, where we are going through the growing pains of doubling -- more than doubling our workforce in the last six, seven years, and having to go through that tremendous training expense on top of everything else.

So I think the perspective of the soft landing, internally what we are talking about, about trying to get to an optimal level, that we have the backlog down to where it needs to be, maintaining pendency where the public would like it to be, and maintaining enough workload to maintain the staff that we have.

MS. KEPPLINGER: Just a couple of real quick things. To your point, Peter, unexamined applications -- does not include RCEs. So 80,000, 100,000 however many, they've got on top of this that are sitting in the backlog waiting to be examined, so it's more than that. And getting the RCEs out is really good, and I applaud you for the actions that you've taken to bring that about, but after four months they get PTA, so if they are sitting in the backlog, with a continuation and they are both picked up at the same time, the continuation doesn't necessarily get PTA, but the RCE would.

And they used to be done in two months, so they weren't generating any PTA, but now they do. And from the numbers that I saw, even your amended are increasing and not getting done in

four months. They also used to be done in 60 days, so the docket measurement system might be a good thing, but it also has some things that may need to be focused on. Sorry, Robert.

MR. FAILE: Just to add on to Esther's, the RCE backlogs are currently at 70,000, just to put a number to that.

MS. SHEPPARD: Just a short comment. We haven't mentioned sequestration, so I thought I'd bring that up. Yeah, so my understanding was, either this year or next year, before sequestration you were going to be hiring only at attrition rates, and because of the push -- you weren't able to hire last year, it's been pushed forward and pushed forward, so now you are actually hiring this year, and next year, which is going to make it much harder to do that soft landing.

And because of the fact we don't know what the Supreme Court is going to do, and how that's going to affect filing rates going forward. I must put you in an even tougher situation to try and figure out what that soft landing is. So it is a great time to be looking

at where you are going to prioritize your funding, and to make sure that you are not over-hiring, because I was surprised to hear that you were hiring 1,000 this year and next year, because maybe getting that backlog down should not be your top priority.

MR. SOBON: So, I guess in the category of danger of throwing out ideas in the middle of the meetings, I'll follow up first on your comment. It struck me as like, oh, that actually would be great graphs to see, you know, over yearly data, you know, unexamined per examiner, RCEs per examiner -- not by examiner but, you know, just overall for averages for the Agency, maybe by RCE units or by -- by RCE units but -- or tech units but, you know, unexamined total RCEs.

And also, maybe for the PTAB, number of appeals per judges, number of IPRs for judges, to just see how those -- those graphs -- that actually does normalize it actually more effectively in a sense. And gives more relevant data than just the raw numbers we are seeing here.

So, sorry to make work, but it seems -- but it struck me that would be --

MR. KISLIUK: Sure. We have it somewhere.

MR. SOBON: Well, I'm sure you do.

MS. KEPPLINGER: Well, yeah. You can easily figure it out, Wayne, but I think it's a good point. So, for example, if you are looking at 10-month first-action pendency with the staff that we have planned, when we reach that goal, you are looking at about 80 applications, right, that an examiner would do. So the total volume of applications would be in the mid-400,000 range. And because there's a wide variance in docket sizes and inventory it's -- there's a delicate balance between showing that versus actually showing you what it is in each individual area.

So I think it's something we certainly can look at, and it's just knowing the nuances of what that data really means, so that we don't mislead people into thinking that everybody has the same amount of applications on their docket.

MR. BUDENS: Yeah. That's -- I was going to say that statistic, while it could be interesting, could also be a bit misleading unless you are looking at almost an art unit

level, because of the vast range between the hours that people -- different examiners get to do different cases. So you might think -- look at it and say, okay, we are at a point where every examiner has 30 cases, you know, a case per examiner load on average is 30 cases. Well, for me in biotech, that's, you know, a reasonable amount of work, to get me through a few weeks, because I can only do six to eight cases by a week anyhow.

Over in the mechanical areas where they only get a handful of hours, sometimes those people are going to be doing, you know, 15, 20 cases a pay period. So that doesn't -- that makes for a very short docket for them, puts them in serious jeopardy of having work to do. So it could be -- if it's not presented right, or whatever, it could be a misleading statistic as well as a helpful statistic.

MR. THURLOW: So, just to take us back to where we started with the Federal Register Notice, and discussion yesterday. I think it's the Federal Register Notice and the follow up from that, and your presentation in public is going to

be important, because I have to tell you, at least from my standpoint initially, I wasn't really too sympathetic with the soft landing and so on. So, if I'm an applicant submitting the application, say in the software area, and I know that it's not going to be reviewed for another 24, 28 months, and I have 1,000 applications, 100 applications going in, and I can't do a track one for every case.

I'm not too sympathetic with the soft landing with the hiring and so on. So, going back to my point, I do think it goes back to the importance of Federal Register Notice, and the education, the follow up, because once you hear how everything is tied to, you know, the training, the staffing, it makes a lot more sense, but until you get that, it doesn't all tie together. So just keep that in mind with the Federal Register Notice and follow up.

MS. SHEPPARD: To follow up on that, you want to also want to not encourage perverse incentives, so you don't want to encourage someone going from electrical, to going mechanical, because electrical, they go to bio

because their pendency is much higher, and others are much lower, and there's enough work; so this all factors into the pendency, the optimal pendency.

MR. BUDENS: The quality --

MS. SHEPPARD: And then back in the quality.

CHAIRMAN FOREMAN: Any other comments? All right. Well, thank you. We've got our first scheduled break, so we are actually a few minutes early. We will resume at 11:10, when Mark Powell will take us through a discussion on International. So we are -- we've got a break for the next 20 minutes. See you at eleven.

(Recess)

CHAIRMAN FOREMAN: We are back from our brief break. Well welcome back. At this point I'd like to turn the floor over to Mark Powell, Deputy Commissioner for International Patent Corporation, for an overview on the international update. Mark?

MR. POWELL: Great. Thank you, Louis. If you will recall, the last PPAC Meeting in February, I came to announce the impending

establishment of this new organization, the Office of International Patent Corporation. And explained to you what some of the initial building blocks, organizationally were. You may also may recall that I was last on the agenda, and snowflakes were beginning to fall, is I had something like two or three minutes, but I wanted to give you an update on the progress of the establishment of this organization, and I think you'll find it very, very interesting.

So the official start date or born-on date, if you will, of this organization really was March 23rd, about eight weeks ago, so we are still pretty new although the discussions and planning have been, you know, afoot for a while. In very recent weeks, the key members of our team took themselves offline to brainstorm the -- what do we exist -- what do we exist to do, how do we do it? And they really put some consideration and time into this, and developed something that they call, that we call, a Targeted Action Plan, really a roadmap of some of the forthcoming -- current and forthcoming mission needs of this new organization.

And they started by -- and I understand this was like the legislative sausage process, a revised or a new mission statement, and that is to improve the quality, efficiency and predictability of patent family prosecution, thereby improving the uncertainty of global patent rights, and quality, we've been talking about a bit this morning, I will talk about that a bit more. Efficiency is important in reducing cost for the stakeholders and in office as a matter of fact, being able to extend possible have predictability in the international prosecuting phases, is extremely important from strategic standpoint for the patent owner.

And then, of course, certainty, where we were talking about defensibility and really overall value; so the roadmap or action plan that the team developed, this is really the top layer of it, they feel that the main mission of the organization is to improve global work-sharing.

Now, you've seen the word work-sharing before and you may think of PPH program, and so on. We, as a team, think of it a bit more expansively, it's really any office- to-office

activity, any office-to-stakeholder activity; and really indeed stakeholder to other stakeholder activities, which may occur in the development of global intellectual property or patent. They drilled it down into four basic elements, the first is office systems, not only within our own office but within and among other offices.

This could be wide-ranging topics, from data exchange, procedural streamlining, classification activities the hard core work-sharing projects, even things such as collaboration between the examiners in the future, which is really an exciting possibility. So, back to the quality discussion that we had a little bit earlier; the USPTO has always advocated a compact prosecuting regime, yes, try to get the very, very complete search done in the first action, get the issues laid out early, in hopes that the application as a whole can be resolved quickly.

We believe that this should be applied as an international component; that multiple offices looking at the same invention or a family

patent application, should endeavor to work at an early stage to get fair searches in their priority found and shared. So, if you can imagine, from a quality standpoint, a family of patent applications, with searches from three, four five or more offices, having searched the documentation in Chinese, in Korean, in Japanese, in English, a North America search, a European search or searches and multiple Asian searches, and make those available to all of the examiners in the various venues.

That would be an easily understandable, huge quality investment for the applicant, and to have those things early, right. The second relates to -- and this is what I found most interesting, the applicants process. Okay, what does a filer do? We would like to send a squad to a law firm or a corporate office, and just watch. Okay. What are the redundancies they see? Okay. Our person, as the organization is, you know, cross-filing into another office, and then into another office.

Okay. They are filling out this form, but it's dissimilar to the form they filled out

to apply here, and it's costing money to do this. Why can't we have one form, we need to understand what the applicant from their viewpoint faces; right? And, you know, looking a little deeper into the prosecution of applications, and the system as a whole.

For example, a number of applications exist, and an office action is received from, say, the U.K. or Korea, or whoever, with a novelty-defeating reference, right. There is no requirement or incentive really for the applicant to go to the other offices and make changes in order that they not get that wasted office action, right? If they are -- if a novelty-defeating reference is there or the examiner in their office finds something similar, they are going to get that first action, which is really kind of a waste.

And I think that Patent Prosecution Highway system has really borne out what efficiencies are gained from even that. Not having that, you know, wasted really, and frankly costly office action. We'd also like to really understand what are applications' strategies in

international prosecution and, frankly, more here. Are applicants using track one and the PPH? Are applicants targeting a PPH direction? The U.K. first, second, and so on, so that we can work with the stakeholders to develop the business solutions which will enable such strategy. So it's very important for us to understand those things.

A third significant area is what we call the Resolution of Legal Issues, which impede the efficient movement of our activities in the international regime. I think obviously there are those issues such as grace period, and so on, but I think, Wayne, a little while ago sort of hinted to one. What about sharing search and examination results in the unpublished phases of the various applications, right? Stakeholders want us to do that, right. We can get permission, actually we are working on refining that at the moment through a rule change, to do that.

As was pointed out earlier offices are getting to lower and lower first-action pendencies. Japan, for example, is down to about 11 months from the request date of examination to

their first action. As we are getting below 18 months, the opportunities for work-sharing at that phase decrease, right. So that's a legal issue, and not only at the USPTO, but what about between Korea and Japan? Okay. You know, this is a whole global thing, so these are issues which our office will be certainly exploring.

And finally, our office is responsible for, you know, once services are identified in cooperation with the stakeholders, what IT solutions should be put in place, should we plan for both here and internationally to enable those solutions. We have -- we are getting up and running.

We'll go back to the previous slide for just one second. Below each of these boxes are drilled down boxes in much more detail, and drilled down from those are -- we are going down to the project level, some of which currently exists, many of which are in the future. Each of those projects will involve Robert's examiners and Andy's managers, you know, in cooperation as we develop these things.

And as time goes on, and Marylee and I

get more time on the PPAC we will -- we will take a box, and give you some detail on what the outcomes, objectives and progress are on those as we go forward.

We do have immediate priorities, Michelle herself mentions the CPC, which, again in my 28 years here at the USPTO is the biggest, most momentous project I've ever seen. But indeed an investment in quality, CPC gets us into an international -- an internationally-harmonized framework based on the IPC, and this will enable more work sharing for examiners to understand why and what. Another examiner around the world did in his searching, and hopefully not have to completely repeat it.

Global Dossier is a concept which you've heard about, and I believe will be subject of one of our next discussions. It is a set of business services that we have identified so far in cooperation with stakeholders on things like, exchanging information between offices, the possible automation of cross-filing activities, and so on. Also right now there's a lot of

exciting things going on in the PCT world. There are four concurrent proposals out there. We put one out known as PCT/2020, in cooperation with the U.K. office. It envisions things like actually having the Patent Prosecution Highway or become a permanent part of the PCT system.

The European Office put out a proposal with various things on it. JPO came up with a proposal called Kazan which puts in -- inform as to what that meant. It's a Lean Six Sigma essentially. And then finally more recently, Korea put out the proposal called PCT 3.0, okay. All of us have some commonalities that we are working, for example, as IP5 Officers to get these into the various WIPO and other fora as a block to see if we can move forward in trying to the PCT system simpler and less costly to operate in.

Finally, I will just say, again, that stakeholders' engagement is a part of our organization. We affirmatively believe that the stakeholders are part of our team, and we are trying to become parts of the stakeholders' teams, and PPAC is one of those various parts. And the expansion of the stakeholder cooperation

is one of our most compelling priorities at the moment. So I will leave it at that, and take any questions. Then we will have our colleague Don Keating, to talk about --

SPEAKER: The Attaché Program.

MR. POWELL: -- the Attaché Program.
Thank you.

MS. JENKINS: Mark, thank you. One of the things that we are doing as a team, and I'm very appreciative of the international folks including me in that process, is trying to, sort of -- it's to help them. Obviously they are very important, think about how to get the message out, think about how we provide to PPAC, which then goes to the community which is an education process, because the office is doing -- if he told you all the things that they were doing right, we'd be here for another four hours.

So there is a lot of moving parts, it's great that they are all under one auspice, and I think that it's -- the team is so energized, which is also just a pleasure to work with too. One thing I know that comes up, and what we are going to do for the next PPAC meetings, and I've been

talking to Louis about this briefly, is just do sort of outreach education. We are going to talk about PPH in August, do a deep dive on that.

There is a rollout going out in the fall, so we are going to plan for November for that, talk about some global dossier, because we want to help the team get ahead, and get input from us, because this is our future, if you are not seeing that. And so to try to get ahead, get input, get good user feedback and, again, always helping the team. But one thing that is a little bit of a confusion, which would be helpful for you to explain, is the difference between one portal dossier, and global dossier. And so if you could do a little bit of deep dive just on what each of those are, so.

MR. POWELL: Okay. That is a very, very good question, and we probably should have, at some point been a little more clear in the message there. One portal dossier, was a project proposed by the Japanese office in the trilateral in about 2004. And what it envisioned was, between the three office, ours, the European office and the JPO; the ability of an examiner in

his search and examination tools, to readily access the electronic dossiers of the other two offices, so you can see the office actions and using machine translation of course, where the priority reference is found, and so on.

That project eventually rolled into the IP5 IT regime, and there actually -- it actually is in the Global Dossier scheme of things, a component of them. The Global Dossier is really a -- it's difficult to explain in a very brief time. Don't think of it as a new IT project, think of it as an umbrella of IT services that could be put together under an umbrella type program, one portal to a stakeholder, bit it a filer, a third party, an examiner, and so on, where these services -- various services including things like in the future cross-filing, and so on, could occur.

So, OPD was an existing project that is sort of an electronic basis for, or a starting point for the sharing of dossier information among stakeholders, right. Okay.

MS. JENKINS: And where are we now with that?

MR. POWELL: Where we are now with that is, our examiners will have access to OPD this fall, I believe that October is the scheduled time. Step two is giving the public access to that which will be sometime during 2015, we are working on getting that as early in 2015 as we can. I will toss in something else, the OPD program is only among the IP5 Officers. We are working with another program with WIPO, called CASE, C-A-S-E, centralized access to search and examination results.

They have been working in the U.K., Canadian, and Australian offices, now the JPO, and a number of other smaller offices, we would like to see that added as sixth node with OPD in our Multiple Dossier framework, with the aim of having dossier information including searches and exam results, clearly, available from as many offices in one place as possible.

MS. JENKINS: Great, thanks. I think the key thing here is, in my mind, there's going to be more and more information accessible globally, and I think that's just a great asset for practicing attorneys and for the public. And

we applaud all efforts going on with this, and we'll hear more on the IT side with respect to what you are talking about, so.

MR. SOBON: Yeah, I'll just echo that. Also, you know, in prior meetings we expressed concerns especial during the sequestration about the impacts it had on the office in terms of interacting at the international level, I'm very excited that -- I mean, it's come back, I'm sure you are all too, and also that, you know, you are able to be really come back to the historic leadership the United States has played at the international level, and so I'm seeing that, I think it's very, very important for that, and because so much is happening, and in particular these things, especially the Global Dossier, you know, the fact that digital convergence has kind of reached patent offices, is extremely exciting.

