



U.S. PATENT AND TRADEMARK OFFICE

USPTO Successfully Implemented Most Provisions of the America Invents Act, but Several Challenges Remain

FINAL REPORT OIG-13-032-A
SEPTEMBER 30, 2013

U.S. Department of Commerce
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September 30, 2013

MEMORANDUM FOR: Teresa Stanek Rea
Acting Under Secretary of Commerce for Intellectual Property and
Acting Director of the U.S. Patent and Trademark Office

FROM: Ron Prevost *Carole Prevost for*
Assistant Inspector General for Economic and Statistical Program
Assessment

SUBJECT: *USPTO Successfully Implemented Most Provisions of the
America Invents Act, but Several Challenges Remain*
Final Report OIG-13-032-A

We are providing our final audit report of our review of the U.S. Patent and Trademark Office's (USPTO's) efforts to implement the America Invents Act (AIA). This audit, part of the Office of Inspector General's FY 2013 audit plan, sought to (1) evaluate the effectiveness of USPTO's plans and efforts to train employees and provide the necessary IT infrastructure to roll out AIA provisions by statutory deadlines, (2) review the extent to which USPTO is carrying out the expansion of satellite offices in a cost-effective manner and in accordance with relevant regulations, (3) review whether and to what extent USPTO is collecting the necessary information to provide Congress with an assessment of AIA implementation by September 2015, as mandated by the Act, and (4) review whether and how USPTO will incorporate lessons learned from the implementation of initial AIA provisions during the rollout of later provisions and evaluate the progress it has made in meeting congressionally mandated requirements.

We found that USPTO implemented the majority of the Act's provisions on time but that several challenges remain. Specifically we found challenges to USPTO's efforts to provide the IT infrastructure and train employees as needed to apply AIA-prescribed changes to the patent process. In addition, significant challenges remain for fully implementing the satellite office program. Finally, we noted that USPTO lacks plans to complete the overall AIA implementation report and to operate AIA-mandated programs.

In your response to our draft report, you concurred with all of our recommendations. Where appropriate, we have modified the final report based on this response and subsequent discussions with USPTO officials. The formal USPTO response is included as appendix C. The final report will be posted on the OIG's website pursuant to section 8L of the Inspector General Act as of 1978, as amended.

In accordance with the Department Administrative Order 213-5, within 60 days of the date of this memorandum, please provide us with an action plan that responds to all the report recommendations. We thank USPTO personnel for the courtesies shown to us during our review. Please direct any questions or comments about the report to Carol Rice, Division Director, at (202) 482-6020, or Eleazar Velazquez, Supervisory Program Analyst and audit manager, at (202) 482-0744.

Attachment

cc: Margaret A. Focarino, Commissioner for Patents, USPTO
Anthony P. Scardino, Chief Financial Officer, USPTO
Welton Lloyd, Audit Liaison, USPTO



Report In Brief

SEPTEMBER 30, 2013

Background

The President signed the Leahy-Smith America Invents Act in September 2011. The AIA included fundamental revisions to patent laws and USPTO practices, such as moving to a first-inventor-to-file patent process, authorizing the agency to set and retain fees to ensure it has sufficient resources for its operations, and establishing satellite offices.

USPTO has stated these changes would help it process applications faster, reduce the patent application backlog, increase patent quality through expedited patent challenges, and improve examiner recruitment and retention.

The new law, containing 37 provisions, mandated USPTO to implement 24 rules, 7 reports, and 4 programs and the Small Business Administration and the Government Accountability Office to issue one report each by September 16, 2015.

Why We Did This Review

Given the magnitude of changes required by AIA, OIG audited USPTO's effectiveness and progress in implementing them by the law's multiple deadlines. Our objectives were to evaluate:

- USPTO's plans for training employees and providing the IT infrastructure needed to meet AIA provisions.
- Whether USPTO's expansion of satellite offices is cost-effective and within regulations.
- Whether USPTO is collecting necessary information for reporting on AIA to Congress by September 2015.
- Whether USPTO will be able to use lessons learned from implementing initial AIA provisions when rolling out later provisions.

U.S. PATENT AND TRADEMARK OFFICE

USPTO Successfully Implemented Most Provisions of the America Invents Act, but Several Challenges Remain

OIG-13-032-A

WHAT WE FOUND

USPTO implemented most provisions of the American Invents Act (AIA) on time but is overdue on several others. Specifically, we noticed significant problems with the planning and implementation of one IT system, the Patent Review Processing System, which was developed to meet AIA mandates and had cost overruns and limited functionality.

In addition, USPTO's initial plan to assess training provided to approximately 8,000 examiners on AIA-mandated changes was not sufficient and did not enable structured feedback from the examiners.

Challenges also remain for the satellite office program. To increase the agency's presence beyond USPTO's Alexandria, Virginia, headquarters, the AIA required the agency to establish at least three satellite offices by September 16, 2014, subject to available resources. The agency opened the first of these offices in Detroit in July 2012, but is unlikely to open the remaining offices by the September 16, 2014, deadline. USPTO is required to report to Congress by September 30, 2014, on the effectiveness of these offices, and the delayed openings will affect the report.

Finally, we found that USPTO lacks implementation plans to complete the overall AIA implementation report and operate two AIA-mandated programs, the Pro Bono and Diversity of Applicants programs.

WHAT WE RECOMMENDED

We recommend that the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office:

1. Strengthen project planning and execution between the Office of the Chief Information Officer and the Patent Trial and Review Board (PTAB), and with other USPTO units.
2. Develop a multiyear plan that comprehensively addresses PTAB's IT requirements to support its expanded responsibilities under the AIA.
3. Ensure the quality of processing first-inventor-to-file (FITF) applications by soliciting feedback from examiners after FITF training and after their first reviews of those applications, as well as by oversampling recently filed FITF applications.
4. Update Congress on the agency's ability to establish satellite offices that meet AIA provisions and provide a plan for more satellite offices as resources become available.
5. Strengthen management of the satellite office program to develop a consistent and coordinated approach for establishing and operating satellite offices.
6. Prepare a comprehensive plan for issuing the overall AIA Implementation report to include milestones for completing the remaining AIA reports and for operational oversight needed to carry out the Pro Bono and Diversity of Applicants programs.

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*COVER: Detail of fisheries pediment,
U.S. Department of Commerce headquarters,
by sculptor James Earle Fraser, 1934*

Introduction

The U.S. Patent and Trademark Office (USPTO) is the sole authority for reviewing and deciding patent applications. Its nearly 8,000 examiners processed and issued more than 270,000 patents in FY 2012. On September 16, 2011, the President signed the Leahy–Smith America Invents Act (AIA, Public Law 112–29), representing the most fundamental change to the U.S. patent process in over 50 years. The AIA mandated USPTO to implement 24 rules,¹ 7 reports, and 4 programs by September 16, 2015 (see figure 1). The Small Business Administration (SBA) and the Government Accountability Office (GAO) are responsible for issuing two reports (listed in figure 1 as numbers 28 and 29, respectively).

Figure 1. AIA Provisions

Rules	Reports
1. Inter Partes Reexamination	25. International Protection for Small Business
2. Tax Strategies Are Deemed Within the Prior Art	26. Prior User Rights
3. Best Mode	27. Genetic Testing ^a
4. Human Organism Prohibition	28. Effects of First Inventor to File on Small Business ^{a c}
5. Virtual and False Marking	29. Patent Litigation ^{a d}
6. Venue Change	30. On Misconduct Before the Office ^b
7. OED Statute of Limitations	31. Virtual Marking ^b
8. Fee Setting Authority	32. Satellite Offices ^b
9. Establishment of Micro Entity	33. AIA Implementation ^b
10. Prioritized Examination	<u>Programs</u> 34. Pro Bono Program 35. Diversity of Applicants Program ^a 36. Patent Ombudsman for Small Business Program 37. Open Satellite Offices ^b
11. 15% Transition Surcharge	
12. Patent and Trademark Fee Reserve Fund	
13. Electronic Filing Incentive	
14. Inventor's Oath or Declaration	
15. Third Party Submission of Prior Art in a Patent Application	
16. Supplemental Examination	
17. Citation of Prior Art in a Patent File	
18. Priority Examination for Important Technologies	
19. Inter Partes Review	
20. Post Grant Review	
21. Transitional Program for Covered Business Method Patents	
22. First Inventor to File	
23. Derivation Proceedings	
24. Repeal of Statutory Invention Registration	

Source: USPTO

^aImplementation is overdue.

^bImplementation is not yet due.

^cImplementation is SBA's responsibility.

^dImplementation is GAO's responsibility.

¹Some rules did not require formal rule-making procedures.

Of the 37 AIA provisions, 28 were delivered on time. However, as shown in figure 1, 4 provisions are overdue and 5 were not yet due. Appendix B provides details about each provision, including their due dates and implementation status.

The AIA included fundamental revisions to patent laws and USPTO practices, such as moving to a “first inventor to file” (FITF) patent process to harmonize the U.S. system with the rest of the world, granting the agency authority to set and retain fees to ensure it has sufficient resources for its operations, and establishing satellite offices. The law also introduced new avenues for the public to challenge granted patents and replaced previous options that were deemed inefficient. With these and other changes, USPTO has stated it would be able to process applications faster, reduce its patent backlog, increase patent quality through expedited patent challenges, and improve examiner recruitment and retention.

