

**Patent Office  
Professional  
Association** Post Office Box 2745, Arlington, Virginia 22202

**STATEMENT OF**

**RONALD J. STERN, PRESIDENT**

**PATENT OFFICE PROFESSIONAL ASSOCIATION**

**BEFORE THE**

**SUBCOMMITTEE ON COURTS AND INTELLECTUAL PROPERTY  
COMMITTEE ON THE JUDICIARY  
UNITED STATES HOUSE OF REPRESENTATIVES**

**MARCH 25, 1999**

**ON THE SUBJECT OF**

**OVERSIGHT ON PATENT REFORM**

**AND**

**U. S. PATENT AND TRADEMARK OFFICE REAUTHORIZATION FOR FY 2000**

*Professional Representation for Patent Professionals*

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to provide the views of the Patent Office Professional Association. Our organization is the exclusive bargaining agent for the approximately 2800 patent professionals at the U.S. Patent and Trademark Office. The vast majority of the employees we represent are engineers, scientists, and lawyers who work as patent examiners.

There are three bargaining units at the PTO. We represent more employees in our unit than the employees represented by the other two units put together. By the end of this fiscal year, the agency expects to hire 700 new patent examiners. This steep increase will also increase the percentage of organized employees that we represent in the PTO.

There is virtually universal agreement within our membership that providing the PTO with the authority to retain all of its fee income is a significant benefit. We all recognize that charging someone a fee for a promised service and then diverting the fee to other purposes undercuts our ability actually to do what was promised. It also constitutes a tax on innovation which undercuts incentives to invent. We, therefore, strongly support the reauthorization bill for fiscal year 2000 and the provision in the discussion draft of the American Inventors Protection Act of 1999 that all fees collected by the PTO may be used by the PTO.

There is also virtually universal agreement within our membership that the ever-rising number of applications filed requires a commensurate increase in the staff needed to process those applications. We, therefore, strongly support the provision of the discussion draft that frees the Office from administratively or statutorily imposed limitations on positions or personnel.

But most important to our membership is statutory protection of the integrity of the

personnel administration system. We, therefore, applaud your retention of the PTO as a government agency and your retention of the employees in our established civil service system under Title 5, with its finely developed balance between the desire for managerial flexibility and the need for fair, equitable treatment of employees.

Maintenance of the civil service's culture of honorable treatment is extremely critical to my membership. PTO employees have earned and deserve their civil service rights. The PTO has been an example of hard work, productivity and efficiency, in stark contrast to the stereotype of unproductive and inefficient government workers.

We also wish to thank you for including a provision on developing an incentive program to retain primary examiners who are eligible for retirement as trainers for less experienced examiners. We hope this will help transfer knowledge from one generation to the next.

In proposed Section 1(b) of Title 35, the PTO is given authority to establish satellite offices anywhere in the country. As everyone knows, the PTO is in the midst of a billion dollar plus procurement of new office space for the purpose of consolidation. Given the recognized utility of consolidation, it is not clear why satellite offices are being authorized.

We strongly support the concept of an advisory committee as a mechanism for assuring that we meet the needs of a broad spectrum of the patent user community and to provide motivated oversight. To be effective, such a committee needs detailed information about internal PTO operations. If all information is provided from a single source, the committee will be subject to manipulation.

Conspicuous by its absence is the provision of multiple sources of information on PTO

operations for the Advisory Committee. This is an area in which a labor union can provide particular help. We are a source of information about the realities at the PTO from a perspective that is radically different from management's. Therefore we recommend that the legislation be amended to incorporate a non-voting seat on the Advisory Committee for each of the two labor unions at the PTO. If this is not provided by statute, it is unlikely that the Committee will comfortably receive independent information from employees, since receiving such input might imply disrespect to management.

In the discussion draft, the PTO is given the power to contract out the entire operation of the organization, including the searching and examination of patent applications, to foreign governments and international organizations. We believe the critical functions of searching and examination must be retained in this country. We urge the Congress not to give the PTO such unfettered power.

Do not think such an extreme possibility is entirely hypothetical. A recent O.G. notice proposed contracting with the European Patent Office for searches in PCT cases in which the United States was specifically designated by the applicant as the search authority. See 1167 OG 74 of October 18, 1994.

