

U. S. PATENT AND TRADEMARK OFFICE
Interim Adjustments to
The 21st Century Strategic Plan

In February 2003, the USPTO submitted *The 21st Century Strategic Plan* to the Congress in conjunction with the President's budget for fiscal year 2004. The Plan was revised from the original submission of June 3, 2002 to reflect input from the Congress, key stakeholders, the Patent Public Advisory Committee and the Trademark Public Advisory Committee. As a result of the changes, nearly 100 of the largest American companies and intellectual property groups expressed their support for the Plan.

The 21st Century Strategic Plan made several assumptions with regard to the USPTO's ability to accomplish the performance commitments. These assumptions were documented in the Critical Needs section, and one was particularly important to the successful and timely implementation of The Plan:

- Legislation would be enacted to adjust certain patent and trademark fees.

Proposed legislation to adjust the fee structure was originally submitted to the Congress in June 2002, and *The 21st Century Strategic Plan* anticipated enactment in mid-fiscal year 2003. A revised version of the proposed legislation ultimately was enacted in the Consolidated Appropriations Act, 2005, §801, Public Law 108-447. As a result, the USPTO's fee collections were less than needed to fully implement all of the initiatives in the Strategic Plan. Further, the revised fee amounts and related authorities were enacted for only fiscal years 2005 and 2006.

The planned productivity improvements were largely premised on the USPTO's ability to competitively source the prior-art searches. This would have enabled the Office to achieve cost savings and efficiencies in this activity. The enacted legislation contained changes to this original proposal, including requiring a pilot of competitively sourcing the search of prior art and an evaluation period. These requirements have resulted in changes to the original performance goals for productivity.

The report that follows is a summary explanation of the significant adjustments that have been made to *The 21st Century Strategic Plan* via the annual integrated budget/performance plan submitted to the Congress in fiscal years 2005 and 2006.* These adjustments fall into the following categories:

- Legislative Changes
- International Agreements

* In June 2005, the Government Accountability Office completed a review -- Intellectual Property: USPTO Has Made Progress in Hiring Examiners, but Challenges to Retention Remain (GAO-05-720 -- June 2005) -- of many of the USPTO's strategic planning initiatives. Of the 39 initiatives they reviewed, they reported that 11 were implemented, 21 were partially implemented and 7 were not implemented.

- Required Legislation/Rulemaking
- Change in Approach
- Performance Target Changes

Legislative Changes

The following initiatives were adjusted because the fee bill was not enacted until FY 2005, and legislative changes were made to the original proposal.

- Enactment of legislation to restructure the USPTO fee schedule (Shared Responsibility 1) was completed in fiscal year 2005 compared to the plan of mid-fiscal year 2003. However, the revised fee amounts and related authorities are in effect only in fiscal years 2005 and 2006. USPTO will work to make the 2005-2006 fee changes permanent.

As a result, the USPTO has not issued final rules to allow for refunding a portion of the fees if the application is expressly abandoned before search or examination. A final rule will be issued in early calendar year 2006 to implement the provisions for a refund of the search fee and excess claim fees for any applicant who files a written declaration of express abandonment before an examination has been made.

- Competitively sourcing the prior-art searches was a key component in reducing pendency time in patents that was delayed due to legislative changes. In September 2005, the USPTO awarded contracts to two commercial firms to participate in a Patent Cooperation Treaty (PCT) search program, which will serve as a pilot for commercial searches of national stage applications. Proposals in response to a second solicitation issued in October 2005 have been received and are being evaluated. The contract awards are for six months with two additional six-month options. (Flexibility 2)
- The initiative to certify and monitor the quality of search entities to ensure that patent searches provided by the private sector contractors or other patent offices are complete and of the highest quality has been closed. Instead, the USPTO built quality requirements into the procurements for PCT searches and will include them in the procurements to conduct national stage searches. In addition, the USPTO is requiring stringent conflict of interest clauses in such contracts. (Quality 8)
- Competitively sourcing the classification of patent documents was delayed because no acceptable offers were received in response to a request for proposals, made in May 2005. Another request for proposals is scheduled to be released in the second quarter of fiscal year 2006. (Flexibility 1)
- The USPTO conducted market research for competitive sourcing of reclassification functions, and potential vendors were identified. A request for proposals (RFP) is scheduled to be released in the second quarter of fiscal year 2006. (Flexibility 3)
- Multi-Track planning to move away from a “one-size fits-all” patent examination (Pendency 2) process has been completed. However, full implementation of this

initiative, as well as the initiative to achieve greater examiner productivity by reducing their prior art search responsibilities, is related to competitive sourcing of prior art searches. (Flexibility 2)