Given the magnitude of these changes and as part of our FY 2013 audit and evaluation plan, we conducted an audit of USPTO’s efforts to implement the provisions of the AIA. We sought to:

- Evaluate the effectiveness of USPTO’s plans and efforts to train employees and provide the necessary IT infrastructure to roll out AIA provisions by statutory deadlines.
- Review the extent to which USPTO is carrying out the expansion of satellite offices in a cost-effective manner and in accordance with relevant regulations.
- Review whether and to what extent USPTO is collecting the necessary information to provide Congress with an assessment of AIA implementation by September 2015, as mandated by the Act.
- Review whether and how USPTO will incorporate lessons learned from the implementation of initial AIA provisions during the rollout of later provisions, and evaluate the progress it has made in meeting congressionally mandated requirements.

In our examination, we reviewed relevant documents and interviewed appropriate agency officials. We used USPTO data to review training plans and historical data on the filed applications to assess whether the agency had adequately trained examiners, and we reviewed project documentation on the rollout of the IT system used to process post-issuance proceedings. We obtained documentation and interviewed managers to determine the status of the 37 AIA provisions and if any lessons were learned during their implementation. In examining the law’s impact on USPTO, we assessed whether USPTO’s accomplishments met the legislation’s requirements. Finally, we reviewed federal and Department regulations, guidelines, and procedures regarding USPTO’s satellite office expansion program and reviewed office space requirements and human capital plans.²

²For more details on the scope and methodology of our audit work, see appendix A.

We found challenges to USPTO's efforts to provide the IT infrastructure and train employees as needed to apply AIA-prescribed changes to the patent process. Specifically, USPTO's implementation of an IT system to process AIA post-issuance proceedings was hampered by several factors, including planning, risk management, requirements collection, and communication between the project development team and the program unit. Also, USPTO's plans for assessing examiner training on the FITF rule were insufficient and could be strengthened through enhanced feedback. Furthermore, we found that USPTO adhered to relevant regulations in planning for four satellite offices but will have difficulty meeting two provisions related to this effort. While the agency opened the first of four planned offices in Detroit in July 2012, it is unlikely to open three offices by the deadline of September 16, 2014, as required by the Act. In turn, USPTO stated that this also will impact the report to Congress due shortly thereafter (on September 30, 2014), intended to assess the effectiveness of the four offices. Finally, USPTO implemented the majority of the law's provisions but did not have plans to complete the overall AIA implementation report and to operate AIA-mandated programs (see appendix B).

Findings and Recommendations

I. A New IT System Developed to Meet AIA Mandates Had Cost Overruns and Limited Functionality

To implement the AIA, USPTO needed to revise more than 15 IT systems. These changes addressed functions such as public searching, public filing, examiner research, fee collection, and application in-processing. Although many systems were affected by the AIA, we noticed significant problems with the planning and implementation of one IT system in particular: the Patent Review Processing System (PRPS).

USPTO determined that the Patent Trial and Appeal Board (PTAB), the unit responsible for reviewing challenges to issued patents, required a new IT system to process AIA post-issuance proceedings (see box). The agency acquired a commercial off-the-shelf (COTS) product and initially planned to spend less than \$2 million to develop this system. However, by the end of April 2013 the system remained incomplete but costs had escalated to nearly \$7 million. In its current form, PRPS does not deliver on all of PTAB's requirements. This project was hampered by a number of problems—including a tight rule-making and implementation timeline—customer dissatisfaction over the COTS product, and project team turnover. We also found significant deficiencies in planning that compounded those problems. Deficiencies included ineffective risk management, poor requirements collection, and a lack of communication between the Office of the Chief Information Officer (OCIO) and PTAB at critical project stages.

PRPS was intended to implement post-issuance proceedings by allowing (1) parties to file post-issuance petitions and other documents, and pay fees, (2) the public to view non-confidential

New AIA proceedings processed through PRPS

Inter Partes reviews – Someone other than the patent holder petitions USPTO to cancel claim(s) 9 months after a patent or reissue patent is issued (or at any time for a first-to-invent patent). Inter partes reviews are also available at the termination of a post grant review.

Post Grant reviews – Someone other than the patent holder petitions USPTO to cancel patent claims *within* 9 months of a patent being issued or reissued. Post grant reviews are generally available to applications subject to the first-inventor-to-file rules.

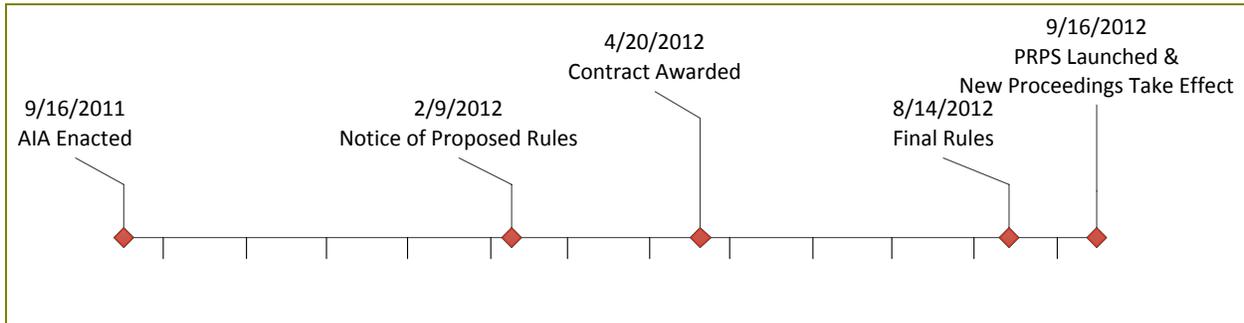
Covered Business Method – Reviews that use the same standards and procedures as a post grant review except they apply to any business method patent for which a petition is filed between September 16, 2012, and September 16, 2020.

Derivations – Applicants challenge a claimed invention on the basis that an earlier application is derived from the inventor of the later filed application without authorization.

Source: USPTO

petitions and documents, (3) PTAB paralegals to review submissions, and (4) administrative patent judges to manage cases in their dockets. Upon the AIA’s enactment on September 16, 2011, USPTO had one year to develop an IT solution for these proceedings. See figure 2 for the timeline of milestones for that period.³

Figure 2. Key Milestones of the Post-Issuance Proceedings in the First Year After Passage of the AIA

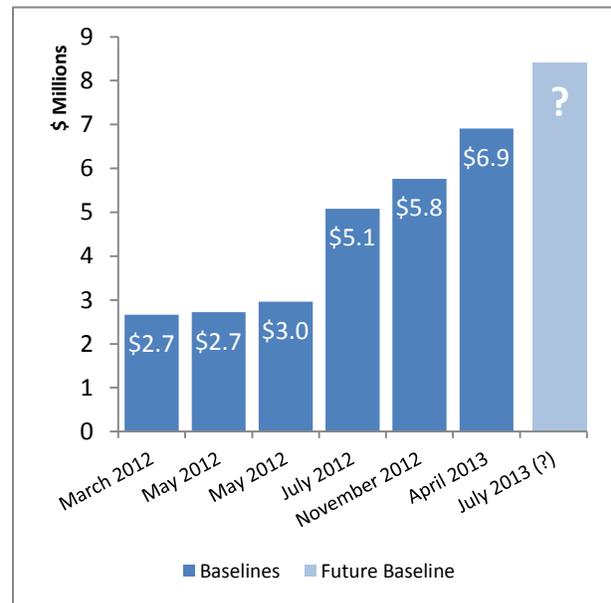


Source: USPTO data

PTAB had to publish proposed rules on how to process these proceedings; solicit and incorporate public comments; and then issue final rules that were published in August 2012. PRPS, which was developed as the rules were being drafted and finalized, became operational one month later on September 16, 2012, but with limited functionality that requires additional resources to improve and complete.

Because of problems with risk management, requirements collection, and communication—compounded by a compressed system release schedule and unexpected difficulties with the COTS product—project costs have escalated significantly, and PTAB staff have had to employ manual workarounds to carry out their work. Project costs have more than doubled from the original baseline (from \$2.7 million to \$6.9 million) to pay for additional design work, testing, and defect corrections in failed releases. Also, the project team said it needs an additional \$1.5 million to fulfill the remaining requirements (see figure 3) but has

Figure 3. Expected Cost of PRPS Project



Source: USPTO data

³Derivation proceedings are not included in this timeline because they took effect on March 16, 2013, beyond the one-year period after passage of the AIA.

yet to set a date for completing PRPS.⁴ The team may need to revise the baseline after updating the project plan. If the updated plan requires significant changes to the project, the cost could increase beyond the additional \$1.5 million.

In the time since PRPS was launched, PTAB's paralegal staff and judges have had to maintain spreadsheets to assign work and track the progress of petitions, which they thought would have been handled automatically by the new system. In addition to manual processes, the system has exhibited numerous flaws, such as assigning an incorrect filing date to petitions filed in the evening, and users have a limited ability to correct records. Given the numerous challenges with the system, PTAB has prioritized fixing defects that most directly affect the public, delaying the implementation of internal functionality sought by PTAB staff.