And I think, users, you can do -- I don't think you can do enough to get out word to the user community how it won't just affect how our international office operations are, but the fact that any user will be able to, using machine translation, pick up any document from almost any

patent office, and have it immediately machine-translated into their language, and be able to understand that is quite powerful, and also obviously reflects into quality as well.

So all these things are very exciting there so, one danger is that just another instance of information overload as to how the examiners as well as users are able to manage the cacophony of things, that might be available, I think, is going to be one key issue as well. That, the more you can do to educate will be helpful.

MR. POWELL: I will just quickly add that's why the stakeholder focus with us is so important. That we need to work with the stakeholders on even interfaces, you know, not just the fundamental services that are needed, but how the services are brought to you.

CHAIRMAN FOREMAN: Dominic, I understand you have a presentation as well on the --

MR. KEATING: Yeah.

CHAIRMAN FOREMAN: Okay.

MR. KEATING: Thank you, Louis. It's a pleasure to be with you all here today to talk

about USPTO's Intellectual Property Attaché Program. As some of you know, this is an important part of our Office of External Affairs, intellectual property attachés are intellectual property experts, they are also U.S. diplomats, and they serve in U.S. embassies and consulates throughout the world.

They promote U.S. Government positions on intellectual property, including high standards of intellectual property protection and enforcement for the benefit of U.S. right holders. The attachés are supported by teams of specialized attorneys in the Office of External Affairs. And I would like to tell you today about the reasons for the program and its background. I'd like to talk about the structure of the program, the role of the IP Attaché and our plans for the future of the program. Of course, I'd be interested in your questions at the end.

The origins of the IP Attaché Program can be traced back to the Uruguay round of Multilateral Trade Negotiations in the WTO. In 1992 the Japanese Patent Office placed an International Property Attaché in Geneva to help

with the negotiations. We followed too, in 1993, by placing Paul Salmon there. This worked out very well for us and we saw, in fact, a wave of other patent offices placed intellectual property attachés in Geneva after that.

Ten years later, due to the importance of intellectual property issues in China, we placed Mark Cohen in China. That was also a very positive experience, and based on the positive feedback that we received from our stakeholders as well as a grant of additional money from Congress for International Outreach, we decided to expand the program in 2006, and at that time, we expanded the program to put new positions in Rio de Janeiro, Moscow, Delhi, Bangkok and Cairo.

So, where do we have intellectual property attachés now? Currently we have an International Property Attaché in Rio, Moscow, New Delhi, Beijing, Guangzhou, Bangkok, Mexico City and Kuwait City. And the International Property Attaché in Kuwait City recently moved there from Cairo due to political situation in Egypt.

So, we also have two intellectual

property attachés in Geneva, one works in IP issues that arise under the WTO, the other one works on IP issues that arise under WIPO and the U.N. Agencies. All of our IP attachés are regional in focus except for those in China and Geneva, and all of our IP attachés have an initial two-year term that is extendable to five years based upon mutual agreement.

So, this summer we should -- we were planning to place a new IP attaché in Shanghai, we have identified the candidate, he has accepted a conditional offer of employment. He completed his security clearance yesterday, and we hope to have him on the ground very soon. We've also been approved for a new position in Brussels.

We are looking to further expand the program by placing a second IP attaché in Delhi due to the tremendous need that we have in India right now, and we are also looking to place an IP attaché in South Africa and that's a place where, not only is it a large market but is a significant amount of intellectual property technical assistance being provided not only by USPTO, but by other federal agencies throughout the region,

and we believe that we would be able to help to coordinate some of that -- some of those resources that are being applied.

So, how is the program structured? One of our intellectual property attachés in Geneva is assigned -- is detailed to State Department to work at the U.S. Mission to the United Nations. The other is detailed to the U.S. Trade Representative's Office in Geneva, to work at the U.S. Mission to the WTO. The other attachés have been assigned to the U.S. and Foreign Commercial Service, as limited appointees and those who come from inside USPTO, have a right of return to their positions within the Agency after they complete their tour. As I mentioned, they all have an initial two years, two-year term that's extendable to five.

So what is the role of the IP attaché? The IP attaché's role is to advocate for U.S. policy -- advocate U.S. Government policy positions that are related intellectual property for the benefit of U.S. right holders.

How is this done? This is done in three ways. Primarily, the International Property

Attaché advocates directly with host governments, seeking changes in policies, laws and regulations related to intellectual property. An attaché also brings to our attention specific problems that U.S. companies are facing overseas. The attaché indirectly advocates by educating host government officials on intellectual property matters. This includes providing training to judges, prosecutors, examiners, customs official, police and other policymakers.

This training helps host government officials to understand our perspectives on intellectual property, but also to become better at what they do with respect to intellectual property, and helps to create a more effective intellectual property system, on the whole.

Finally, our IP attachés conduct the work by building grass root support for U.S. Policy positions on intellectual property by going out sometimes into the smaller cities and conducting public awareness programs that include local politicians; that could include professors, small businesses, and sometimes

students as well.

So, the IP Attaché Council interacts with USPTO Headquarters, and as I mentioned they do have teams to support them back here. I also coordinate their interactions with Headquarters. The attaché works with other U.S. Government agencies in the region, this is coordinated through the Mission, or through the embassies, and the attaché serves as our eyes and ears on the ground and provides the latest information about intellectual- property-related developments to us, so that we can give them the best guidance.

Some of this may seem esoteric to you, so maybe I can highlight it with an example from India. In India there is Section 3(k) of the Patent Law which says that software is patentable subject matter -- software, per se, is not a patentable subject matter. The Indian Patent Manual was providing -- was allowing the -- or was interpreting that section in such a way, so that applicants were able to obtain patents on software and computer-readable media, or a software embedded in hardware.

The manual was revised, or at least in

draft form it was revised and published, and the intention was to prohibit any form of software patenting which we believe is far overreaching the Business Software Association, and others had similar views, and they contacted us about this.

Our IP Attaché worked with the team of lawyers back at the USPTO Headquarters to draft detailed comments on the proposed changes to the manual. She then provided those comments to the Indian Government. She followed up in meetings with the Controller General of Patent Designs and Trademarks in Mumbai. And subsequently the manual was revised to reflect a much broader scope of patentable subject matter for software.

I have many other examples which we can get into if we have time, but I wanted to leave you with that. And also, I wanted to talk about the future of the program briefly. Director Kappos established the International Property Attaché Taskforce in the fall of 2010. This taskforce drafted 18 proposals which were all approved, and now are mostly implemented.

I'll touch on a couple of the highlights. One is the development of a master

action plan, and this includes plans by the USPTO Headquarters Mission's Strategic plans; the IPEC Action Plan, and many other plans that exist within the U.S. Government.

So what it does, it consolidates these plans, prioritizes them, and attaches proposed timelines for goals that we want to achieve overseas. In this way, the teams that are working back in headquarters can be on the same page as IP attachés and working towards the same goals. It also helps the IP attachés to coordinate better at post.

The taskforce developed standardized operating procedures for conducting their work in-country, these include speaking -- meeting with U.S. and foreign industry associations to identify intellectual property priorities in the country; reviewing existing bilateral agreements, identifying gaps in those agreements, negotiating sometimes new agreements with host government, and then working with the host government to implement these plans.

Base on the positive feedback that we've received from industry, Capitol Hill and

other agencies, we've also developed a plan for expansion of the program, which I've touched on briefly. And we've also developed a plan for training of new IP attachés including details sometimes from the examining corps into Policy International Affairs where the detailee can work on a specific docket related to the country or region where he or she might be hired into in the future.

We have opportunities for details to other agencies as well to develop greater expertise on international matters to prepare this intellectual property attaché to be placed overseas. We've developed plans for returning -- for the IP attaché to return -- or be re-assimilated into USPTO. We believe that the expertise of the IP attaché is critical to not only the function as the IP attaché, but helps us to function well back here. So we ought to bring those people back here, and integrate them into our operations after they've served their term.

And in conclusion, I would just like to mention that intellectual property attachés have provided significant benefits to U.S. right

holders as we have consistently heard from U.S. industry associations including the U.S. Chamber. They continue to be highly valued by other U.S. Government agencies, including the U.S. Commercial Service, USTR, and the State Department.

We believe that the IP attachés expertise is critical to their success, and we continue to look for those who have the greatest level of expertise when we hire, and this program allows us to address everything from the broadest policy issues to very narrow technical issues. Also important is USPTO's guidance to the attachés, and I think USPTO is uniquely situated to have a significant depth of bench of intellectual property attachés back in Washington to support the attachés.

So, we welcome your support for this already- successful program. Thank you. And I welcome your questions.

MS. SHEPPARD: Thank you for that report. I just wanted to go back with a little bit of history, and to see where we've gotten from there. So back in 2009 there was a GA report,

about the overseas U.S. Government personnel involved in efforts abroad, to enforce intellectual property rights. And one of the outcomes of this report was that they were over -- well depending on your perspective, either too few or too many, 500 personnel, U.S. personnel stationed abroad, working abroad to advance IP rights for U.S. Businesses.

One of the things that was found in this report was that there was a lot of siloing, a lot of steel piping. One person didn't know what the other person was doing. There was almost no coordination whatsoever. Part of what came out of that was the United States Intellectual Property Enforcement representative, USIPR, who is supposed to be on top trying to help coordinate all those different agencies, because 11 different agencies -- or subdivisions within the agencies, all doing different things, no one knows what the other is doing.

That said, I'm not sure how much coordination is going on, you said there is some coordination happening right now, which is much better than it used to be. So that's definitely

a plus. What I would like to say, however, is that in case it sounds like I don't think that the IP attachés are useful, they are extraordinarily useful. I know Mark Cohen, I had the opportunity to work with Nancy and Peter when they were in China, in Guangzhou and in Beijing. And incredible resource for American businesses abroad, and if people don't know they exist, you should figure that out and talk to them when you have a problem.

But they often have problems themselves when they -- when the officials don't know who they should be talking to, if it should be the person from the IPEC -- I mean, the IP attaché, the person from State, the person from whomever, USTR. So, where is the coordination happening now?

MR. KEATING: Thank you, for that excellent question, Christal? The coordination is now happening through the IP attaché, where we have IP attachés at post. What the IP attachés have done, and what has been captured in at least one GAO Report as a model, is to create what's called an IP Working Group at post. Sometimes

it's called an IP Taskforce, but it's a group of all the different sections in the embassy that work on intellectual property issues.

The IP attaché normally chairs this particular group, and they develop an IP Working Group Action Plan. This action plan contains all the goals, priorities, and suggested timelines, and is similar to, and incorporated into the master action plan. This allows each of the sections at post to go out independently to pursue any of the shared objectives, and then to come back and report on a regular basis to the Working Group on their progress.

Previously, there were some stepping on toes as different sections rushed off to pursue unclear objectives, and sometimes worked against each other, or were unaware of the work that was being done by another section. And now, with the IP attachés they have been able to reconcile this, and the attitude that we take is that these are all important resources to the U.S. Government, all these different sections.

Whether it's ICE, CBP, FBI, Econ, the public affairs section, or some other section, we

want to utilize them, so we help to focus them on some clear commonly-agreed objectives, and we can all go out and have independent meetings and try to advance these goals, and then we'd come back together and we talk about it, and assess progress and figure out what the next steps are. Thanks.

CHAIRMAN FOREMAN: Well, thank you, Dominic, and thank you, Mark. We definitely need to schedule more time for our next PPAC meeting to explore this topic in even greater details, so thank you. At this point I'd like to welcome Chief Judge James Smith, to join us, for discussion on PTAB.

JUDGE SMITH: Good morning. Thank you for having us again. I have with me this morning, Vice Chief Judge Scott Boalick, and Vice Chief Judge Linda Horner who will be doing a substantial portion of the presentation to you about the state of affairs at the Patent Trial and Appeal Board. So without further ado, let me hand it over to Vice Chief Judge Boalick to deal, first of all, with the Roundtable Review.

Just to take a quick look at the various things we hope to cover. Our roundtable,

eight-city roundtable of visits to the user community concluded about two weeks ago, it took about four weeks to accomplish, we'll update you on that. And also some of the things that flow from it, in terms of the Federal Register request for information that will ensue from things we learned during that tour.

Also, we would like to share with you, once again, some statistics from the AIA Trial work-in-progress we've been making there, and look at also to the Appeal side of our operation for progress, and on that end. We have, in recent times, updated the PTAB webpage, we'd like to touch on that. And then you are probably interested to know whether our resources are moving in a direction to keep up with the challenges we are facing, so we'll touch on that briefly as well.

MR. BOALICK: Good morning. I'll start by addressing the PTAB Roundtable and -- thank you -- give you a quick debrief. As the Chief Judge mentioned, this was an eight-city, four-week-long tour from coast to coast. The top two bullets here are really the

main purposes of the Roundtable, was to educate the public about the AIA trials and lessons that we have learned at the PTAB. And secondly, and equally, if not more important, to collect public input about the public's experience with the trials, and suggestions for improvement, which feed into the later segment about the Federal Register Notice.

Another purpose from our perspective was to recruit, too, administrative patent judges to the Board, and also to have a team building within the Board for judges at the various satellite offices. As you see here on the map, the PTAB had roundtables at each of the USPTO satellite office locations, in addition to our headquarters in Alexandria. And then we also had roundtables in New York City, Chicago and Seattle, where we do not have our satellite offices established.

However, we use satellite office judges in the various roundtables and it really helped to have their participation with the local bar, and you can see, we started out -- the roundtables lasted from our first one on April 15th, in

Alexandria, which was webcast, all the way through May 8th, where we had our final roundtable in Denver, also webcast. As we may mention later, we intend to have both of these webcasts put up on our website here in the very near future.

I would be remiss if I did not give credit and substantial credit to the Roundtable hosts in each of the cities that we visited. They did substantial work on our behalf, both making known to the public, that the roundtables were coming and helping with the arrangements. You can see there were many people involved including many of the members of PPAC who helped us set these things up, and also to help conduct them.

And on the next slide, I just have a list of the external speakers from the public, again, including many of the PPAC members here today who helped us in our final segment of each roundtable, which was a Panel discussion between judges and members of the public that featured lots of questions, and answers, and we were lucky to have helpful participation.

JUDGE SMITH: And we also want to make sure we take the opportunity to extend our thanks

to the support from the Undersecretary's -- the Acting Undersecretary's staff, including primarily, Janet Gongola, and Jennifer Lo, and others who were very vital in the carrying out of the roundtables. I think it's fair to say that without their leadership and support, both of which they provided, we would not have been able to execute on that mission in the way we did.

MR. BOALICK: Absolutely true and appropriate. I would also add Nathania Ferguson and Susie Huson, who substantially helped us in the various cities. I'll also, just as a side note, mention, I only know of one person who attended all eight of the Roundtables; that would be Janet Gongola. So she is veteran of all of them.

And you will see here from our attendance figures, this includes both the Web-based audience and in-person audience. So in the Web-based audience sometimes we are unsure the figure might actually be bigger because you might have multiple people at any one website watching the webcast. But as you see, we had over 1,000 attendees in total, and Alexandria and

Denver were webcast. Our largest in-person audience was Silicon Valley, we had standing-room- only crowd, but as you can see we had substantial participation in each of the cities.

I just wanted to give you a list of more common questions and suggestions or comments that we received. The top few here are motions to amend, that was probably our number one subject of questions and comments. We also, as those of you who attended the Roundtable will know, we had quite a bit of material on motions to amend. We had many questions about Patent Owner preliminary responses, obviousness, claim construction standard, the broadest reasonable interpretation; questions about our IT system and capabilities and improvements that we make to those systems.

Also several requests for additional guidance in terms of precedential and informative decisions to provide guidance; one thing, I might stop here just to mention is, we have recently designated some of the decisions as informative, including a decision that went out, I believe it

was Tuesday, that was our first decision granting a motion to have substitute claims in the Motion to Amend. So that one has gone out, it's designated informative on our website, we also have more informative decisions including Garmin and Idle Free, which are ones that would be familiar to those practicing in the AIA Trial area.