- Regarding the high availability and disaster recovery initiative (E-Government 5), the USPTO is undertaking a more structured, enterprise approach to its entire disaster recovery/business continuity program. Accordingly, the project has been assigned to the Office of the Chief Information Officer (OCIO) Program Management Office, which will work closely with the OCIO Risk Management Office and business areas on the initiative. Fiscal year 2006 activities will include development of an Investment Decision Paper and implementation of a viable disaster recovery solution.
- Related to periodic recertification for registered practitioners, and disciplinary initiatives, the USPTO issued proposed rules to harmonize ethics rules and disciplinary procedures, including proposing mandatory Continuing Legal Education (CLE), with those in place in most states. The rules are being revised and will be issued for public comment in fiscal year 2006. The Office began offering the registration examinations electronically throughout the year, and is developing an electronic CLE program to be piloted later this year. (Legislative/Rules)
- To ensure that patent professionals have the requisite skills needed to carry out their responsibilities, several actions were taken: The USPTO identified the knowledge, skills and abilities needed by patent examiners, developed recruitment materials to better educate candidates on the nature of the work, certified the communication skills of all new patent examiner hires between 2003 and 2005 through an interim screening process, and established training units for new examiners. The Office currently is working with the Office of Personnel Management to conduct surveys and gather additional information necessary to develop the automated testing tool. It is anticipated that the automated test will be implemented in June 2006. (Transformation 5 and 7).

International Agreements

The following international initiatives have not been fully implemented.

- Work Sharing pilot programs to compare search results were completed with the Japan Patent Office (JPO) and the European Patent Office (EPO), and with patent offices in Australia and the United Kingdom. A second pilot was conducted among the USPTO, JPO and EPO that included sharing information on areas searched and the queries used. As a result of the findings, the three Offices agreed to a 2006 examiner exchange program in four technical areas, scheduled to begin in April 2006. Under this program, examiners from the three Offices will share information with each other on how they do their respective searches.

The USPTO also entered into an agreement with Australia's national patent office to test the feasibility of IP Australia performing search and examination services for the USPTO on international applications filed with the USPTO under the Patent Cooperation Treaty.

Additionally, the USPTO is working with the JPO and EPO on other projects focused on facilitating the mutual exploitation of search results. These new activities will be addressed in the USPTO's fiscal year 2007-2012 strategic plan that currently is under development. (Work Sharing and Global Development 2)

- Pursuit of Patent Harmonization and Patent Cooperation Treaty (PCT) Reform activities will be on-going over the long-term. In February 2005, the USPTO successfully brought together interested international parties to establish a work plan for progress on substantive patent law harmonization. A technical working group was established for the express purpose of discussing certain areas of patent law harmonization. PCT Reforms have been implemented, but there are continuing discussions over potential discrete changes. (Global Development 1 and 3)
- Additionally, the USPTO is in the process of completing an agreement with the Korean Intellectual Property Office (KIPO) in which KIPO will perform search and examination services for the USPTO on international applications filed with the USPTO under the Patent Cooperation Treaty, for applications in which KIPO is chosen by the applicant as the international searching authority and/or international preliminary examination authority.

Required Legislation/Rulemaking

The following initiatives were adjusted as the USPTO develops and seeks enactment of required legislation and/or develops rules.

- Amendments to patent laws to provide for an improved post-grant review of patents are being considered as part of the Patent Reform Act of 2005 (H.R. 2795). A USPTO proposed version of the legislation will be submitted in early 2006. (Shared Responsibility 2) Initial development activities for an automated information system that could be adopted to support a post-grant review process began in fiscal year 2005, including Investment Decision Paper approval and requirements definition, with full system deployment planned for fourth quarter, fiscal year 2006. (E-Government 3)
- The USPTO studied the changes needed to adopt a unity standard, including solicitation of public comments. Four options to reform restriction practice were identified, a business impact analysis was conducted, and the results were documented in a "Green Paper" that was published on June 6, 2005 for public comment. The USPTO is continuing to assess the user input in preparation for documentation in a "White Paper." (Legislative/Rules)

Proposals related to other Patent initiatives such as simplification of patent term adjustment and assignee filing are being revisited during the current planning process to develop a fiscal year 2007-2012 strategic plan. (Legislative/Rules)

Change in Approach

The following initiatives have been adjusted because the USPTO modified its approach in response to changed conditions.

