

# **EXHIBIT 1**



## **Patent Reform**

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Commissioner for Patents**

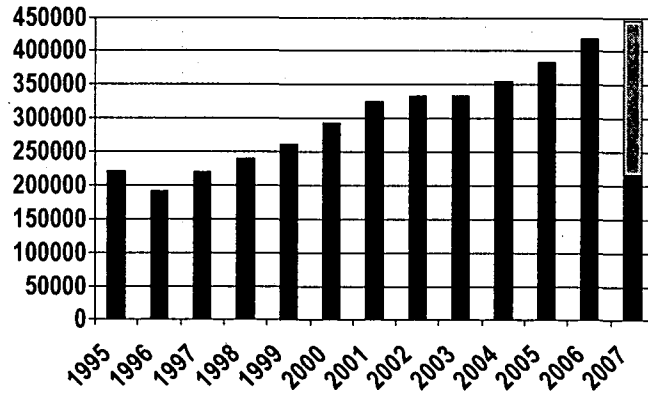


## **Patent Reform**

- **Examination reform through rule making to focus examination & enhance information exchange**



## UPR filings



- FY '06 419,760
- Growth of 9.2% from '05
- Mid '07: 217,233
- FY '07 expected filings 445,900



## UPR Production

- 2006 goal: 311,913 Balanced Disposals (BDs)
- 2006 results: 315,019 BDs
- 2007 goal: 323,900 BDs

FY 2006	BDs Produced	% of Target
USPTO	315019	101.0%
1600 Biotech	34155	109.6%
1700 Chemical Eng.	40578	102.7%
2100 Computers	37476	104.0%
2600 Communications	45072	100.3%
2800 Electrical, Optics	71935	97.9%
3600 Mechanical	37836	101.4%
3700 Mechanical Eng.	45451	100.0%



## Patent Pendency - EOY FY 2006 / Mid-Year FY 2007

Technology Center	Average 1 <sup>st</sup> Action Pendency (months) <sup>1</sup> EOYFY06 /Mid-Year FY07	Average Total Pendency (months) <sup>2</sup> EOYFY06/Mid-Year FY07
1600 - Biotechnology and Organic Chemistry	23.5/22.7	34.4/34.7
1700 - Chemical and Materials Engineering	22.7/24.6	32.1/33.3
2100 - Computer Architecture Software and Information Security	30.8/31.2	44.0/43.3
2600 - Communications	30.4/35.6	42.9/43.0
2800 - Semiconductor, Electrical, Optical Systems	16.4/17.9	25.4/25.8
3600 - Transportation, Construction, Electronic Commerce	21.7/24.2	29.6/30.2
3700 - Mechanical Engineering, Manufacturing and Products	20.2/22.0	28.2/28.9
UPR Total FY06	22.6	31.1
FY 06 Target	22.0	31.3
UPR Total Mid-year FY 2007	24.7	31.5

<sup>1</sup> "Average 1<sup>st</sup> action pendency" is the average age from filing to first action for a newly filed application.

<sup>2</sup> "Average total pendency" is the average age from filing to issue or abandonment of a newly filed application.



## Hires and attritions

	1600	1700	2100	2600	2800	3600	3700	Corps
FY 06 Hiring Goal	75	35	690			100	100	1000*
FY 06 Hiring	96	88	259	228	226	144	152	1193
FY 06 Attrits	53	56	96	84	96	49	76	510
FY 06 EOY Staff	545	526	908	925	1045	582	549	5150
FY 07 Hiring Goal								
FY 07 Hiring (Mid-Year)								
FY 07 Attrits (Mid-Year)								

Staff includes Examiners, SPEs and academy trainers.

\*As originally planned. Hiring target raised to 1200 during FY 2006.



## We Can't Hire Our Way Out

- Proportion and volume of continuations has seen tremendous growth
- Resources needed to train new hires takes away from examination
  - Significant time investment to properly train new examiners
- Examiners take time to come up to speed and work independently
- Additional management resources needed to maintain uniformity of quality and procedures



## Why Limit Continuations?

- USPTO has a huge backlog of applications
  - Over 1,000,000 pending
  - Over 700,000 awaiting first action
  - Average time to first action is between 16 and 31 months, depending on Technology
  - Filings continue to increase
    - Over 9.2% growth in 2006



## **Improved Efficiency, Effectiveness and Quality**

- **Limits continuations and RCEs**
- **Focuses interaction during initial actions in prosecution**
- **Focuses examining resources on new applications**
- **Reduces work redundancy – improves pendency**



## **Improved Efficiency, Effectiveness and Quality**

- **384,228 Total filings in 2005**
- **About 419,000 in FY 2006 – over 9.2% growth**
- **Significant FTEs needed to do continuations**



## Double Patenting Issues

- Reduces examiner searches for co-pending applications
- Provides assistance to examiner in resolving double patenting issues



## Why Limit Claims?

- Average number of claims per application
- Will contribute to enhanced quality
- Limited resources



## Improved Examination Efficiency

- The fewer the claims in a given application...
  - The less time it takes to examine it
  - Claims drafted to the heart of the invention
  - More focused search
  - Fewer claims to analyze initially for compliance with 101, 102, 103, and 112
  - Fewer rejections to write up in the Office action
  - Time to prepare Office actions will be reduced
  - Not all applications will be affected equally
    - Varies by technology



## Improved Examination Efficiency

- What are we trying to accomplish?
  - Increase in quality
  - Increase in examiner productivity



## Patent Reform - Quality Issues

- Applicant Quality Submissions (AQSs)
- Micro-Entity Status
- Inequitable Conduct - Unenforceability



## Applicant Quality Submissions

- Quality is Shared Responsibility
- Full Disclosure Benefits All
- Current Barriers:
  - Inequitable Conduct Doctrine
  - Unenforceability



## **Micro-Entity Status**

- **Exemption from AQSs**
- **Based on Activity Level and Income**
- **Future Applications**



## **Inequitable Conduct - Unenforceability**

- **Current Standard Uncertain**
- **Drives Counterproductive Behavior**
- **Target True Fraud**



**Thank You**