

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



**PUBLIC
RELEASE**

PATENT AND TRADEMARK OFFICE

*Office of Enrollment and Discipline Must
Conduct More Timely Investigations of
Complaints Against Practitioners*

Final Audit Report No. PTD-10627-8-0001 / June 1998

Office of Audits, Business and Trade Audits Division



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EXECUTIVE SUMMARY

The Patent and Trademark Office regulates the recognition and ethical conduct of individuals practicing before it. Although only attorneys can practice in trademark cases, patent practitioners may be lawyers, or non-lawyers called agents. The Office of Enrollment and Discipline was created in 1985 to administer the rules for admission to practice before PTO as well as the PTO Code governing that practice. OED's responsibilities include:

- ! Determining the qualifications of individuals applying for registration;
- ! Preparing, administering, and grading the examination for registration to practice before the PTO;
- ! Registering individuals to represent patent applicants before PTO and maintaining a roster of registered practitioners; and
- ! Investigating complaints of possible unethical conduct by practitioners and taking disciplinary action when appropriate.

We conducted a performance audit to evaluate the effectiveness of the Office of Enrollment and Discipline and to identify factors that may be inhibiting its satisfactory performance. Complaints against PTO practitioners are not expeditiously pursued to prevent expiration of cases under the five-year statute of limitations observed by PTO. The amount of discipline work performed by OED has declined each of the past two years. In FY 1997, OED completed only four investigations. By the end of the fiscal year, the inventory of pending complaints and investigations had grown to 296, up from 145 at the end of FY 1995. The problems in pursuing violators appear to be the result of an imbalance between OED's staffing and its growing enrollment-related workload.

To address the problems that inhibit satisfactory program performance, we are recommending that PTO: (1) dedicate three staff to discipline work, (2) allow OED to hire its own prosecutor, (3) immediately fill three vacant positions in OED, (4) change its rules with respect to attorneys who are disciplined at the state level, (5) refrain from assigning attorneys to review candidates' technical qualifications, and (6) require closer coordination with the registration examination administrator.

In its reply to our draft audit report, the Patent and Trademark Office said that it substantially accepts the recommendations, and will, given the necessary resources, implement the changes and evaluate areas for potential change as suggested. We are pleased that PTO agrees with the recommendations contained in the report and has promised to implement them. However, we question why PTO has chosen to condition the implementation of some recommendations on the availability of additional resources. With 5,134 full-time equivalent staff, we believe that PTO can easily afford OED the three additional staff recommended in the report. Therefore, PTO's promise to address the problems by the end of FY 1999 would not resolve the recommendation in a timely fashion. During that time, dozens more investigations will have expired unnecessarily.

PTO's complete response to the draft report is included as an attachment.

INTRODUCTION

The Patent and Trademark Office regulates the recognition and ethical conduct of individuals practicing before it. Although only attorneys can practice in trademark cases, patent practitioners may be lawyers, or non-lawyers called agents. To become a registered patent practitioner, individuals must be of good moral character; possess the necessary legal, scientific, and technical qualifications; and pass an examination given by PTO to demonstrate their competence. There are currently 15,823 lawyers and 3,567 agents currently registered to practice in patent cases. All registered practitioners are obligated to abide by the PTO Code of Professional Responsibility contained in Title 37, Part 10 of the Code of Federal Regulations.

The Office of Enrollment and Discipline was created in 1985 to administer the rules for admission to practice before PTO as well as the PTO Code governing that practice. OED is a small office consisting of 7.5 staff that includes 3 attorneys (2 full-time and 1 part-time). Three additional positions are currently vacant. Because of its limited staffing, OED relies on PTO's Solicitor's Office to help with some of its work. OED is managed by a director who reports to the Deputy Commissioner. In FY1997, OED accounted for \$1.24 million of PTO's total obligations of \$716 million. OED's responsibilities include:

- ! Determining the qualifications of individuals applying for registration, including moral character, legal, scientific, and technical qualifications;
- ! Preparing, administering, and grading the examination for registration to practice before the PTO;
- ! Registering individuals to represent patent applicants before PTO and maintaining a roster of registered practitioners; and
- ! Investigating complaints of possible unethical conduct by practitioners and taking disciplinary action when appropriate.

When a complaint against a practitioner is filed, an investigation is usually conducted to gather information. If the evidence indicates that a willful violation of a disciplinary rule has occurred, the case goes to the PTO Committee on Discipline to determine if there is probable cause to bring charges against the practitioner. Should they agree with OED that there is probable cause, a disciplinary proceeding is initiated before an administrative law judge (ALJ). The decision of the ALJ may be appealed to the Commissioner.