Risk management practices. We found problems in risk planning during the development of PRPS. Complex or expensive IT projects undertaken by federal agencies are subject to additional oversight by Capital Planning and Investment Control (CPIC).⁵ According to USPTO's CPIC policies, IT investments greater than \$2 million, as well as projects—regardless of cost—that have external commitments and legislative mandates, are subject to the CPIC process. Initially, PRPS did not meet the \$2 million cost threshold but did meet the external commitments and legislative mandates criteria that would have subjected it to the CPIC process.⁶ USPTO met that criteria but chose not to apply CPIC because it deemed PRPS a low-risk project overall. Once project costs began to increase in summer 2012, the CIO's office initiated and worked with the project team and PTAB to create a decision paper that aligned the project with the CPIC process. However, with the project team correcting failed releases and software flaws, the decision paper released in early April 2013 only documented the project's history and challenges and did not lay out the next steps.

Throughout the project's development, USPTO continued to underestimate the project's risk and did not employ risk management practices as required by its internal policies. In January 2012, the team developed a charter outlining the project's high-level requirements, scope, and assumptions. The charter acknowledged that the underlying business rules would likely change throughout the project because of rule-making. Yet rather than address the risks of a compressed implementation window caused by concurrent rule-making, the project team waited to draft a risk management plan and did not develop and maintain a list of project risks until October 2012, one month after the system's release. USPTO states its plan for managing risk is intended to be a proactive tool throughout the lifecycle of the project. Continuous risk management planning was particularly necessary because USPTO did not adhere to its original risk mitigation strategy of delaying design work until requirements were finalized. This lack of risk planning and mitigation exacerbated the problems of delivering a product that was already facing a short implementation window and a fluid rule-making environment.

⁴After the November 2012 baseline, the project team developed another baseline that increased the expected project cost to \$7.8 million, but as of April 5, 2013, USPTO had funded the project at only \$6.9 million. The CIO is working on a plan for PRPS going forward, so costs may rise.

⁵The CPIC oversight process is mandated by the Clinger-Cohen Act (40 U.S.C., section 11101, *et. seq.*) and includes checks to ensure that IT investments maximize value and manage risk.

⁶In December 2011, the project was estimated to cost less than \$2 million because only minor modifications to the COTS product were planned. After collecting high-level requirements, selecting a vendor, and conducting additional planning, USPTO revised its cost estimate and established a baseline of \$2.7 million in March 2012.

Requirements collection. We also found issues in the requirements collection process for PRPS. The project team used several methodologies to collect detailed requirements, which made it difficult and more expensive to validate and test the requirements prior to the system's launch. Our conclusion that requirements collection was lacking is supported by an August 2012 USPTO internal quality assessment. The current project manager also acknowledged that USPTO did not have a complete list of documented requirements until after the project began.⁷ Such a list, which includes specific criteria for determining whether a requirement has been met, is necessary for testing and is both a widely accepted project management practice and USPTO IT policy.

Because its complexity was underestimated, the project also did not undergo a specific management review of the requirements collection prior to the design phase. USPTO's System Development Lifecycle policies govern the processes and procedures for IT projects. One of those policies allows project teams to combine the requirements and planning reviews if the project is perceived as less rigorous or complex. The project team decided in December 2011 to combine the planning and requirements review, which was held in March 2012. However, March 2012 was too early to check how well the detailed requirements were defined because the team had not finished collecting them from system users. While interviewing OCIO and PTAB staff, we received different opinions on how many project requirements had changed between when the proposed rules were issued in February 2012 and the final rules were issued in August 2012. This suggests a lack of communication between OCIO and PTAB, which could have been helped by additional management oversight of the requirements collection.

OCIO and PTAB communication. We noted differences in opinion among OCIO and PTAB staff about the level of effort required for completing PRPS. PTAB staff were unaware that more resources would be needed beyond April 2013, while OCIO staff had not yet completed their analysis of project options. A similar miscommunication occurred in 2012 when the project team unexpectedly informed PTAB senior management that it needed to reallocate funds from other PTAB projects to pay for the increasing costs of PRPS. PTAB had not worked with OCIO on major projects prior to the AIA, unlike other offices that have working relationships with OCIO. For example, the Office of Patent Administration works closely with OCIO through its Office of Patent Information Management to develop requirements for a complex IT project called Patent End to End.⁸ That working relationship has existed for several years on Patent End to End and other IT projects. Because of AIA's enactment, OCIO and PTAB need to work closely to develop and implement PRPS. Although progress in some areas has improved since October 2012, communication between OCIO and PTAB requires continued management attention.

⁷There have been several changes to the project manager role, with the current manager in place since October 2012. Since October, the project team has been prioritizing PTAB needs and addressing a backlog of unmet needs and defects.

⁸The Office of Patent Information Management manages the development and implementation of technology, systems, tools, and information resources for the patents organization.

We also found some improvements to the project since October 2012, including documenting risks, consolidating requirements, and creating a central repository for acceptance criteria. However, problems with planning persist. In November 2012, the CIO requested an independent assessment of PRPS (completed in early January 2013) that identified 19 problems with the project and recommended that USPTO develop a plan for long-term system development beyond March 2013, when the then-current plan ended. Toward the conclusion of our fieldwork, USPTO extended the plan an additional month and was working on a new plan to address the project's shortcomings.

Recommendations

We recommend that the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office:

1. Strengthen project planning and execution between OCIO and PTAB and, looking forward, with other USPTO units lacking a working relationship with the OCIO by adhering to USPTO's System Development Lifecycle policies for risk management practices, requirements collection, and communications and reevaluating whether waivers to specific project requirements should apply if initial funding and scope assumptions change.
2. Develop a multiyear plan that comprehensively addresses PTAB's IT requirements, including internal IT staffing and training needs, to support its expanded responsibilities under the AIA.

II. USPTO's Initial Plan to Assess Employee Training on AIA-mandated Changes Was Not Sufficient

Perhaps the most significant change brought about by the AIA is replacing the first-to-invent rule with the first-inventor-to-file (FITF) rule, bringing the United States in line with patent systems globally. We focused our efforts on the training piece of this provision given the challenge of providing consistent training to approximately 8,000 examiners. The new rules redefined key concepts, such as prior art and obviousness, used to determine whether an application is allowed. USPTO provided an introductory overview of AIA to examiners in March and April 2013 through a lecture and two videos.

Due to the patent backlog, USPTO forecasted that most examiners would not receive an application subject to the FITF rule before summer 2013. Therefore, the agency scheduled FITF substantive examiner training for July 2013 and opted to provide just-in-time training between March and July 2013 to any examiners who might receive an application subject to FITF rules in the interim. This strategy appears to have succeeded given that application data for the month following the rule's effective date showed a low demand for prioritized examinations.

While the manner in which the training was provided appears to have worked well, we found that USPTO initially lacked plans to effectively assess that training to ensure examiners are ready to review applications subject to FITF rules. To evaluate the effectiveness of the March 2013 introductory trainings, USPTO tested the training on a small focus group of approximately 50 examiners. After the training, the 8,000 other examiners could only provide feedback by submitting unstructured narrative comments to a designated e-mail inbox. So it is unclear whether most examiners felt they had received adequate training or required additional instruction. Additionally, USPTO management will have more difficulty identifying trends in examiner readiness from narrative responses. USPTO could have followed up the training with a simple survey and received far more responses than by the limited e-mailed feedback. USPTO explained its choice of a more limited approach as not wanting examiners to feel compelled to fill out a survey and thus creating employee relations issues.

GAO guidelines state that agencies should provide employees with sufficient training to handle changes in their responsibilities, and USPTO's bargaining agreement states that the agency must provide examiners with appropriate classroom or on-the-job training to handle responsibilities that are different from their training and background. If examiners are unprepared to review FITF applications, USPTO could render flawed decisions on AIA cases, stifling innovation when applications are erroneously rejected. And applicants could bear the burden of flawed decisions

Flawed decisions by examiners could result in applicants filing post-grant reviews to contest a patent, costing \$12,000 each. They could also cost large, small, and micro-entities \$1,200, \$600, and \$300, respectively, to file a first request for continued examination to contest a rejected application.

if their allowable patents must be extended through costly additional proceedings to review decisions.

By not collecting structured feedback in March 2013, the FITF training team diverged from the approach of some other USPTO offices that provide training and assess quality.⁹ For example, USPTO's Patent Academy, which provides training for new examiners and some ongoing training for existing ones, regularly collects feedback through evaluation forms to assess whether training objectives were met and to determine whether examiners improved their knowledge or skills. We estimate that these evaluations would take 15 minutes to complete, with examiners rating the training on an "agree/disagree" scale for eight factors. Examiners also have the opportunity to comment about what they did or did not like about the training. This feedback allows the academy to restructure examiner training as needed. As part of the patent quality assurance program, USPTO conducts semiannual quality assurance surveys to receive feedback from a random sample of patent examiners and supervisory patent examiners. Examiners rate the training they received in the past quarter, which provides input on USPTO's overall quality assurance metric and future training plans. Although the next one is scheduled for September 2013, the standard internal quality survey does not inquire about FITF training. USPTO will not be able to use these results to inform its understanding of employee readiness or identify additional training needs.