While we support cooperative efforts with foreign patent offices and with international organizations, the basic functions of searching and examination involve policy matters that determine our competitiveness with both the Europeans and the Japanese. We do not think it is wise to even create the potential for such a loss of control of fundamental, Constitutionally mandated economic policy.

We recommend that Congress direct that examination be performed within the territory of the United States by government employees who are citizens.

#### **First to Invent Defense**

The "first to invent" defense, formerly called prior user rights, is clearly a misnomer. There is no requirement in the discussion draft that the person asserting the defense be the first inventor. Nor should there be such a requirement. There is no utility in expanding the protracted procedures of interference proceedings to any other forum.

But no matter what it is called, the provision of such a defense to infringement undercuts the patent system as envisioned by our founding fathers. It will make it safe for a company to retain its invention as a trade secret. I have always been taught that a fundamental purpose of the patent system is to induce public disclosure of inventions. Because the first to invent defense will undercut that purpose, we think it will not serve to promote the progress of the useful arts.

#### **Current PTO Operations**

Unfortunately, the discussion draft does not address the most serious problems facing the PTO today. Last year we testified to the critical need for improvement in the quality of examination. Patent examination needs to be enhanced by providing more time for examination, by improving the foreign patent and non-patent literature search files, by maintaining the U.S. Classification system, and by training examiners. I have attached last year's testimony, because we believe it is still valid. It represents the needs we have identified and the solutions that we believe are best for the patent system.

However, a few of the items need some update. If there is one thing that our patent

examiners desperately need, it is more time to do a quality job. Even the recent reengineering laboratory conducted by management confirmed this. All reports we have gotten from employees state they took much more time than their standard production goals would have allowed to do a thorough and complete examination. The patent applicants were delighted with the time and attention devoted to their applications. We look forward to receiving all the data and information from management so that we can work together to increase quality.

Secondly, availability of foreign patents has gotten worse, not better. Just this January, employees discovered that the agency was boxing up what we believe were hundreds of thousands of foreign patents for disposal as trash. Luckily we were able to identify the situation for at least some of the patents in time to alert Acting Commissioner Todd Dickinson. He acted swiftly to preserve the patents which while boxed had not yet been trashed. However, it is not clear that he has the resources to put them back in the files. As of today, they are still in storerooms and unavailable to examiners.

Some would have you believe that the availability of foreign patents has gotten better because foreign patent abstracts can now be text searched on our automated system. Most examiners consider the possibility of searching the generally poorly translated abstracts woefully inadequate when compared to a search of paper copies of foreign patents that have been classified into the U.S. Classification system.

The PTO is spending in the hundreds of millions on automation each year. Even though the automated tools will be determinative of the quality and speed of our output, the agency is unwilling to discuss the substance of automation with the Association. While the automation

managers listen to the feedback of some employees, they have yet to decide to put the convenience of examiners and quality of examination ahead of convenience of the information technology division. Sometimes it seems as if they are driving us, rather than us (and our needs) driving them. When something similar happened at the FAA, as reported in the March 22, 1999 *Federal Times*, it lead to a \$190 million dollar rework project for fixing problems raised by the air traffic controllers. We recommend that the legislation, as part of the annual report requirement, direct the agency to provide a detailed accounting of its automation activities including the amounts of money expended, and a listing of contracts with each task order issued.

Thank you for listening to our concerns.

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**STATEMENT OF**

**RONALD J. STERN, PRESIDENT**

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**BEFORE THE**

**SUBCOMMITTEE ON COURTS AND INTELLECTUAL PROPERTY  
COMMITTEE ON THE JUDICIARY  
UNITED STATES HOUSE OF REPRESENTATIVES**

**MARCH 19, 1998**

**ON THE SUBJECT OF**

**OVERSIGHT REGARDING THE**

**INCOME AND EXPENDITURES**

**OF THE**

**U. S. PATENT AND TRADEMARK OFFICE**

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to provide the views of the Patent Office Professional Association. Our organization is the exclusive bargaining agent for the approximately 2400 patent professionals at the U.S. Patent and Trademark Office. The vast majority of the employees we represent are engineers, scientists, and lawyers who work as patent examiners.

There are three bargaining units at the PTO. We represent more employees in our unit than the employees represented by the other two units put together. By the end of this fiscal year, the agency expects to hire 650 new patent examiners, with another 400 scheduled for the year after. These steep increases will also increase the percentage of organized employees that we represent in the PTO.