Also, requests for more statistics about the trials which we will be endeavoring to provide shortly on the website; when Vice Chief Judge Horner previews our new website she may address that.

The Federal Register request for information is something that we intend to send out this summer. We are intending to focus on the areas that the public had the most questions, or suggestions for us, and again, in addition to the feedback that we collected from the public we want to receive written comments through the Federal Register. We will then take that back and evaluate what changes may be needed in our rules or our guidance documents, such as our Trial Practice Guide.

Just to take a quick walkthrough the statistics and these are, you will note, as of May 15th, they are already out of date, I'll just -- every day we get more filings and so as of May 15th we had 1,346 total. That number, as of yesterday, has increased by 40, so we are up to 1,386 total. The inter partes reviews, we are -- although the slide says 1,171, as of yesterday we are at 1,204, CBMs as of yesterday are 176; again, last week they were at 169. We are still holding steady at six derivations.

The next slide just gives you, by month, the number of filings that we've had, and you'll see that after a very busy October, November, December, there was a slight lull in January and February. March had gone up to just under 100 filings, and then we had a really large increase. April is so far our record month with 158 filings. May started out slow, but has become more robust as of yesterday. We had 88 total filings in May, that gives an average of about four filings per day, and again or total filings to date, cumulatively, are 1,386.

Just to give you a sense of final

dispositions, as of May 15th, you can see here in the chart on the left, we've had a substantial number of settlements in our inter partes review, 141, compared to 16 settlements in covered business method. Although keep in mind there are substantially more filings in inter partes review than covered business method.

Requests for adverse judgment, we've had 28 in inter partes review, none so far in covered business methods. And then final written decisions, these are ones where the trial has gone all the way through, and the Board has come out with its final decision, 54 in IPR, 10 in CBM, and I -- the next two slides just break out the outcomes in those final written decisions. So the blue portion, 32 of the 54, had all of the instituted claims found unpatentable.

Just recall that the instituted claims, as you may have seen, some of our slides at the Roundtable, typically these are less than all of the claims that were challenged, or less than all of the claims in the patent; we had 13 of those 54 where some of the instituted claims were found unpatentable by the Board. And then in nine of

those final written decisions, none of the instituted claims were found unpatentable. In other words, all challenge claims survived with -- essentially unscathed.

JUDGE SMITH: Just a quick note on this slide, comparing with what the slide would have looked like a month ago, or even two or three months ago, there would have been zero yellow portion, a relatively small red portion and a lot of blue. So what one is seeing over the course of time, is that the number of claims that were challenged -- the number of patents that are surviving, in part or in whole, is increasing.

MR. BOALICK: Right. And I think that may be shown by our next slide. These are the 10 covered business method final written decisions, and you'll see this is much like the inter partes review slide looked, as the Chief Judge mentioned, just a few months ago, it looked much like this, and now I would not be surprised at some point to see the covered business method, change, in a similar manner to that which the inter partes review slide changed.

MR. THURLOW: So, forgive me. Just

for interjecting there.

MR. BOALICK: Sure.

MR. THURLOW: So what we are hearing a lot in the public, is the so-called death squad of claims, unfortunate -- an unfortunate comment.

MR. BOALICK: What was that?

MR. THURLOW: So we can use that last slide to argue against that point is what I'm saying.

MR. BOALICK: I think so. And I think another one that illustrates the larger picture is the slide we had in our Roundtable slide deck which, by the way, is available on the Board's website under the Trials tab, but it shows that, of the claims that were available for challenge, fewer than all of those were challenged, then some were not instituted at all. The of those that were instituted, you can see at least in the inter partes review, a substantial portion, about 10 percent or so, maybe slightly more or surviving entirely unscathed, which I'd say, is not inconsistent with the results that one saw in the inter partes reexam decisions for the number of patents that survived with no amendment, just

essentially unchanged.

JUDGE SMITH: Fundamentally, to the extent there's been a concern, and those who have the concern would know exactly what it is more so than, perhaps, we would. But if the concern at all is that we have an agenda, bias against the surviving of patent claims, that has no basis, and what we have maintained all along, is that whatever the numbers are at any given time, that number arises from our objective look of each -- at each case independently, and that whatever conclusions one might draw from that are better drawn after the dataset is more than just a few cases. And in fact, as the dataset has enlarged, the picture also has changed.

MR. BOALICK: Right. As we said often during the Roundtables, the Board really is just looking at each case on its own merits, on the arguments and evidence that have been placed in front of us, and we really -- as the Chief said, we really don't have an agenda. All we are doing is just carrying out the laws to the best of our ability.

And so now, I'll turn the floor over to

Vice Chief Judge Horner to talk about our appeals.

MR. THURLLOW: One quick follow-up question. Just on the Federal Register Notice, if you can clarify without giving examples, there are certain things you need to put in a Federal Register Notice about the changes and the rules that you want to get a feedback, but correct me if I'm wrong, those things that based on the feedback, that you really don't need, within your discretion to make certain changes. Can you discuss that please?

JUDGE SMITH: Yes. At first we wanted to distinguish what the Federal Register Notice will look like as compared with an indication of a new rulemaking. So, at this point we don't envision the actual rulemaking, we review -- we see the mission as a precursor to that, which will include areas in which there may come to be rulemaking and request for information from the public which might help drive that.

Along with that we also can indicate, as you say, areas where no rulemaking is required in order to undertake changes of the kind that we envision, including changes specifically

responsive to the various comments. For example, with regard to the page limit on motions to amend, we might not indicate a change in the rule which of course requires a change in the rule, but we might indicate a policy with regard to the grant of exceptions that might operate in the interim until the rule comes to be changed.

MS. HORNER: All right. Moving on to Appeals, Statistics and Progress, here is a snapshot of our ex parte appeal inventory throughout this fiscal year starting in October. We were around 25,700, you can see the inventory peaked around January at 26,200, and we've brought it back down to right around 25,900. So we were able to keep up with what's coming in despite having to reallocate judges who were handling ex parte appeals to handle AIA matters as the numbers of those matters increase.

Our ultimate goal is to add enough judges that we have more judges to work on ex parte appeals and bring that backlog down for the remainder of this fiscal year, and into the next fiscal year.

JUDGE SMITH: We would like to thank

the Commissioner for the success she apparently is having in keeping the numbers from getting the inflow of ex parte appeals from reaching prior levels. In 2012 we had a few months where the number of appeals coming to the Board was as high as 1,300 even close to 1,400 and it's very hard to keep up with that. In more recent times the inflow has been more on the historical -- more in line with historical levels of about somewhere between 700 and 900 cases per month. So, thank you.

MS. HORNER: And this is a snapshot of our ex parte appeals inventory as of May 14th. You can see the total number on that day was around -- a little over 26,000 in inventory with a breakout by age for each bar, it's age of the time spent in inventory, and then a breakout in each bar by color for the technology area. So the blue is what we would characterize as electrical type appeals or computer-related inventions. And then the purple is mechanical appeals from TCs 3600, and 3700, that would include business method and mechanical cases mostly.

So that comprises the largest portion

of our inventory, as I think, we showed a similar chart back in February when we met, and it looks very similar in terms of the composition of our inventory. We are working on the appeals that are in the two far-right columns, that we are working on the oldest cases first to get those processed, and that our goal is to get those moving and decided before we work on the newer cases coming in.

MS. JENKINS: Louis, can I ask a question? Just a quick question on the appeals because this is a recurring question that clients have, were you able to move the number of appeal inventory based on simply putting more judges on the appeal? Or, how did you move it down from that part? And is it not that easy to explain?

MS. HORNER: It's -- so I think it's a combination of judges putting in extra effort to get more cases done. Some hiring that we've been able to do -- before having to pull judges to work on AIA cases, we did get the benefit for a short period of time, of a bump from new hires, plus our existing judges before we had to reallocate to AIA. And then as the Chief Judge was saying,

seeing a slightly lower intake coming in the door. So I think it was a combination of all those factors.

We've also used -- have had quite a good relationship with patents to get some detailees to help us from the examining corps who have been working with the judges, to help them work more efficiently, get through cases in a more efficient manner. And so I think we've seen some results from that as well, so it's been a combination of, sort of, different approaches, and then just what we've seen coming in.

JUDGE SMITH: One other part of the combination has included, and we've reported on this in at least three or four of the sessions between 2012 and 2013, the very intentional look at opportunities for procuring decisions where, hopefully, the amount of actual writing time, and the decision is reduced without actually reducing the quality of the decision.

Quite recently, again, we had a decision where the Board was affirmed by the Federal Circuit, where the decision that the Board relied on was one essentially, as it emerged

from the corps in the examiner's answer. So we continue to look for those opportunities to be more efficient.

MR. SOBON: A recurring question is, can you provide more detail or org charts of judges and where they are assigned, and to -- and so paid to be -- whether certain judges are just purely for appeals, and some are just purely for IPR, if they have mixtures. And also, I think, from the IPR side, the other recurring question is, how you are deciding, is it random draw? Is it predetermined who decides which panels get which cases, and how is that allocated?

JUDGE SMITH: A first response is that even more so, or at least as much as some of the information you see here today comes to be out of date, relatively soon after its preparation. That is to some extent true of the organization of our judges as well. Because as we've mentioned the effort to keep up with the load, involves almost weekly, certainly, monthly resource reallocations of judges so that we can handle the work.

Also an organization chart would not

reflect all of the complexity because even though we have judges broken in sections, and the sections may have a primary designation with regard to both the technology of the work or the jurisdiction, a great many of the judges are doing work across technologies and jurisdiction, and it's a very robust and complicated allocation across the picture. Added to that, is the fact that we have many new judges, so we are making the assignments or reassignments.

Also in terms of how we are matching mentoring assignments for training purposes. It's all very, very dynamic, and also multi-factored on a regular basis, the challenges, our two Vice Chief Judges, to keep it on the air. Which creates some difficulty in setting it forth in a way that is meaningful to whoever the reviewer would be.

MR. BOALICK: I might just add, we actually have on the PTAB website in, I believe, it's in the About section. We have an org chart posted on the website. But as the Chief Judge said, the org chart doesn't really give as much insight into what judges are working on, because

we have some judges who are dedicated to one area of the jurisdiction. Other judges who work in multiple areas, there's a chart coming here soon; that might be more meaningful.

That's in the Chief Judge's material on judge allocation where it really speaks in terms of the amount of total judge time spent in the allocation, which I think is a more meaningful measure than what it is the count of the fulltime judges, because we have some who are fulltime. Some who split their time between multiple jurisdictions. Also the assignment, as the Chief said, is a very complex thing, and especially in AIA where we see lots of families, of cases come in, so sometimes panels are chosen because they were on a previous related case. And so they'll be tapped again for the case that's related.

It's not guaranteed, but we have a preference to keep similar panels on related cases, so there's many factors that go into the paneling decisions including the judges' availability if they have -- you know, we need to make sure that we have judges who are available

to write the decisions within the statutorily mandated timeline. So if they were on a previous case, if they are already scheduled to write, you know, essentially -- enough decisions where they don't have any more room, the Panel might shift to accommodate the judge who will be able to ensure we mail the decision in time.

JUDGE SMITH: All of that said, we would want to be responsive to what we could provide in the way of greater information. As an example one of the areas that remain fairly static in terms of decision-writing and case handling, responsibilities, the interferences area. Looking at the org chart one would not see which of the numbered section -- which section has that responsibility. That's that kind of thing we could undertake to designate with more clarity.

So any -- if you could look at the organizational chart and make some recommendations as to where it seems to lack, with these things that we've mentioned being in mind, we can evolve it to be more forthcoming about what we are up to.

MR. THURLOW: So real quick. I don't

want to cut you off, I know we are getting a little over time. I don't want the session to end without applauding the PTO for the roundtables. From our side, I was on the Panel at the PTO, Marylee, that most organizations and so one, from New York, she did great. But I was at New York, and then I listened in at Denver, and the feedback was positive, so from PPAC's perspective I just want to applaud, the PTOs were really helpful, and hopefully we can do that in other areas with the PTO, using what you did as an example. So thank you very much.

SPEAKER: Okay.

MS. HORNER: Moving on just briefly to just show you the changes we've made to the Board's webpage, and highlight some of the changes coming in the next few months. So this is just a snapshot of the main landing page for USPTO, and you'll see circled down there, is a button for PTAB, so you can easily access PTAB from the main landing page. And then when you click on that, this is what you see, so we've remodeled the look and feel of this page quite a bit and broken it into eight main sections,

trials, appeals, decisions, that's where we house our presidential and informative and links to find just routine Board decisions; specialized decisions in particular areas.

Hearings, which is all information about our hearing operations, resources so resources folks might need in matters before the Board, statistics, about PTAB which has the organizational chart and other information about the organization, and then a Help section. We have worked on so far, I think, resources. Appeals, we are still working on some edits to that. In the coming months we will be making further edits to the Trials page, the Decisions page, and the Statistics page, and taking into account some of the information we learned at the Roundtables about specific statistics that might be of interest to the public.

We also have links on this main page too, any current open vacancy announcements for judges, events that were coming up, speaking engagements where judges will be appearing, and so forth; so a lot of information on this landing page.

And then I also just wanted to mention we have just started a subscription center, so those interested in information specific to PTAB can sign up. It's called the Patent Appeals and Trials Subscription. You just go to the Subscription Center on the PTO website and click on that box and you can subscribe. I think our news blast is going out today to alert everyone about the -- in fact it did go out, about the informative decision we posted yesterday.

So we are using this news blast to highlight informative and precedential decisions that go out and other information specific to the Board. And just a listing here of some articles that are currently on the webpage and we are working on a number of additional articles related to both AIA trials and appeals.

So here are some AIA specific, and then we have an article on The Day in the Life of a Judge, for those interested in learning a little bit more about what it might be like to work at the Board as a judge. I'll now hand it to Chief Judge Smith.

JUDGE SMITH: We are pleased with

what's happening with the expansion of the Board resources. We, and as we increase the size of the Board, we are looking very carefully at how we allocate those resources. The last time we showed you this slide there was more balance or parity between the AIA side in the blue, and the red ex parte appeal side.

We actually have had some more increase on the ex parte appeal resource. Largely that is in line with what Vice Chief Judge Horner described in terms of new judges coming to the Board, and beginning their term of service working exclusively on ex parte appeals. We are certain, given the increase of AIA cases that this will continue to be both dynamic and at times will flow again back to the blue AIA side, as we try to meet that challenge.

Hopefully, notwithstanding, or quite apart from the relative size of slices of the pie, the overall pie will increase so that we can handle the challenges on both sides. And we haven't, and never forget of course, inter partes reexamination appeals, interferences and management. The inter partes reexamination

appeal area, it is in that area that it's important to note that while inter partes reexams have been discontinued, that did not happen before those wishing to take advantage of it before it went away, filed a tremendous number of them.

So we are looking at a substantial inter partes reexamination appeal workload, for at least the next year- and-a-half to possibly two years at a rate that far exceeds what we had before. And we have informed the folks at the Federal Circuit that they have a good year or two of, have the reexam appeal work to look at as well, because of course those cases are appealed to the Federal Circuit in greater percentages than the rest of the cases are in general.

That probably -- that appeal rate probably will be exceeded only by the AIA cases where appeals to the Federal Circuit have -- and district courts have started even in areas where the statutes specifically prohibits appeals. Our hiring goal for judges for this year is 60 judges, our attempt was to get to all 60 of those judges in the six months between January and June.

We are well on our way, we on-boarded nine new judges this week. We have another class of about that size starting in June, and maybe a class of twice that size starting in July.

So, by the time all of those are completed we will be at this 41 number. Meanwhile we have more candidates who have been selected and whose names have been put forward to the Deputy Director for consultation with the Secretary. And we continue to be elated beyond belief with the caliber of the individuals who have been putting themselves forward and able to be selected. We that at -- in our next upcoming announcements as to who these people are, that everyone in the profession will be -- will be left with a sense that we are doing our best to keep the quality level as high as we can.

Another thing we think is a source of -- serves to make the news good, has to do with the distribution of the judges. We will see this in the six-month period a substantial increase in the size of the judges in our various satellite offices. The most dramatic increase will happen, at least in relative terms in Texas where

we will go from having four judges to 11 or 12 before the end of June, and we hope that number will be around 16 or 17 by August.