Prior to 1985, the responsibility for investigating and prosecuting violators of the PTO Code resided with the Solicitor's Office. At that time, PTO amended its rules to address the conflict inherent in the Solicitor's dual role as prosecutor and as adviser to the Commissioner on appeal cases. There was also concern that the Solicitor's Office could not efficiently or properly handle investigations in light of its other responsibilities.

For years, PTO took the position that disciplinary proceedings are not subject to statutes of limitations. However, decisions in two recent court cases have held that most administrative proceedings of government agencies are subject to a general five-year statute of limitations specified in 28 U.S.C. § 2462. The statute prohibits a proceeding for the enforcement of any civil fine, penalty or forfeiture unless commenced within five years from the date when the claim first accrued (the date of the violation).

PURPOSE AND SCOPE OF AUDIT

The purpose of this audit was to evaluate the effectiveness of the Office of Enrollment and Discipline and to identify factors that may be inhibiting its satisfactory performance. To accomplish this, we discussed OED's performance with PTO management and staff familiar with OED, as well as interested parties, such as the Intellectual Property Owners, the American Intellectual Property Lawyers Association, and people who provide training on PTO's registration examination. The Director of Practice at the Internal Revenue Service was also interviewed to compare differences between that agency's and PTO's approach to the regulation of practitioners.

We reviewed pertinent documents related to OED's performance, such as process improvement studies, and public comments and testimony. We also analyzed documents related to OED's workload and budget, and assessed the adequacy of its resources. Our review was limited because adequate records were not kept about OED's discipline workload prior to 1995. We did not evaluate internal controls over certain computer-generated data; however, we performed sufficient tests to satisfy ourselves that key data provided by PTO was reliable.

Our fieldwork was conducted from December 1997 to February 1998. We conducted our review in accordance with generally accepted government auditing standards. In addition, the audit was planned to test compliance with significant laws and regulations. It was performed under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980.

FINDINGS AND RECOMMENDATIONS

III. DISCIPLINE INVENTORY HAS INCREASED AS STAFF CONCENTRATES ON ENROLLMENT WORK

The Office of Enrollment and Discipline has not expeditiously completed investigations of complaints against patent practitioners in time to avoid triggering the five-year statute of limitations. As a result, no charges are filed in cases that are older than five years, even if the investigations uncover evidence that a violation has occurred. Instead, PTO issues warning letters. The delays in pursuing violators are caused primarily by the growth of OED's enrollment workload, which has "crowded out" a large portion of OED's discipline work in recent years. Instead of doing investigations, OED staff attorneys must concentrate on enrollment work in order to meet the many deadlines that surround the annual examination for registration to practice in patent cases. The following table depicts the decrease in OED's discipline-related production since FY 1995:

DISCIPLINE WORK	FY1995	FY1996	FY1997
Complaints Received	74	91	69
Investigations Opened ¹	71	10	36
Investigations Completed	45	5	4
Pending Investigations (9/30)	134	139	171
Pending Complaints ² (9/30)	11	82	125
Total Pending Complaints and Investigations (9/30)	145	221	296

The amount of discipline work performed by OED has declined each of the past two years. In FY 1997, OED completed only four investigations. By the end of the fiscal year, the inventory of pending complaints and investigations had grown to 296, up from 145 at the end of FY 1995. As a consequence of the growing inventory, 91 cases OED currently shows as pending are older than 5 years and therefore affected by the statute of limitations. An additional 39 cases will become 5 years old during 1998. The number of cases being actively pursued has declined to the point that the Committee on Discipline, the group responsible for determining probable cause, has not convened since 1996. In the past, the Committee had usually been referred three to four cases per year.

¹ A complaint may result in zero, one or multiple investigation(s), based on its merits.

² A pending complaint is awaiting a preliminary assessment of its merits by OED.

Investigations require continuous attention and cannot be efficiently performed when they are set aside for long periods. To begin reducing the inventory of discipline cases, we believe that OED needs to dedicate two full-time staff to investigations, as well as a trial attorney to take over the prosecution of violators from the Solicitor's Office (see below). Although investigations vary greatly in length making precise estimates difficult, our analysis of OED's workload indicates that the Office needs almost two full-time staff just to handle new complaints. The trial attorney can assist with reducing the inventory of investigations when not trying cases. Both the former and current OED Directors agree that 3 dedicated staff, without the distraction of enrollment work, should be adequate to handle the current workload as well as reduce the inventory.

Additional corroboration of the number of staff needed comes from an ABA survey of state lawyer discipline agencies which indicates that even the smallest states, with fewer individuals to oversee than PTO, have at least three paid staff to address complaints. The survey also shows that most states are able to bring a complaint to closure in less than a year. The Director of OED has proposed a more modest goal of completing investigations within two years. To accomplish this, and assume responsibility for prosecutions, we estimate that at least three full-time staff should be dedicated to discipline-related activities.