In the 1990's, the PTO has been in an extremely privileged position: Our budget has increased by 250% and our workload has only risen by 53%. Yet I am here to sound an alarm.

Examination practice in our country is rapidly approaching a stage of major crisis. It is a crisis of confidence in the quality our work product. For examiners, quality basically means a complete search of the prior art, a thorough and clear exposition of all the legal issues, and making correct decisions on patentability. In the past fifteen years, there has been a relentless drive to increase the productivity of examiners, that is, to decrease the amount of time spent on each case. Production quotas are specified in six minute increments and many employees put in lots of voluntary overtime. Each professional puts as much quality into the product as time granted to him by management allows. As the complexity of the technology has expanded, as

the size of the search file has expanded, as the complexity of the legal issues has expanded, and as patent procedures have become more complex, there is only one thing that has remained constant - the quota that has been assigned to each examiner.

At this point, the average amount of time spent per application is approximately seventeen hours. How much less time can an examiner spend on a case and still put out a quality decision? Currently, the European Patent Office spends about as much time searching a patent application as our examiners spend on the entire prosecution of a case.

Our customers have been surveyed numerous times, and have been extensively interviewed in focus groups. Their number one concern is the quality of our work product, especially as regards the adequacy of the search of the prior art. In a survey conducted by the Haelan Group, an outside consulting firm that was hired by management as part of the re-engineering efforts at the PTO, our customers gave us a mere 50% overall satisfaction rating. We are so bad that both the Postal Service and the Internal Revenue Service have higher overall satisfaction scores. Poor quality has become so legendary that it is even cited in text books. In a well respected book on bar codes, the author laments the granting of patents for " 'inventions' which are overly broad, not truly novel, or perhaps obvious in nature." Roger C. Palmer, *The Bar Code Book*, Helmers Publishing, Inc., third edition, 1995, page 241. Whereas our searches once were the envy of the entire world, we now regularly hear of cases in which a European Patent Office (EPO) examiner has found a relevant reference that was not found by our initial search.

Our employees have also been surveyed by the Haelan Group. In that survey, the number one problem identified by employees was concern over the quality of our work product. Our

examiners are strongly motivated to provide a quality work product by their professionalism and by their pride. Every patent lists the names of the examiners who worked on the case, and no one wants to be embarrassed. But our examiners cannot perform miracles. They need time, better search tools, and training.

Our customers have spoken. Our employees have spoken. But, nothing has changed. Production and cycle times still take precedence over quality. And administrative and automation functions still take priority over examination functions.

The first question that should be asked is: Do we have the resources to do a quality job in a reasonable amount of time? The answer has to be a resounding YES. What other agency has been able to increase its budget by 250% within this decade with only a 53% increase in the number of applications processed during the same time?

The PTO has been fortunate in that its overall budget has increased by such huge amounts. The largest increase in our fee income has been due to the collection of maintenance fees. During this decade, the second and third patent maintenance fee increments became fully operational. In addition, fees for extensions of time became a more significant source of income. At the beginning of the decade in FY '90, the expenditures of the PTO were only about \$327 million per year, while the proposed level for FY '99 is \$836 million, an average increase of about 11% per year.

Over the same decade, the yearly number of patent applications examined has increased by only 53%. The number of patent applications examined went from about 142,600 in FY '90 to a hoped for 218 thousand in FY '99, a compound rate of increase of a little less than 5%. One

might think that the huge increase in available resources would allow for a significant increase in the quality of our service to the patent community. Unfortunately, that has not happened.

We now collect hundreds of millions of dollars more per year than we would have collected at the beginning of the decade for the equivalent workload, yet examiners have no more time per case than before, have less training available than before, and are spending less time maintaining our search files than ever before. Where has the extra money gone?

The real issue is one of priorities. The agency's priorities are clearly delineated in its budget, what it calls its "corporate plan." On the last page of the section on the patent business, it set forth its performance measures (page 28, Table 7). Incredibly, quality is defined only as average cycle time. Nowhere to be found is any measure of the completeness of the search, of the discovery of the most pertinent prior art, or of the correctness of our legal conclusions of patentability. These omissions are shameful.