California, the numbers are good. I'll come back to California in a second. We have not seen as much growth as we had expected in Michigan, in the Detroit office. We started off with a good double-digit number there, even before the office opened or before the permanent space did. And we hope to put some efforts to helping that judge corps grow.

The Denver numbers also have been good, we expect on Opening Day on the 30th of June, already to have 14 judges in that office.

California is doing as well as any of them, as of today, I think we have 12 judges in the office and expect to have 17 by July.

The new space in California, the new permanent space when we move from the temporary location in Menlo Park, allocates 20 judge offices. Our goal all along has been to make sure that that plan is obsolete before the move is made. And currently we do think we will be at 20 or more judges by October or November forcing the

space planners into a predicament. What more can we tell you?

CHAIRMAN FOREMAN: Anyone have any questions. All right. That was a lot of information to digest, and thank you, again, for the presentation. With that we are up to our lunch break.

We are going to have a lunch speaker this afternoon, so we are going to take a 30-minute break, so everyone can go grab lunch, and then we are going to come back right around 12:45 or so, 12:50, where we will be joined by Tom Krause, Deputy Solicitor, will be giving a presentation over lunch, and the public is welcome to view that online, or be in attendance here. Thank you.

(Recess)

MR. FOREMAN: I'd like to welcome you back from our lunch break. And as I mentioned earlier, we're going to have a presentation this afternoon from Tom Krause, Deputy Solicitor, for the next 40 minutes. So, I'd like to turn the floor over to Tom Krause.

MR. KRAUSE: Thank you, Louis. As

Louis said, I'm the Deputy Solicitor at the PTO. Nate Kelley, the Solicitor, couldn't be here today, so he sent me in his stead.

I don't have slides. I hope to make this a nice interactive presentation about what the Solicitor's Office does. We are one of the public faces of the PTO. Our main job is to handle all the intellectual property-related litigation of the PTO, and I'll give more details on that as we proceed.

I guess a little history on myself: I was working at the law firm of Covington & Burling. I had a counsel position there for many years, and in 2002 one of the associates that was working for me came up to me and said he was leaving the Office and that he had gotten a new job, and I asked him about the job. It turned out that he'd been engaged at the Solicitor's Office at the PTO, and the more he described the job, the more excited I became. It turns out that in the Solicitor's Office you get to argue at the Federal Circuit on a regular basis. I was a relatively senior patent attorney at the time, but I'd only been on two federal circuit cases. I thought I

played significant roles, but I was still several heartbeats away from a federal circuit argument. So, I saw that. I also realized that one of my old colleagues from law school, John Whealan, was a solicitor at the PTO, and I put in an application -- there were a couple of openings -- and was hired. So, I've been working at the PTO, in the Solicitor's Office, since 2002.

One of the things John Whealan asked me or was worried about when he first hired me -- he said, well, Tom, maybe you'll be bored working at the Solicitor's Office, because at the time what was done was often fairly routine. It was mainly the decisions coming out of the Patent Board, mainly obviousness questions, and finally fairly cookie-cutter briefs. I have to say that's not what happened.

As soon as I got to the Solicitor's Office, things got exciting. I'd like to take some of the credit for that, although I think it was mostly external factors.

Starting in the early 2000s, we saw a great increase in public awareness of patents, a lot of hop on issues involving patentability of

genes, business methods, software; problems with patent trolls, patent reform -- you know, guidelines, legislation, all that kind of stuff. The Solicitor's Office gets involved in all of that.

There has also been increasing sizes of jury verdicts in patent cases and patent -- you know, general-purpose firms developing patent apartments. It's become a real specialty and quite a lucrative one on the outside, and all this patent litigation also results in more work for the Patent Office and more exciting work for the Solicitor's Office, because patent litigation often results in reexamination proceedings at the Patent Office, either in ex parte or inter partes, and those become some of our more challenges cases, because those involve patents that have already been issued. Sometimes they involve two parties, and they can be very hard fought and a lot of money at stake in them as well.

One thing that aided that was in 2002, the inter partes reexamination proceedings kind of opened up when the right of appeal came into the federal circuit. That was a little-used

proceeding before I got to the Patent Office, but then it became bigger and bigger at a point where it started dwarfing the ex parte reexaminations. We had many hundreds of them pending, and now that that's being phased out, I think you probably already had presentations and inter partes review was even bigger.

For a while, we were involved in every inter partes reexamination case, but after a while that got a little burdensome. In some cases, if both parties were litigating the appeal and there were no particularly significant issues, we would stay out of those. So, that was another source of work for us.

And one last thing is the § 145 actions. It's another way that you can appeal a case from the USPTO Board. You can go straight to District Court. It used to be the District Court of Columbia; now it's the Eastern District of Virginia. There's been kind of a steady flow of those actions as well. So, our work has become more interesting, more varied, more exciting.

And then maybe the most exciting at all has been the increased Supreme Court involvement

in patent cases. As most of you probably know, right around when I started at the Patent Office, the Supreme Court started taking more and more patent cases -- three, four, five a year. There were actually, depending on how you count them, eight Supreme Court patent cases in this last year, including the Teva v. Sandoz case that's currently pending and also including a couple of the ones that were decided relatively recently. So, that involves work for us as well, as I will explain.

So, what is the Solicitor's Office?

When I started, there were about 12 or 13 attorneys there, so a very small office located in Crystal City. In the meantime, we've obviously moved here. We're up to 29 attorneys, a total actively in the Office, so we've more than doubled in size, and we've got at least three open slots right now and more slots coming. It used to be just one solicitor and then everyone else, an associate solicitor. Now we have a solicitor, a deputy, three senior-level attorneys, and then a bunch of associate solicitors.

We attract extremely high-quality

talent. We're very glad to say that just about everybody has significant litigation experience. The majority have clerkship experience, and probably the majority of those clerked on the federal circuit. Most come from law firms -- some partners, some associates, some counsel types. We've also got people who are former examiners, former SPEs; we have people who come from other government agencies, including the FTC, the ITC, and the FDIC; and we've even got a legislative person, somebody who was on the Hill. Some of you may know him -- Joe Matal, who worked extensively on the AIA, and he's been a great asset to us as well.

So, a wide variety of backgrounds and mostly patent lawyers, so most of us have technical degrees and are registered patent attorneys. Some of us even have PhDs. I say "us" -- I don't mean me. I don't have a PhD, but we do have some very highly educated people and people with serious scientific backgrounds. And we -- as I said, mostly patent attorneys. People who aren't patent attorneys -- we have a couple of people who specialize in trademark appeals.

We also handle the trademark appeals that go to the federal circuit, as well as the corresponding action -- 145 actions. Remember, I said 145 -- you take a patent case to district court; 1071b -- you can take a trademark case to district court. We'll talk about those in a few minutes as well.

So, a couple of trademark attorneys, and then we also have five people who do disciplinary work, one of the functions of the Office. When I first got there, there were no disciplinary specialists. Any associate solicitor might end up with a disciplinary case, but as you know any member of the public can file a grievance against a patent attorney or agent, registered practitioner at any time. Those go to the PTO's Office of Enrollment and Discipline, which conducts an investigation. That goes on to a disciplinary committee. After that committee makes its findings, the Solicitor's Office takes over and can file a complaint before an administrative law judge and resolve the disciplinary proceeding that way. So, we have a good bit of that kind of work. There's always

something like a hundred grievances floating around the Office. Eventually, that narrows down to 10 or 20 complaints. But those end up being, you know, full-blown trials.

MR. THURLLOW: I didn't realize there were that many.

MR. KRAUSE: Yes, it's -- and many of them settle. You know, we try to come up with the right result, but our job is to protect the public as well as to -- you know, I think a lot of us have an understanding of some of the pressures that practitioners face, so when it comes to our office, we often do -- there are -- some of the cases have to go to litigation; some end up settling.

So, I think that sort of describes, overall, the division of labor within our office. And as I said, I do want to make this interactive. Feel free to interrupt if you have questions about anything I say. I'll go into more detail on some of the issues in a minute, but if anyone has anything about any of --

MR. THURLLOW: I didn't realize Joe is working with you. So, what is he doing again? I

know he did the legislative -- he wrote the -- works extensively on AIA, and I didn't realize he was working with you.

MR. KRAUSE: Yes, we took him on as an associate solicitor, so he's argued federal circuit cases, just like the rest of us; he's been involved in district court cases, just like the rest of us; and he also -- you know, obviously with his connections and legislative background, he helps out on all the legislative matters.

MR. THURLOW: Sure. Right.

MR. KRAUSE: You know the recent troll legislation that just died yesterday -- he was involved in that.

MR. THURLOW: But he's actually arguing cases, too, huh?

MR. KRAUSE: Yes. He's one of us.

MR. THURLOW: Fine.

MR. KRAUSE: You know, part of what we do involves legislation and rules, and that's what helps us with him.

MR. THURLOW: Yes. He wrote on the website in the resources section the legislation history of the AIA, a two-part thing that's,

like, one of the best --

MR. KRAUSE: Yes. I think that's the single most authoritative source of information on the AIA -- the two-part thing by Joe Matal -- because he was there. So, yes, it's that kind of quality that we're able to attract, I think because of the fun of the job. I think when I first started, it was looked at as kind of an experience you might have maybe after clerking for the federal circuit, but a lot of us just kind of get here and love it. Career opportunities -- I'm not trying to advertise the job, but career opportunities involve moving onto the Patent Board and, obviously, also the federal circuit.

I think many of you may know, Judge Ray Chen was the solicitor not too long ago, so it's not a bad stepping stone.

Okay, well, let's talk about some of the work we do. As I said, one of the main attractions of the job is the federal circuit appeals. Those are mostly from the Board decisions out of examination or reexamination. And as I said, again, as I started, it was mostly

just examination cases. Those can be very interesting, and it's always an opportunity to argue. I think if I had one thing to say about those is that often they are brought by attorneys who've been doing the prosecution and don't necessarily -- I mean, sometimes they're in a hard spot where they have to appeal. They can't get around the Board decision. But sometimes our questions: Well, why couldn't you just amend the claims" or something. At the federal circuit often we do have -- we have great benefit, because the Board is reviewed under the substantial evidence standard, and also we have the broadest reasonable interpretation for claim construction. Often it is a matter of claim construction, and most of the time we are upheld.

A lot of our kind of ex parte application appeals end up getting disposed of by the federal circuit under Rule 36, which is without opinion, which is kind of a signal that the case probably was pretty easy and maybe shouldn't have been brought. So, I guess one piece of advice for practitioners out there is if you think you have a really good appeal, maybe

think twice and think about whether the thing really is going to be something you'll be able to pursue. And also think about amending the claims, because a lot of the times your best relief is going to be continued prosecution before the examiner.

It's a very different story in ex parte or inter partes reexam. There you've got a patent. You don't want to amend that claim most of the time. So, as I said, those have come up more significantly for us, and those are the cases we, you know, understand that we're going to have to fight, and those can result in some very interesting legal battles and some interesting questions of law resolved.

But, overall, I think we're benefitted by these forgiving standards of review but that ultimately we have something like an 80 or 90 percent win rate at the federal circuit, even including the reexamination cases. Some of these cases actually become quite important. Some of them go all the way to the Supreme Court. You may know the in re Bilsky case -- ultimately Bilski v. Kappos -- at the Supreme Court, patent

eligibility of business methods. That started in the PTO.

We had a couple of recent very -- I think very significant cases. There was in re Packard decided a few weeks ago -- anybody heard of that case? -- the indefiniteness standard. That was a case that agreed with us that the standard for indefiniteness that an examiner applies is different than that at the federal circuit. The federal circuit had said for a claim of an issue patent to be held indefinite, you have to show that the claim is insolubly ambiguous. That very question is now before the Supreme Court.

Before the PTO we have what we've called the Miyazaki standard, which is much more forgiving, and it's kind of designed to force the applicant during prosecution to lend some clarity to his claims, and that standard wasn't expressly upheld, but the idea that we don't have to show a claim to be insolubly ambiguous to reject a claim for indefiniteness was upheld. So, I think that's been a great help to the Patent Office and probably to patent clarity generally. So, that's a recent important decision. Obviously,

the *Nautilus v. Biosig* case at the Supreme Court may affect that as well.

Another great, interesting, and probably important decision is *In re Roslin Institute*. Anybody heard of that? It came out a couple of weeks ago. That's a case about Dolly the sheep. So, in other words, you might not -- it's kind of surprising that the actual claim is still pending at the Patent Office. The Roslin Institute did receive patents on their method of cloning. The significant thing was they were able to clone from an adult mammal. But here they had some interestingly drafted claims that were to the clone itself. In other words, that would cover Dolly itself.

We don't have any restriction against patenting animals to begin with, but there was a rejection under § 101, because at the end of the day Dolly was simply a copy of something that was a product of nature and especially after the *Myriad* case about gene patents that at least raised or seemed to raise a § 101 issue and also because it was a copy of something that appeared in nature that kind of led to a national

anticipation issue, because, you know, it's the same as something that was already out there. So, that was an interesting case. It was decided by the federal circuit on § 101 grounds alone. I worked on that case.

The one reservation I had -- I'll just tell you right now, and I should have said at the outset, I speak only for myself in these presentations; I'm not speaking for the Patent Office, although I know some of the things that go on at the Patent Office. The interesting thing about that case was an issue they didn't really address. They assumed that these farm animals, like sheep, were naturally occurring products, products of nature, when in fact you and I understand that farm animals are the products of a lot of selective breeding by mankind. So, one could say there's a hand of man there.

We do a lot of plants based on breeding, and we also issue claims to animals that are simply products of selective breeding. The claims were written broadly enough. You know, they would cover cattle, pigs, sheep, or goats, which would cover naturally occurring cattle,

sheep, pigs, or goats. Therefore, the 101 rejection, in my mind, makes perfect sense. But it seems to me that if you limited it to just farm animals that have been selectively bred, it would have presented a slightly different question, because they're no longer a copy of a product of nature.

There are other issues with the claim. I thought it was kind of broad, because they claimed that any animal that had been cloned from an adult cell and didn't limit it to any particular animal -- not Dolly the sheep by any means. But, anyway, I thought was an interesting issue not addressed by the court, which kind of assumed that the farm animals were products of nature. So, that's just me talking. But we get into some very interesting issues at the Patent Office, and they're kind of fun to think about, kick around.

So, those are a couple of big federal circuit appeals we've had.

Again, we've had the § 145 actions. We had one of those go to the Supreme Court also. Anybody know what that was? It was the Hyatt v.

Kappos case, which kind of set the scene for possibly more § 145 actions. 145, again, is a way to challenge a PTO decision in district court, and the question in that is: What limitations are there on new evidence and/or new arguments can be made by somebody challenging a Board decision in district court? There's language suggesting that it's a de novo proceeding, but nevertheless does that mean it's a complete do-over at the PTO?

The federal circuit, first en banc and then the Supreme Court, basically said it's not a complete do-over and that you're not supposed to raise new issues -- or, at least, that's the way we read the Supreme Court decision. But they did say that you can raise, before the district court, new evidence that was not presented to the PTO, and once you've done that, that creates a completely, kind of clean slate as far as the record goes. So, we thought that would encourage more § 145 actions.

It hasn't exactly, but one of our reactions to that was we went back and looked closely -- we'd actually been doing this before -- we looked at the § 145 statute, and

there's a provision in it that says all expenses of the proceeding are to borne by the applicant. So, in other words, if you bring a \$ 145 proceeding, you're making a choice not to bring an appeal to the federal circuit. Instead, you're going to district court. You're challenging us. You have to pay all those expenses. And, historically, we have charged and been reimbursed for expert witness expenses. And if it's a technical witness or an economic witness on commercial success, those bills run into the tens of thousands or even hundreds of thousands of dollars, and that's been going on for since these proceedings have been around, and there's case law supporting that.

What we've most recently started to do is say: Hey, wait a minute, our time at the PTO is an expense to the PTO of staffing these proceedings. If you look at these proceedings, we devote at least one, sometimes two attorneys full time -- you know, across the proceedings -- full time for a whole year. You should be reimbursing us at a commensurate hourly rate for our time as an expense of the proceeding.

