SUBJECT: Reorganisation of DG1 and DG2; consolidation and streamlining of the Office structures

SUBMITTED BY: President of the European Patent Office

ADDRESSEES: Administrative Council (for information)

SUMMARY

The document introduces a report on the re-structuring of DG1 and DG2 as well as the consolidation and streamlining of the general Office structures. The organisational changes envisaged are described.

TABLE OF CONTENTS

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I. STRATEGIC/OPERATIONAL

1. The envisaged restructuring encompasses both strategic and operational elements and is being undertaken pursuant to Art. 10(2)(a) EPC to ensure the good functioning of the Office.

II. RECOMMENDATION

2. To note the attached report on the re-structuring of DG1 and DG2 as well as the consolidation and streamlining of the general Office structures and to note the organisational changes envisaged.

III. MAJORITY NEEDED

3. N/A.

IV. CONTEXT

4. Over the past years by implementing the Quality and Efficiency strategy, the Office has achieved a strong increase in performance and attained quality at a very high level, as well as improving timeliness under the Early Certainty initiatives. Examiners and formalities officers again increased performance (+14% in 2015/+9% in 2016).

5. The Office therefore faces a continuing challenge in how to maintain and even improve its record in terms of quality and production, how to attain the remaining Early Certainty objectives and how get the best out of its resources in general.

6. Consideration of the above context led the President to commission a study by the consultants Boston Consulting Group (BCG) in September 2016, to take a general look at the operational set up of the Office's core business areas. The aim was to examine whether the current organisational structure of the core business areas still fulfils the Office's future needs, especially in view of the growing impact of automation. An internal Task Force was subsequently requested to further develop some proposals.

7. An extensive process of staff consultation involving dedicated meetings with managers and focus group meetings with a broad cross section of staff took place during the first semester 2017. Taking into account all those inputs, the Task Force drafted a report which has been made available to all staff on 23 May 2017 and presented to the GCC on 7 June 2017.

8. On this basis, the President endorsed the recommendations of the Task Force and decided a programme of actions to be implemented during the 2nd semester 2017.

9. For the full information of the AC delegations, the report of the Task Force, comprising a detailed analysis, is attached as an annex.

V. <u>**ARGUMENTS**</u>

10. All organisations need to adapt to changing demands from users, rapid developments in technology and greater competition. For the EPO, increasing its quality, production and timeliness has become an essential aspect of its strategy to face such challenges. All along its development, the Office has modified its structures to ensure it can be in a position to fulfil its mission and continues to deliver high quality products.

11. The main features of the current organisation of the Office dating back to 2005, it was felt appropriate to look for improvements that can be made to its operations which will help to ensure that optimal performance is maintained in the future and help the Office to remain as a leading patent office.

12. From the different analysis, the main following findings and recommendations came out very clearly:

- the current structure of the patent granting process based on two separate entities (DG1/DG2) is not optimal, with multiple interactions between them, the circulation of the same patent file between several services, with a lack of continuity in the responsibility of the processing of the file, increasing in particular the risk of backlogs and time loss;

- thanks to the continuous developments and important investments in the automation of its Patent Grant Process undertaken these last years, particularly through the deliveries of the IT Roadmap, the Office can achieve a fully digitalised end-to-end process in the short term;

- the Office's core business areas should be restructured to integrate in the same entity the patent examiners and the formalities officers. This will simplify and clarify line management responsibilities: under an end to end process, as much responsibility as possible is placed under one line management and interfaces are reduced to a minimum.

- working jointly in close proximity under a single line management would increase personal responsibility and allow examiners and formalities officers to take common responsibility for a product, fostering team work. This will facilitate the alignment of priorities and performance management, thus supporting the Early Certainty initiatives and leading to increased quality and productivity;

- to facilitate the management of this new entity generated by the merge of DG1 and DG2 (Patent Administration), which will count approximately 5 000 staff members, it is suggested to first distinguish the operational functions and the support ones;

- the reorganisation also offers the opportunity to improved quality, performance and timeliness in opposition activities by the creation of dedicated opposition directorates;

- the new structure primarily should have an impact on the managerial functions; the day to day content of the work of examiners and formalities officers is not expected to be impacted in a substantive manner.

Following the same logic and main orientations, the Office has also taken the opportunity to review its structures outside the patent granting process, to foster efficiency, end-to-end processing under the same responsible entity, and better coordination between the services. It led the Task Force to propose further adaptations concerning DG4 and DG5 in particular.