- Implement Trademark e-Government by November 2003. The USPTO has made significant progress in completing full electronic file management; currently, 99.9 percent of trademark applications are in electronic format. Electronic file management will be achieved through a series of planned deployments of the Trademark Information System (TIS). The next phase, which will include the transactions performed by the Legal Instruments Examiners, is scheduled for fiscal year 2006. That deployment will complete the electronic workflow and file management of the core trademark examination process, including all actions taken by Examining Attorneys. Full completion of TIS requires electronic processing of all transactions up to and following publication and registration, including applications involved in petitions proceedings. (E-Government 1)
- Implement e-Government in Patents by October 1, 2004. The Image File Wrapper (IFW) system was fully implemented in fiscal year 2004, and both the private and public Patent Application Retrieval systems (PAIR) were enhanced with the inclusion of IFW data, enabling the electronic processing of patent application data.

The Patent File Wrapper (PFW) system is a set of tools that facilitates end-to-end electronic text-based processing of patent applications, with the objective of improving access, by both examiners and the public, to the data and information contained in patent applications via text and field searching functionality. PFW would provide the capabilities, including text- and image-based processing that were envisioned in the strategic plan (E-Government 2) and includes three main components: an Electronic Filing System (EFS), being implemented via the EFS-Web project as its first component; an upgraded data capture system; and a document content management repository.

The EFS-Web pilot was deployed on schedule on December 1, 2005, with full deployment scheduled for March 2006 with inclusion of any lessons learned.

- Trademark applicants were given greater choice and flexibility for filing. Applicants now have three options for filing with fees set to reflect the cost of handling and processing, the highest fee is for filing on paper, with progressively lower fees for filing electronically. The lowest cost is known as (Trademark Electronic Application System) TEAS Plus, which requires a “complete” (as determined by regulation) electronic application upon filing. Trademarks, however, is not pursuing expedited examination and therefore does not envision trademark pendency to reach 12 months for these cases (Pendency 1), nor will it implement a second-pair of eyes program for applications filed and processed electronically. (Quality 4).

The Office implemented the Madrid Protocol, an international filing treaty. That treaty gives U.S. trademark owners seeking to protect their trademarks abroad a simple filing option for extending their trademark rights into foreign countries.

- The initiative to offer patent applicants an accelerated examination option is being revisited to change from a fee-based approach to a burden-sharing approach focused on electronic filing. (Accelerated Examination)

Performance Target Changes

Accomplishment of the far-reaching initiatives contained in *The 21st Century Strategic Plan* was complicated by a number of additional factors, including the doubling of the number of patent applications filed since 1992, the increased technical complexity of patent applications, and the growth in the backlog of applications awaiting a patent examiner's first review (projected to be over one million by 2010). These factors have necessitated the following changes to key performance targets:

The planned productivity accomplishments of reducing Patent first action pendency to 14.7 months and total pendency to 27 months in fiscal year 2008 have been adjusted to first action pendency of 23.7 months and total pendency of 33 months in fiscal year 2008.

Likewise, in the *21st Century Strategic Plan*, the USPTO expected it would be able to hire 2,400 fewer patent examiners for the period 2002-2008 compared to the projection in the 2003 budget for the same timeframe. Current projections show the USPTO will hire 971 less than originally planned in 2003 for the period 2002-2008.

The USPTO, therefore, continues to identify additional initiatives to improve patent quality and efficiency. Some of these were addressed in fiscal year 2005, such as increasing transparency, improving *ex parte* reexamination, and piloting a pre-appeal brief conference that would save applicants tens of millions of dollars.

Other initiatives on the planning horizon will be fully explored in the fiscal year 2007-2012 strategic plan. These include the need to "hire more, train better, retain better and telecommute." For example, the Office has developed a new approach to training new examiners – providing up to eight months of intensive coursework on examination and relevant legal issues in a collegial and collaborative environment. The Office also is considering reforms that would place more accountability for patent quality with applicants, such as continuation reform, representative claims, and better information disclosure statements.

The USPTO plans to submit its fiscal year 2007-2012 strategic plan, developed in accordance with Office of Management and Budget Circular A-11, to the Congress in conjunction with the fiscal year 2008 President's budget.