We made that argument in a -- I mentioned the trademark proceedings, a 1071(b) case -- we made that argument in a case in the eastern district of Virginia called Shammis and were successful with that. So, we at least have a district court decision saying that part of the expenses that have to be paid are the attorney expenses, so that adds another --

MR. THURLOW: They don't have to prevail on the case. It's just -- even if they prevail, they're paying a --

MR. KRAUSE: That's exactly right. Win, lose, or draw --

MR. THURLOW: This is a whole different level --

MR. KRAUSE: Yes, it is a whole different -- yes, we don't even look at it as fee, but that's exact -- because we call them expenses, because that's really what they are. And, you know, the PTO, as a kind of cost recovery agency, you know, money we shell out for litigation, which is really kind of voluntary, you can take an appeal straight to the federal circuit. That's money that doesn't get spent on some of the other

core missions of the PTO. So, I think it's perfectly fair, and that case is now on appeal to the fourth circuit, so it will be very interesting to see what happens there, and that may also ultimately get appealed to the federal circuit as well, maybe even the Supreme Court. So, that's some more of the fun that we're having.

There goes my name tag. So, another kind of thing we do are the APA actions, so any time you get a final decision -- you know, Board decisions are final decisions, but also if you file a petition involving maintenance fees or revival of a patent or any number of other things, you can file an APA action basically any place in the country and bring us out there, and we defend those as well, and those can be interesting and cover a wide variety of issues as well.

Okay, so federal circuit: Also before the federal circuit we try to get involved in most of the en banc cases, especially the ones that directly involve PTO examination. We've gotten them on the Thermosense case on inequitable conduct; more recently, the lighting ballast case on claim construction. That claim construction

issue is now sort of before the Supreme Court in the Teva v. Sandoz case. And I should say that for some of these kinds of panel cases, we operate with a lot of autonomy under a delegation from the U.S. DOJ, the Department of Justice. We don't have independent litigating authority, but they kind of leave us alone on certainly the straight-up § 141 appeals to the federal circuit; and in the district court actions, they're there but often we're taking the lead in those cases.

When it gets to the federal circuit en banc stage, there the Solicitor General's Office and also the Civil Appellate Division of the DOJ get involved. In some cases, they actually even argue the case. There's always a little bit of tension on who's going to be arguing the case, and they help formulate the position as well.

And that leads me, I guess, to the Supreme Court cases. I mentioned that we have, like, eight of them pending this year, and it's been more and more every year. That's another really interesting aspect of our work, because those obviously involve top-notch lawyers and top-notch briefing and not only from the parties,

who've got a lot at stake to be at the Supreme Court, but also on the government side through the Solicitor General's Office, who are some of the smartest lawyers you're likely to encounter in this world. And they do pick up the patent law pretty quickly as well.

Supreme Court cases we get involved with kind of at the early stage. When sur/petitions are filed, the government typically won't get involved to support a sur/petition but will start watching it, and then at a certain point the court might call for the views of the Solicitor General, what's called a CVSG -- call for the views of the solicitor general. And that's an order that comes out from the Supreme Court telling the Solicitor general that we want to hear whether you think we should take sur or not, and when that happens inevitably the SG sends a memo out, not just to us but to our parent department, the Department of Commerce, who we work with in formulating our position and also all the other agencies that might be interested in it, and that includes the FTC, other divisions within the DOJ sometimes, the FDA, and

sometimes even the Copyright Office in patent cases. And I should mention also we get involved copyright cases. It's all IP at the PTO.

But -- so, during the CVSG process and also -- one option is the CVSG; another option is that the Supreme Court simply grants sur. But once either of those happens, the Solicitor General is necessarily involved. The parties obviously want to influence the way the government will decide the case, so meetings are set up. Sometimes the parties come straight to us first to try to persuade the PTO, and it's usually the Solicitor's Office along with members of the Department of Commerce, along with possibly people from other parts of the PTO, especially if it involves an examination issue. So we get a presentation there. After that, there are always presentations from both parties at the Solicitor General's Office, again trying to influence the way the Solicitor General will litigate the case.

Ultimately, position is arrived at, and, you know, we will submit a memo making a recommendation, and the Solicitor General will

ultimately draft briefs, which we review. In the case of the CVSG, it ends up being the final brief, which often has a significant influence on whether the court will take the case, and then if the Supreme Court does take the case and there are a whole new round of merits briefings, there again we're involved. And ultimately, in the oral arguments, the government always about 10 minutes of oral argument time, so people from our office get to go to the Solicitor General's Office and help moot the Solicitor General of the United States in preparation for those oral arguments. And that's kind of thrilling. You know, sometimes you get a chance to kind of give a one-on-one patent tutorial to the Solicitor General of the United States, because the SG himself has argued some of these cases, including some of the big ones recently. I guess certainly the CLS Bank case, the Myriad case and the Mayo case -- all three those big § 101 cases -- whereby -- I think I'm right -- Solicitor General Verrilli himself. So, those were fun.

I think -- I don't know if the rest of you share our frustration with some of the stuff

that's come out of the Supreme Court as a result, but it's not for lack of trying on our part.

So that's, again, some of the real fun stuff that we do, and, I don't know, I think I'll -- I could open for questions at this stage. I know we don't have a whole lot of time. I've got tons of things I can keep on talking about.

MS. SHEPPARD: So, you mentioned § 145 in the Hyatt v. Kappos. I know that at some point there was some legislation -- and it may have even been in the bill that died a death yesterday -- to correct that issue, correct it according to the PTO. But to others, they love this. Is that something that you're still pursuing or will still be pursued or --

MR. KRAUSE: I think you're right. This was included in one of the patent reform bills. It was stripped out last December, and it was literally a provision that would take away § 145 entirely because, as I said, we don't really see a lot of benefit to that proceeding. When you lose at the Board, you've got two options -- or, you already have two options; there's a third option. One is to go back to the examiner, amend

your claims, try to reach an accommodation there; the other, of course, is to take an appeal straight to the federal circuit based on the record that was developed. It's very unusual, and it's hard to identify any single 145 case where the party really, really needed to do the 145 action to somehow vindicate their rights. If there's new evidence, that can be presented at the PTO later as well.

So, we've been -- and, again, the resources of our office that those actions consume are quite considerable. So, we supported getting rid of those entirely, but they are still on the books. There was some opposition. I think a lot of people said: Well, this is taking -- there wasn't -- I mean, I think the natural reaction of a lot of practitioners and applicants is that this is an option that we would like to have no matter how inefficient and undesirable it is; if you take it away from us you've taken something away from us and we're not getting anything back. So, it's an understandable reaction. I think that's what ended up killing it.

MS. SHEPPARD: Well, just to follow up on that, I mean, it's an efficient problem, but you're not taking away -- well, I'm showing my bias -- you're not taking away something that they already had; you're talking away something that the Supreme Court gave them recently.

MR. KRAUSE: One could say that. You know, the Supreme Court will say that was the law since 1890 or whatever, but --

MS. SHEPPARD: But it's kind of eating up resources from your office, and how many of your team are now doing § 145 actions compared to what they were doing before, which was zero?

MR. KRAUSE: Well, it wasn't quite zero. In fact, Mr. Hyatt is responsible for keeping a lot of us busy with the § 145 actions, and there's been kind of a stream of them even before I got to the Office. Since I got -- there may have been a slight uptick after Hyatt v. Kappos but not as much as we thought there would be. They only come in once every couple of months now. Apart from the Hyatt case, it's hard to tell you exactly how many are pending in the Office right now; but, you're right, they do consume

resources, because this is district court litigation. You know, there's discovery, there's the potential. It's usually on the administrative record, but there are certainly expert witness reports to be drafted and to be reviewed, and then they can result in a full-blow trial, and some of them do, so it takes a lot. And part of our solution to that has been to say, okay, well, you're causing us to expend those resources, you have to pay for them, and the statute says that. So far, at least in court, we've been successful with that argument, and hopefully we will -- we appreciate your support on that. That's § 145.

MR. THURLOW: Just a quick question. One of the important cases of -- you know, we did a lot of discussion this morning about PETA having developments and probably be seeing a lot of those cases in the future.

One of the more recent cases, I guess the SAP/Versata case?

MR. KRAUSE: Right.

MR. THURLOW: I see that the PTO prepared and submitted what they call an

intervener's brief or something?

MR. KRAUSE: Right.

MR. THURLOW: But just curious, in general, if you could talk about that. Just general. Is it -- I know BRI is a subject of much discussion. I saw that in some of the briefs. I haven't studied the PTO's brief, but is that one of many issues or --

MR. KRAUSE: I think there are several issues in the SAP/Versata case. I hesitate to talk about a pending case, not just because it's a pending case but also because I personally don't know that much about it.

MR. THURLOW: Yes. Oh, okay, that's fine.

MR. KRAUSE: But that case did raise -- and we recently got a favorable decision in one of the Versata cases on the extent to which our decision to initiate or not initiate one of these post-grant -- either the cover business method or inter partes review proceeding -- is reviewable. At least on mendamus, the federal circuit made it pretty clear, I think, that our decisions are going to be not reviewable to

initiate these proceedings.

MR. THURLOW: Yes.

MR. KRAUSE: I know there's a § 101 issue in that case as well. I think I'll --

MR. THURLOW: I think, without getting in -- I'm sorry, I'm already into the details. I think one of the big issues was that if you submit a petition and request to say 10 claims and they institute on five claims, not the other five, there's been some concern with how they divvy it up. And there may be practical reasons for doing that, but there's been concerns with the estoppel later on and just with how that's being handled. So, I know that's been raised at various functions and so on, but I'm not sure. I just say that as a --

MR. KRAUSE: Yes. It's an issue I think we're sensitive to, but I can't really speak to right this second.

MR. THURLOW: Yes, not enough time, yes.

MR. KRAUSE: Sorry about that.

MR. JACOBS: Yes, I think this is a fascinating talk. Thank you.

So, one might say we live in interesting times and you show an obvious enthusiasm and excitement about having all this action in your office, right? But certainly part of that is because it's kind of controversial times for patents and the patent system, and the reason that -- one of the reasons, presumably, that the Supreme Court is taking sur so many times, I think more than ever this session, is that there is controversy not just at the court but at the district level and everywhere. And some people say: Well, the patent system is fundamentally broken; the rules are fundamentally unclear. Other people say: Well, people just don't understand patent law.

Now, you mentioned that the Solicitor General's Office, for example, has a lot of smart lawyers. The Supreme Court also has a few smart lawyers, right? So, presumably, they're taking the time to understand something. So, what is going on? And from a policy perspective what might we do to stem some of the controversy or to clarify the rules so that we don't spend so much time arguing in all these venues?

MR. KRAUSE: Now I'll say I'm speaking only for myself, because the PTO's position is probably more nuanced than mine would be. But I agree absolutely with you that there are a lot of problems. I think patent trolls are one of the problems. I think some of the excesses on patent eligibility has been another problem, that so much subject matter has been eligible and has kind of diluted the importance of what I would call true inventions.

But I don't -- this is me again personally speaking as a quasi-academic. I teach over at Georgetown and they always want to write something. I guess my suggestion is that this is an issue for Congress when we see the Supreme Court issue these decisions saying this business method is an abstract idea. We don't know what they're going to do in the CLS Bank case, but they introduced this new exception about abstract ideas. It was never applied before at the federal circuit. At a certain point, when it's a matter of judge-made law and the only judges who can make that law are the Supreme Court, which is really a bunch of generalists, and

if you listen to the arguments, as smart as they are, they don't really get patent law, you know? And one can debate whether the ultimate result in any of the cases is right. But they're kind of shooting in the dark, and they don't have the historical perspective of where patent law has been.

For me, it's something that Congress really just needs to take with both hands and solve, because I think you're absolutely right. I'm not sure if that was your position, but you attributed to some people the position that there is something fundamentally wrong with the patent system, and I think, you know, even the bill that died yesterday for me didn't really do enough. I think somebody kind of needs to get in there and work on it -- speaking only for myself again.

MR. FOREMAN: Great. Any other questions for Tom before we wrap up this discussion?

Great. Thank you, Tom, for joining us today. And with that, we're going to jump back into our main program. I see that Tony Scardino has joined us. Tony is the Chief Financial

Official at the U.S. Patent Office and will be speaking with us, giving us a finance and budget update.

MR. SCARDINO: Good afternoon.

Thanks for having me.

The first thing I think of is what a difference a year makes. It's a good time. Last year at this time, sequestration had just struck. We had just set fees for the first time. We first invented a file for a lot of unknowns. And so today when I present -- there are still some unknowns, so it's not necessarily easy street, but we're in a much better position. So, I'm going to walk you through that.

First of all, in 2014 we are still estimating -- we haven't met since we presented a budget for '15 to the present, and in that budget the President submitted to Congress back in March -- in that budget we had updated our estimates for '14, and there we actually projecting to collect \$262 million more than was appropriated to us. You'll see the top number there was \$3,286 billion dollars. That's what we are currently estimating we will collect this

year, and that's, again, \$262 million more than we'd been appropriated, which means, for the first time ever, fee collections will go into the fee reserve fund.

Again, that's today's estimate 262 million -- probably won't be that; it'll be something close hopefully, but it probably won't be that exact number. But that means we will be testing it. The test again, for those of you keeping score at home, would be a reprogramming where we would actually ask Congress for them to release that money back to us, even though it sits in our account, to spend it on whatever we say in the spend fund that they would then approve.

Now, for us, there will be a variety of things as usual, but it could easily be something where we ask the Congress to put that money into our operating reserve, because our goal, again, is to build up a three-month operating reserve. So, that would be a large sum of money that would go into that and help us to reach our goals even more quickly. But we can go through that in a little more detail in a second.

So, this is just a nitty-gritty detail

as to where collections are versus what we had projected. Fee collections are suspending, so we're pretty much on course, again with updated numbers. It's an updated plan, which we do a couple times a year, and we revise our projections. So, it's a positive thing.

Secretary Pritzker for 2015 just testified on our behalf for the entire department five or six weeks ago that the committees in Congress have not asked the Director or Deputy Director to testify in about three years now on our appropriations. So, it's just been down to the department level. And at that point we didn't get a lot of comments specifically for USPTO, but there were some comments about the impact of sequestration, of course, on USPTO and specifically then what was the impact was on our IT? You know, word has certainly gotten around that our IT systems are aging and that our development of new systems had been put on hold during sequestration. So, we are providing updates as necessary, meeting with staff, but I don't if John Owens has met with you yet. But John will tell you that we're making great

progress toward getting back to where we were.

As you may recall, we let most of our contractors go. They were working on patents and system development, so now we had to rehire them and we're getting back up to speed, so we're making real progress there.

For the '16 budget, you know, you'll recall probably from past discussions we've had that we're usually working two to three budgets at a time. Right now we're living the '14 budget. The '15 budget's up on the Hill being reviewed. They should be marking up -- in fact, they've already marked up on the House side and will be marking up the Senate side any day now. And in '16 we are internally developing a budget estimate for 2016. You'll see that budget request probably in August. It's due to the Office of Management and Budget on September 8th.

So, one thing I want to kind of go back to is this concept of operating reserve -- this last slide here or second to last slide. As you'll recall from fee setting, we had developed a plan and garnered support for building up to at least a three-month operating reserve, and the

intention of course is to weather the storms for economic fluctuations, downturns. Since then, we've actually seen things like sequestration, the government shutdown. We stayed open during the shutdown, you'll recall, from last fall, because we had an operating reserve. Of course we don't anticipate another shutdown any time soon, but we didn't anticipate -- last year at this time, we didn't anticipate shutdown. So, you'll never know when it's going to happen. But the operating reserve's not being built for that specifically. It's just being built for just economic security and stability, which is what we just haven't had.

So, we initially thought we would build it over a five-year period. By 2018 we will have reached the three-month operating reserve. Well, now the way things currently look with collections, the way they're going with applications filing having gone up, the economic environment's good. There was less elasticity when we set our fees a bit higher. We didn't see folks necessarily dropping their patents, patents in force; maintenance fees have remained

high or consistent. So, what's happening is we actually think we're going to hit the three-month operating reserve possibly as early as the end of next year -- which is good.

But of course an actual next question is: Well, what do you do once you're at the operating reserve? So, we're beginning to have discussions on: Well, what does that mean for USPTO? We've never actually had that kind of financial stability before, and it opens up a host of other considerations.