VI.   INTRODUCTION TO THE NEW STRUCTURES OF THE OFFICE

13.   The President of the Office has decided to follow the recommendations made by the Task force. Taking into account that the former DG3 has already been transformed into a more autonomous entity within the Office (the "Boards of Appeal Unit" headed by the President of the BoA) by the reform adopted in 2016, the new structure of the Office will thus rely on three main Directorates General, headed by Vice-Presidents:

- DG1 "Patent Granting Process"

- DG2 "Corporate Services"

- DG3 "Legal and International Affairs"

A.   DG1 PATENT GRANT PROCESS

a)   The main features of the new DG1 are the following:

- General orientation: merger of the current DG1 with DG2 (Patent Administration), thus bringing the Search, Examination, and Opposition divisions and the Receiving Section into a single Directorate General, whereby VP1 will be the overall process owner;

- Operational functions: regrouping of the cluster structure into three enlarged Principal Directorates, according to technology ("Mobility and Mechatronics", "Healthcare, Biotechnology & Chemistry", "Information & Communications Technology"), each one headed by a Chief Operating Officer (COO). Moreover, each Principal Directorate will comprise ca. 25 Directorates of 60+ examiners and typically between 5 and 9 Formalities Officers, depending on tasks, fields and size of the directorate. Each directorate would be headed by a Director reporting to the COO. Each Principal Directorate will further contain one or two dedicated Opposition and Central Formalities directorates.

- Support functions: the several services in DG1 and DG2 currently providing the support to the operations, the customer relations and also the quality management system will be merged into three Principal Directorates: PD User Support & Quality Management, PD Business Services and PD Automation Support, all directly linked to VP1.

- Executive Operations Committee: under the chairmanship of the President of the Office, this new committee will include VP1, the three COOs, PD Business Services, and PD Controlling, with the participation of PD HR, IM and other services as required. The Committee will meet regularly to oversee the operation of the new structure and follow-up on DG1 performance and quality achievements.

14. The operations in the new DG1 will rely on new big entities: three main Principal Directorates, each counting around 1 500 staff members in total, covering several enlarged directorates (60 to 80 staff members per new directorate, compared to 30 in the current structure).

15. This is why it will be accompanied by a specific effort to support the management with the creation of new managerial posts in charge of small teams of 8 to 10 persons: in total around 45 new team managers for formalities officers – a newly created function – and 189 new appointments as examination team managers are further foreseen. The team manager function, combining operational and managerial tasks, was introduced in DG1 in 2014. The reorganisation presents then substantially more career opportunities for the staff.

b) Impact on the Quality Management System

16. The features of the EPO Quality Management System will be adapted to the new structure. Given that the changes will be limited to the organisational and managerial structure only minor adaptation of the Quality Management documentation and administrative aspects of some quality assurance mechanisms are required. Recent internal and external audits have concluded that the EPO has adequately responded to the new requirements of the ISO9001 standard in its 2015 version.

17. The external auditors emphasised the very proactive implementation of the new requirements as well as the very high commitment of both management and staff to the quality management. The auditors also reviewed the working proposals regarding the reorganisation of DG1 and DG2 and concluded that the implementation of the full end-to-end process under one authority will further strengthen the Quality Management System and its processes.

B.   DG2 "CORPORATE SERVICES"

18.   DG 2 "Corporate Services" will be composed essentially by the former DG4, comprising PD Human Resources, PD General Administration, PD Central Procurement, with the addition of PD Finance and IM.

19.   This new entity will then concentrate all the non-operational support functions, which are often in regular exchanges, fostering their coordination. It is a classical organisation which is implemented in many private or public organisms.

C.   DG3 "LEGAL AND INTERNATIONAL AFFAIRS"

20.   DG3 "Legal and International Affairs" will be composed of the former DG5, with the specific addition of operational responsibility for the Unitary Patent and a directorate to centralise logistical support for external events.

D.   TIMELINE

21.   The implementation of the new structure will start on 1 July 2017, to be completed by 1 January 2018.

VII.   FINANCIAL IMPLICATIONS

22.   In addition to quality and performance improvements anticipated from the new structure, the consolidation of management functions in the core business areas will have a positive financial impact.

VIII.   LEGAL BASIS

23.   Art. 10 EPC.

IX.   DOCUMENTS CITED

24.   None

X.   RECOMMENDATION FOR PUBLICATION

25.   Yes.

Report on the Reorganisation of DG1 and DG2; consolidation and streamlining of the Office structures

Task Force:

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CHAPTER 1 – GENERAL CONSIDERATIONS

1.   INTRODUCTION

The main features of the current organisation of the Office go back to 2005. At that time, the evolving Joint Cluster structure and the need to clarify senior management roles were considerations in defining the structure (see CA/145/04). Activities in the Patent Grant Process were divided between examination and support and allocated to two Directorates General, DG1 and DG2. Some evolution has taken place since 2005, notably concerning IM and the Boards of Appeal.

