U.S. DEPARTMENT OF COMMERCE
Office of Inspector General

United States Patent and Trademark Office

OIG Review of Complaints and Concerns Related to PTO's Handling of Patent Applications 09/253,506 and 09/940,607

Inspection Report No. IPE-16083/September 2003

PUBLIC RELEASE

Office of Inspections and Program Evaluations

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

SEP 30 2003

MEMORANDUM FOR: Nicholas P. Godici
Commissioner for Patents
United States Patent and Trademark Office

FROM: Jill Gross
Assistant Inspector General for Inspections and Program Evaluations

SUBJECT: OIG Review of Complaints and Concerns Related to PTO's Handling of Patent Applications 09/253,506 and 09/940,607 (IPE-16083)

As a follow-up to our August 29, 2003, draft report, attached is the final report on our inspection of complaints and concerns related to PTO's handling of patent applications 09/253,506 and 09/940,607. A copy of your response to our draft report is included in its entirety as an appendix of the report.

We appreciate the Patent and Trademark Office's concurrence with all four of our recommendations and the steps taken thus far to implement the recommendations. We believe that with one exception, the actions meet the intent of our recommendations and we consider them closed. However, we believe that your answers to recommendation 4 require some additional action. Specifically, while the Image File Wrapper system will allow multiple employees to concurrently view applications, we reaffirm our recommendation that PTO establish clear timeliness goals for the patent corps' handling of, and responses to, applicant petitions. Please provide an action plan addressing this unresolved recommendation within 60 calendar days.

As stated in our draft report, the finance counsel for the House Small Business Committee requested that our office investigate these issues. We plan to brief the finance counsel as soon as possible.

We thank the personnel in your office and patent corps personnel for the assistance and courtesies extended to us during our review. If you have any questions or comments about our report, please feel free to contact me on (202) 482-2754.

Attachment

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EXECUTIVE SUMMARY

On March 31, 2003, the Office of Inspector General received a letter from an individual requesting that we investigate charges that United States Patent and Trademark Office personnel had not properly processed patent applications 09/253,506 and 09/940,607, and had manipulated PTO's Patent Application Location and Monitoring (PALM) system for personal gain. We reviewed the complainant's concerns and condensed them into six main issues. In addition, our office was asked by the finance counsel for the House Small Business Committee to investigate this complainant's issues. In short, we determined that two of the six issues raised by the complainant were supportable (see table 1, below).

Table 1. OIG's List of Issues Identified by the Complainant

	Issue	OIG Findings
1.	For application 09/253,506, PTO technology center director gave a false date for the complainant's initial status inquiry so as to appear to have responded within the required 30 days and thereby receive a higher performance rating and bonus.	**Not supportable (See page 4)**
2.	For application 09/253,506, PTO personnel deleted and altered PALM entries for personal gain.	**Not supportable (See page 8)**
3.	For application 09/253,506, PTO personnel failed to enter and process the complainant's petitions and amendments within appropriate timeframes.	**Supportable (See page10)**
4.	For application 09/253,506, PTO's Office of Petitions wrongfully dismissed the complainant's petition.	**Not supportable (See page 13)**
5.	PTO technology center director and other personnel had inappropriate access to PALM and were able to manipulate dates for personal gain.	**Not supportable (See page 15)**
6.	PTO temporarily lost applications 09/253,506 and 09/940,607.	**Supportable (See page 16)**

Source: Complainant and OIG analysis

While we found that PTO did not process the two applications within appropriate timeframes, we found no evidence to indicate that PTO personnel had manipulated the PALM system for personal gain. We concluded that PTO did fail to meet appropriate timeframes for processing three of the complainant's petitions[1] and two amendments[2] and did lose the two applications for one and two months, respectively.

As a result of our review, we make four recommendations to PTO's Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office: (1) clarify the definition of "promptly" for patent corps responses to applicant status inquiries; (2) inform applicants if PTO responds to more than one status inquiry in the same letter; (3) clearly inform applicants when to submit status inquiries

[1] An applicant may submit a petition to the office with delegated authority to review petitions including the Office of Petitions, technology center directors, and/or the commissioner for patents.
[2] An applicant may submit an amendment to change, add, or delete information in the patent application.

pertaining to their applications; and (4) establish clear timeliness goals for the Patent Corps' handling of, and responses to, applicant's petitions.

In response to our draft report, PTO concurred with all four of our recommendations. However, while we agree that its responses to recommendations one through three meet the intent of our recommendations, we believe its response to recommendation four does not meet the intent of our recommendation and requires additional action by PTO. See pages 6 and 12 for our specific comments.

INTRODUCTION

On March 31, 2003, the Office of Inspector General received a letter from an individual accusing PTO personnel of purposely mishandling his patent applications 09/253,506 and 09/940,607. The applications sought patents for a nanostructure device and apparatus, which uses a carbon nanotube transistor to help make smaller and faster powered computer chips. We reviewed the complainant's concerns and condensed them into six main issues. We conducted a review of those issues from March 31, 2003, to May 13, 2003. At the conclusion of our work, we discussed our findings with the deputy commissioner for patent operations, deputy commissioner for patent resources and planning, executive assistant to the commissioner for patents, and the House Small Business Committee's finance counsel.