In other words, there is, just to give you an example, the data center. You know, we could move that. That's what a lot of agencies are doing through continuity of operations. You could have a data center or something somewhere else in the country. I'm not suggesting we're going to do that. I'm just, like, throwing it out there as an idea for what you could do under a different economic situation or financial situation in which we're going to find ourselves.

So, we're also looking at what's the optimal pendency? I know we've approached the subject with you already, but that's something

that will of course dictate how much money we need in any particular year from an operating perspective.

So, I guess what I want you to walk away from this with is that we recognize that there's a building operating reserve, and we are continuing to have internal discussions, and we welcome your input at any point in time on that. And we will be initiating more discussions with you.

Wayne? I'm sorry.

MR. SOBON: Sure. Having gone through the fee-setting process some years ago, it's great news to have the Office in fiscal stability. That's very good, especially coming out of sequester. But, you're right, we also at the time were very concerned of overshoot, too, and how it relates to fees and the costs on the applicants to balancing that with fee reserve. In fact, I think at the time in our report we suggested that some of the aggressive plans of the fee reserve be actually -- should be even further out to allow it to fully build up rather than in charge. And it would be interesting -- as I was

looking at your report -- to get -- theme of the day is get more data. So, you're next in line.

But it would be very interesting, at least for me, maybe for the whole PPAC, if you could provide us more data on the current fees and the revenue you've been receiving -- how that's broken down. Is that coming from first filings? Is that coming from -- and which renewals? Like, of the three renewals, which renewals? Because we also have concerns about the elasticity of the third renewal that you significantly increased. Has it fallen down or not? That kind of data would be very useful for us, I think now, just to see where we are as we head into fee setting as well. What are the levers? What's created this uptick? Obviously we had, you know, information that applications are up 6 percent this year even, which is very interesting, frankly, and I guess good news. But it would be interesting to see where this money's coming from and that would really -- now, we've run an experiment; before, we were doing fee setting a little bit blind.

MR. SCARDINO: Blind, yes.

MR. SOBON: And doing a test. Now

we've run at least one round of a test; it would be interesting to see what the outcomes were.

MR. SCARDINO: Wayne, those are great questions and observations, and we're happy to share all our data with you. I mean, we've got it available, very easy to get to you and we'll share that with the whole committee.

MR. BUDENS: Tony, a question I should have thought to ask you yesterday and didn't. The reprogramming issue -- let's use this 262 mil number you put in the reprogramming. Is that going to get into the scoring process then?

MR. SCARDINO: No. We've been assured by the administration and the Congress, the Congress being appropriations committees, and it does not score at all.

MR. BUDENS: So, that's not something they can use to mess with our heads.

MR. SCARDINO: Correct. Correct.

MR. BUDENS: Okay, good.

MR. SCARDINO: Yes.

MR. BUDENS: Good answer. Good answer.

(Laughter)

MR. SCARDINO: I'm glad it was.

MS. SHEPPARD: Yes, it's a great answer, but that doesn't completely solve the problem, because look through the diversion years and then, after getting through AIA, this promise that you are going to get all of your money, and then sequestration. There are other ways that could result in the funds not coming back to PTO. And it may not be because of the budget problem. It may be because there's a huge pot of money. So, one of the things we talked about yesterday was exactly what this reprogramming means, because I don't think that many people understand what that means.

Some people believe it means that you send a letter to the Congress and then you get your money. But the way the PTO interprets it, you send a letter to the Congress and you wait for a letter from them before you spend your money, which is very different. So, you need a positive action on their part, even though they don't have to pass legislation. So, what could happen could be that although it's not this diversion in the old sense where they spent it on something else,

it's a diversion in the new sense where it just doesn't come back to PTO. That's just one of the things that I was hoping you would address.

MR. SCARDINO: I can't assuage your fees completely there, because you're absolutely right in the sense of it still requires an act of Congress. While it doesn't require a legislative action --

MS. SHEPPARD: Right.

MR. SCARDINO: -- you don't have to pass a bill, you're right -- most federal agencies wait for Congress to respond back from reprogramming. It's usually a letter from the chairman of the Probations Committee saying: Yes, we agree with how you want to move your money from here to here.

In our instance, we're just moving it from basically one reserve account to another reserve account. That's most likely, but that doesn't necessarily mean that's how it will always be; this year that's what we will probably end up doing. But in other years -- let's say financial times were tighter -- we would say: Listen, we need that money urgently to go hire

more examiners or pay for overtime or continue IT development. So, I believe that the spirit and intent of AIA, though, was ready and sure access to all fees. So, I've always been explaining it as almost real time; i.e., we submit a letter, historically the committees have 15 days to act on it, and then we should access to our money. But since we've never tried it --

MS. SHEPPARD: Marylee had a question, but I was going to follow-up on that. If they look at that amount -- the 280 whatever million it's going to be, and they look at your operating reserve -- it is another amount of money -- and they see in this letter that you send that you're not asking for it to do IT or something else. It doesn't look -- it looks like a pot of money that some people call a slush fund; it's a billion dollars. It then becomes a ripe target. So, it's very important for people to understand why the reserve fund was so important to begin with.

MR. SCARDINO: Exactly.

MS. SHEPPARD: Especially in a time where we are right now where there's so much uncertainty. Just because the congressional

bill died does not mean that the courts aren't still doing all kinds of interesting things that may have results -- the decreased filing where you don't need as many examiners and/or decrease maintenance fees. So, hitting that point over and over again why it's important to have that reserve fund, in addition to the fact that sequestration is not dead either. 2016 is coming back. It's still on the books, so you want to be prepared for that.

MR. THURLOW: Right, and when we are. But it's a great point.

We actually consider an operating reserve putting money into it as a line item in our budget. In other words, it's a planned expenditure. So, in our spend plan, we literally will tell Congress: Here's what we're going to do with the \$3 billion you appropriated to us; we're going to spend \$2.5 billion on all these great things to keep the place running, and the \$150 million is going to go in the operating reserve. It is actually a line item in our budget. So, it goes according to plan that some extra money here will be going in this year. This

is just a bit more than we had initially planned upon, but as long as we impress upon them, the faster we get to our goal, the faster we can then consider other things such as fee adjustments or doing other things that have been kind of in our planning and we've never had the money or the opportunity to do so in the past. So, I believe, Tony, that I saw a bill change recently where you reduced the fees on the trademarks side.

MR. SCARDINO: Proposed rule-making, yes.

MR. THURLOW: Okay, so then it begs the question: If we have a concern about too much money, which is a good problem to have of course, and one of the main mandates I guess for PPAC is to weigh in on fee changes, would that -- I assume, but please confirm that one of the changes being considered is reducing fees mainly in certain select areas.

MR. SCARDINO: Correct. So, let me run through that for a second. Trademarks is kind of a more mature place than we are on the patent side in that they've had their ideal operating reserve for years, okay? They've been

at their target operating reserve -- their target operating reserve is closer to six months, and they've been there. So, their forecasts were, actually over in on the out-years, continue to surpass that, and they were eventually going to get to seven, eight, nine months. So, the said: Hey, wait a minute, we need to reduce some fees. Now, when you reduce fees, it's not like the fee-setting process we went through a couple years ago. It's not an 18-month process; you don't need public hearings. There's a process of course, but it's probably closer to nine months if I had to guess.

Now, if we do something similar on the patent side, would we just look at select fees and lower them, or would we look at all fees again and maybe even raise a few because we want to do something like modify behavior and then reduce a bunch of other -- so, on the totality you can do the reducing fees but you still wanted to raise a couple. Or let's say you want to create a new thing. Those would all trigger more interaction with PPAC. So, there are a lot of things to consider, but that's absolutely one of the things

we are.

MR. FOREMAN: Any other questions for Tony? A year ago, Tony, you said it was an exciting time to be the CFO at the USPTO. It sounds like it's still the exciting time.

MR. SCARDINO: It is. I do sleep a little better though.

MR. FOREMAN: Well, that's good. All right, well, thank you.

MR. SCARDINO: Thank you.

MR. FOREMAN: Thank you for that presentation. At this point, is Dana here? He's not here. So, Tony, is there anything else you could share with us while we wait for Dana?

MR. SCARDINO: Well, I think I have one more page, and it's --

MR. FOREMAN: All right.

MR. SCARDINO: Our strategic plan went public since we have talked last, and we have a strategic plan, the Department of Commerce has one. They all were submitted to the Congress along with the '15 budget, so that was early in March. And then I mentioned last night USPTO received the CEAR award -- the Certificate of

Excellence and Accountability Reporting. We went to a nice function last night and got an award the 12th consecutive year. But we don't rest on our laurels. I mean, every year we improve upon it. AGA gives us a lot of comments, and we're always trying to do a better job of presenting to the public and our stakeholders what we're doing with our money, why, and the performance we're getting for it. So, I'd welcome any comments any time. It will be available publicly. Every November 15th it goes on our website. We can also get you paper copies. It's about 200 pages, just to be clear. A lot of great stuff.

MS. SHEPPARD: Since we have time, the other thing I was going to ask you about was the sunseting of the fee setting (inaudible) to 2018? Is it 2018?

MR. SCARDINO: Mm-hmm, yes, September.

MS. SHEPPARD: It's not indefinite. So, do you think there will be one round or two rounds of adjustments in fee setting? I think you've heard from everyone here that there's a lot of hope that the fees will be adjusted down because maybe there was an over-adjustment just

because it was new. What do you see as the timeline for adjusting fees?

MR. SCARDINO: So, you know, that's a great question. I mean, the fee-setting authority with sunset only lasts for seven years. And we always thought there were a variety of reasons for that, you know, and everyone had their own speculation on why. But we felt that if we demonstrate that our fee-setting process was very collaborative with our stakeholders and we reached agreement and we did a -- you know, again, not everybody loves every fee that we set.

But I think, overall, people understood why we set the fees where we did, and if we have the opportunity to do it a second time during that 7-year period, such as lowering fees and things like that, we thought that would give confidence and assurance to the folks on the Hill that, you know what -- they've been responsible stewards of fee-setting authority. We'll either make it permanent or extend it another 7 years or whatever they may decide to do.

But it's a little early. I mean, we certainly -- Dana does a great job of making sure

folks know this is going to sunset up on the Hill and if they ever want to put it into a bill that's moving along toward its passage, we'd love to have that. But, again, most folks tend to address things when it's a little more urgent, and we're still four years away.

We were just killing time.

MS. JENKINS: I guess I sit here and I struggle, because a year ago we remember the comments, remember the concerns, and I guess what I'll go to is let us focus on the future; let us focus on the global initiative.

Looking at you, Mark, this readily comes to mind: The global initiative and the IT support that we are going to so need to do that global initiative. And let us try to think for the future -- and for me saying this is very tough -- if we have the money now, the government should spend it.

(Laughter) So, if there are ways, if there are creative ways that we can think of to help this initiative and to help IT -- because I do remember the

discussions on IT -- let us just try to be creative and think of ways. So --

MR. SCARDINO: Well, it's very coincidental of sorts that you raise that, because Michelle Lee has challenged us as leaders in the organization to do just that. Since this is a unique time that we haven't seen ever in the organization where we're looking at a situation where we're probably going to attain financial stability, and there are some things, some projects or ideas that never could see the light of day, because we were, as, you know, Peggy said the other day so well, we were basically just operating on, like, Band-Aids and finger clips. I mean, it was just -- we were really just trying to get things done to the extent that we could meet stakeholder responsibilities. And, you know, always driving down pendency and backlog, but we weren't doing anything extra to make this as efficient as possible for some of our users. I know there are things that we can do. So, we're looking at that.

MR. FOREMAN: Well, thank you, Tony,

and hopefully the trend continues and three months from now you'll be reporting much of the same.

MR. SCARDINO: Excellent. I hope so, too. Thank you.

MR. FOREMAN: So, another individual who's got an exciting job here at the USPTO, right? (Laughter) An exciting week. Dana Colarulli, Director of Office of Governmental Affairs.

Give us a legislative update, please, Dana.

MR. COLARULLI: Well, I was going to invite Tony to stay and filibuster a little bit longer. I have much less to talk about today than if I gave this presentation yesterday morning.

But, anyway, thank you, Louis. Here's where I'll start. The challenge of putting together slides for all of you is to try to keep them a little fresh. We've had a very long conversation over the last year-plus about patent litigation reform leading through House passage of a bill to the discussion that we've all witnessed in the Senate. That hit a big bump

yesterday, although I think for those of you reading all of your clips -- and I've been barraged by many of them over the last 12 hours. I think the so-called "death" of the patent reform is a little overkill, although certainly as a government affairs professional looking at the calendar, it is increasingly becoming much more difficult to make some progress here. So, I'll start with there.

The slides that I put together go a little bit deeper in talking about that process, talking about what the conversation in the Senate is focused on over the last few months, and I certainly can talk about the efforts that Leahy's staff, certainly Senator Schumer and Senator Cornyn -- those three members -- at the center of the patent litigation reform discussions in the Senate, you know, what they were trying to balance. And I think -- you heard from Michelle Lee this morning, who started out her remarks saying it's certainly a challenge to balance a lot of the different interests but effectively address this problem, which is limiting opportunities for abuse and not doing what none

of us wants to do, which is undercut the system as a whole. And I think if you look at this discussion going back, not just the last year leading up to the House but even before that, there was a lot of discussion about defining a troll, how we create a box around a troll and just keep them out of the patent system. Thankfully the conversation matured and really tried to look at the activities that we might want to discourage and to look at the dynamics. That led to a focus on litigation management and the patent infringement provisions that the Senate focused on trying to balance. So, I can get a little bit deeper into that.

So, let me start there. Instead of going through all of the bills that were introduced with slides that were in my previous Dex for you, just updating on the importance of the issue.

The administration raised the importance of trying to address this issue in some way certainly back in the beginning of 2013 but then in a statement from the White House in June you've all seen even as we got through the Senate,

about four of seven of those recommendations were addressed in the current bills. Interestingly, the ITC issues and focus on the ITC, particularly the domestic industry requirement, we've seen some progress in the cases coming out of the ITC.

This week and over the next couple of weeks, the House and the Senate are moving forward with their FY15 appropriations bills.

Interesting addition in a reporting requirement for the ITC asking the ITC to report to the Congress on what progress they've made addressing domestic industry requirements, so there's still a focus there even though it's not in the legislation that was considered by judiciary.

The administration continued to support moving forward and expressed some concerns about the House bill and particularly some of these concerns that played their way out in the Senate on ensuring that you're not removing too much discretion from the judiciary but general supported -- this is a good baseline to start trying to address this issue comprehensively. The President reiterated that intent in the State of the Union.

While the legislative discussion was going on, the President said: You know, I think the PTO can certainly start addressing this issue, and the administration announced the number of executive actions that that tracked some of the things that we had already been doing, certainly, but gave more visibility to some of the things that we thought could effectively address the abuse of litigation problems and, frankly, help us to further our initiatives on improving quality -- patent quality -- and improving examiner training. So, all of those things are moving full force. In addition to that was ensuring that our information resources were available, and in the last few months we launched a website that puts all that information a little more readily accessible, a little higher up on the PTO website for those -- at least of a good resource for those receiving a demand letter, those being pulled into the IP system -- to at least go to the PTO and get some basic information, certainly not replacing the good advice that all of us would probably give. At some point you need to go talk to an attorney; we

can't provide that legal advice. But certainly those are the education resources that we've been building over the last year or two.

So, the House moved forward legislatively with a comprehensive piece of legislation, officially introduced last October, that passed out of the full House in December. It said the administration supported that bill. You all know and we've talked about it here, the contents of that bill -- I think the story of the Senate bill was much more modest at introduction, and the discussions since introduction of the Senate bill were considering amendments that in part address the remaining issues, the delta of issues that the House bill included, but addressing the concerns over rigid rules that tie the hands of the judiciary, a balancing provision on a number of fronts there. And the next slide will get into them a little bit more.

But the Senate introduction of the bill was an attempt to be a bit more modest and to focus on the issues the House had discussed, maybe put a little bit more on the bad faith demand letters, which I'll talk about a little bit more in a

minute. Certainly the focus of the Senate bill was on transparency and a number of other changes leading away from the AIA.