When we raised our concern to USPTO in early June 2013 about not collecting structured feedback, the FITF training team decided to incorporate a formal evaluation form into the substantive training that was scheduled to begin in July 2013. The form allows examiners to rate the effectiveness of the training, allowing USPTO to conduct trend analysis that they could not perform after the initial training in March 2013. This is a positive step in providing a more comprehensive approach to evaluating examiner readiness to review FITF applications and improving training, as needed.

Patent quality assurance staff told us in March 2013 that they did not have plans to review more FITF applications than normal to identify potential examiner errors. However, they stated they would review this issue more closely once more FITF applications are in examiners' dockets. While we acknowledge USPTO has time to make plans, the agency needs to review more FITF applications than normal (that is, to oversample) to generate reliable estimates of patent quality among the FITF applications reviewed, beginning several months after the July 2013 training.¹⁰ Without this approach, it may take several years before a sizable portion of FITF applications is included in the quality assurance tests, which would inform the agency whether additional examiner training is needed to improve examination quality.

⁹Different USPTO offices are responsible for providing examiner training. For example, targeted training on new case law or legislative changes is typically provided by the Office of Patent Legal Administration. The Patent Academy incorporates this information into the general training it provides to new examiners.

¹⁰USPTO generates monthly, quality metrics based on internal quality reviews. USPTO would still need to weight the results of FITF and first-to-invent applications proportionally in overall estimates.

Recommendation

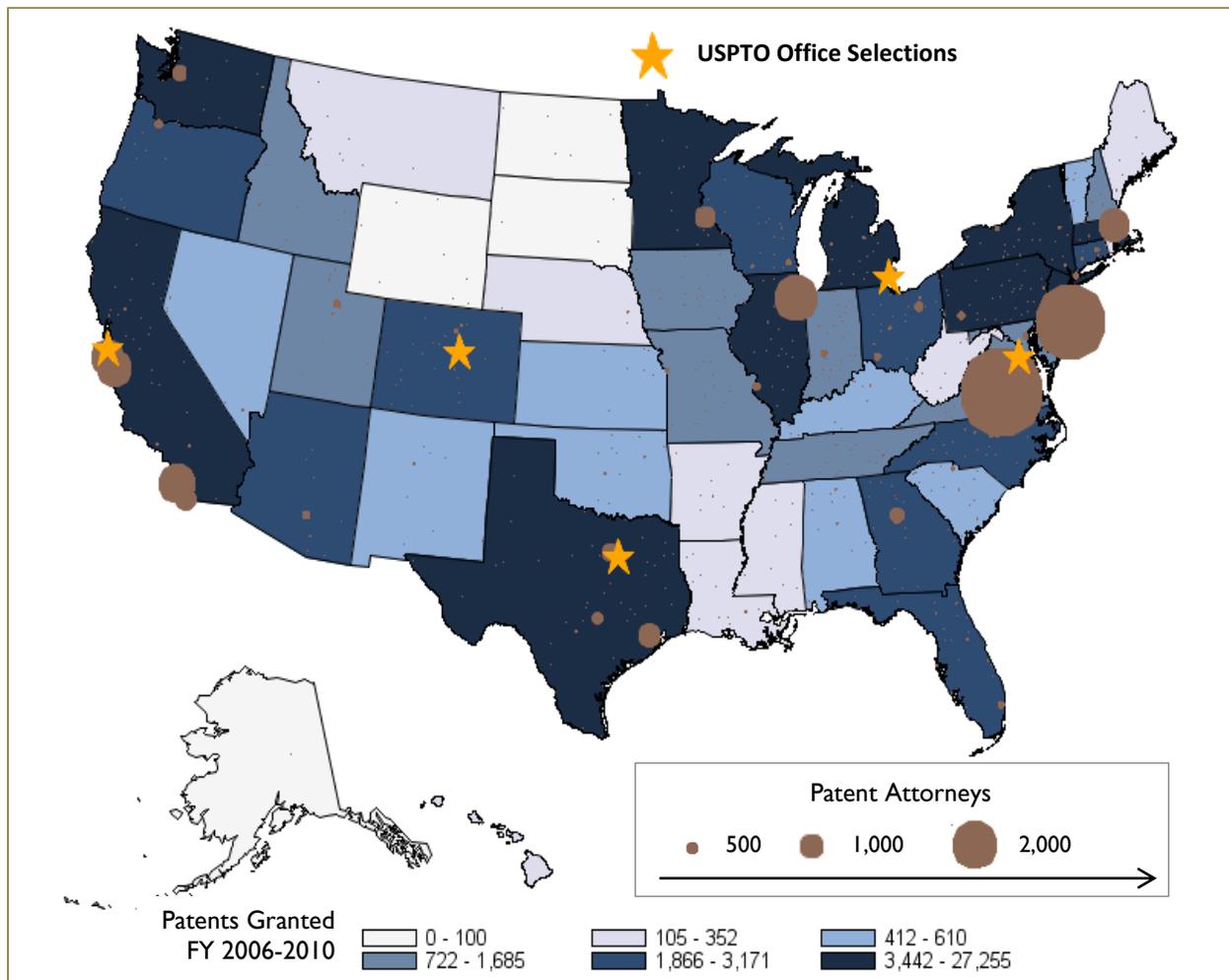
We recommend that the Under Secretary for Intellectual Property and Director of the U.S. Patent and Trademark Office:

3. Ensure the quality of FITF application processing by soliciting feedback from examiners after they have taken substantive FITF training and after they have reviewed their first FITF applications, and oversample recently filed FITF applications included in USPTO's established quality assurance reviews.

III. Significant Challenges Remain for the Satellite Office Program

To increase the agency’s presence beyond its Alexandria, Virginia, headquarters, the AIA requires USPTO to establish at least three satellite offices by September 16, 2014, subject to available resources. It mandates that one office be located in Detroit, while other sites be chosen in consideration of geographic diversity, the availability of scientifically and technically knowledgeable personnel, and local economic impact. Figure 4 shows the number of patents granted for each state during FYs 2006-2010, the size of the patent attorney population throughout the country, and the satellite office locations relative to those factors.

Figure 4. Number of Granted Patents and Size of the Patent Attorney Population



Source: USPTO data and OIG analysis

The attorney population and volume of patents granted are indicators of two factors that USPTO took into consideration: the availability of scientifically and technically knowledgeable personnel and the local economic impact.

USPTO selected Dallas, Denver, Detroit, and the Silicon Valley for new satellite offices using the criteria outlined in the AIA. The current satellite office team provided us with documented criteria for the new satellite offices. However, members of the initial team are no longer with the agency, and the current team could not describe the site selection process. Initial plans are for each office to have 1 director, 5 managers, 100 examiners, 20 judges, and 9 support staff.¹¹ In addition to the mandate to open at least three offices, the AIA requires USPTO to evaluate those offices and provide a report to Congress by September 30, 2014. Table I shows the status of each office at the end of our fieldwork.

Table I. Status of Satellite Office Program as of April 30, 2013

Location	Permanent Facility Selected	Permanent Facility Build-out	Planned Permanent Facility Occupancy Date ^a	Revised Permanent Facility Occupancy Date ^b	Temporary Office Space Established
Detroit	Yes	Completed	July 1, 2012	July 1, 2012	Not applicable
Denver	Yes	Not started	Summer 2013	July 2014	Yes
Dallas	Yes	Suspended	Fall 2014	Unknown	Yes
Silicon Valley	No	Not started	Unscheduled	Unknown	Yes

Source: USPTO

^aDates provided during a meeting with USPTO officials on November 8, 2012.

^bDates provided during a meeting with USPTO officials on May 8, 2013.

During our audit, only the Detroit office was operating in a permanent facility; it had a complement of 1 director,¹² 3 managers, 74 examiners, 12 administrative law judges, and 9 support staff.¹³ Permanent facilities were selected for Dallas and Denver, with the design phase having begun for Denver; temporary office spaces in federally owned buildings were opened so that judges could adjudicate patent appeals. For the fourth office, USPTO worked with the General Services Administration (GSA)¹⁴ to begin soliciting bids for a permanent facility in Silicon Valley and set up temporary office space for judges in nearby Menlo Park, California. However on May 8, 2013, USPTO informed us it had suspended further planning and construction of the Dallas and Silicon Valley offices. The agency is moving forward with the Denver office, with the build-out beginning in summer 2013 and occupancy set for July 2014. As of March 31, 2013, USPTO had spent approximately \$14 million on its satellite office program. It is unknown how much funding is needed to complete the remaining three planned offices because the agency was able to provide us only with actual costs but not with a program budget.

Once the city locations were selected, we found USPTO generally met the requirements for satellite office space and complied with relevant regulations for soliciting and selecting its offices. We examined requirements and lease documentation, and we interviewed GSA and USPTO staff who worked on the solicitation for the four offices. We found that USPTO

¹¹Support staff include 4 IT help-desk employees, 2 administrative assistants, 2 security guards, and 1 IT trainer.