EPO current organisational structure

European Patent Office   1
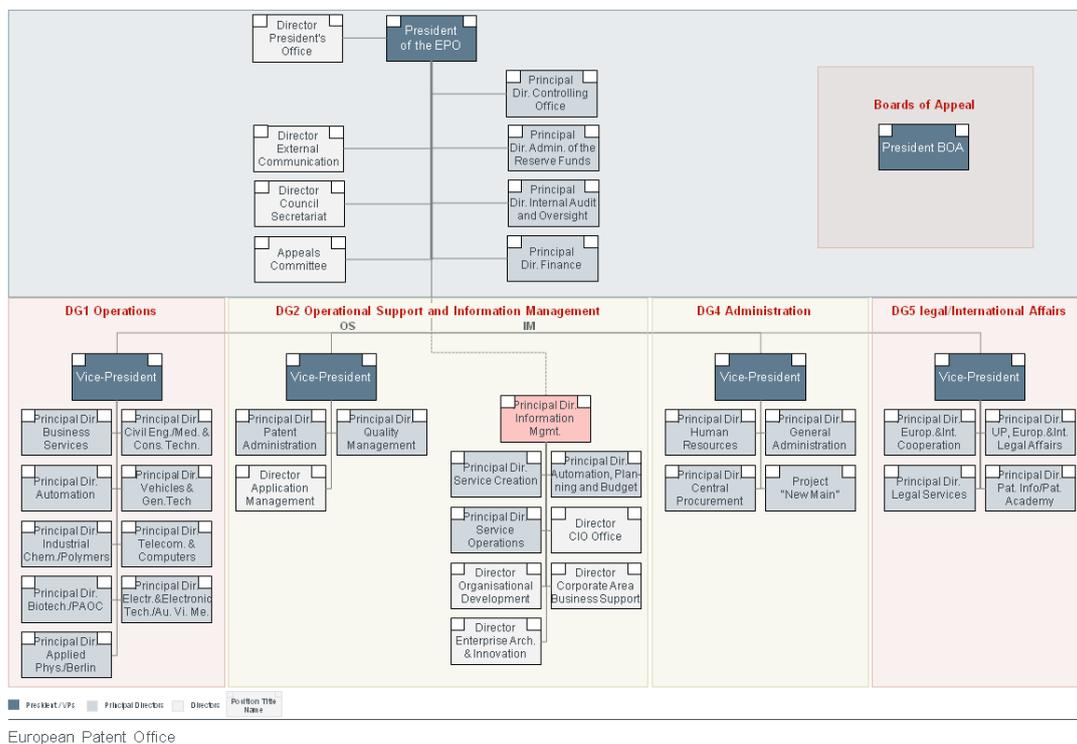
In September 2016, in the light of progress achieved with the successful implementation of the Quality and Efficiency strategy, the President commissioned a study by the consultants BCG to take a general look at the operational set up of the Office's core business areas, in order to examine whether the current organisational structure of the core business areas would still fulfil the Office's future needs, bearing in mind, for example, the growing impact of automation.

2. SCOPE

Continuing developments in automation, particularly in the Patent Grant Process, mean that end-to-end processing is becoming a reality. Specific examples include the automation of formalities checks for publication and for the front end (OFCPP/OFEPD), PA form sending, automatic standard examiner communications (AECS EP/AECS/PCT), and eDrex. The advent of the eDossier both for search and examination will extend and accelerate this trend.

In the light of this progress and the study performed by BCG, the President established a Task Force comprising the Vice-Presidents of DG1 and DG2, Mr Minnoye and Mr Casado, Principal Director HR, Ms Bergot, CIO, Mr Kraft, chaired by the head of the Controlling Office, Mr Kendrick with the request to draw up a set of specific proposals for a possible merger between DG1 and Patent Administration and the division of the new entity into technologically consistent domains.

The Task Force was also requested to consider other organisational measures to consolidate and streamline the Office structure and to ensure extensive and detailed consultation of staff and the services concerned.

2.1. ORIENTATION TOWARDS END-TO-END PROCESSING

Moving to operational end-to-end responsibility will improve quality and efficiency by reducing hand-over points, supporting the core Patent Grant Process (PGP) by bringing Examiners and Formalities Officers closer together, and ensuring increased personal responsibility.

The Office organisational structure should be aligned accordingly by bringing examiners and Formality Officers closer together in an enlarged DG headed by a Vice-President, in conformity with the relevant provisions of the EPC (A 15, R9).