So, yesterday the big activity was Senator Leahy announcing that he's pulling S1720 from the agenda for markup this morning, and that was by his press release he put out yesterday, which I pulled up here, because he wasn't seeing consensus coming about. Now, that's after scheduling five markups with the bill as one of the primary issues next to a number of judicial nominations.

But the primary legislative issue -- working collaboratively with other members of the committee -- as I said, certainly Senator Cornyn on the Republican side, Senator Schumer on the Democratic side to try to find provisions that both the high tech companies that were driving for some legislative solution here and many of the traditional IP owners and manufacturers -- BioTech, Pharma -- who were concerned that those changes went too far trying to bridge that gap. I think there was significant discussion from staff on both sides,

and I'll say I think there are a lot of very smart congressional staff who were really trying to get very deep into very complicated areas of IP litigation and doing that in a short time. That's always the challenge. So, they did that. They weren't able to come to consensus. So, Senator Leahy pulled the bill from the agenda.

Wayne?

MR. SOBON: Do you know -- I'd be interested in your thoughts here, because isn't this, frankly, actually very, very reminiscent of the AIA? You had a very, very fast passage the first time of a bill through the House, and this guy just counted 47 days from introduction to passage. I think that struck a lot of people as to a blitzkrieg out of nowhere. And then the Senate does what having -- actually on a long plane ride just watching Mr. Smith Goes to Washington for the first time, realizing once again that this is part of the American structure as to then have a more determinant process. And that happened in AIA1, without success, and then what we also found was so many of the things that were judicial in nature got taken up by the

courts, having been now sort of focused on as we already saw with the Supreme Court in 285 issues. Isn't this, in some sense, how the system is supposed to work?

MR. COLARULLI: Yes. You know, I've given a lot of thought about that just over the last -- certainly the last couple of months but even in the last 12 hours. I think there are a lot of comparisons, and having lived now through patent reform 1 and patent reform 2, I think there are a lot of comparisons. And certainly, as you pointed out, some of the main drivers of the America Invents Act were the litigation reform. The fact that those fell out at the end of the day were, at least in part, addressed by the court and certainly is not lost. But also that became the foundation of this second round. It was looking to see if there were additional legislation that could be introduced. But I think that's absolutely right.

Now, don't mistake what I'm saying. The America Invents Act I think was a much broader bill. And over many, many Congresses, it had a much greater impact on the statute as a whole.

These are important issues, but they're more narrow. So, I think that's right. I think as the conversation happens up on Capitol Hill, the Supreme Court has taken up cases. The district courts certainly have addressed these issues, too. We've seen some adjustment in the judiciary --

In addition to that, I already mentioned the executive actions. We're trying to do things outside of legislation. The judicial conference has already started moving. I think on, again, the more narrow issues, the FTC initiated an investigation on demand letters. You're seeing a lot of state-based activity both in state statutes. Nine states now have adopted state laws addressing demand letters as a deceptive trade practice. Nineteen others are pending in states around the country. You're going to continue to see that activity raise. You're going to continue to see a lot of engagement by the AGs, 42 of which, by the way, signed a letter supporting more comprehensive reform in addition to demand letters.

So, there certainly is a lot of

activity. I don't think that replaces the need for clear legislation. I think legislation would still help to solve the issue. It doesn't mean that there aren't other things that are happening. That certainly happened during the AIA and certainly happening now.

MR. FOREMAN: Christal.

MS. SHEPPARD: I'm glad you brought up the state actions, because that's what I was going to say was very different this time than it was from AIA, having lived through that also. That is a major problem, and the other portion of this is if judiciary -- because this bill is now dead in judiciary, there's a hearing going on right now, this morning, in the Commerce Department to federalize these demand letters and to find a way to get at the troll problem, not through the patents portion of it but through demand letters. And what I see is a lot of people who don't have backgrounds in patents but have backgrounds in deceptive practices trying to get at broad claims scope in trying to do claim interpretation to decide whether a patent is fraudulent or not. And that's just not something that the average

state judge or whomever can do it should be doing. I'm not sure that it should be done by the FTC either. So, I know you're following those things also, but I think we're in a different place than we were in AIA, because it's another committee who thinks they have jurisdiction. (Laughter)

MR. COLARULLI: So, Christal, you're exactly right. In parallel to the judiciary activities, first the Senate Commerce Committee went forward and introduced legislation and both Senators McCaskill and Rockefeller had legislation, but I think it's essentially stalled now.

This morning it completed. We had folks up there -- the House Energy Commerce Committee -- also considering draft legislation that would do this. And there is language there that would allow an FTC investigation to preempt. There's also some language that's also supportive of actions the AGs are pursuing on their own. But that's in draft legislation as well.

I think practically -- and I disagree with the characterization that that reform is dead. I like to keep hope alive. (Laughter)

But I think certainly there's going to be more attention that's going to be now focused on -- where the thought was if judiciary legislation went forward with provisions that addressed (inaudible), that legislation may have gone away. Now a much more targeted approach may be doable. I think there's going to be more focus there. And there's testimony in front of the House today to suggest just that. I think you'll see that at least they would love to try to mark up a bill even in the June timeframe, certainly this summer. All of this needs to happen before the August recess. This is an election year, so practically the calendar for any piece of legislation really needs to move pretty quickly here -- but a much more narrow issue and probably would move forward.

I will mention that I think that there is certainly concern about issues of state courts trying to construe claims. That should be an issue we'd be concerned about to the extent that these are actions trying to get out of abusive activity that doesn't go to construing claims and just provide notice that it's a probably a good

thing, although the concern would be multiple states pursuing different types of legislation and you just having a patchwork that doesn't necessarily coordinate. I think there's some good work going on right now in the stakeholder community looking at model legislation. I think we should all encourage that as this moves forward, assuming there would be no legislation.

MS. JENKINS: Just picking up on that point, I know you do so much and we thank you for all of your efforts.

I'm sitting next to Peter today, so he rubs off.

(Laughter) Do any of the state legislators reach out to you

Or the Office in general about help with all of the different enactments going on? And if not, maybe that's something that we need to think about doing some more outreach on.

MR. COLARULLI: Yes. We haven't had significant engagement. We've been in a discussion because of the proximity of our satellite office in Silicon Valley with the state legislature of California and they'd asked for

help and direction as they consider some action, but we haven't engaged fully with them. As I said, I know there is some stakeholder activity going on right now looking at what models there should be. I know that also the National Association of State AGs has looked at this issue as well. So, we certainly have not engaged to that extent but had some conversations on the side.

MS. JENKINS: Now, all this free time that you have. You thought you were going to go on vacation, right?

MR. COLARULLI: Now, I -- yes.

MS. JENKINS: We can send you state to state.

MR. THURLOW: As you know, I'm always very curious with the process and so on. Initially, and you know all this, but I'll just say, and get your reaction I guess, that there seemed to be a lot of initial support when it was against so-called trolls. However you define it, the word "troll" itself, you want to attack that.

But what's interesting to me -- I was

at meeting up in New York on Tuesday, a New York Bar Association meeting, and there were five in-house counsel on the panel talking about the patent reform legislation and so on, and all of them raised concerns and, quite frankly, were against at least some of the provisions, because it became an issue, just the whole -- it affecting the value of the patent portfolios and the value of the IP system overall. And although there were considered some very good provisions, whether transparency, discovery issues, and so on, that many hopefully move forward, the value of their IP and the patents just overtook some of the other concerns. So, I do find it fascinating as you try to -- as Wayne accurately said -- you try to watch a process now. Even the court -- like with the AIA -- is kind of watching and is quite curious how the whole octane fitness and the fee shift thing -- so, it's just a really curious process to watch.

MR. COLARULLI: Yes. I think that's right. As you were talking, I shifted the slide. I think a lot of those concerns, a lot of the discussion went over the core of the Senate

discussions leading away from the House bill and certainly looking at fee shifting, looking at discovery, and looking at heightened pleading. And where the Senate discussions, at least as we saw them -- and I should add that we were working very closely with congressional staff on all sides, as they needed technical assistance. We have two separate roles. One is representing the administration's position and certainly pursuing some legislation here. Second role is purely the experts at this agency helping with drafting, making sure that -- I already mentioned the challenge of getting Hill staff up to speed on these very complex issues, certainly on the drafting as well. Our experts here at the agency can be supportive. So, we worked very closely in making sure the language read correctly, and the challenges are as you said. It's the balance between how do you effectively address the problem without undercutting the value. And any time you're going to try to make changes to litigation management, you're going to get concerns on both sides.

The challenge would be to have

across-the-board rules that affect everyone equally. But even with that, you're going to get some concerns. I think throughout this process, access to the courts, depending on the size of the player, the sophistication of the player, was certainly dominant; and, again, the challenge is to try to hit that balance.

MR. THURLOW: Just one quick follow-up point. For PETA -- you know, they went around the country (inaudible) Judge Smith, judges. One of the big issues in the AIA was discovery, limited discovery. One of the big issues in the bills was discovery. I remember watching testimony before the House Judiciary Committee about the discovery abuses, shall I say, and some of them seemed very reasonable depending what side you're on. So, what's fascinating to me -- just to give you my perspective: In the PETA roundtables around the country -- eight of them -- Chief Judge Smith listed the issues that the people raised. I was shocked, and I should have mentioned this to the chief. That was not one of the concerns, because it just -- you know, when we were going through the AIA, limited

discovery was a big issue, but they just kind of accepted that that's the nature of the post-grant proceedings (inaudible) and CPNs and so on and how they just kind of accepted that and how it's so different with what's going on in the legislation. So, that particular issue just seems to be still ripe for review. And I don't look at it; I'm just watching it again from pure curiosity. So, how it's handled differently around the world, discovery is -- there's quite a lot of contrast there.

MR. COLARULLI: Absolutely.

MR. BUDENS: It seems like we're just, like, working down the line. I guess it's my turn.

MR. COLARULLI: However, get your questions ready.

(Laughter)

MR. BUDENS: I just wanted to make one comment, because I think, like most of the rest of us in this room having been involved in Patent Reform 1, AIA, and now Patent Reform 2, while I would agree with you that there may be a difference in scope of this legislation compared

to AIA, the feelings I've gotten working with as many groups as we work with through this stuff is that these issues were every bit as big, I think, in this set of bills as were things like first-to-file and post-grant and stuff in AIA. There was a lot of division here and, you know, I'm not going to shed any tears over Mr. Leahy's remarks yesterday at all. But I'm concerned whether we will get to a point of fixing this problem, because I think the divide is pretty great.

MR. SOBON: Yes, I think -- the only thing I would say is I think with the AIA you're talking about changing the functioning of the system versus now, agree, the issues are significant. But you're talking about managing the litigation process. And to me that's fundamentally different. Certainly the first conversation in the AIA went to the functioning of this Office significantly, and the current is -- affects us, affects the system; ensures the system is working properly. But it goes to more of the management of the litigation process where there's abuse. In that way, I see it as two

different (inaudible).

I might agree with my colleague, Robert Budens, that actually in so many eyes it is sort of seen as significant. Maybe not as (inaudible), but one is directed to the Article 1 Branch, and the other one is directed to the Article 3 Branch of a combined system, and I think the concerns in the first go-around was access actually for true inventors to actually get a fair, constitutionally valid right to their invention as intended by eventually the framers in a system that's been around for 220-some years.

And the second, I think, is fair access to the courts, and I think that's where a lot of the discussion rested as to how you balance -- avoid an abuse while not limiting, which again was a system I think wisely invented by our framers to be a very open, very expansive, very pro- innovative system to allow inventors to have assets that not only they could have but they could sell and that they would form the new American economy. And I think there are people who are very concerned about upsetting the balance of something that's lasted us for so long and been the mainstay of our government and our

economy.

MS. SHEPPARD: Just one other point that I can't let go by is that Patent Reform Part 1 was really about patent trolls. It was initially people coming forth -- you know who they were -- who were saying that we're getting sued too much by these patent trolls. And what they really wanted was damages reform. So, that really was directed at the courts. And we're doing this in a different way, but it's still about trolls. And, as you know, the damages portion got stripped out of the bill, because there was too much of a divide. You couldn't figure out how to do this without affecting one person versus the other or having Pharma be in a different camp than BioTech that's in a different camp than HighTech and splitting HighTech in five different pieces. And I see that here with trying to figure out, again, who the patent trolls are. So, I don't think it's too dissimilar from that case where the parties have been far apart and had never gotten any closer.

MR. COLARULLI: And I'll just add, remember the resolution in AIA was also to create

more robust post-grant proceedings, opportunities for third parties to at least lessen the number of issues in district court litigation by coming to the Office, simplifying or providing an alternative. So, it did address those issues as well. That was, in that bill, an alternative to damages reform, venue reform, willfulness as well. So, I think that's right and, Wayne, your point's well taken. Both bills have included things that have reached back and forth between Article 1 and Article 3.

MR. HALLMAN: I just wanted to say, to Wayne's last point, I for one am hard pressed to believe that the framers actually had in mind patent aggregation activities that we're seeing today when they wrote the Constitution. I just find it hard to believe that that's what they intended to promote. (Laughter)

MR. SOBON: The history is that within decades there were patent aggregators and patent financing organizations. Elias Howe formed a patent pool by the 1850s. So, alienation and (inaudible) of patent rights was in the first patent bill passed by the first Congress within

months after formation. So --

MR. HALLMAN: And perhaps you and I will be back and forth at this all day.

(Laughter) But -- and I know that if you go back to the sewing machine patent wars, there were people who were even then buying patents for the sole purpose of asserting them. I'm just not so sure -- and maybe this is just reflective of how in many general respects our world has changed since what now appears to be the very simple times since the Constitution was drafted. I'm just not so sure that anybody should assign to the framers any particular desires that we -- you know, that are in complete alignment with what we're seeing in our society and marketplace today.

Now I'm going to be quiet. (Laughter)

MR. COLARULLI: Mr. Sobon, rebuttal?
(Laughter)

MR. SOBON: I would only remark that they had the super demand letters of all demand letters during the sewing machine wars with Companion, Singer, and Elias Howe front-page advertisements saying: If you buy an unlicensed sewing machine you will owe me triple damages or

I will sue you. So, you know, these issues are not new. So.

MS. JENKINS: It's great to see the divide that's happening on these bills occur in this room, too.

(Laughter)

MR. COLARULLI: Just an indication of how balanced PPAC is, and then you know that's right.

MR. FOREMAN: Well, Dana, thank you for that presentation. Thanks for sparking a riot here in a committee meeting.

MR. COLARULLI: It's my role.

MR. FOREMAN: Try to break this up a little bit.

MR. COLARULLI: I'll only say -- and I encourage you to take a look at at least the last slide. In my slide (inaudible) other things that we're doing, I think trade secret issues certainly may get some more interest before this Congress is out. Copyright issues continue to be something we're monitoring, and we've got a great opportunity and challenge in all of our satellite offices where we have a lot of local congressional

interest, and with the Denver office opening there's going to be an increase there, too. So, notwithstanding our continued efforts on patent litigation reform, we're going to be active in other areas, too.

Thank you.

MR. FOREMAN: We appreciate that update. And now for a less controversial topic, one I think we may all agree on, I'd like to welcome John Owens and David Landrith to give us an update on OCIO and the Patents End to End.

John, earlier Tony Scardino mentioned what a difference a year makes, so I would assume that that theme will continue with your presentation.

MR. OWENS: It very much will. I apologize, Mr. Landrith was unavailable unintentionally today, so I'll be doing the entire presentation by myself. Of course, I always like when I can push it off on him. But I'm happy to be with you all today.

Someone got me right to the right slide, too. All right, well, why don't we get right to it. So, yes, a year makes all the difference.

Now, remember, sequestration. We turned a lot of things off and we are still in the process of rebuilding.

When you talk about technologists, you talk about how quickly or how rapidly we're producing products and services, and of course we haven't quite matched where we were before sequestration in all instances, but we are well on our way. So, let's talk a little bit about Patents End to End.

We completed the February 2014 data model improvement, service layer refactoring, end of production. We had a May release. We enhanced the features beyond eDAN, including the ability to open multiple cases, referenced viewer, and so on and so forth, to give a much better, stronger examination platform for patent examiners.

We have a release in August that we are highly confident in, where IDS will be part of the product and enhancement there -- detailed user customizations and custom layouts so that the examiners can customize their environment to the way they work.