OBJECTIVES, SCOPE, AND METHODOLOGY

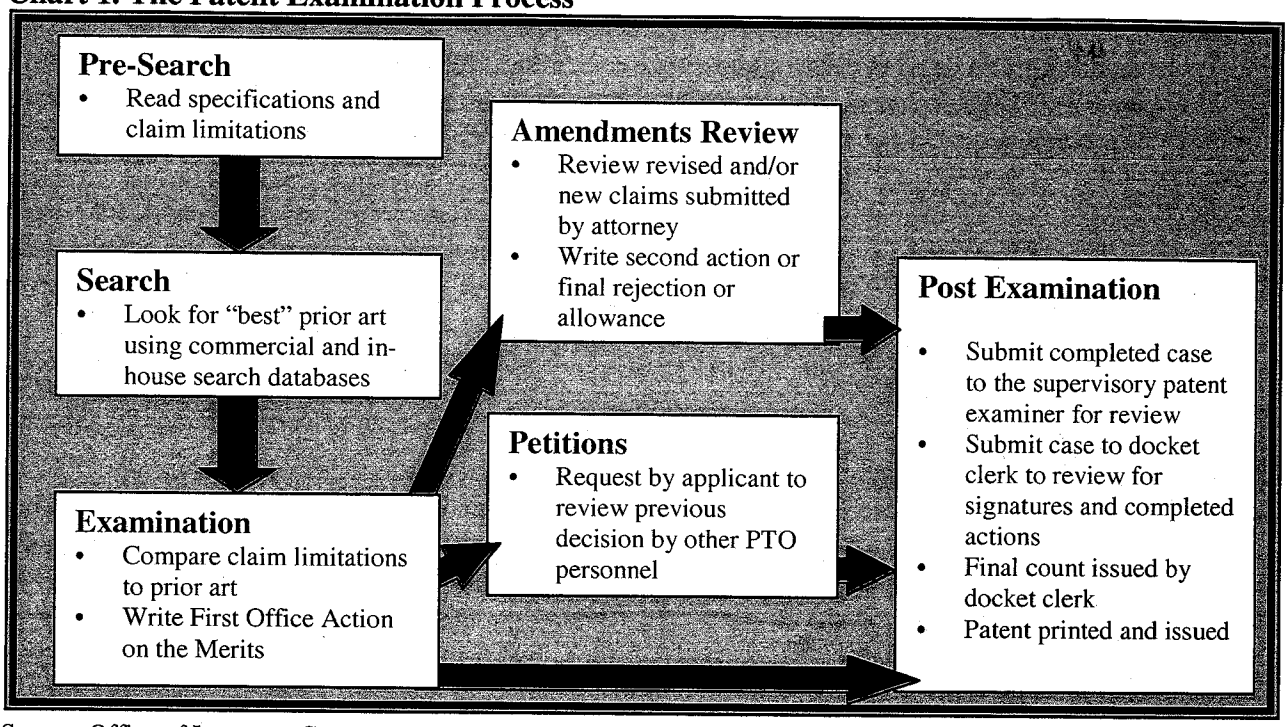
We sought to determine the validity of the issues we identified regarding applications 09/253,506 and 09/940,607. To accomplish this objective, we (1) met with the complainant to obtain more specific information, (2) met with the executive assistant to the commissioner for patents and other PTO staff to evaluate the contents of application 09/253,506, (3) verified the location of applications 09/253,506 and 09/940,607, and (4) conducted a detailed historical review of application 09/253,506.

We did not attempt to determine the patentability of the two inventions and the adequacy of the Patent Application Location and Monitoring system, nor did we review the validity of the PALM system data or security controls. We performed our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency, and under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

BACKGROUND

For the complainant's two applications in question, PTO personnel had to review various amendments, petitions, and status inquiries. Chart 1 documents the patent examination process for amendments and petitions. Applicants can also submit status inquiries to obtain information from the patent office about the status of their patent; those inquiries are not an inherent function of examining a patent application.

Chart 1. The Patent Examination Process



Source: Office of Inspector General

An applicant may submit an amendment to change, add, or delete information on the application. An applicant may submit a petition to the Office of Petitions, technology center directors, and/or the commissioner for patents, to review a previous decision made by someone other than the person or office reviewing the petition. For example, an applicant may petition the commissioner for patents to review an examiner's decision. Table 2 documents PTO's requirements for processing amendments, petitions, and status inquiries.

Table 2. PTO Time Requirements for Entering and Processing Amendments, Petitions, and Status Inquiries

Action	PTO Personnel	Amendments	Petitions – Patent Corps	Petitions – Office of Petitions	Status Inquiries
Enter	Technical Support Staff	30 days	Not Specified	Not Specified	Promptly
Analyze	Examiner	60 days	Not Specified	Not Specified	Promptly
Mail	Legal Instrument Examiners and/or Examiners	30 days	Not Specified	Not Specified	Promptly
Total		120 days	Not Specified	85 days	No Total

Source: Office of Inspector General

As shown above, PTO employees have specific time requirements for entering and responding to amendments. The Office of Petitions has a total of 85 days to enter and respond to petitions, while the patent corps has no formal time requirement for entering and responding to petitions.