Following detailed analysis and consultation with the services, the Task Force has formulated proposals to restructure the units responsible for the PGP based on the above principles and following the more specific orientations below:

- The current DG2 (with the exception of IM) should be integrated into an enlarged DG1, thus bringing the Search, Examination, and Opposition divisions and the Receiving Section into a single Directorate General;

- The cluster structure should be re-grouped into three enlarged Principal Directorates grouped according to technology, each headed by a Chief Operating Officer (COO) reporting directly to the President, assisted by a Principal Director Operations;

- The enlarged Principal Directorates will comprise around 25 large Directorates (ca. 60+ examiners plus Formalities support), depending on tasks, fields and size of Directorate;

- Formalities Officers should be integrated at the deepest practicable level in the Directorates. A limited number of dossier-related tasks as well as some overall process-related tasks may be grouped more centrally within the Principal Directorates, or at DG level within DG1, if justified.

2.2.   CONSOLIDATION OF THE OFFICE STRUCTURE

The integration of current DG2 (except IM) into DG1 should be accompanied by a consolidation of the overall organisation of the Office into DG1 Patent Grant Process, DG2 Corporate Services, DG3 Legal and International Affairs[1]:
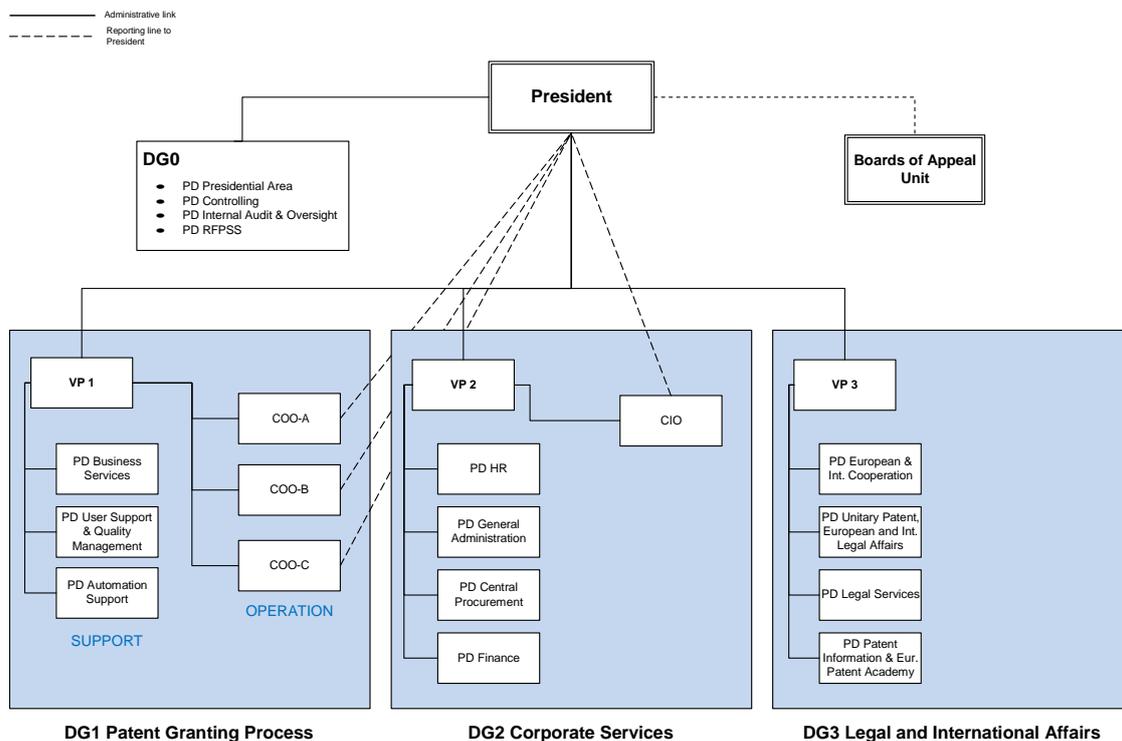
The solid lines represent administrative relationships and the dotted lines represent specific reporting lines to the President for the CIO in DG2 and the COOs in DG1.

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[1] Organisation chart for presentation purposes. Organisation chart only shows DGs and PDs, units below therefore not represented.

DG2 Corporate Services comprises the services supporting the general administrative functioning of the Office, specifically the Principal Directorates Human Resources, General Administration, Central Procurement, and Finance. Grouping the general administrative services in this way means moving the Principal Directorate Finance from the Presidential area and placing it in the new DG2. The new DG2 will continue to encompass administratively PD Information Management; however, the CIO responsible for IM retains a direct reporting line to the President.

DG3 Legal and International Affairs would be the current DG5 renumbered to take account of the new structure.

The operational activities relating to the Unitary Patent should be performed by staff of Directorate Legal and Unitary Patent Division, within the Principal Directorate Unitary Patent, European and International Legal Affairs. The staff complement of the Directorate should be increased accordingly (estimated 1 Lawyer and 4 Formalities Officers as an initial resource allocation).