II. RELIANCE ON SOLICITOR'S OFFICE CAUSES PROBLEMS

When OED was created, the role of the PTO Solicitor in investigations and prosecutions was limited by Rule 10.140(b). The rule states that OED will be represented in disciplinary proceedings by associate and assistant solicitors designated by the Commissioner, but stipulates that "the Solicitor and Deputy Solicitor shall remain insulated from the investigation and prosecution of all disciplinary proceedings." To enforce this separation, an "ethics wall" limits communications between the Solicitor and those on her staff that work for OED. In disciplinary matters, the associate and assistant solicitors report only to the Director of OED.

However, we believe that OED should thoroughly assess the possibility of employing its own prosecutor rather than rely on the Solicitor's Office to prosecute cases for several reasons. An experienced trial attorney, working with OED staff, could evaluate the strength of the case at an early stage and provide direction that would improve both the efficiency and effectiveness of investigations. Lacking this type of experience, OED relies on the Solicitor's Office for an objective evaluation of evidence. But because of the Solicitor's heavy workload, these reviews can take up to four months, prolonging the already lengthy investigative process. Adding a prosecutor to OED would also reduce the growing amount of work that OED staff send to the Solicitor's Office. One of the reasons OED was created was to relieve the Solicitor's Office of the burden of doing investigations. At that time, PTO's Deputy Commissioner observed that the Solicitor's Office was not able to devote adequate time to investigations. As more investigative work is sent to the Solicitor's Office, we believe that this argument is still valid.

In addition, an OED prosecutor would reduce the number of contacts with the Solicitor's Office, further strengthening the "separation of powers" intended in the amended rules. Because of its responsibilities as the Commissioner's legal adviser, the involvement of the Solicitor's Office in discipline cases remains a delicate issue. In recent years, that office has played a more active role in disciplinary matters, even providing guidance to the OED Director about what types of cases the Commissioner wants to pursue. The Associate Solicitor explained that the Office is trying to conserve resources by discouraging cases in which the Commissioner lacks interest. While dispensing such advice is not prohibited, lawyers familiar with the rules have suggested that it would be more appropriate for OED to be guided directly by the opinions issued by the Commissioner in deciding appeals.

III. OED STAFF OVERWHELMED BY RISING ENROLLMENT WORKLOAD

As noted earlier, a primary reason for the declining number of investigations has been an increase in OED's enrollment workload, which is being driven by the growing number of candidates who take the registration examination. Since 1986, that number has increased from 722 to 3,162. Yet, OED has only three enrollment staff, the same number as in 1986.

For each examination candidate, OED must perform several labor-intensive tasks, including processing the application for registration, evaluating the candidate's technical qualifications, formulating examination questions, and grading the responses. Also adding to OED's workload is the rising number of applicants requesting that their exams be regraded. Requests for regrades have grown from 71 in 1985 to as high as 267 in 1995. At different times of the year, one of these activities predominates, and all OED staff are expected to help for a period of time. As the workload has grown, those periods have become longer. OED records indicate that during a 6 month period in 1997, staff spent 71 percent of their time on enrollment work, and only 14 percent on discipline.

Several reengineering initiatives are currently underway that will change the way OED performs enrollment work. Foremost is the change to an examination with an all multiple-choice format, rather than part multiple-choice and part essay. OED management is also working with PTO's Chief Information Officer to establish a new workflow system that will automate many administrative tasks, such as handling application requests. The system will gradually expand to handle additional enrollment and discipline functions and provide OED with improved management reporting. In another time-saving initiative, OED is planning to discontinue the annual survey of practitioners it undertakes to update its roster of registered patent lawyers and agents. The Director is also considering giving the examination in a computer-administered format to minimize staff work at each level in the process. These changes to the office's operations should enable it to work more efficiently than it has in the past.

At present OED has 7.5 staff plus 3 vacant positions. Although OED has not been adequately staffed in past years, it is difficult to determine exactly how many staff will be needed until the new systems

are fully operational. The Director of OED should be allowed to immediately fill the three vacant positions and obtain temporary staff, if needed, during this transitional period. After all changes have been implemented, OED's staffing levels should be reassessed.

IV. ATTORNEYS DISCIPLINED BY STATE BARS CONTINUE TO PRACTICE AT PTO

Attorneys who have been suspended or disbarred for ethics violations by state bars can continue to practice before the PTO, even when the misconduct also violates PTO's own ethics rules. According to OED staff, a significant percentage of practitioners about whom they receive complaints have already lost their license in at least one state.

This situation persists for several reasons. First, OED is generally not informed of the disciplinary actions by the practitioner or prosecuting state bar, and does not have easy access to such information. However, even when the sanctions are discovered, PTO has no means of expediting proceedings against suspended or disbarred attorneys. Legal maneuvering can prolong the process for years, during which time the attorney may continue to practice.