¹²We refer to the office head in Detroit as a “director” based on our analysis of the position descriptions for the head of a satellite office, although USPTO refers to that person internally as a “regional manager.”

¹³Personnel as of March 31, 2013.

¹⁴GSA is the federal agency responsible for procuring office space for government agencies.

followed GSA procedure for solicitations and maintained good communications with GSA throughout the solicitation process. GSA staff complimented USPTO's efforts on defining requirements and its responsiveness during the solicitation process. However, at the end of our fieldwork USPTO informed us that the satellite office program in Dallas and Silicon Valley was suspended due to budget constraints. As a result, USPTO management determined that the agency is unlikely to meet the AIA's deadline to establish satellite offices and will have incomplete data to report on the offices' effectiveness.

The intent of the satellite office program will not be reached by the provision's deadline. The Act requires USPTO to establish at least three satellite offices by September 16, 2014, subject to available resources. The Act outlines five purposes for these offices:

- Increase outreach activities.
- Enhance patent examiner retention.
- Improve patent examiner recruitment.
- Decrease the patent backlog.
- Improve patent examination quality.

At the start of our audit in November 2012, the agency planned to open its Dallas, Denver, and Silicon Valley offices in intervals from mid-FY 2013 through FY 2014. USPTO officials told us that scheduling office openings in this manner would allow limited human resources, IT, and training professionals the appropriate amount of time to open the facilities. However, by March 2013, schedule delays meant the remaining three offices would open in the final 9 months of FY 2014. USPTO officials informed Congress on May 10, 2013, that three permanent facilities would not be open by the AIA's deadline. The agency informed us it was indefinitely suspending construction of the permanent Dallas and Silicon Valley offices, as well as the hiring of new patent examiners. The build-out of the permanent Denver office will continue, but it remains unclear whether it will be staffed with examiners when it opens in July 2014. Given the schedule slippage that occurred throughout our audit, we question whether the compressed schedule would have been attainable given the logistics of opening each office.

USPTO officials believe establishing a presence by staffing temporary offices with judges, who primarily adjudicate cases, satisfies the AIA's requirement to establish satellite offices. However, we question how a presence without patent examiners meets the intent of the satellite office provision, particularly the goals of decreasing patent backlog and improving examiner retention and recruitment. Even if it could hire new patent examiners at this time, USPTO believes it would not be cost-effective to place examiners in temporary offices in Dallas, Denver, and Silicon Valley, which would require significant infrastructure improvements to meet existing examiner space requirements. Until examination staff is placed at permanent satellite offices, this provision will remain largely unfulfilled.

Satellite office assessment to be impacted by delayed office openings. The AIA requires USPTO to provide a report to Congress on the satellite offices by September 30, 2014. The report should address:

- rationale for selecting satellite office locations;
- progress in establishing satellite offices; and
- assessment on satellite office operations and whether they are achieving the purposes as stated in the Act.

With the indefinite suspension of the Dallas and Silicon Valley satellite offices, USPTO could still address in its 2014 report how it chose the satellite locations and the progress of their establishment. However, with only two offices open by the reporting deadline, the data available will not be sufficient for a meaningful analysis of whether the satellite offices are achieving the AIA goals. USPTO stated it would rely on anecdotal evidence to assess the effectiveness of the Detroit and Denver offices, which would be a partial response to the provision's requirement.

Strong management is required to open and operate remaining offices. During most of our fieldwork, the satellite office program operated without a single project manager driving strategic and scheduling decisions. To open the Detroit office (which preceded our audit), USPTO had a core team and single project manager who reported to the deputy under secretary, maintained a schedule of activities, and was involved in planning and executing decisions. Through attrition, the core team dissolved and the primary project manager separated from the agency in December 2012. USPTO moved forward with the remaining offices without a primary project manager or core team.

Currently, another employee facilitates meetings among USPTO business units on satellite office issues but does not have the same planning and execution authority as the previous project manager. Under the current structure:

- business units make decisions independently and maintain schedules for office opening activities pertaining to their respective operational activities;
- original facility requirements (developed for the Detroit office) have been replicated for remaining offices with virtually no changes, despite locality differences and knowledge gained from the Detroit office opening;
- satellite office managers report to the patents division; and
- planning for the evaluation of satellite offices has not begun (a report on the satellite offices is due September 30, 2014).

We found that the position descriptions of the two regional office directors in Detroit and Silicon Valley are different and inconsistent with their current responsibilities. For example, during our audit, the regional director of the Detroit office was a GS-15 management quality

assurance specialist whose position description includes working with internal and external customers to identify weaknesses in patent examination processes, and implementing and monitoring examination quality improvements. The current director is a supervisory patent examiner of the same grade whose stated position includes supervising and signing off on the work of between 10 and 20 patent examiners within an art unit.¹⁵ The regional director of the temporary office in Silicon Valley is a member of the Senior Executive Service whose stated responsibilities are to review examiner performance; hire, recommend, and reassign staff; and, if necessary, determine if art units should be reorganized.¹⁶

During our visit to the Detroit office, we found that the regional director does not perform quality assurance work or directly supervise the patent examiners on site. Patent examiners, regardless of where they work, are instead supervised by their respective supervisory patent examiners and those supervisors report to their respective technology center directors. The main responsibilities of the Detroit office director that we observed were day-to-day office administration and outreach. In Silicon Valley, the director of the temporary office conducts extensive outreach but does not manage or supervise patent examiners because the office has none on staff.

We recognize that establishing the satellite office program is a work in progress and a major effort of many USPTO sub-units. However, the position descriptions of the regional office directors do not align with their current responsibilities and do not appear to be commensurate with their grade levels given that examiner production and workflow is managed from USPTO headquarters. In addition, the current organizational structure for the satellite offices does not have a headquarters office responsible for coordinating the activities of the regional directors that are in their position descriptions.

Recommendations

We recommend that the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office:

4. Provide Congress with an updated assessment of the agency's ability, or not, to establish satellite offices that meet the provisions outlined in the AIA and provide a plan to establish its remaining satellite offices as resources become available.
5. Strengthen the management of the satellite office program to develop a consistent and coordinated approach to establish and operate satellite offices by taking the following actions:
 - a. Develop a consistent and centralized approach to effectively manage the planning and opening of currently planned satellite offices and assess whether this approach should continue if additional satellite offices are needed.

¹⁵An art unit is a grouping of patent examiners who specialize in a specific technology commonly referred to as an "art."

¹⁶According to USPTO, the satellite office directors will be Senior Executive Service positions.

- b. Determine a standardized position description for the satellite office regional director whose documented responsibilities are commensurate with and reflect their responsibilities and grade level, or develop a single, centralized managerial function at USPTO headquarters responsible for operating and evaluating satellite offices.

IV. USPTO Lacks Implementation Plans to Complete the Overall AIA Implementation Report and Operate Two AIA-Mandated Programs

The AIA's 37 provisions comprise 24 rules, 9 reports, and 4 programs (see figure 5).¹⁷ Before the AIA was enacted, USPTO assigned one coordinator to oversee implementation of all 37 provisions, and an individual manager for each provision.

Figure 5. Summary of AIA Implementation as of July 16, 2013

24 RULES	9 REPORTS	4 PROGRAMS
<ul style="list-style-type: none"> All 24 rules implemented on time 	<ul style="list-style-type: none"> 2 reports completed 3 reports overdue 4 reports not yet due 	<ul style="list-style-type: none"> 2 programs finalized 1 program overdue 1 program not yet due

Source: USPTO

We found that USPTO had made significant progress on implementing these provisions but did not have an overall plan or schedule to formulate the final AIA Implementation report due by September 16, 2015. Management plans or schedules also were missing for two of the four USPTO programs mandated by the Act. We outline the status of the 24 rules, 9 reports, and 4 programs below and in greater detail in appendix B.

AIA rules were issued on time. All 24 new rules to amend the patent process per the AIA went into effect by their respective deadlines between September 16, 2011, and March 16, 2013. USPTO stated it did not have a documented process of recording lessons learned when issuing initial AIA rules, but guidance on preparing and issuing rules was shared among managers. Despite lacking a documented process, the agency emphasized having gained knowledge and experience from prior rule-making efforts that preceded the Act. However, for the fee-setting provision, USPTO established a working group to review lessons learned that would help with future fee-setting rules.

Several AIA reports are overdue. Of the nine reports mandated by the AIA, two were issued on time, three are overdue, and four are not yet due. USPTO issued the *International Patent Protection for Small Businesses* report on January 14, 2012,¹⁸ and the *Prior User Rights Defense* report on January 16, 2012. However, three reports are months past their AIA deadlines, two of which were assigned to other agencies. Specifically:

- USPTO was required to issue the Genetic Diagnostic Testing report on June 16, 2012, but asked Congress for an extension on August 28, 2012. As of July 12, 2013, USPTO informed us the draft report was undergoing interagency review.

¹⁷SBA and GAO are responsible for two of the three overdue reports.

¹⁸USPTO has hired a contractor to address the report's four recommendations.