In the interest of efficiency, the opportunity of the reorganisation should be used to allocate to a directorate under PD54 responsibility for providing centralised logistical support for the external events for the whole Office. The consolidation of these activities under a single head will result in efficiency gains across other support areas.

The general consolidation offers an opportunity to consolidate and streamline activities in the Presidential Area. The Directorate External Communications, the Chief of Protocol and the Chief Economist Unit should be incorporated into the President's Office. The expanded range of activities results in a portfolio corresponding to Principal Director level responsibilities. The President's Office should thus become the new Principal Directorate Presidential Area.

3.   LEGAL CONSIDERATIONS

The EPC, in particular Articles 10, 11 and 15 EPC, does not provide guidance as to the administrative structure of a DG. However, Rule 9 EPC stipulates (1) that examiners in search, examining and opposition divisions as well as Formalities Officers in the receiving section are assigned to a DG and (2) that such a DG is directed by a VP.

On this basis it is preferable to establish the three operational units as part of the new DG1 directed by a VP, while maintaining a certain organisational separation under the three COOs and a direct reporting line from each COO to the President. Having regard of the overall managerial authority of the President under Article 10 EPC, the three COOs would be reporting directly to the President who would define the objectives for the COOs and review their performance (see Section 11 below).

The new DG1 would effectively constitute a combination of the operational tasks of current VPs 1 and 2 while fulfilling the requirements of Rule 9(1) and (2) EPC. There would thus remain a DG including i.a. the three operational units and a VP directing it. The latter would retain the overall process ownership of the grant process. This includes responsibility for the tasks performed by the services defined in Article 15(a) to (d) EPC, encompassing escalation/instructive authority over such services (for example deciding on allegations disputing impartiality or providing working instructions concerning PPNs or amendments to the Guidelines).

Pursuant to Rule 9(2) EPC involvement of the Administrative Council would be required in form of a decision with a simple majority for assigning current VP2 to the DG comprising the three operational units which perform the tasks listed in Article 15(a) to (d) EPC.

The other re-organisational measures addressed in this report fall within the overall competence of the President of the Office under Article 10 EPC.

4. IMPACT ON THE QUALITY MANAGEMENT SYSTEM

The reorganisation will only affect the management/organisational structure of current DG1 and DG2/PD PA. There will not be in the scope of this reorganisation a change in the practice and procedures which are applied by both examiners and Formalities Officers. This means that the process descriptions of the QMS documentation (Quality manual and the processes workflows referenced therein) will be only marginally affected and will not need to be redrafted apart from some minor changes wherever necessary (e.g. removal of references to Patent Administration which as of 1.1.2018 will no longer exist). A few quality mechanisms embedded in the QMS will have to be adapted to the new management/organisational structure. The core mechanisms of these elements will not change. Only some administrative and organisational aspects of some quality assurance procedures, such as the Patent Administration - operational quality control and quality audit, will have to be modified.

4.1. PROCESS OWNERSHIP

The current QMS processes would continue to be shared by the three technical areas. The process owner of the end-to-end grant process would be VP1.
The advantage of this structure is that the total number of documented processes is small and harmonised between the technical areas.

4.2. CONFORMITY WITH THE ISO9001:2015 REQUIREMENTS

The Task Force understands that the above solution is practicable and compatible with the ISO9001:2015 standard requirements. This holds true whichever level of independency of the 3 COOs is eventually adopted.