In addition, PTO's rules do not prevent attorneys who have lost their professional license from changing their registration status from patent lawyer to patent agent and continuing to practice. Agents, like attorneys, are allowed to prepare and prosecute patent applications, although they cannot conduct patent litigation or perform other legal services. We believe that this omission represents a significant "loophole" through which disciplined attorneys can evade further sanctions.

To address these problems, PTO should consider revisions to its practice requirements as well as its patent rules concerning representation before the PTO. First it should change its disciplinary rules to create an affirmative duty on the part of the practitioner to inform OED of changes in state bar licensure. PTO should also seek authority for expedited proceedings against practitioners suspended or disbarred for misconduct, similar to the provisions granted the Internal Revenue Service by the Code of Federal Regulations. Faced with the same problem, the IRS allows their Director of Practice to conduct expedited proceedings to suspend any IRS practitioner who has lost his or her license within the past 5 years. Finally, PTO should close the "loophole" that allows attorney practitioners to convert to agent status after suspension or disbarment for ethics violations.

V. REVIEW OF TECHNICAL QUALIFICATIONS DOES NOT REQUIRE AN ATTORNEY

Highly graded staff attorneys in OED spend a significant portion of their time reviewing the technical qualifications of applicants to take the examination. We believe that this review does not require legal skills and could be done for less expense by non-attorneys. According to records kept by OED, the attorneys spent 20 percent of their time on this task during a six-month period in 1997.

The review entails comparing an applicant's college course work with the qualifications necessary to take the exam, as specified in the *General Requirements for Admission to the Examination*. An applicant can meet the requirements by either having a bachelor's degree in a technical subject, or showing they have equivalent training based on their college course work³. Determining whether an applicant without a technical degree has the necessary qualifications requires the reviewer to exercise judgement. For this reason PTO prefers to have attorneys with technical knowledge as reviewers rather than other enrollment staff who are mostly clerical.

But in the *General Requirements*, PTO has outlined very specific criteria for qualifying without a technical degree and placed the burden on the applicant for supplying proof of their qualifications. The applicant is not only asked to furnish transcripts, but also course descriptions, and college catalogues that minimize the need for the reviewer to use judgement. In our opinion, neither technical knowledge, nor legal skills, should be required for the review. OED should assign the review of qualifications to non-attorney staff with more appropriate skills.

VI. POOR COMMUNICATION DELAYS GRADING OF EXAMINATIONS

The format of the August 1997 exam was changed to eliminate essay questions and make the entire exam gradable by machine. Formerly, the examination section on claims drafting contained essay questions that required a significant amount of staff time to grade. According to an analysis by OED, attorneys spent 46 percent of their time grading and regrading essay questions during a six-month period in 1997.

The new all multiple-choice format is intended not only to save OED significant time, but also to remove subjectivity from the grading process and enable applicants to receive their scores sooner. Although some in the patent community are skeptical that claims-drafting skills can be effectively tested through multiple-choice exams, two firms that prepare applicants to take the exam praised the new claims-drafting section.

However, OED failed to adequately notify the test administrator of the specific changes to the format. PTO has had an interagency agreement with the Office of Personnel Management (OPM) to administer the registration examination. The agreement necessitates close coordination between the two agencies. But OPM first learned of the test changes when it received the scoring key 10 days after the exam was given, despite the fact that the exam and the scoring key were finalized weeks in advance of the examination. The failure to notify OPM was the result of poor internal communication within OED. The changes in the exam required reprogramming the system that grades the exam, and delayed releasing the grades by two months. Applicants were forced to wait unnecessarily to learn if they were eligible to practice before the PTO.

³ An applicant who meets neither criteria, can also qualify by passing the Fundamentals of Engineering test administered by a state authority.

When preparing an examination, particularly one that is different from past exams, OED must pay more attention to coordination with the exam administrator to ensure that they are provided with all pertinent information at the earliest possible time.

VII. CONCLUSION

OED's effectiveness has been hampered by a growing imbalance between its staffing and workload to the point where investigations have impinged upon the five-year statute of limitations. Patent applicants, mostly small entities, that have been victimized by unethical practitioners expect their grievances to receive timely attention. Although the patent bar incurs fewer complaints than other bar associations, compliance with the disciplinary rules cannot be taken for granted. The problems impeding the performance of the enrollment and discipline programs deserve the prompt attention of PTO management.