The *Manual of Patent Examining Procedure* (MPEP) recommends that PTO personnel respond promptly to all status inquiries, through a telephone call or written response, indicating the "expected" date of action by PTO. PTO management stated that an additional correct response to a status inquiry is the issuing of an examiner's answer, also known as an office action. However, MPEP has no time requirement for "promptly," and therefore lacks clear guidelines and specific timeframes for responding to applicant status inquiries. Finally, legal instrument examiners and their supervisors process applications and examiner answers.

FINDINGS AND CONCLUSIONS

We reviewed the complainant's concerns and condensed them into six main issues. We were able to verify two charges: (1) PTO did fail to meet appropriate timeframes for entering and processing three of the complainant's petitions and two amendments into PALM and (2) according to the PTO PALM system, PTO did lose the two applications for a total of three months. We found no evidence to indicate that PTO personnel manipulated the PALM system for personal gain.

I. *Issue 1: For application 09/253,506, PTO technology center director gave a false date for the complainant's initial status inquiry so as to appear to have responded within the required 30 days and thereby receive a higher performance rating and bonus.*

OIG finding: Not supportable. We found the technology center director did not give a false date for the complainant's initial status inquiry and in fact, was not eligible for a higher rating and bonus. We also found that PTO does not have a 30-day requirement to respond to status inquiries as stated by the complainant.

Discussion: The complainant submitted an amendment to application 09/253,506 on February 23, 2001, and inquired into the amendment's status on May 25, August 22, and August 27. He alleged that a September 19, 2001, letter he received from the technology center director[3] regarding the amendment, falsely used August 27, 2001—and not May 25—as the date of his initial inquiry. The complainant alleged that the technology center director needed to respond within 30 days and that the director's motive for the falsification, the complainant charged, was to receive a higher performance rating and bonus. Table 3 below outlines the chronology of the complainant's amendment and four status inquiries pertaining to this issue.

Table 3. Chronology of February 23, 2001, Amendment

Action	Filing date by Applicant	Response Requirement	Response from PTO
Amendment	2/23/2001	120 days	11/1/2001
Status Inquiry 1	5/25/2001	Promptly	9/19/2001[1]
Status Inquiry 2	8/22/2001	Promptly	9/19/2001
Status Inquiry 3	8/27/2001	Promptly	9/19/2001
Status Inquiry 4	9/18/2001	Promptly	9/19/2001

[1]While the technology center director's September 19 response stated that he was addressing the complainant's August 27 status inquiry, his response did not specifically reference the other three status inquiries. However, all four status inquiries similarly requested that PTO enter his February 23, 2001 amendment into PALM.

Source: PTO PALM data and complainant evidence

[3] PTO has 21 technology center directors who oversee 252 art units comprised of about 3,538 examiners.

TC Director allegedly gave a false date: The technology center director did not give a false date in his response to the complainant's August 27 status inquiry. Based on our review, it appears that the technology center director responded to the complainant's August 27 status inquiry instead of the complainant's May 25 status inquiry for two reasons. First, we believe the technology center director addressed the August 27 inquiry because it referred to the same issues as the previous two inquiries, and the September 18 inquiry was most likely received by PTO after the September 19 response was drafted.

Second, we confirmed PTO received the complainant's status inquiry on May 25. However, the technical support staff could not respond to the May 25 status inquiry because the technology center director had the file until August 28. Specifically, he was responding to a petition decision made by the Office of Petitions. As a result, the technical support staff could not enter any documents, including status inquiries, into the file, causing delay on all subsequent actions.

As shown in table 3, the complainant had submitted the amendment on February 23, 2001, and then filed his initial status inquiry for his February 23 amendment on May 25, after determining that PTO personnel had not entered his amendment into PALM. While the amendment was not entered until sometime between August 28, 2001 and September 14, 2001, the complainant believed that PTO must respond to status inquiries in 30 days, or approximately by June 25. The complainant did not receive any response from PTO, and as a result, filed additional inquiries to numerous PTO personnel on August 22, August 27, and September 18. As table 3 above indicates, the complainant filed at least four letters raising similar concerns pertaining to his February 23, 2001 amendment.

MPEP 203.08 states that applicants should not submit status inquiries until 5 or 6 months have elapsed with no response from the office. Specifically, MPEP states, "a status inquiry is not in order after reply by the attorney until 5 or 6 months have elapsed with no response from the Office." The complainant's first status inquiry was filed on May 25, only 3 months after the amendment was submitted. PTO management stated that while the complainant's May 25 status inquiry was earlier than recommended by MPEP, had it been put into PALM, PTO personnel would have responded promptly to the status inquiry. PTO needs to clearly inform applicants when to submit status inquiries pertaining to their applications.

While the technology center director responded promptly to the complainant's August 27 status inquiry, his September 19 response only referenced the complainant's August 27 status inquiry and not the May 25 and August 22 status inquiries. Because all four status inquiries addressed the same issues, the technology center director's September 19 letter should have referenced all outstanding status inquiries filed prior to September 19, 2001.

TC director would have been eligible for a higher rating and bonus if he had responded in 30 days: The technology center director would not have received a higher rating and bonus by responding to the complainant's August 27 status inquiry, because responding to status inquiries is not one of his workflow management measures. The

ratings and bonuses of technology center directors are not affected by responses to status inquiries.