And they appear to be penny wise and pound foolish. The goal for the next five years is to shave 4 months off the existing cycle time, ostensibly, to give patent holders 4 additional months of patent protection within the 20 year limitation on patent term. We should ask our customers: How much risk to the potential invalidity of the entire term and how much risk of increased litigation costs are you willing to take in order to get an additional 4 months of patent protection? In a system in which applicants pay hundreds of dollars for extensions of time to respond, I predict that our customers will value patent reliability more than short extensions of their term.

### Search File Degradation

Patent reliability and examination efficiency have been threatened because critical search tools have been crippled. Since March of 1995, the PTO has ceased to classify new foreign patents according to the U. S. Patent Classification system and has ceased to distribute them to our search files. In addition, reclassification efforts with respect to U. S. patents have been curtailed and in some cases, where a reclassification project has been conducted, the project did not include the reclassification of foreign patents and non-patent literature. At the beginning of the decade there were about 125 full time classifiers, while now the number has dwindled into the 50's. Even these remaining employees are being used to perform other tasks, such as routing new applications to the examining groups, a job that used to be performed by paraprofessionals. In addition, there used to be substantial examiner detail time to reclassification projects; most of that effort has been eliminated. While the loss of reclassification efforts may not have a dramatic impact at any one point in time, the long term corrosive effect is as sure as the impact of a beach climate on cars.

The need for a classification system is **independent** of whether we automate our search system or maintain our paper files. A text based system is woefully inadequate for many searches when, for example, the search terms are inherently commonly used terms. It is well accepted both here and at the European Patent Office that the use of the classification system is necessary for adequately narrowing searches in an automated environment.

### **Lack of Training**

In 1997 the PTO canceled virtually all training programs for experienced examiners on the basis of a claimed budget emergency. The ban included in-house and university technical courses, in-house law courses, the Law School Tuition Assistance Program, the Juris Master program, attendance at most technical conferences, and visits to industry. Later in that year, even when the PTO knew it would have many tens of millions of dollars, it failed to reinstate these programs. Even today, these programs have not yet been reinstated.

Examiner training has been identified as a critical need by our customers. P. Mathis & Associates, an outside consultant hired by the PTO as part of its reengineering effort, conducted two automation studies which concluded that additional training was a critical PTO need. But, even more importantly, every profession has provided for continuing education for its members to improve and maintain skills. The profession of patent examining should be no different.

Last year, the Subcommittee on Appropriations for the Commerce Department (and others), in its report, HR 105-207, thought training for patent examiners was so important that they requested the agency to report back to the Committee by February 2, 1998 on its training plans for FY 1998. To the best of our knowledge, no such report has been submitted, even though FY 1998 is almost half over.

### **Automation at the PTO**

#### **An Alphabet Soup Spelling "Failure"**

The PTO has had a less than illustrious history when it comes to automation projects. In 1950 the PTO attempted a pilot automated search system in Class 167, "Medicines, Poisons and

Cosmetics." This pilot was a failure and was ended in January 1951. In the 1960's the PTO began investigating the automation of the patent search file with "Project Potomac". After spending 10's of millions of dollars, the project was abandoned as a complete failure. Over the years there has been an alphabet soup of failed automated systems. HAYSTAQ (Have You Stored Answers To Questions), ILAS (Interrelated Logic Accumulating Scanner), RAMP (Random Access Mechanization of Phosphorus Compounds), CAMP (Card Mechanization of Phosphorus), SECIR (Semiautomatic Encoding of Chemistry for Information Retrieval), CASSIS, and CSIR have all arrived with great fanfare and have slunk away in costly failure.

The American Intellectual Property Law Association's Information Retrieval Committee in their March 20, 1992 report said "The point is, no one outside the USPTO seems to have a handle on how much the system will cost to run. All of this to achieve no expected efficiency gain and dubious quality improvements. This is automation for automation's sake, at the cost of at least several hundred dollars more per patent application, and possible thousands more."

So where has all the money gone? We don't yet have an automated patent retrieval system that can match the speed and efficiency of the paper files. The PTO has recently dropped another alphabet soup of unusable automated systems on the Examiner's desktop, while proposing to remove the only search system that does work...the paper search file. This all without any training on how to use the dozen or so new systems. You see, PTO management subscribes to the "you figure it out" school of training.