RECOMMENDATIONS

We recommend that the Acting Deputy Commissioner of Patents and Trademarks:

1. Require the Director, Office of Enrollment and Discipline, to dedicate three full-time staff to discipline work to reduce the inventory of complaints and investigations.
2. Determine the feasibility of seeking a change in the rules that would allow OED to be represented in disciplinary proceedings by its own attorney and if possible, allow the Director, OED, to hire an experienced trial attorney to serve in this role.
3. Require the Director, OED, to immediately fill the three current vacant positions, and also obtain temporary staff, if needed, to assist in implementing its new automated systems.
4. Consider whether PTO should change its rules and general requirements to: (a) establish an affirmative duty for enrolled attorneys to inform PTO of a loss of "good standing" with any state bar; (b) conduct expedited proceedings to suspend attorneys who lose their licenses to practice due to ethics violations; and (c) prevent the conversion of enrolled attorneys to agent status after suspension or disbarment for ethics violations.
5. Instruct the Director, OED, to assign the review of applicant technical qualifications to staff with skills that are more appropriate to the task.
6. Request that the Director, OED, coordinate more closely with the registration examination administrator to ensure that the administrator has the exam-related information in a timely manner.

PTO's Response to Draft Report

In its reply to our draft audit report, the Patent and Trademark Office said that it substantially accepts the recommendations, and will, given the necessary resources, implement the changes and evaluate areas for potential change as suggested. They noted that some recommendations can not be implemented until corrective action contained in others is accomplished. However, PTO views the recommendations as supportive of its reengineering plan and is committed to implementing them by the close of fiscal year 1999.

As a general comment, we are pleased that PTO agrees with the recommendations contained in the report and has promised to implement them. However, we question why PTO has chosen to condition the implementation of some recommendations on the availability of additional resources. With 5,134 full-time equivalent staff, we believe that PTO can easily afford OED the three additional staff recommended in the report. Therefore, PTO's promise to address the problems by the end of FY 1999 would not resolve the recommendation in a timely fashion. During that time, dozens more investigations will have expired unnecessarily.

Although the Office of Enrollment and Discipline is statistically a small part of PTO's program, it provides an important and highly visible service to PTO's customers, one that is particularly valuable to small entities and aspiring patent practitioners. We urge PTO to give OED the resources necessary to implement the recommendations without delay.

A summary of PTO's position on each recommendation follows along with OIG's comments. A copy of the complete response is attached to the final report.

Recommendation #1:

Require the Director, Office of Enrollment and Discipline, to dedicate three full-time staff to discipline work to reduce the inventory of complaints and investigations.

PTO Response: PTO agrees that at least three full-time staff members are needed to reduce the inventory. However, in order to implement the recommendation, adequate resources must be present to support both the enrollment and discipline programs. PTO will explore ways in which it can provide the necessary resources to the enrollment program, so that it can dedicate sufficient resources to the discipline program.

As an aside, PTO notes that the statute of limitations on violations of the PTO Code of Professional Responsibility begins at the date of the violation. PTO found that frequently several years have passed before an individual files a complaint. Additionally, PTO clarified our finding that it doesn't pursue complaints older than five years. The agency believes that the public's best interests would

be for OED to pursue all complaints beyond the statute of limitations and to issue warning letters, where appropriate.

OIG Comments: We agree that OED must have adequate staff assigned to the enrollment program before it can implement this recommendation. We address the problem of inadequate enrollment staff in our third recommendation. We hope and expect that PTO will implement both recommendations well before the end of FY 1999 so that a credible deterrent to violations of the PTO Code of Professional Responsibility can be reestablished.

Although OED is continuing to investigate complaints that are older than five years, PTO's options with regard to those investigations are restricted because of the statute of limitations. Complaints are not referred to the Committee on Discipline to determine probable cause, nor are they accepted by the Solicitor's Office to be litigated. We question whether the issuance of a warning letter for a violation that occurred over five years before will help to deter future violations.

Recommendation #2:

Determine the feasibility of seeking a change in the rules that would allow OED to be represented in disciplinary proceedings by its own attorney and if possible, allow the Director, OED, to hire an experienced trial attorney to serve in this role.

PTO Response: PTO indicates that it would consider adding an attorney to OED, but expressed doubts about its feasibility. The reply notes that one isolated attorney would have difficulty performing the responsibilities of determining the applicable law and how it would apply in a given situation. The attorney would also need support from clerical staff and paralegals.

PTO further states that without a legal staff within OED, it is appropriate for them to seek legal advice from the Solicitor's Office. PTO stated that the screening wall within the Solicitor's Office was established to ensure that the Director receives strictly legal advice, not to avoid cases in which the Commissioner lacks interest, as suggested in the report.

OIG Comments: PTO's reply is responsive to our recommendation. While we appreciate the logistical problems involved in placing a single trial attorney in OED, we believe that the potential benefits would make it worthwhile. As stated in the report, an experienced trial attorney, working closely with OED investigators, could enhance the effectiveness and focus of their investigations. We hope that PTO will continue to evaluate the feasibility of this proposal.