While workflow management is critical throughout PTO, it is the technical support staff and examiners who usually provide responses to complainant's status inquiries. However, in this instance, the technology center director responded to the complainant's status inquiry without the involvement of the technical support staff and the examiner.

The complainant appears to believe responses to status inquiries must meet a 30-day requirement. However, as noted previously, the MPEP only requires a "prompt" response to status inquiries.

Recommendations: Although the complainant's specific complaints and concerns are not supported, we believe that to improve its handling of patent applications and better clarify its processes, PTO should (1) clarify the definition of "promptly" for patent corps responses to applicant status inquiries, (2) inform applicants if it responds to more than one status inquiry in the same letter in order to address all unresolved issues, and (3) clearly inform applicants when to submit status inquiries pertaining to their applications.

In response to our draft report, PTO concurred with all three of our recommendations. More importantly, PTO's responses to our recommendations meet the intent of our recommendations. For recommendation one, PTO stated it has recently implemented a new automated system by which responses are provided to status letter inquiries. According to PTO, when such inquiries are received in a technology center, a Customer Service Center representative enters the application serial number into an automated system and provides an approximate date of action to the applicant. Specifically, the Customer Service Center representative either calls the applicant with the status information or prints a letter containing the status information and mails it to the applicant for their records. With this "automated system," PTO maintains that "a response can be provided simply and quickly after the initial inquiry by the applicant." Therefore, PTO does not believe it is necessary to clarify the definition of promptly for patent corps responses to applicant status inquiries. We agree. As a result, PTO's action meets the intent of our recommendation.

For recommendation two, PTO's new automated system will provide separate responses to each applicant inquiry. Therefore, we believe that PTO's action meets the intent of our recommendation.

For recommendation three, PTO provided information that indicates that applicants are clearly informed when to submit status inquiries pertaining to their applications. Specifically, PTO stated that the Official Gazette and the Manual of Patent Examining Procedure provide applicants with information on what applications have received first office actions on the merits and when applicants should file status inquiries, respectively.

The Official Gazette includes the average filing date of applications receiving a first office action in each technology center and the telephone numbers of the customer service centers if an applicant has any questions regarding his or her application. PTO stated that applicants should call their applicable customer service center with an inquiry if their application is older than the published dates in the Official Gazette. We believe such wording adequately informs applicants about when and where they should inquire if they have a problem with their applications. As a result, we believe such wording meets the intent of our recommendation.

In addition, PTO stated that the Manual of Patent Examining Procedure provides clear guidance on when applicants should submit status inquiries. Specifically, the MPEP wording states that applicants can submit a status inquiry after 5 or 6 months, if they have not heard from the office. PTO stated that the wording was intentional so that applicants had the option of filing status inquiries, and not that they had to submit status inquiries after 5 or 6 months. As a result, with such wording and the information in the Official Gazette on where and when to submit inquiries, we believe that such measures meet the intent of our recommendation.

II. *Issue 2: For application 09/253,506, PTO personnel deleted and altered PALM entries for personal gain*

OIG finding: Not supportable. We found a supervisory patent examiner troubleshooter, one of the 191 PALM troubleshooters, and not the technology center director, properly deleted the six entries in question. (See page 15.) We found no evidence to support the charge that PTO personnel altered PALM entries for personal gain.

Discussion: The complainant alleged that (1) a technology center director deleted six entries in PALM to ensure that his examiners met required timeframes for responding to an amendment to application 09/253,506, and (2) PTO personnel entered a false completion date for an examiner's non-final rejection[4] on the application, to ensure that the examiner received credit before the end of fiscal year 2001. The complainant further alleged that when the work was actually completed—November 1, 2001—personnel changed the late September date to the November 1 date.

Alleged entry deletions: The complainant alleged that the technology center director deleted the six entries because the technology center director (1) was upset that his decision to deny the complainant's petition to withdraw an examiner's restriction requirement[5] would be reviewed by the Office of Petitions, (2) had not approved the complainant's February 23, 2001, amendment into PALM, and (3) needed to hide the fact that PTO had not met the 120-day deadline for responding to amendments. As stated above, a PALM troubleshooter, not the technology center director, deleted the six entries.

We found that PALM contained no documentation explaining the deletions. However, after reviewing the entire paper file for application 09/253,506 and talking to various PTO personnel, it appears that a technical support staff troubleshooter made the deletions in order to eliminate duplicate entries and avoid an unnecessary duplicate petition response. Because only duplications were deleted, those deletions would not have enabled PTO to hide the fact that it failed to meet the 120-day amendment response requirement. The reasons for the duplications are as follows.

Based on discussions with PTO personnel, on August 22, 2001, technical support personnel mistakenly entered duplicates of two supplemental petitions from the complainant. PTO personnel were apparently confused when the complainant sent multiple copies of each petition to different PTO offices. The two duplicates were subsequently deleted.

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[4] A non-final rejection is an examiner's intermediate answer that does not close prosecution of an application.

[5] 37 CFR 1.142 states, "If two or more independent and distinct inventions are claimed in a single application, the examiner may require the applicant to elect (designate) a single invention to which the claims will be restricted (limited to)."