CHAPTER 2 – NEW OPERATIONAL STRUCTURE

5. THE END-TO-END PATENT GRANT PROCESS

The schematic representation below shows the current multiple interfaces and handover points between the services in the organisational set up today, where Examiners and Formalities are in separate Directorates General.
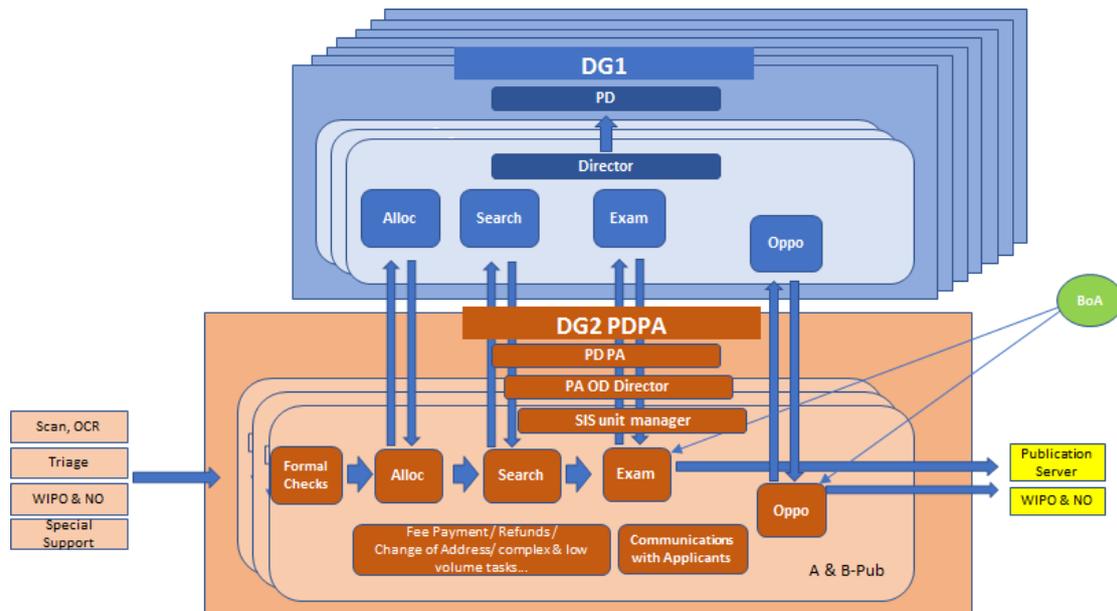
In contrast, the new proposed organisational set up shows how a DG1/DG2 reorganisation can proactively align with end-to-end processing as it becomes a reality and reinforce the close proximity between examiners and Formalities Officers under a unified line of responsibility, avoiding hand-overs between DGs as much as possible.
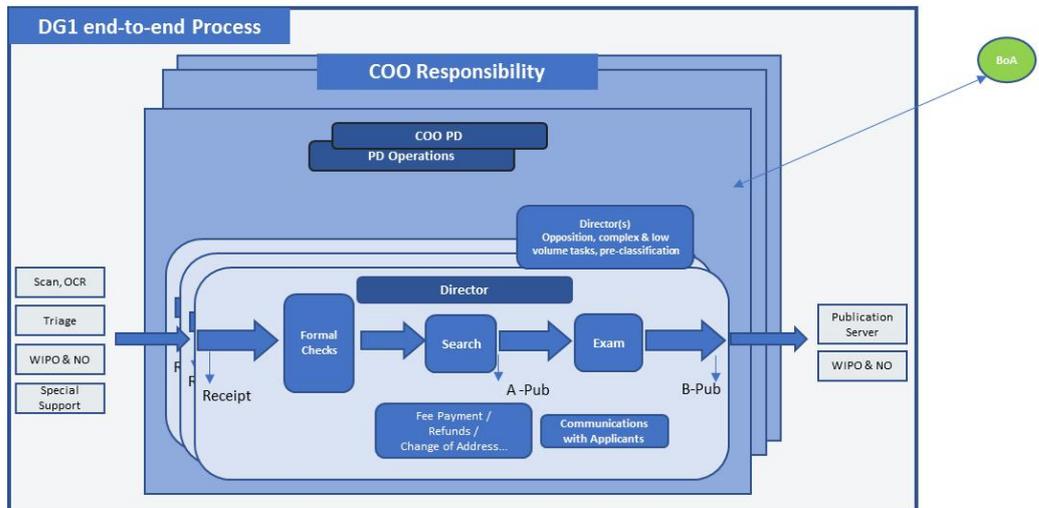
In this schematic presentation, the darker blue block areas are under COO responsibility; the peripheral pale blue blocks are under DG level responsibility of DG1.

Each Principal Directorate would comprise ca. 25 Directorates of 60+ examiners and typically between 5 and 9 Formalities Officers (occasionally more) depending on tasks, fields and size of directorate.

Each directorate would be headed by a Director reporting to the COO.

Each Principal Directorate will further contain one or two Opposition directorates. The Opposition directorates, five in total, will comprise some 70 to 90 selected examiners working typically around 30% of their SEO time, with individual flexibility, on a rotational basis on opposition tasks. To ensure the desired quality and efficiency effects, the selected examiners would treat a defined minimum number of oppositions. They will be supported by Formalities Officers dedicated mostly to opposition.

Some further Formalities staff would be grouped centrally within each Principal Directorate in the Opposition Directorates for reasons of quality/efficiency in respect of certain low frequency/high impact tasks.

In addition there are tasks currently performed by PA which cannot effectively be allocated between the COOs. They serve the whole DG and would be grouped within a directorate, specifically, within PD Business Services.

To ensure continuation of operations under end-to-end processing the initial top-level distribution of FO capacity at 1 January 2018 would be:

- about 480 staff integrated at directorate level;

- about 40 staff performing opposition and low frequency/high impact tasks centrally within each Principal Directorate (110 to 130 in total across DG1);
- about 35 staff working for the whole DG, performing tasks to ensure file flow (e.g. interfaces to WIPO, NPOs, outsourcing) or overall support processes.