Also, we would like to clarify our comment about OED's relationship with the Solicitor's Office. Without its own legal staff, we agree that it is appropriate for OED to seek legal advice from the Solicitor's Office. However, in our view, the Solicitor's Office should not suggest to OED, as the Associate Solicitor told us, what types of cases the Commissioner wants to pursue. A patent attorney analogized the situation to a prosecutor's asking a judge for his preference of cases to hear.

Dedicating a trial attorney for OED would increase its independence and strengthen the “separation of powers” intended when the responsibility for investigating and prosecuting violators of the PTO Code was moved from the Solicitor’s Office.

Recommendation #3:

Require the Director, OED, to immediately fill the three current vacant positions, and also obtain temporary staff, if needed, to assist in implementing its new automated systems.

PTO Response: PTO states that they are working with the Office of Human Resources to fill the vacant positions, but also discounted their importance because OED’s productive capacity was not significantly greater when it was fully staffed. PTO believes that the reengineering changes being planned are more important to solving their problems than adding more staff. Those changes include a new workflow system being developed in cooperation with PTO’s CIO office. The OED Director is also working toward giving the registration examination in a computer-administered format to eliminate, as much as possible, the cyclical nature of the staff work for each step in the examination process.

OIG Comments: We are encouraged that PTO is moving to fill the three vacancies. However, we continue to believe that these positions should be filled immediately, not in FY 1999. As stated in the report, OED has the same number of enrollment staff as they did in 1986 despite a 330% increase in the number of registration applicants. Already, 91 investigations have been affected by the statute of limitations, with more expiring each month as OED struggles to cope with its enrollment-related workload. In our opinion, additional staff are needed now and should not wait on the development of a new workflow system or other operational changes. OED has been engaged in various reengineering studies for over two years, and should know what skills new staff will need.

Recommendation #4:

Consider whether PTO should change its rules and general requirements to: (a) establish an affirmative duty for enrolled attorneys to inform PTO of a loss of “good standing” with any state bar; (b) conduct expedited proceedings to suspend attorneys who lose their licenses to practice due to ethics violations; and (c) limit the conversion of enrolled attorneys to agent status.

PTO Response: PTO agrees with the recommendation and will consider the rule changes, but notes that they would essentially require the creation of two separate rosters for agents and attorneys to practice before the agency, instead of one. PTO seems willing to provide closer scrutiny of the “prerequisites” for providing service to patent applicants, and that may justify further unspecified differentiation between agents and attorneys.

OIG Comments: PTO agrees with the recommendation, but we do not agree that implementation would require creation of a separate roster if attorneys are not allowed to change their status to that

of “agents.” We clarified our recommendation in this area to more precisely convey our intent that PTO should *prevent* the conversion of disciplined attorneys to agents.

Recommendation #5:

Instruct the Director, OED, to assign the review of applicant technical qualifications to staff with skills that are more appropriate to the task.

PTO Response: PTO agrees with the recommendation, but says that it does not presently have an adequate staff of non-attorneys to whom it can assign this task. The review of technical qualifications requires dedicating 1,650 staff hours over a three-month time period. The reengineering plan being developed for OED will establish an enrollment staff of non-attorneys with the appropriate skills needed to perform this work. In hiring additional enrollment staff, PTO will seek individuals capable of reviewing technical qualifications, as well as performing other enrollment-related tasks such as writing and regrading tests. PTO has been advised that this function is one for which it cannot contract out to non-government employees.

OIG Comments: PTO’s reply is responsive to our recommendation.

Recommendation #6:

Request that the Director, OED, coordinate more closely with the registration examination administrator to ensure that the administrator has the exam-related information in a timely manner.

PTO Response: PTO agrees with the recommendation and will ensure that the administrator at OPM has exam-related information in a timely manner. However, PTO states that because OPM requests only two weeks advance notice of the type of questions on the exam, the late notification should have only led to a two-week delay, not a two-month delay.

OIG Comments: PTO’s reply is responsive to our recommendation. However, our fieldwork indicates that the actual delay was, in fact, two months, due to other factors in addition to the delay in the notification.

Attachment



ATTACHMENT

UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
ASSISTANT SECRETARY AND COMMISSIONER
OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

May 27, 1998

MEMORANDUM

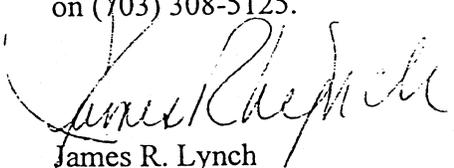
TO: George E. Ross
Assistant Inspector General for Auditing

FROM: Office of the Comptroller

SUBJECT: Draft Audit Report: PTO's Office of Enrollment and Discipline Must
Conduct More Timely Investigations of Complaints Against Practitioners

Attached are the comments of the Patent and Trademark Office on the draft audit report, same subject, dated April 29, 1998.