In another instance, PTO answered two of the complainant's December 18, 2000, petitions in one response (see table 4).[6] Accordingly, the troubleshooter deleted one of two petition entries because it did not require a separate action. Finally, only three deletions were made, but PALM records each deletion as two transactions—one being the actual record that is eliminated and the other being the act of eliminating it. Therefore, the elimination of two duplicate petitions and the separate December 18 petition was tabulated as six individual deletions.

Alleged input of false information. The complainant alleged that PTO personnel had purposely entered a completion date for incomplete work by an examiner, between September 24-26, 2001, for patent application 09/253,506, so that the examiner assigned to the application would meet his fiscal year production quota. However, the complainant contended the work was not actually completed until November 1, 2001, and PTO personnel then changed the September 2001 date to November 2001, to reflect the actual completion of the examiner's work.

After reviewing examiner production records and PALM reports, we found no evidence that PTO personnel had (1) entered a false September 2001 work completion date, or (2) changed completion dates from a late September date to November 1. We determined that the examiner in question received credit for the completed work on November 1, 2001.

[6] Granting the review of a previous decision on March 6, 2001, and then a decision after review on August 28, 2001.

III. *Issue 3: For application 09/253,506, PTO personnel failed to enter and process the complainant's petitions and amendments within appropriate timeframes*

OIG finding: ***Supportable.*** We found that PTO failed to enter and process at least half of the complainant's petitions and amendments within appropriate timeframes.

Discussion: We found that the Office of Petitions failed to enter and process two petitions within its 85-day goal. For fiscal year 2001, the Office of Petitions average response time was 84 days. The patent corps does not have timeframes for responding to petitions. In addition, the patent corps did not meet the 120-day American Inventors Protection Act requirement for entering and processing two amendments for application 09/253,506. Table 4 below shows the chronology of events regarding the complainant's issue.

Table 4. Chronology of PTO's Handling of Application 09/253,506

Action	Filing date by Applicant	Entry into PALM	Response Requirement	PTO Response Due	Response from PTO (as of 8/15/03)	Response Overdue
Amendment 1-e	4/14/2000	No data	120 days	8/14/2000	6/19/2000	0 months
Petition 1 - tc	7/17/2000	No data	None[1]	None	10/26/2000	0 months
Petition 2 - op	12/18/2000	No data	85 days[1]	3/13/2001	3/6/2001	0 months
Petition 3 – op	12/18/2000	No data	None	None	None[2]	None
Amendment 2-e	2/23/2001	No data	120 days	6/23/2001	11/1/2001	4 months
Petition 4 - tc	3/6/2001[2]	No data	None[1]	None	8/28/2001	2 months[3]
	8/22/2001	No data	None	None	8/28/2001	0 months
Petition 5 - op	9/27/2001	After 11/1/01	85 days[1]	12/22/2001	7/18/2002	8 months
Petition 6 - tc	12/19/2001	4/21/03	None	None	4/22/2003	13 months
Amendment 3-e	2/1/2002	4/11/03	120 days	6/1/2002	Examiner reviewing	15 months
Petition 7 - op	9/13/2002	9/16/02	85 days[1]	12/8/2002	Office of Petitions reviewing	9 months
Amendment 3 (duplicate 1)	9/23/2002	N/A[4]	N/A	N/A	N/A	N/A
Amendment 3 (duplicate 2)	9/23/2002	N/A	N/A	N/A	N/A	N/A
Amendment 3 (duplicate 3)	11/12/2002	N/A	N/A	N/A	N/A	N/A

Person responding: e– examiner; op – Office of Petitions; tc – technology center director
[1] The 85-day requirement is for the Office of Petitions and not the patent corps.
[2] PTO responded to this petition on 3/6/2001 and 8/28/2001.
[3] Response overdue is based on Office of Petitions requirement since the patent corps has no requirement.
[4] PALM EXPO will not record critical papers such as amendments more than once.

Source: PTO PALM data

PTO management provided two explanations for the delays: (1) the application folder, which contains all relevant documentation to the patent application, was lost from January 27, 2003, until February 27, 2003,[7] during which time no work could be done on the petitions and amendment; and (2) three individuals were processing amendments and petitions pertaining to the application—the examiner, technology center director, and an individual from the Office of Petitions—and only one of them could work on the file at a time, since the paper folder is required to review the entire application history.

Although we were unable to determine the precise reasons for the delays, given the passage of time, it appears that the fact that three individuals were working on the applications and needed to coordinate their efforts contributed to the delays in processing the complainant's petitions and amendments. Since PALM indicated the applicant filed two petitions and one amendment within five months to several offices, it would seem obvious that the three individuals needed to coordinate their processing efforts. However, it would appear that the loss of the application may have contributed to some of the delay (see table 4).

The complainant also charged that PTO did not (1) enter replacement copies of his September 27, 2001 and December 19, 2001 petitions and February 1, 2002 amendment into PALM; (2) respond to his 15 status inquiries; (3) consider the complainant's additional claims from the February 23, 2001 amendment in the examiner's November 1, 2001 office action; and (4) consider the technology center director's August 28, 2001 petition decision in the November 1, 2001 office action.