For context, there are some 4.4 million FO actions of varying complexity <u>in dossiers</u> per year.

Under the above arrangement, some

- 91,3 % of FO actions would be done on directorate level
- 7,3 % of FO actions would be done on a centralised PD level (4% opposition and 3.3% central tasks)
- 1,4 % of FO actions would be done corresponding to tasks for the whole DG.

Fuller details are explained in Section 6 below.

6.   FUTURE STRUCTURE OF OPERATIONS IN DG1

6.1.   GENERAL CONSIDERATIONS

The following general aspects related to such re-grouping were considered[2]:

- **Technology**: similar technologies are grouped to support Early Certainty and facilitate workload flexibility and harmonisation.

- **Dynamic**: technology is continuously developing and the appropriateness of a grouping may change over time. The envisaged grouping allows for regular reviews of the distribution made between the 3 Principal Directorates.

- **Balanced size**: a good balance between the 3 Chief Operating Officers is generated when the size in terms of the number of examiners is about equal. The anticipated growth rate of each of the PDs is also taken into account. Similar size PDs would also ensure a similar span of control for the PDs over the directors.

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[2] **UPC**: alignment with the UPC split into 3 courts was considered as an option, but the potential practice and procedural advantages were considered minimal compared to the operational advantages resulting from the other aspects mentioned. For information:

- ➢ London section: (A) Human necessities & (C) Chemistry and metallurgy;
- ➢ Paris seat: (B) Performing operations, transporting; (D) Textiles, paper, (E) Fixed constructions, (G) Physics, (H) Electricity
- ➢ Munich section: (F) Mechanical Engineering, lighting, heating, weapons, blasting

6.2.   SPECIFIC RECOMMENDATIONS ON GROUPING INTO THREE AREAS

Internal discussions indicated a strong preference for a purpose & technology-based approach, reflecting technological and business changes in society. This approach is also the most balanced as far as the Principal Directorate sizes are concerned.

The new proposed set-up is therefore based on the original three classical technical areas: Electro-Physics, Chemistry and Mechanics, but adapted for current trends in Innovation and Business.

The proposed purpose & technology-based split is:

- **PD Mobility and Mechatronics** would group current clusters CET, HP, VGT, part of MCT, part of AP.

- **PD Healthcare, Biotechnology & Chemistry** would group TEC, BIO, PAOC, part of MCT, a very small part of ICT, and a small part of BER.

- **PD Information & Communications Technology (ICT)** would group ICT, EET, AVM, part of AP, and part of BER.

Taking account of the overall balance of the new DG1 and maintaining the technology-based approach, Berlin should also be grouped according to technology

The overall headcount of examiners and Directors (excluding Opposition Directorates) at the end of 2017 would therefore be:

Principal Directorate	Examiners	Directors	Team Managers
M&M	1.376	21	115
HBC	1.342	22	113
ICT	1.712	25	135
Total	4.430	68	363

6.2.1.   Opposition and Central Formalities Directorates

Opposition is a complex procedure which places high demands of expertise on examiners and Formalities Officers.

Every year, the ±4.000 new opposition cases are dealt with by 1.080 chairmen, +/- 1.550 first members and roughly 1.600 second members (2016

numbers). In total, this concerns around 2.500 examiners. Exceptionally, in some areas, examiners already perform up to 20 oppositions per year and have acquired valuable routine expertise.

On the other hand, first members do on average less than 3 cases per year and many do only a single case per year. This frequency is not high enough to allow new first members to gain confidence by applying their newly acquired competencies. The same applies to chairmen.

On the Patent Administration side, opposition is also a specialist task with about 135 staff being trained and approximately 65 FTE being used. Maintaining a high quality of opposition formalities is a challenge, also because of the work being spread over people in different teams.

The integration of Patent Administration into DG1 allows for concentrating the Formalities Officers working in opposition as well as other low frequency/high impact Formalities tasks. This will foster harmonisation, quality and efficiency.

A proposal is therefore made to group opposition and other central formalities expertise within the three future DG1 Principal Directorates, in one (for ICT) or two (for HBC and M&M) specific Opposition and Central Formalities Directorates.

Each Opposition Directorate would be headed by a Director responding directly to the Chief Operations Officer. Together with line management, each of the Directors would be responsible for the selection of the examiners working in their opposition directorate and would ensure that the examiners involved have the appropriate set of competencies.

The Directors would coordinate handling of all Opposition/Revocation/ Limitation procedures from receipt to completion and dispatch of the relevant decision and could themselves be expected to contribute to opposition work depending on their skill level and workload.