We look forward to working with your staff on implementation of the recommendations of the report. If you have any questions, please contact me or my associate, John Webb, on (703) 308-5125.


James R. Lynch
Comptroller

Attachment

cc: Mr. Goffney
Mrs. Bovard
Mr. Kazenske
Mr. Cochran



UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
ASSISTANT SECRETARY AND COMMISSIONER
OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

May 27, 1998

MEMORANDUM

To: James R. Lynch
Comptroller

From: Karen L. Bovard *KL*
Director of Enrollment and Discipline

Via: Lawrence J. Goffney, Jr. *LJG*
Acting Deputy Assistant Secretary of Commerce and
Deputy Commissioner of Patents and Trademarks

Subject: Draft Response to Draft Inspector General Audit on the
Office of Enrollment and Discipline

The Office of Enrollment and Discipline ("OED") has undergone substantial study through its recent business process reengineering efforts and its efforts to elicit public comments on proposed changes to its programs. We appreciate the consideration given those efforts in the audit of OED, and are pleased to see that the recommendations are supportive of our reengineering plan. As such, we substantially accept the recommendations, and will, given the necessary resources, implement the changes and evaluate areas for potential change as suggested.

Discipline Staff Forced to Concentrate on Enrollment Work

OIG Recommendation # 1: We recommend that the Acting Deputy Commissioner of Patents and Trademarks require the Director, Office of Enrollment and Discipline, to dedicate three full-time staff to discipline work to reduce the backlog of complaints and investigations.

The PTO continues to be concerned about the growth of OED's enrollment workload that has increasingly consumed the resources of OED. The PTO agrees that at least three full-time staff members are needed to reduce the backlog of complaints and investigations. The reengineering plan that the PTO now has in place for OED rests on a foundation of allocating resources to each of the primary programs of OED - enrollment and discipline. However, in order to implement this plan, adequate resources must be present in OED to support both programs, unless the PTO considers alternative support for these programs.

The PTO will explore ways in which it can provide the resources necessary to meet its enrollment program objectives so that it can then dedicate sufficient resources for its discipline program.

As an aside, it is important to note that the statute of limitations recently accepted by the PTO begins at the date of the occurrence of the violation of the PTO Code of Professional Responsibility. Thus, one would always expect there to be some complaints that are received in the PTO beyond that five years allocated for investigation and action by an agency. We have found that, frequently, several years have passed before an individual files a complaint. Additionally, we would like to clarify the Draft OIG Report's findings that the PTO no longer pursues complaints older than five years. (See page 2, Draft OIG Report.) At this point in time, the PTO believes that the public's best interests would be for OED to pursue all complaints beyond the statute of limitations to issue warning letters, in accordance with 5 U.S.C. 558(c), where appropriate. Thus, all pending investigations and complaints, regardless of their age, are included in OED's pendency reports and will be considered in determining the resources necessary for discipline work.

Reliance on Solicitor's Office Causes Problems

OIG Recommendation #2: We recommend that the Acting Deputy Commissioner of Patents and Trademarks determine the feasibility of seeking a change in the rules that would allow OED to be represented in disciplinary proceedings by its own attorney and if possible, allow the Director, OED, to hire an experienced trial attorney to serve in this role.

The PTO does not take issue with your recommendation that it determine the feasibility of seeking a change in the rules to allow OED to be represented by its own attorney. What course this would take would depend on the feasibility of hiring such an attorney. OED's experience with being represented by the Solicitor's Office has made it aware that one isolated attorney cannot carry out its responsibilities of determining the applicable law for the agency and how it would apply in connection with facts uncovered by an investigator. Moreover, additional support staff and paralegals would be needed for the extra document handling necessary in the proceedings.

Considerable effort in OED in both its enrollment and discipline programs has been expended to ensure that decisions and actions can withstand legal and judicial scrutiny. Without its own litigation staff, the appropriate PTO office for OED to get this type of legal advice is the Solicitor's Office. OED has endeavored to concentrate its efforts on applying the legal rules and principles and ensuring that policy decisions made by the Director adhere to the legal advice OED receives. As you know, a screening wall has been established so that the Director may receive strictly legal advice and make a decision in accordance with the law, not to avoid "cases in which the Commissioner lacks interest." (Contra, page 5, Draft OIG Report.)

OED Staff Overwhelmed by Rising Enrollment Workload

OIG Recommendation #3: We recommend that the Acting Deputy Commissioner of Patents and Trademarks require the Director, OED, to immediately fill the three current vacant positions, and also obtain temporary staff, if needed, to assist in implementing its new automated systems.