When PTO technical support staff failed to enter into PALM the original copies of the complainant's petitions and amendment, the complainant provided duplicate copies on June 18, 2002. However, we found that PTO personnel did not enter the original or replacement copies of the September 27, 2001 and December 19, 2001 petitions and February 1, 2002 amendment into PALM, until sometime between November 1, 2001 and November 6, 2001,[8] April 21, 2003, and April 11, 2003, respectively. While PTO responded to the September 27, 2001 and December 19, 2001 petitions on July 18, 2002 and April 22, 2003, respectively, the complainant is still awaiting responses to his February 1, 2002 amendment and September 13, 2002 petition (see table 4).

Second, as for the 15 status inquiries, the complainant alleged that he submitted these between March 21 and July 12, 2002, requesting PTO's decision on his three petitions and one amendment that still had not been entered into PALM. We found that the complainant requested decisions on his three petitions and one amendment, 17 times between March 21, 2002 and July 12, 2002. PTO responded to the complainant's requests for decisions on his amendment and petitions by entering the amendment and responding to two of his petitions. According to PTO, the amendment entry on April 11,

[7] See table 6.

[8] PALM was converted to PALM EXPO on November 6, 2001, and all entries prior to this date are not recorded. Since an entry prior to the petition entry occurred on November 1, 2001, the petition was entered sometime between this date and the PALM EXPO conversion on November 6, 2001.

2003 and the petition decisions of July 18, 2002 and April 22, 2003, answered all of the complainant's status inquiries. In addition, the Office of Petitions is reviewing the third petition, which was entered into PALM on September 13, 2002 (see table 4).

Third, the complainant alleged the examiner's November 1, 2001 response to the complainant's February 23, 2001 amendment, did not consider the complainant's additional claims and violated the Administrative Procedure Act of 1946. The act requires government agencies to consider all evidence when making a decision. However, after reviewing the examiner's November 1, 2001 response, we found the examiner reviewed the complainant's additional claims. The examiner discounted the complainant's additional claims because these new claims did not relate to the invention the complainant selected. Since the examiner had previously made a non-final rejection of the complainant's claims on September 25, 2000, for this selected invention, the complainant could only submit additional claims that were related to this invention.

Fourth, on August 28, 2001, the technology center director amended the reasons for the examiner's restriction requirement (see page 14 for details). The complainant alleged the examiner's November 1, 2001 non-final rejection of claims did not consider the technology center director's new justification for the restriction requirement. As stated in issue four, the complainant believed the technology center director's amended restriction requirement should have withdrawn the examiner's original restriction requirement. As a result, the complainant alleges the examiner's November 1 office action should have included the new restriction requirement and therefore considered the complainant's additional claims. However, as MPEP 1002.01 states, after rendering a petition decision, the application is forwarded to the examiner, who will act in accordance with the decision. Since the technology center director's petition decision deemed the examiner's original restriction requirement correct, the examiner appropriately acted upon the technology center director's petition decision.

Recommendation: We recommend that PTO establish clear timeliness goals for the Patent Corps' handling of, and responses to, applicant's petitions.

In response to our draft report, PTO concurred with our recommendation. However, PTO's response to the recommendation does not fully meet the intent of our recommendation because it did not incorporate a timeliness goal. PTO stated that its Image File Wrapper system will soon be implemented allowing multiple people to work on cases. In addition, they also stated that technology center directors "generally" respond to petitions within one to two months from their receipt of the application. While we believe this may help reduce the timeframes for the patent corps' handling of, and responses to, applicants' petitions, we reaffirm our recommendation that PTO establish "clear" and specific timeliness goals for the patent corps' handling of, and responses to, applicants' petitions.

IV. *Issue 4: For application 09/253,506, PTO's Office of Petitions wrongfully dismissed the complainant's petition*

OIG finding: Not Supportable. We found that the Office of Petitions followed PTO procedures. After reviewing the examiner's restriction and the technology center director's decision, the Office of Petitions determined that a restriction of claims was necessary and the director's decision not to withdraw the restriction was proper. Overall, the complainant has had PTO personnel review the examiner's original restriction six times (see table 4 on page 10). Based on these six reviews, the restriction requirement has been deemed proper. The complainant filed a seventh petition on September 13, 2002, for reconsideration by the Office of Petitions.

Table 5. Events Leading Up to the Complainant's September 27, 2001 Petition

Action	Person Responding	Date	Decision	Response from PTO
Restriction[1]	Examiner	4/14/2000	Restrict to one invention	Not Applicable
Restriction[2]	Examiner	6/20/2000	Restrict to type of invention	Not Applicable
Petition	Technology Center Director[3]	7/17/2000	Denied[4]	10/26/2000
Examiner's First Office Action on the Merits	Examiner	9/25/2000	Non-final rejection	Not Applicable
Petition	Office of Petitions[3]	12/18/2000	Granted[4]	3/6/2001
	Technology Center Director[5]	3/6/2001	Denied[4]	8/28/2001[6]
Petition[7]	Technology Center Director[3]	8/22/2001	Denied[4]	8/28/2001
Petition	Office of Petitions[3]	9/27/2001	Dismissed[4]	7/18/2002

[1] A restriction requires the applicant to limit the number of claims to those pertaining to one invention.
[2] The examiner made his final restriction to the applicant's claims.
[3] The Commissioner for Patents referred the petition to the technology center director.
[4] Granted- request is approved, Denied- final unfavorable decision, Dismissed- unfavorable intermediate decision primarily due to a fundamental defect (e.g., no fee provided).
[5] The Office of Petitions granted the petition on March 6, 2001, and returned the file to the technology center director for reconsideration of the examiner's restriction and the technology center director's October 26, 2000 petition decision.
[6] The August 28, 2001 decision responds to the December 18, 2000 and August 22, 2001 petitions.
[7] The complainant requested that PTO review the December 18, 2000 petition.