- SBA, in consultation with USPTO, was required to issue the Effects of First-Inventor-to-File on Small Businesses report on September 16, 2012. On July 16, 2013, USPTO informed us it had no further information on the status of this report.
- GAO was required to issue the Patent Litigation report on September 16, 2012. On July 16, 2013, USPTO informed us that a draft report had been prepared and was undergoing review by GAO.

USPTO must issue four more reports—one due in September 2013 (Misconduct Before the Office), two in September 2014 (Virtual Marking and Satellite Offices), and one in September 2015 (AIA Implementation). For the Virtual Marking report due September 16, 2014, USPTO plans to begin work at the end of calendar year 2013 or in early 2014 if funding to hire a contractor is available. But a schedule or plan has not been prepared for issuing this report because USPTO needs to determine what information Congress requires. For information on the satellite offices report, see section 3.

Finally, the AIA Implementation report, due September 16, 2015, will provide the status of the 37 provisions of the Act, including patent policies and practices of the federal government with respect to patent rights, innovation in the United States, competitiveness of U.S. markets, access by small businesses to investment capital, and other issues that the director considers appropriate. USPTO stated that it had not finalized a plan or schedule to determine the analysis and information needed for this report.

AIA programs lack planning documents. Of the four programs required by the AIA, USPTO implemented two on time, is overdue on one, and has partially implemented another that is not due yet.¹⁹ Specifically:

- USPTO implemented its Pro Bono program (to assist financially under-resourced inventors and small businesses) and Patent Ombudsman for Small Businesses program (to support patent filings from small-business concerns and independent inventors) in accordance with the Act's statutory deadlines.
- USPTO claims it met the March 16, 2012, deadline to implement the Diversity of Applicants program by preparing an initial document outlining three tasks: (1) signing a memorandum of agreement with the Census Bureau to determine what diversity data can be obtained from Census records, (2) submitting a request for information to determine what personally identifying information should be collected, and (3) determining what steps USPTO must take to ensure it can accurately describe patent applicant diversity information consistent with the Act. However, we concluded USPTO had not implemented this program because none of these three tasks had been accomplished. Through interviews, we found USPTO did not plan to sign the memorandum or publish the request before late summer 2013. As of July 12, 2013, the three tasks had not been completed.

¹⁹For more information, see provisions 34-37 in appendix B.

- The Act requires USPTO to establish at least three satellite offices by September 16, 2014. The agency opened its first satellite office in Detroit in July 2012 and began the process of establishing three additional offices in Denver, Dallas, and the Silicon Valley. (See section 3 of this report for an in-depth discussion of the satellite office program.)

However, two of the programs (the Pro Bono and Diversity of Applicants programs) do not have plans or schedules to manage ongoing program operations. The responsible USPTO managers stated that implementation plans had not been prepared. After our fieldwork was completed, USPTO provided a summary document indicating tasks it had completed and planned to take for the Pro Bono program including preparing a charter for the program.

During our audit, USPTO staff had said it was premature to have an implementation plan for issuing the AIA Implementation report, due September 16, 2015, but later informed us on June 13, 2013, that it had started developing a plan. As part of strategic planning efforts for new or existing programs, GAO recommends that federal agencies should include implementation plans to assist them in the transition from new provisions to operational phases. The plans should document a project's or program's (1) responsibility for the overall and individual tasks, (2) schedules, (3) tasks and milestones, (4) delivery dates and status, (5) performance measures, (6) cost estimates, (7) resource estimates, (8) identified risks, (9) prioritized initiatives, and (10) revisions of goals, if necessary. Without an implementation plan, USPTO cannot ensure the information derived from several sources needed for the overall AIA Implementation report will be collected, validated, and reviewed by the report deadline. For example, three reports mandated by the Act are overdue and must be prepared by USPTO, GAO, and SBA, while three other individual reports assigned to USPTO are not yet due. In addition, the Diversity of Applicants program has not been implemented as of April 2013. Without timely information from the AIA reports and individual program plans, the overall 2015 report could result in lack of information to Congress.

Recommendation

We recommend that the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office:

6. Prepare a comprehensive implementation plan for the issuance of the overall AIA Implementation report, to include milestones for completing the six other remaining AIA reports, and individual implementation plans to address the operational oversight needed to carry out its Pro Bono and Diversity of Applicants programs.

Summary of Agency Response and OIG Comments

In response to our draft report, the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office agreed with all of our recommendations and reports that the agency has begun taking initial steps to ensure timely implementation to address our recommendations. We have included USPTO's formal response as appendix C. Earlier, we received technical comments to the draft report and made changes to the final report, where appropriate.

We look forward to receiving USPTO's action plan within 60 calendar days of the date of this report.

Appendix A: Objectives, Scope, and Methodology

The objectives of this audit were to (1) evaluate the effectiveness of USPTO's plans and efforts to train employees and provide the necessary IT infrastructure to roll out provisions of the America Invents Act by statutory deadlines, (2) review whether and to what extent USPTO is collecting the necessary information to provide Congress with an assessment of AIA implementation by September 2015, as mandated by the Act, (3) review whether and how USPTO will incorporate lessons learned from the implementation of initial AIA provisions during the rollout of later provisions and evaluate the progress it has made in meeting congressionally mandated requirements, and (4) review the extent to which USPTO is carrying out the expansion of satellite offices in a cost-effective manner and in accordance with relevant regulations. A comparison of specific budget proposals and execution plans for the satellite offices was not within the scope of our audit; therefore, we were unable to confirm how reported changes in available funds affected USPTO's management decisions related to the offices.

For the first objective, we focused our work on USPTO's training plans for the FITF provision and the rollout of an IT system to handle post-issuance proceedings. For the second objective, we focused our work on the status of the 37 provisions of the AIA and whether the statutory deadlines for the provisions had been met. For the third objective, we focused our work on USPTO efforts to document and use lessons learned from issuing the initial AIA provisions to help with issuing later AIA provisions. For the fourth objective, we focused our work on reviewing the progress USPTO had made in establishing its four planned satellite offices.

To accomplish our objectives we:

- Interviewed USPTO managers responsible for the 37 AIA provisions, managers and staff overseeing the AIA training efforts and satellite office expansion, GSA and GSA OIG officials, and representatives of the Patent Office Professionals Association.
- Reviewed agency training plans, training slides, and historical data on the number of filings to determine whether USPTO had trained enough examiners to review FITF applications and whether USPTO had processes in place to evaluate the effectiveness of this training.
- Reviewed the PRPS project planning budget, implementation documentation, and an external assessment of the PRPS project.
- Obtained and reviewed all relevant agency documents to determine whether USPTO had met the statutory deadlines for the 37 AIA provisions and the progress made for the provisions not yet due.

- Reviewed relevant GAO reports to gain an understanding for the need to have implementation plans to undertake new programs and guide operational initiatives.²⁰
- Reviewed all relevant agency documents to document USPTO's efforts to use lessons learned from issuing initial AIA provisions for issuing subsequent ones.
- Reviewed federal regulations, bureau requirements, guidelines, procedures, and requirements pertaining to USPTO's plans to establish four planned satellite offices, including human capital plans, lease requirements, and office performance expectations.
- Conducted a site visit of the Detroit satellite office February 12-14, 2013, and interviewed office managers, patent examiners, administrative patent judges, and support staff.

The audit scope included a review of activities performed by USPTO to implement the AIA since its enactment. We conducted fieldwork from October 2012 through May 2013 at USPTO headquarters in Alexandria, Virginia, and at its satellite office in Detroit. The audit was conducted under the authority of the Inspector General Act of 1978, as amended, and the Department Organization Order 10-13. We conducted this audit in accordance with general accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions.

²⁰The GAO reports included *Federal Planning and Risk Management Could Further Facilitate the DTV Transition* (GAO-08-43, November 19, 2007), *Army Needs to Finalize an Implementation Plan and Funding Strategy for Sustaining an Operational Reserve Force* (GAO-09-898, September 17, 2009), and *Content and Coordination of Space Science and Technology Strategy Need to Be More Robust* (GAO-11-722, July 19, 2011).

Appendix B: Implementation of the America Invents Act Provisions as of July 16, 2013

Table B-I provides the status of implementation of the 37 provisions mandated by the Leahy-Smith America Invents Act (AIA). Each provision has a description, due date status, and additional information on the provisions and related *Federal Register* notices.

Legend
Met Deadline
Not Yet Due
Overdue

Of the 24 rules, 9 reports, and 4 programs comprising the provisions, 28 were delivered on time, 4 are overdue, and 5 are not yet due. Provisions 28 and 29, which are overdue, are the responsibility of the Small Business Administration and General Accountability Office, respectively.