This alphabet soup of new systems were developed without PTO management seriously considering what examiners or the public want and need in automated systems. PTO

management has chosen to simply ignore an Executive Order signed by President Clinton requiring agencies to bargain over the technologies, methods and means of performing work. POPA is not against automation. POPA is against automation that wastes the public's money by failing to produce systems that enable examiners to be more productive. You have to understand that all examiners are either scientists or engineers. Our job steep us in a love of technology. But, we are practical too and know the difference between a lemon and a peach.

In October 1997, we were notified of the agency's intent to eliminate the paper files before examiners are transferred to the new buildings that the agency wishes to lease. Contrary to intuition, computerized searches do not take less time than searches using the paper files. With the recent elimination of the dual screen cluster workstations, only desktop workstations are available. Those workstations will not even allow one to see an entire page of a patent at a readable resolution. In addition, as currently configured, they do not provide for viewing the images of a collection of patents identified through a text search. While the desktop terminals might work for those who need to find information only occasionally, it is totally inadequate for those searching in a production environment such as ours.

Retaining the paper files is dirt cheap in comparison to automation. We estimate that space costs plus upkeep add up to less than \$4 million per year. If the paper files go, so will our classified foreign reference backfile and our classified non-patent literature, neither of which have been captured electronically.

We find it incredible that PTO management has announced that they will eliminate the paper search files without ever having done a cost/benefit analysis. We have also asked for

documentation on any studies which have been performed with respect to quality of examination and search time using automated patent retrieval systems vs. paper systems. The agency says this information doesn't exist.

#### **Actions the Committee Can Take**

The examination system is at a critical crossroad. If there is to be concern for the quality of examination, concern for finding the most pertinent prior art and concern for the correctness of decisions on patentability, then Congress must express that concern.

Controlling the total amount of resources available to the agency will not be sufficient to ensure that there will be a concern for quality. While curtailing resources may very well limit what can be accomplished, expanding our resources will not, by itself, produce quality results. We believe it is essential that you provide guidance and oversight as to how those resources are used.

The most significant issue is not the total level of resources available, but the priorities by which those resources will be allocated. Right now the PTO collects just under \$8000 in fees for each issued patent over the life of the patent. Less than \$800 is allocated to examiners for examining a patent application. The rest is processing costs and overhead.

We believe this imbalance in the priorities of the agency can only be changed by an explicit direction from Congress. Just as Congress put a fence around trademark fees, by requiring that all trademark fees be used only for trademark registrations and related activities in 35 U.S.C. 42(c), so could Congress declare that certain patent application fees be dedicated to fund the pay and training of patent examiners. H.R.812 at Section 6(d) proposes just such a

fence and we strongly support it. Inventors pay application fees principally for the time examiners use to search and evaluate the patentability of an invention. We believe the inventors should be guaranteed the services they paid for, and budget shortfalls accommodated by adjustment of processing and overhead costs.

We believe that the current degradation of our search files can only be overcome by an explicit direction from Congress. Congress could, as provided in Section 4 of H.R. 812, require the PTO to maintain the U. S. Patent Classification system and to actually use it to organize the technical information required to be kept in the search files, including all the foreign patents that form the minimum documentation required to be maintained by the Patent Cooperation Treaty.

We believe that the improved examination quality achievable through the training that customers, employees, and outside experts agree is needed will not happen without an explicit direction from Congress. Congress could, as provided in Section 5 of H.R.812, meet the training need by requiring that 5% of duty time be set aside for training. This matches the budget allotment for training suggested by the Volker Commission. In a patent reengineering workgroup, it was concluded that a specific set aside for training was the best way to ensure that employees actually would be trained. Best practices in U.S. industry provide for 4-6% of an employees' time be spent in training, while 10-12% is the best practice in Europe.

To provide an economical source of competent and dedicated trainers, H.R.812, at Section 5(b), directs that the PTO develop an incentive program to retain retirement eligible primary examiners. Civil service law currently allows retention bonuses of up to 25% of salary. The section permits, but does not require, monetary incentives.

In summary, we urge you to provide the agency with explicit guidance on the resources to be devoted to finding the most pertinent prior art relative to each patent application and to ensuring the correctness of our decisions on patentability. We think this can be best accomplished by dedicating certain fees for the pay and training of patent examiners, by directing the PTO to maintain the U.S. classification system and classify foreign patents into the U.S. system, and by directing the PTO to provide a specific amount of time for training.