Source: PTO PALM data

Discussion: PTO's Office of Petitions[9] dismissed the complainant's September 27, 2001 petition based on prior decisions made by an examiner and technology center director. In our review, we assessed whether the Office of Petitions followed documented procedures in dismissing the complainant's petition, and not whether the decisions made by the Office of Petitions, technology center director, and examiner were correct. The complainant alleged that the Office of Petitions should have overturned the technology center director's decision rather than dismissing his petition, thereby violating PTO's procedures.

Specifically, the complainant contended that the examiner's explanation for restricting claims in the application was final and not subject to change. When the technology center director affirmed the examiner's restriction but changed the basis for it, the complainant believed the technology center director should have withdrawn the examiner's original restriction requirement. The complainant alleged the technology center director violated PTO procedures by changing the reasons for the restriction requirement in his subsequent decision. As a result, the complainant believed the Office of Petitions wrongfully dismissed his petition by not overturning the technology center director's decision.

MPEP 1002.02 allows technology center directors to review an examiner's final restriction decision when an applicant submits a petition to reconsider the examiner's decision. PTO guidelines do not specify that if the final restriction requirement is revised, the finality of the examiner's decision should be withdrawn. In such instances, the prosecution of the application continues, including multiple non-final rejections, until it concludes with the granting, denying, or abandoning of the application. Therefore, the complainant's assertion that the Office of Petitions action was inappropriate in light of the technology center director's decision, and thereby violated PTO procedures, is not supported.

[9] The *Manual of Patent Examining Procedure* (section 1002.02) allows the Office of Petitions to review restrictions made by examiners.

V. *Issue 5: PTO technology center director and other personnel had inappropriate access to PALM and were able to manipulate dates for personal gain*

OIG finding: ***Not supportable.*** We found the technology center director and other personnel referred to by the complainant had appropriate authorized access to PALM.

Discussion: The complainant alleged that a technology center director and other personnel had inappropriate access to the PALM system and were able to manipulate dates for personal gain. Based on our conversations with the complainant, it appears that he incorrectly believed that directors and supervisors did not have access to the PALM system. Specifically, he believed that only clerks had such access to PALM. The complainant challenged the access rights of other PTO personnel. We found that PTO has designated 191 PALM troubleshooters with access to PALM because it is PTO's primary production system containing very sensitive and economically important data to supervisors and technology center directors. (See box.)

PALM TROUBLESHOOTERS

PTO has authorized 191 employees as troubleshooters for 3,538 patent examiners. These employees are authorized to enter, modify, or delete PALM data, and they include 5 technology center directors, 69 supervisory patent examiners, 4 patent corps executives, 62 legal instrument examiners, 30 legal instrument examiner supervisors, and 21 other individuals in support offices.

Finally, the complainant also charged that one director—who had designed PALM and has since left PTO—could access the system remotely and alter or review application data because he had recreated the PALM system outside PTO. After speaking to PTO personnel, we confirmed that the technology center director's system access was revoked the day he left PTO. Therefore, even if the former technology center director had created his own PALM system, it does not appear that he could access PTO's PALM system without system privileges.

VI. *Issue 6: PTO temporarily lost applications 09/253,506 and 09/940,607*

***OIG finding:* Supportable.** According to PTO's PALM system, PTO did lose both of the complainant's application folders for three months in total (see table 6).

Discussion: PTO handles hundreds of thousands of folders each year and reportedly loses very few, so the loss of two applications submitted by the same individual is troublesome. But not only were both of the complainant's folders lost, they were lost within 18 days of each other. We found that according to PTO records, lost folders are a rare occurrence. For example, year-to-date[10] data for fiscal year 2003 indicate that only 2,837 folders out of approximately 1 million pending applications—or less than .03 percent—have been identified as lost.

Table 6: Lost and Found Data for Complainant's Applications

Application	Original filing date	Marked Lost	Marked Found
09/253,506	02/22/1999	1/27/03	2/27/03
09/940,607	08/29/2001	2/13/03	4/18/03

Source: PTO PALM data

PTO management gave several general explanations for how folders are lost, including the facts that contractors or examiners may misplace folders while transporting them to or from storage; PTO personnel may not record the correct location of a folder; or one examiner or supervisor may borrow the folder from another and not record its whereabouts in PALM. We could not specifically determine how the folder for application 09/253,506 was lost. However, PALM records indicate a petition was entered in the Office of Petitions on September 16, 2002, as that is the last entry prior to the folder being marked lost on January 27, 2003. PTO personnel believe the loss may have occurred as the folder moved among multiple offices. Specifically, the examiner, the technology center director, and the Office of Petitions had to process a large amount of documents the complainant had submitted.[11]

PTO personnel stated that the folder for application 09/940,607 was probably lost when the application was submitted on August 29, 2001, or after PTO technical support staff entered three information disclosure statements[12] into the file. The loss does not appear to have been discovered prior to February 13, 2003—when someone at PTO tried to find the folder. No official examiner action occurred prior to the application being marked lost.