We appreciate your recommendation, and would like to assure you that the Director has been working with the Office of Human Resources to fill the vacant positions. As the Draft OIG Report makes clear, these three positions when filled did not demonstrably affect OED's capacity to handle the increasing enrollment work of the agency. The reengineering changes underway, including the new workflow system being developed in cooperation with PTO's CIO's office (rather than the Office of Human Resources per page 5 of the Draft OIG Report) should assist greatly in handling the rising enrollment workload. The Director is also working toward giving the registration examination in a computer administered format to eliminate as much as possible the cyclical nature of the work which requires varying staff levels for each step in the enrollment process. Additionally, as noted, OED has changed to an examination with an all objective format and has discontinued the annual survey of practitioners.

Attorneys Disciplined by State Bars Continue to Practice at PTO

OED Recommendation #4: We recommend that the Acting Deputy Commissioner of Patents and Trademarks consider whether PTO should change its rules and general requirements to: (a) establish an affirmative duty for enrolled attorneys to inform PTO of a loss of "good standing" with any state bar; (b) conduct expedited proceedings to suspend attorneys who lose their licenses to practice due to ethics violations; and (c) limit the conversion of enrolled attorneys to agent status.

While we agree with the recommendation and will indeed consider the suggested rule changes, in essence these recommendations require the establishment of two separate rosters for practice before the agency: attorneys and agents. This would be a considerable departure from our present practice of having one roster on which attorneys are designated as such but having no special privileges or responsibilities. The PTO does not disagree, however, with closely scrutinizing the prerequisites for providing valuable service to applicants seeking patent protection in light of current patent law. It might that such scrutiny supports differentiating between attorneys and agents who practice before the PTO in patent matters.

Review of Technical Qualifications Does Not Require an Attorney

OIG Recommendation #5: We recommend that the Acting Deputy Commissioner of Patents and Trademarks instruct the Director, OED, to assign the review of applicant technical qualifications to staff with skills that are more appropriate to the task.

Although we agree with the recommendation of assigning review of technical qualifications to non-attorneys, we do not have staff to whom these reviews can be assigned. As mentioned, OED's reengineering plan seeks to establish an enrollment staff to handle all its enrollment work. The plan contemplates having this work done by non-legal staff but with the appropriate skills to perform this work.

In order to implement successfully the reengineering "two-team" approach, the enrollment team must have adequate skills not only to evaluate scientific and technical qualifications, but also to write and regrade the examination. OED records indicate that it takes an average of 3 hours for an experienced individual to evaluate the applications of individuals who do not meet the Category A requirements of scientific and technical training. For the 1997 examination, there were approximately 550 applications. This required dedicating 1,650 staff hours over a 3 month time period. Additional administrative work is required for all of the applications, including logging in applications, processing fees and refunds, and insuring that the applications are complete. Yet other tasks are necessary, including writing and reviewing the examination, responding to regrades from the prior examination, preparing decisions on petitions for waivers of the requirements and fees, and other miscellaneous but very necessary examination work. Where possible, contractors will be hired to assist the PTO in this work. However, OED has been advised that determining whether applicants have the scientific and technical qualifications for registration are government decisions that cannot be contracted to non-government employees.

Poor Communications Delays Grading of Examinations

OIG Recommendation #6: We recommend that the Acting Deputy Commissioner of Patents and Trademarks request that the Director, OED, coordinate more closely with the registration examination administrator to ensure that the administrator has the exam-related information in a timely manner.

The PTO appreciates and agrees with the recommendation that the Director ensure that the administrator at OPM has exam-related information in a timely manner. Actually, for the last examination in which this seemed to cause a problem, the Director did arrange for information to be given to OPM, along with the public, regarding the change in the nature of the registration examination, several months prior to the administration of the examination. Nevertheless, particular care will be given to this detail in the future.

In recent discussions with OPM's exam administrators, the Director and the PTO's Office of Procurement were advised that OPM needs two weeks notice of the type of questions with the answer key to program the scantron machine for grading and to validate the programming. Thus it appears that any late notification of the type of examination should have led to only a two-week delay in scoring the examination and not to the two-month delay mentioned in the report. (See Draft OIG Report, page 7.)

Conclusion

The PTO appreciates the efforts of the auditing staff in their review of the Office of Enrollment and Discipline and generally agrees to implement the recommendations. As OED has found in implementing its reengineering plan, many of the recommendations depend on extensive corrective action in other areas, for example, dedicating staff to discipline work requires having additional staff perform the enrollment work. Nevertheless, the PTO is committed both to implementing the reengineering plan and the additional recommendations in the Draft OIG Report by the close of fiscal year 1999.