Table B-I: Status of AIA Provisions

#	Provision and Description	Due Date	Additional Information on AIA Provisions and Related <i>Federal Register</i> Notices
Rules			
1	Inter Partes Reexamination: A person could petition USPTO within one year of AIA's passage to cancel as "unpatentable" one or more patent claims on the basis of prior art and within 9 months after a patent was granted.	9/16/11	This provision was replaced by inter partes review on September 16, 2012 (see 19).
2	Tax Strategies Are Deemed Within the Prior Art: Examiners must deem insufficient any application or strategy for reducing, avoiding, or deferring tax liability.	9/16/11	According to the AIA, such inventions shall be deemed insufficient to differentiate a claimed invention from the prior art.
3	Best Mode: Applicant failure to fully comply with the disclosure requirements could result in the denial of a patent.	9/16/11	According to the AIA, applicants must document the best mode contemplated by the inventor of carrying out the invention at the time of filing.
4	Human Organism Prohibition: USPTO may not issue a patent on a claim directed to or encompassing a human organism.	9/16/11	According to the AIA, the provision does not affect the validity of any patent issued on an application to which human organisms do not apply.
5	Virtual and False Marking: Patent owners must place the words "patent" or "pat." on their patented products or post publicly accessible Internet addresses displaying their patented products and numbers. A person who has suffered a competitive injury due to false marking may file a civil action in district court.	9/16/11	Related to this provision, USPTO must provide a report on virtual marking by September 16, 2014 (see 31).

#	Provision and Description	Due Date	Additional Information on AIA Provisions and Related <i>Federal Register</i> Notices
6	Venue Change: The federal district court venue for certain USPTO proceedings changes from the District of Columbia to the Eastern District of Virginia in Alexandria.	9/16/11	This provision took effect upon AIA's enactment.
7	OED Statute of Limitations: USPTO's Office of Enrollment and Discipline (OED) must commence a proceeding for misconduct before the office no later than the earlier of either the date that is 10 years after the misconduct occurred or 1 year after it is made known to OED.	9/16/11	Related to this provision, OED must provide a report on misconduct by September 16, 2013 (see 30).
8	Fee-Setting Authority: USPTO Director may set or adjust fees to recover the office's aggregate estimated costs.	9/16/11	USPTO's new fees went into effect on March 19, 2013.
9	Establishment of Micro Entity: Applicants meeting specific criteria may be defined as "micro entities."	9/16/11	Micro entity fees went into effect on March 19, 2013, with the issuance of USPTO's new fee schedule that provides micro entities with a 75 percent reduction in fees.
10	Prioritized Examination: Established a fee for applicants to request prioritized examination of patent applications and receive final disposition within 12 months on average.	9/26/11	USPTO issued a separate rule on December 19, 2011, for prioritized examination of requests for continued examination.
11	15% Transition Surcharge: USPTO placed a 15 percent surcharge on certain patent fees.	9/26/11	Implementation of USPTO's new fees on March 19, 2013, eliminated this surcharge (see 8).
12	Patent and Trademark Fee Reserve Fund: Established a Patent and Trademark Fee Reserve Fund.	10/1/11	According to the AIA, USPTO fees collected in excess of its appropriated amount shall be deposited in the reserve fund.
13	Electronic Filing Incentive: Established a fee for each application not filed by electronic means.	11/15/11	Applicants are charged a \$400 fee if they do not file electronically.
14	Inventor's Oath or Declaration: Each inventor or joint inventor shall execute an oath or declaration in connection with the application claiming to be the original inventor or joint inventor.	9/16/12	According to the AIA, the oath or declaration must be filed no later than the date on which the issue fee for the patent is paid and any willful false statement is punishable by fine or imprisonment.
15	Third Party Submission of Prior Art in a Patent Application: AIA allows any third party to submit any patent, published patent application, or other printed publication of potential relevance to the examination of a patent application.	9/16/12	According to the AIA, a third party must submit documentation before (1) the earlier of the date of a notice of allowance or (2) the later of six months after the date of patent publication or first rejection.

#	Provision and Description	Due Date	Additional Information on AIA Provisions and Related <i>Federal Register</i> Notices
16	Supplemental Examination: A patent owner may request supplemental examination of a patent to consider, reconsider, or correct information believed to be relevant to the patent.	9/16/12	According to the AIA, USPTO has three months to determine whether the request for supplemental examination has raised a substantial new question of patentability, and if so, the Director shall order a reexamination.
17	Citation of Prior Art in a Patent File: Any person at any time may provide USPTO with prior art consisting of patents or printed publications believing to have a bearing on the patentability of a patent claim.	9/16/12	According to the AIA, if the person citing the prior art or written statements explains in writing the pertinence and manner of applying the prior art or written statements to at least one patent claim, the citation of the prior art or written statements shall become a part of the official patent file.
18	Priority Examination for Important Technologies: USPTO may prioritize examination of applications at the request of the patent applicant for products, processes, or technologies that are important to the national economy or national competitiveness.	9/16/12	USPTO is exempt from recovering the aggregate extra cost of providing the prioritization of these patent applications.
19	Inter Partes Review: A person who is not the owner of a patent may petition USPTO to cancel as unpatentable one or more patent claims based on prior art consisting of patents or printed publications. USPTO will authorize this review if the petitioner can demonstrate a reasonable likelihood of prevailing with respect to at least one of the claims challenged in the petition.	9/16/12	According to the AIA, a person may file an inter partes review after the later of (1) the date that is 9 months after a patent or patent reissue is granted or (2) the termination date of a post grant review.
20	Post Grant Review: A person who is not the patent owner may petition USPTO to cancel as unpatentable one or more patent claims based on any ground that could be raised under 35 U.S.C. § 282 (relating to invalidity of the patent or any claim). USPTO will authorize a post grant review if the petitioner can demonstrate that it is more likely than not at least one of the claims challenged in the petition is unpatentable.	9/16/12	According to the AIA, a person may file a post grant review no later than (1) the date that is 9 months after the date of the grant of the patent or (2) the issuance of a reissue patent.
21	Transitional Program for Covered Business Method Patents: USPTO shall determine the validity of covered business method patents (patents claiming a method or corresponding apparatus for performing data processing or other operations used for a financial product or service).	9/16/12	There is a sunset provision that will repeal these regulations on September 16, 2020.

#	Provision and Description	Due Date	Additional Information on AIA Provisions and Related <i>Federal Register</i> Notices
22	First Inventor to File: Institutes the first inventor-to-file system replacing the first-to-invent system. Prior to AIA issuance, USPTO would award the patent to an inventor who was first to conceive and diligently put the invention into practice (even if the first inventor was not the first to file a patent application).	3/16/13	The first inventor to file receives an "effective filing date" based on the application's actual filing date or the filing date of an earlier application if entitled to it.
23	Derivation Proceedings: The Patent Trial and Appeal Board shall determine whether an inventor in an earlier application derived the claimed invention from an inventor named in the petitioner's application.	3/16/13	According to the AIA, a petitioner may file a derivation proceeding only within the one-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention.
24	Repeal of Statutory Invention Registration: Repeals Statutory Invention Registrations that allowed applicants to request during the pendency of the application the specification and drawings to be published.	3/16/13	USPTO publishes pending patent applications at 18 months unless non-publication requests were filed by applicants.
Reports			
25	International Patent Protections for Small Businesses Report: USPTO must document how to help small businesses with international patent protection and whether a revolving fund loan program or grant program should be established to help small businesses pay the costs of filing, maintaining, and enforcing international patents.	1/14/12	USPTO issued its report on January 14, 2012, finding little evidence to support a loan or grant program to help defray the expenses of small businesses seeking international patent protection.
26	Prior User Rights Report: USPTO must document the operation of prior user rights in the United States, the European Union, Japan, Canada, and Australia.	1/16/12	USPTO issued its report on January 16, 2012, stating that the prior user rights defense protects third parties, and are generally consistent with those of major trading partners, and need not be altered at this time. The report also documented whether prior user rights protect third parties who can demonstrate that they were commercially using the invention at least one year prior to the filing date of a patent application relative to such invention.
27	Genetic Testing Report: USPTO must document the impact current exclusive licensing and patents on genetic testing activity have on the practice of medicine.	6/16/2012 OVERDUE	USPTO informed Congress on August 28, 2012, that more time was needed to prepare the report. On July 12, 2013, USPTO informed us a draft report was undergoing interagency review.

#	Provision and Description	Due Date	Additional Information on AIA Provisions and Related <i>Federal Register</i> Notices
28	Effects of First-Inventor-to-File on Small Business Report: The Small Business Administration in consultation with USPTO must document the effects on the small business community of converting from a first-to-invent system to a first-inventor-to-file one.	9/16/2012 OVERDUE	USPTO informed us on July 16, 2013, that it had no further information from the Small Business Administration on the status of this report.
29	Patent Litigation Report: The Government Accountability Office must document the consequences of litigation related to patent claims by non-practicing entities (e.g., companies that buy patents from other companies) or by patent assertion entities (e.g., universities).	9/16/2012 OVERDUE	On July 16, 2013, USPTO informed us the Government Accountability Office had prepared a draft report for review.
30	Report on Misconduct Before the Office: USPTO must provide Congress with a report of incidents made known to USPTO that reflect substantial evidence of misconduct by patent practitioners before the office.	9/16/13	USPTO must issue a report on misconduct incidents every two years; the first one is due on September 16, 2013.
31	Virtual Marking Report: USPTO must document (1) the effectiveness of virtual marking or placing of patent information on the Internet versus the physical marking of patent information on patented products; (2) whether virtual marking has limited or improved the ability of the public to access information about patents, and (3) any legal issues arising from virtual marking.	9/16/14	Report is due by September 16, 2014.
32	Satellite Offices Report: USPTO shall deliver a report on the selection, progress, and effectiveness of its satellite offices.	9/30/14	Report is due by September 30, 2014. Due to delays with office openings (see 37), USPTO may not have sufficient data to provide a comprehensive assessment.
33	AIA Implementation Report: USPTO must document how the AIA provisions were implemented and other aspects of U.S. patent policies and practices with respect to patent rights, innovation in the U.S., competitiveness of U.S. markets, and access to capital by small businesses for investment.	9/16/15	Report is due by September 16, 2015.
Programs			
34	Pro Bono Program: USPTO shall work with and support intellectual property law associations to establish pro bono programs for financially under-resourced independent inventors and small businesses.	9/16/11	Pilot program began in June 2011 with 4 regional programs established in 2012 and 12 additional programs to be established in 2013.