While we could not determine how the folder for application 09/940,607 was lost, we verified that the application was first assigned to an examiner on January 29, 2002. Prior

[10] Year to date includes October 2002 through May 2003.
[11] See table 4.
[12] Information disclosure statements are submitted by an applicant and disclose all patents, publications, applications, or other information known to that individual to be material to patentability.

to this date, PTO received three information disclosure statements pertaining to this application—dated August 29, 2001, November 20, 2001, and December 27, 2001—requiring entry of all three statements into the file after the case was assigned to the examiner. Sometime between January 29, 2002, and August 19, 2002, when the case was re-assigned to an examiner, these information disclosure statements were entered into PALM. This was the last activity recorded before the file was marked lost. Therefore, the file was probably lost between January 29, 2002, when the original examiner was assigned and entered the information disclosure statements and the actual date the file was marked lost, February 13, 2003. We could not determine why the file was marked lost because PALM does not record such reasons.

PTO plans to replace paper applications with electronic files to eliminate the potential loss of folders. PTO is currently pilot testing a system called e-Phoenix, which the European Patent Office developed to provide examiners with online access and thus reduce application-processing time and loss of paper files. PTO plans to have the system implemented PTO-wide by 2004.

UNITED STATES
PATENT AND
TRADEMARK OFFICE

Commissioner for Patents
Washington, DC 20231
www.uspto.gov

SEP 29 2003

MEMORANDUM FOR: Jill Gross
Assistant Inspector General for Inspections and Program Evaluations

FROM: Nicholas P. Godici
Nicholas P. Godici
Commissioner for Patents

SUBJECT: Response to Draft Inspection Report No. IPE-16083

The Patent Business area appreciates the effort your inspection staff has made in evaluating the handling of patent application serial numbers 09/253,506 and 09/940,607. We have carefully considered the four recommendations made in the subject draft report for improving the clarity of instructions to applicants regarding the status letter processing and more clearly defining timeliness goals for petitions. We acknowledge the concerns raised and believe that the goal of the recommendations either have already been met by recently implemented automated systems or the USPTO is taking means to comply with the recommendations.

IG Recommendation (1): Clarify the definition of definition of "promptly" for patent corps responses to applicant status inquiries.

USPTO Response:

We agree that a prompt response to patent application status inquiries is important. The Office received approximately 40,000 status inquiries annually. In order to provide improved customer service in this area, the USPTO has recently implemented a new automated system by which responses are provided to status letter inquiries. When such inquiries are received in the Office the Technology Center Customer Service Center representative enters the application serial number into an automated system and an approximate date for action is provided. The Customer Service Center representative then either calls the applicant with the status information or prints a letter containing the status information and mails it to the applicant for their records. With this automated system a response can be provided simply and quickly after the initial inquiry by the applicant.

It is believed that the Office has accomplished the objective that has been recommended by the inspection report.

IG Recommendation (2): Inform applicants if the USPTO responds to more than one status inquiry in the same letter.

USPTO Response:

We agree that the applicant should have an understanding of which inquiry the Office letter is responsive to. The new automated status letter response system provides a separate response to each inquiry received by the Technology Centers. Since the Office response is conveyed by either telephone, or in writing to each status inquiry, the short turn around time ensures that the applicant is aware of which status inquiry the Office is responding to.

IG Recommendation (3): Clearly inform applicants when to submit status inquiries pertaining to their applications.

USPTO Response:

The Patent Business area agrees with this recommendation and recognizes the need to clearly inform applicants of when to file status requests. The USPTO currently accomplishes this in two ways. The weekly *Official Gazette* includes the average filing date of applications receiving a first Office action in each Technology Center (TC) along with the phone number for each of the Customer Service Centers. Thus, if applicant has an application older than the published date, a status inquiry would be recommended. Additionally, the Manual of Patent Examining Procedure (MPEP), section 203.08, sets forth guidance for applicants as to when a status inquiry would be proper.

IG Recommendation (4): Establish clear timeliness goals for the Patent Corps handling of, and responses to, applicant's petitions.

USPTO Response:

We agree with the recommendation and are taking steps to ensure guidelines for these responses. As noted in the draft inspection report, the Office of Petitions currently has a response time goal. The Technology Center directors generally respond to petitions within one to two months from their receipt of the patent application in the TC. Some of the delay in responding to the applicant in subject application 09/253,506 was caused by locating and matching papers to the application file. Additional delays were caused, as noted in the draft inspection report, by one office needing access to the file while another office was working on the file at the same time. The electronic Image File Wrapper (IFW) system that is currently being deployed throughout the corps will enable multiple USPTO employees to concurrently view the application from their individual desktops. As deployment of the IFW system continues to expand fewer applications will be

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processed in their current paper form, and therefore locating the paper file will not be a cause for delay in responding to a petition.

Observation regarding page 7 of the report: On page 7 of the draft report states, "... it is rare for applicants to submit petitions relating to examiner restrictions." It should be noted that while it is not typical for applicants to petition an examiner's holding of a restriction, this is not a "rare" occurrence. The duplicate entry was caused by technical support error in entering a duplicate paper.