I know we are expanding the core of testers. Each one of these releases we've already expanded or we are in the middle of expanding to over a hundred and we'll go to 200, and of course by October of 2014 we hope that we will release to the core.

Now, I say "hope," because that date is aggressive. We are behind schedule -- not cost but schedule -- because we have not -- you know, getting those teams up to speed has taken a little bit longer than we had hoped. Now, we did take two years to build the team prior, and we've built these teams in six months, so it's not beyond reason that they're a little bit slower. But we are working very hard with Debbie Stephens, who's not here with us today, to get -- oh, is she behind me?

Well, you have a plaque. Why don't you get your plaque. Come and join me up here.

MS. STEPHENS: All right.

MR. OWENS: Okay, she's here. She has a plaque. I figured she'd be next to me.

Please. We have been working very diligently with Debbie's team in Patents to make

sure that we do the best that we can to meet that date or very close to that date. And it is aggressive, but we are working on it. So, the next --

And pipe up whenever you'd like. The next thing I'd like to talk about is cooperative patent classification. This was new. We completed it in 2014. This was not originally part of Patents, if you remember, but we added it. We completed the April release. We enhanced the classification action tool, the CAT homepage, and the reingestion of the publication data; and the services and OACs have all been updated. And this has gone very well as far as CIO and Patents are concerned. The system is useful and training has been completed on it, and we are moving forward using it. Of course all of that is back-adapted into Patents End to End to keep things current.

Next I'll quickly talk about Text2PTO. If you remember, this was put off in 2013. It was supposed to start off in 2014. It got delayed, but then we brought it back in to 2014. We held a kickoff in May. It had been delayed seven

months, again due to sequestration. To define the business requirements is move forward. We're conducting the research on who can help us get this processing done.

We're also conducting research on processing PDF documents into text and XML and also working with Patents on outreach to make sure people are comfortable with the benefits, not only to the Office but themselves, of delivering us text, high-quality data, and XML tagging that in the future will provide an even more robust feature set for the Examiner.

FY15: The project will create an additional e-commerce prototype in production.

FY16: We hope to allow customers to apply using text to PTO and further enhancement and work toward the replacement of EFS-Web.

Now, next we have another aggressive date. One Portal Dossier, which is now part of the Global Dossier. The FY15 project, access to foreign application dossiers and develop and deploy the web page for the retrieval and display of foreign IP. We do expect to deliver that in Q1 of FY15, which, by the way, for those of you

who are not familiar, the fiscal year for the government ends at the end of September. So, we're talking October to December timeframe of this calendar year. It is an aggressive date. We are working very closely with our international partners on the standards as well as Patents on the deployment.

All right, I'll try to go through these pretty quick.

The Hague agreement implementation: We have a Q1 FY15 rollout for that. We are on track. Attributable owner phase 1 -- this provides greater transparency on ownership of patent applications. It is a White House initiative. We believe we will deliver the first phase of it in October 2014. We are pretty confident of that. It will require applicants to identify the attributable owner, including the ultimate parent entity during the pendency of application.

Let's see, patent law treaty: Numerous releases throughout this year. They're all on track.

Of course the America Invents Act,

Phase 3: Numerous small releases in FY14/15 to implement the deferred smaller requirements out of the initial Phases 1 and 2. This was more planned activity as we tweaked small systems to be compatible as well as carry all of this forward into Patents End to End work.

Patent and Trademark Assignment

System: Now, these are some of the systems that we've putting off for multiple years.

Dissemination is the "I" in Chief Information Office. I am responsible under the statute for the dissemination of patent and trademark data here for the Office, and those systems have been seriously lacking in upgrade for a very long time. First, the assignment system has to be rewritten. We believe we will have the first delivery of that new system in July of 2014, so that's good considering the problems we experience with that system today. We have modifications to recognize multiple related assignments, allowing selection of multiple conveyance types. Some folks have requested an interface to give us bulk assignments of patents. We are working on that interface as well. And we want to improve and

reduce the uses of the catchall "other conveyance type" to try to get more granularity in the reasoning behind the assignment.

Now, that is a joint system. We use it for both patents and trademarks, and the requirements for both organizations are in this project, just like the system is built today.

The electronic data hosting: This is where we are breaking apart in how we house the bulk data today. We want to build an API into the data that will allow people to use the data as they see fit, both internally -- USPTO -- and externally to lay the foundation for building mobile apps so that people can access the data both in its bulk form and through this API that allows them to further build mash-ups with the data and other web pages that allow the data to be displayed on all types of medium.

And then the pair bulk data, which is slightly different: This is where we're breaking apart public and private pair, separating it from the examination tools, which certainly today are still combined, and when we have a load on one it affects the other, and then

providing that data in bulk as well as through an API to the public, which certainly has many, many uses. We've had a lot of requests for this over the years, and the good news is we're actually putting people and resources, now with the money situation, towards fixing these longstanding problems and hopefully serving the public better with the dissemination of information as I said I'm responsible for.

Now, the pair bulk data is going to take us a little bit longer. Untangling those systems at the same time is not negatively affecting the examination systems. Since they are tied together, it will take a little bit longer, but the release of that will be scheduled for October of 2015. So, that's a little over a year away. But in that case, it's better to start working on it now and be safe than try rushing it and breaking the examination systems.

Let's talk about a couple of really quick key accomplishments -- key infrastructure releases.

Oh, did I miss that one? Okay, so completed March 2014: We expanded the existing

IT infrastructure over at the Silicon Valley office, the temporary office. We have added the ability to house examiners there if desired. In June we completed the IT infrastructure for Denver, and in July/August we finish the expansion of the infrastructure in Detroit. So, we are all up and running in all those areas.

So, that is -- everything is high level and as quick as you want, so now I'm open to questions.

MR. JACOBS: All right, a lot of action there, right?

So, Director Lee in her opening remarks mentioned that modernizing IT systems had been part of the strategic plan that ends FY15, right -- and I think Tony Scardino, CFO, as well mentioned that Secretary Pritzker asked about the status of IT modernization.

I think from an outsider's perspective, one might ask: Well, aren't we done yet? All right? So maybe from a 30,000-foot level, can you give us a feeling for what the status is in terms of modernizing the IT systems at the Office?

MR. OWENS: All right, just as

a -- sure, that's a good question. I've spoken to Secretary Pritzker about this; certainly speak to Michelle about this, as well as Peggy; and I've spoken to Bruce and Debbie and Andy.

So, there are a couple of philosophies. One, we don't spend a dollar unless we can get a dollar's value for the Agency for that dollar. So, for every dollar spent I get value back. It's about spending the money prudently and about spending the money efficiently. And all of us are in agreement about that, right? So, that's the first principle.

The second principle is for years my organization hasn't been allowed to grow, so I was granted a 20 percent growth in IT positions, and I have overgrown a hundred percent in contractor positions. That's a lot of growth to absorb at the same time that my budget went from \$400 million to about \$520 millions.

So, we are going through significant growing inside the Office, both in federal resources and contractor resources, as well as handling the money. I could tell you that at mid-year we had spent a little over half the

money. We have hired over 70 people; we have another hundred to go of federal employees, and that's quite a trick considering that in the first half of the year we've hired more than we have in previous years combined. In fact, if you look at our financial spend, we spent more in the first half of the year than in some years we've spent on IT combined, not to mention the load this creates in human resources and procurement; and we still have to follow the federal regulations, which aren't exactly built for speed.

So, we are doing a lot of growing. We are tackling some of the harder problems. We have uplifted some work we wanted to do in '15 and put it into '14. We've delayed some work we were going to do in '14 to '15 to prioritize for the business. And we've been very cooperative in working with the business for even scheduling a good number of those hires, some 30+ of those hires directly related to patents and patents work alone. That's not to mention -- that's just the dedicated group out of that, you know, about a hundred or so left.

So, it's not just money, right? I

mean, when Peggy started hiring examiners a few years ago, the backlog didn't disappear overnight. It's about having the money and the resources and the management to put in place plus the time to develop the products and services. Those things don't happen overnight. Your average project runs anywhere between six months and a year, a year and a half. Though I like to keep things in chunks of no more than a year, personally, sometimes things take longer.

And then you have what's called "collisions," which is some of the legacy systems can only absorb so much change at a time before you have multiple groups working on them and they start colliding, and then systems fail.

So, it's a giant choreography balancing act, right? You need the money, and I'm very thankful now that this year we haven't had to give up any money, and the money seems plentiful, and I'm very happy about that. And certainly we are spending much more money this year than we have before.

But spend alone is not enough. You have to have the organization to spend it

properly, the organization to manage the deliverables. You know, no one would want me to go out there, spend \$100 million and then get nothing for it or when I put the product into production it wouldn't work. That's not beneficial. So, it is much more than just money to get this done right. And all I can tell you is if you look at the statistics out of my organization this year, we've spent more money in the first half of the year than most years. We've hired more people than in any year since I've been here. Our attrition rate is at an all-time low of 3 percent or less. We are doing everything. Our growth rate in contractors in particular has pretty much cleared the benches on many contractors, and we've had to go through other GSA vehicles and so on just to get enough resources to continue to do the job. And normally we do a little under, right around 150 projects a year; right now we're handling just around 200. So, we're doing more.

So, I think the organization as a whole is looking very healthy in its massive growth cycle. I always want to deliver more. We take

on stretch goals all the time. I wish I had the ability to just deliver everything everyone wanted right now. But the reality of the situation is it's just like in Patents; it takes time to grow the org, train the people, develop the products, spend the money appropriately, and deliver quality. And that's what we're focused on.

MR. BUDENS: Poor John and Debbie. They have no idea what direction I'm going to come at them from.

(Laughter) But, actually, I think today I'm going to change direction a little bit, because I'm somewhat sympathetic with what John just said, and then actually I want to congratulate both him and Debbie from at least our point of view.

First of all, I understand the impact of sequester and we're painfully -- you know, we all painfully enjoyed that event. But I want to say that I'm very impressed and almost incredulous at how fast you guys have gotten back

up to speed at doing things. And the only reason I'm saying that is because a week or so ago we sat and went through a demo of the Patents End-to-End eDAN tool. I will say that it was significantly improved from the last demo I saw and gives me some amount of confidence that while October 2014 may be aggressive, it's not, you know, so far aggressive that it's unreachable, or it will be reached not too far afterward. I think the tool has started looking like a tool that examiners are going to be able use and use, I think, very effectively; and I commend both sides that were working well I think. We have meetings with Debbie and her team regularly on what's going into Patents End to End and with Dave Landrith also feeding into you. And I think it's pretty impressive what I've seen so far.

And I also would remind everybody that this is another area. We've talked about the increase in pendency a little bit, because of CPC and AIA training, but this is another area where Peggy and Andy are devoting a fair amount of resources through the agile development process and the user design group.

This is the first real time -- most people don't realize this, because they haven't been internal to this process. You know, most of the time software developed in the PTO was, like, okay, the CIO and SERA or OPIM now would go make something, show it to POPA, we'd fight about it and go round and round, and then they'd deploy it, you know. We used to have jokes about, you know, we'll pilot it twice, it will fail twice, and then we'll deploy it. This is a totally different process, and I'm getting positive feedback all through POPA about things are coming back. Do we have a lot of way to go? Yes, obviously. And do we have issues that we're going to have to resolve? Yes. But for the first time I think in as many years as I've been in the office, I am somewhat more confident that our IT resources and budget are being spent in a direction that POPA is certainly enamored with.

So, I'm more just commenting and saying congratulations. I think so far what we've seen is we're moving in the right direction, and I hope we can keep working together to get through this whole process.

MR. OWENS: We absolutely will.

MR. FOREMAN: Well, it was very nice, Robert. And he forgot to mention that he wants corps-wide access to Netflix.

MR. OWENS: That I have a problem with actually.

MR. BUDENS: Is Netflix the current technology?

MR. FOREMAN: All right. Well, thank you, John, for that update. We appreciate it.

We've got one last presentation this afternoon, and that will be Debbie Stephens to give us an update on the call centers.

MS. STEPHENS: Okay, good afternoon again. At our last PPAC meeting when we went over the current structure, you had requested a little more detail about the customer service agents and who was staffing the call centers. So, we provided this matrix segmented by contractor versus federal staff, as well as their union affiliation. So, that's on slide 2.

So, a little bit about where we've been since our last meeting. We've fully, 100 percent, trained all of the agents represented on

slide 2.

In January we completed the contract award for the company called ForeSee. They are industry leaders in surveying.

And in May we received our final approval from OMB on the survey questions, and we anticipate in June that we will in fact deploy our first survey for the call centers.

So, in our last meeting as well, you had mentioned that you would like to see some of our survey questions, so our survey questions are divided into four main categories, and they actually begin on slide 5. And those categories, as you can see from the -- on slide 5, they are regarding drivers of satisfaction or overall customer satisfaction, and they continue to go on to slide 6, which talk about future behaviors in our questions. So, you can get a sense of the exact questions that we will be asking at each category level.

As you may recall, this is a survey -- this is our initial baseline as we prepare for an overall project in call center modernization. Patents is actually partnering

with the OCIO, because they have some of the call centers as well, and in that project we are looking to look at people process and technology. So, this is just one aspect in terms of people standardizing our contracts, standardizing our contractors within that framework, as well as looking at the tools within all of the call centers so that we're leveraging the most current technology to do call center work.

Actually, that is the last slide, but I just wanted to say in closing, as you look at the questions themselves, the initial survey, as I said, is a part of a larger project of call center modernization, but it also speaks to the USPTO's position to proactively address the Government Customer Service Improvement Act of 2013. This is a bill that's currently pending in Congress to have all federal agencies proactively develop customer service guidelines and standards across the government.

And I can take questions.

MR. FOREMAN: Christal, do you want to give that a score from 1 to 10? (Laughter)

MS. SHEPPARD: Absolutely. It's an

Excellent, because what a difference a year makes. When we first had this conversation, we talked about that there are at least seven different call centers receiving 800,000 calls a year and really no metric for how they're doing. Some of them were self-reporting whether or not the customer was satisfied. Yes, if Comcast did that they wouldn't be doing so well. I mean, they'd be doing a lot better than they're doing now.

So, you've gone from there to having external sources helping you with questions to figuring out, reaching out to customers to see what the customer perspectives are, because we can see a lot of data, a lot of information, a lot of graphs, and all that sort of thing, but it really comes down to what the customers and clients think, what the country thinks about the Patent Office. And one of the ways that they touch the Patent Office is calling with questions. And being able to improve that in any way, shape, or form, at least kind of figuring out how they do feel about it, starting with these questions is a really good first start. And I

know you used to talk about this is a phase. Right now you're just doing some baseline measurements, the same thing that any company would do to see if the calls are being handled properly. But there's a possibility later on of doing deeper (inaudible) to figure out: If someone is calling in for an examiner interview after an allowance, was the proper art cited? Was there some churning? Were there other problems like that? So, all this goes back into and feeds back in the patent quality that we started the day off with, and now we're ending with you.

MS. STEPHENS: Thank you. Appreciate that comment.

MR. FOREMAN: Any other questions or comments or questions or comments for Debbie at this point? Okay.

Well, it looks like we're keeping right on time, so I want to thank everyone for their comments and their feedback in the presentations. I thought it was a productive and somewhat spirited discussion today.

Again, you know, PPAC exists to be a

resource to the Office. We enjoy the collaboration. We enjoy being part of the discussion. And please continue to use us as a resource to gauge feedback from the outside and try to make this or continue all this to be the best federal office in the government.

So, thank you. Our meeting is adjourned.

(Whereupon, at 2:55 p.m., the PROCEEDINGS were adjourned.)

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CERTIFICATE OF NOTARY PUBLIC

COMMONWEALTH OF VIRGINIA

I, Carleton J. Anderson, III, notary public in and for the Commonwealth of Virginia, do hereby certify that the forgoing PROCEEDING was duly recorded and thereafter reduced to print under my direction; that the witnesses were sworn to tell the truth under penalty of perjury; that said transcript is a true record of the testimony given by witnesses; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this proceeding was called; and, furthermore, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

(Signature and Seal on File)

**Notary Public, in and for the Commonwealth of
Virginia**

My Commission Expires: November 30, 2016

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