#	Provision and Description	Due Date	Additional Information on AIA Provisions and Related <i>Federal Register</i> Notices
35	Diversity of Applicants Program: USPTO shall establish methods for studying the diversity of patent applicants including applicants who are minorities, women, or veterans.	3/16/2012 OVERDUE	USPTO prepared a document with 3 planned steps comprising its methodology for studying the diversity of patent applicants but none of the steps had been completed as of July 12, 2013.
36	Patent Ombudsman for Small Businesses Program: USPTO shall establish a Patent Ombudsman Program to assist the patent filings of small businesses and independent inventors.	9/16/12	The pilot patent ombudsman program began in April 2010.
37	Open Satellite Offices: USPTO shall establish not less than three satellite offices within 3 years of the Act's passage, subject to available resources.	9/16/14	USPTO planned to open four satellite offices by September 16, 2014, but currently expects only two offices to be operational by then.

Source: USPTO documentation and OIG analysis

Appendix C: Agency Response

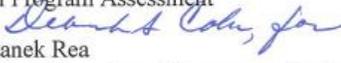


UNITED STATES PATENT AND TRADEMARK OFFICE

UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

SEP 25 2013

MEMORANDUM FOR Ron Prevost
Assistant Inspector General for Economic and
Statistical Program Assessment

FROM: 
Teresa Stanek Rea
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office

SUBJECT: Response to Draft Report: "*USPTO Successfully Implemented Most Provisions of the America Invents Act, but Several Challenges Remain*" (August 2013)

Executive Summary

We appreciate the effort you and your staff have made in reviewing our implementation of the provisions of the Leahy-Smith America Invents Act (AIA) and lessons learned. We have carefully considered the six recommendations made in the draft report.

The USPTO is proud of the progress made in implementing the provisions set forth in the AIA, a law representing the most fundamental change to the U.S. patent process in over 50 years. With the timely implementation of the provisions of the Act we have helped speed up the patent process so that American companies, innovators, and entrepreneurs can focus on innovation and job creation.

Our response to each recommendation is discussed in detail below.

Response to Recommendations

IG Recommendation that the Under Secretary of Commerce for Intellectual Property and Director of USPTO (I): Strengthen project planning and execution between OCIO and Patent Trial and Appeal Board (PTAB) and, looking forward, with other USPTO units lacking a working relationship with the Office of the Chief Information Officer (OCIO) by adhering to USPTO's System Development Lifecycle policies for risk management practices, requirements collection, and communications and reevaluating whether waivers to specific project requirements should apply if initial funding and scope assumptions change.

USPTO Response:

The USPTO concurs with this recommendation. In May 2013, PTAB realigned its operations and created an SES-level position of Board Executive and an IT Systems and Services Branch that reports to the Board Executive. The Chief of the IT Systems and Services Branch will be a specialist with specific knowledge and experience in IT system development who can interface with OCIO to ensure PTAB IT needs are met. This specialist will also ensure proper development principles are followed.

PTAB will recruit for a permanent hire for this position in FY 2014. As an interim measure, a part-time, acting Chief of the IT Systems and Services Branch is in place to provide additional oversight of the planning, requirements, and communication processes from the PTAB while a permanent, full-time hire is recruited.

In addition, during the course of the project the OCIO hired a Senior Level (SL) portfolio manager and replaced the project manager assigned to the Patent Review Processing System (PRPS) with a more senior project manager. A portfolio manager's responsibilities include developing business-to-OCIO relationships, overseeing program and component projects (including PRPS in this case), and managing change, risk, issues, budget estimation and execution, and other program elements.

IG Recommendation that the Under Secretary for Commerce of Intellectual Property and Director of USPTO (2): Develop a multiyear plan that comprehensively addresses PTAB's IT requirements, including internal IT staffing and training needs, to support its expanded responsibilities under the AIA.

USPTO Response:

The USPTO concurs with this recommendation. OCIO and PTAB are preparing a comprehensive Capital Investment Decision Paper for the Patent Trial and Appeal Board Next Generation Information Technology System (PTAB NG). PTAB NG will consolidate, further automate, and extend PTAB IT capabilities. In particular, PTAB NG will provide case management and reporting functionality for all proceedings handled by PTAB, including *ex parte* appeals, reexamination appeals, AIA trial proceedings, and interferences. PTAB NG will consolidate the multiple PTAB IT systems currently used for these proceedings into a single system. PTAB is also developing a plan for internal IT staffing and training to be implemented by the newly created IT Systems and Services Branch Chief.

IG Recommendation that the Under Secretary for Commerce of Intellectual Property and Director of USPTO (3): Ensure the quality of FITF application processing by soliciting feedback from examiners after they have taken substantive FITF training and after they have reviewed their first FITF applications, and oversample recently filed FITF applications included in USPTO's established quality assurance reviews.

USPTO Response:

The USPTO concurs with this recommendation. The USPTO appreciates the value of examiner feedback regarding the effectiveness of first-inventor-to-file (FITF) substantive training and instituted an evaluation form to collect examiner feedback for the FITF training conducted in July-August 2013. The USPTO has reviewed the examiner evaluations received for the July-August training and has made modifications to the training where appropriate based upon the feedback provided in those evaluations. The USPTO plans to continue soliciting feedback on the FITF training and will modify the training as appropriate in response to the feedback received.

Regarding the oversampling of recently filed FITF applications as part of established quality assurance reviews, the USPTO currently evaluates examination quality in a randomly selected sample of patent examination work products. This sample includes both pre-FITF and FITF applications. It is expected that current sample sizes are sufficient to allow the USPTO to identify significant differences in examination quality that may arise from the introduction of FITF applications. However, the USPTO acknowledges that the sample of FITF applications may not be sufficient to identify the degree of differences in quality and/or the root cause factors contributing to those differences. Similar to how the USPTO handles any perceived differences in quality, once differences are noted, additional sampling (oversampling) will be performed to provide the volume of cases necessary for data-driven improvement strategies.

IG Recommendation that the Under Secretary for Commerce of Intellectual Property and Director of USPTO (4): Provide Congress with an updated assessment of the agency's ability, or not, to establish satellite offices that meet the provisions outlined in the AIA and provide a plan to establish its remaining satellite offices as resources become available.

USPTO Response:

The USPTO concurs with this recommendation. A report to Congress will be provided before the first reporting deadline of September 30, 2014.

IG Recommendation that the Under Secretary for Commerce of Intellectual Property and Director of USPTO (5): Strengthen the management of the satellite office program to develop a consistent and coordinated approach to establish and operate satellite offices by taking the following actions:

- a. Develop a consistent and centralized approach to effectively manage the planning and opening of currently planned satellite offices and assess whether this approach should continue if additional satellite offices are needed.
- b. Determine a standardized position description for the satellite office regional director whose documented responsibilities are commensurate with and reflect their responsibilities and grade level, or develop a single, centralized managerial function at USPTO headquarters responsible for operating and evaluating satellite offices.

USPTO Response:

The USPTO concurs with this recommendation. The USPTO is reviewing the management structure for both planning and operations of the satellite offices. There is an ongoing assessment of the organizational effectiveness of the management structures for both the planning and operations of the offices. The USPTO is reviewing the position description for the satellite office regional director position and is also evaluating the responsibilities of the regional manager position.

IG Recommendation that the Under Secretary for Commerce of Intellectual Property and Director of USPTO (6): Prepare a comprehensive implementation plan for the issuance of the overall AIA Implementation report, to include milestones for completing the six other remaining AIA reports, and individual implementation plans to address the operational oversight needed to carry out its Pro Bono and Diversity of Applicants programs.

USPTO Response:

The USPTO concurs with this recommendation. The agency held an organizational meeting to develop a comprehensive plan for assembling the AIA Implementation report and will continue to take the necessary steps to execute that plan for a timely delivery of the report.

Conclusion

In closing, we thank the Assistant Inspector General for Economic and Statistical Program Assessment for providing us with this draft report. We will proceed with our corrective actions to meet the final report recommendations in a timely manner to implement the AIA provisions. We look forward to working with your office to assist the USPTO in addressing the challenges it faces in achieving AIA implementation goals.