Examiners would typically work for around 30% of their SEO time, with individual flexibility, on a rotational basis on opposition tasks as chairman or first examiner. To ensure the desired quality and efficiency effects, the selected examiners would treat a defined minimum number of oppositions. This would concentrate opposition expertise in each Principal Directorate whilst ensuring a broad coverage of the technical fields thereby keeping the technical knowledge of the opposition divisions at a high level. Opposition/Revocation/Limitation procedures are also handled in DG1 from receipt to completion and dispatch of the relevant decision (coordinated by Opposition Directors).

There should be no Opposition and Central Formalities directorate in Berlin. Opposition activities in Berlin should be coordinated by the corresponding Director of the Opposition and Centralised Formalities director from Munich or The Hague.

6.3. INTEGRATION OF FORMALITIES OFFICERS

The guiding principle is to integrate Formalities Officers at the deepest practicable level, in order to reinforce the close proximity between examiners and Formalities Officers under a unified line of responsibility and avoid hand-overs between DGs as much as possible.

As outlined above, each Principal Directorate will comprise between 21 and 26 Directorates of ca 60+ examiners.

Typically between 5 and 9 Formalities Officers will be assigned to each Directorate, depending on tasks, fields and size.

Each Directorate will be headed by a Director reporting to the COO.

Furthermore, some FO and related tasks, notably those related to ensuring the file flow (e.g. interfaces to WIPO, NOs, outsourcing...) or which do not allow an effective split into the three COO areas, e.g. initial triage, list /bulk changes for applications in all three COO areas, outsourcing contracts, are placed at the whole DG level.

As proposed above, each Principal Directorate should contain one or two Opposition directorates headed by a dedicated director reporting to the COO and comprising some 70 to 90 selected examiners, typically working up to 30% of their time on opposition on a time limited rotation basis, supported by Formalities Officers dedicated mostly to opposition. Some further Formalities staff will be grouped centrally within each Principal Directorate in the Opposition Directorates for reasons of quality/efficiency in respect of certain low frequency/high impact tasks.

As mentioned in Section 5, to ensure continuation of operations under end-to-end processing, the initial top-level distribution of FO capacity at 1 January 2018 would be:

- about 480 staff integrated at directorate level;
- about 40 staff performing opposition and low frequency/high impact tasks centrally within each Principal Directorate (110 to 130 in total across DG1);
- about 35 staff working for the whole DG, performing tasks to ensure file flow (e.g. interfaces to WIPO, NPOs, outsourcing) or overall support processes.

More specifically:

6.3.1. Directorate level

The tasks performed at Directorate level would include all search and examination work as well as Receiving Section and formalities actions (all communications with applicants). DG1 Directorate level would also be

responsible during the interlocutory revision period and following remittal from the BoA.

In addition to the Search and Examination tasks the following tasks would also be done at <u>directorate level</u>:

Tasks performed today by the Receiving Section, PCT Receiving Office and Sequence listing treatment, will be done at DG1 Directorate level. FOs in the directorates would also carry out address changes. The current Paralegals would be assigned to Directorates as Formalities staff. Further paralegal support could be designed by the responsible line managers.

Overall about 480 FOs would carry out formalities tasks on Directorate level.

6.3.2. Low frequency/High Impact Tasks and Opposition Centralised in each Principal Directorate

a) Operational tasks to be done centrally within the Principal Directorates <u>for quality/efficiency</u> reasons, divided into three. This group includes the ca. 20 SCAPES and 21 Paratechnicals:

   o PA quality process and coaching, together with
   o Tasks with low frequency and/or high complexity, e.g re-establishment of rights
   o Paratechnicals
   o Certified copies
   o Quality control contracts (e.g. A pub)
   o Transfer of Rights and Name changes

b) Support for Opposition directorates.

6.3.3. Tasks for the whole DG

The following tasks deriving from the central operational role above are considered better grouped at DG level, as they do not allow an effective split into the three COO areas without creating overlapping responsibilities between the COOs. As they are process-related, they are proposed to be allocated to PD Business Services. Exception handling of initial triage of incoming applications between the three COO PDs.

a) Tasks where no split into 3 PDs is possible (lists of client data changes, bibliographic data to NOs, media loading into MADRAS etc.)

b) Outsourcing, contract management, overseeing contractors (tasks reducing with electronic processing but not completely disappearing)

c) Data exchange mechanisms and 'automated FO tasks' (ensuring the machine is running and dealing with exceptions), intake of files, projects, testing etc.

d)   Publication at the end of the process

6.4.   STAFF RE-BALANCING BETWEEN FO TEAMS AND WORKLOAD COOPERATION

When creating the FO teams for the large directorates, the capacity of each team will be sufficient to deal with the average workload of the directorate. However, two factors impact the FO teams capability to deal with its workload:

- staff leaving the FO team (e.g. retirement, other positions in the Office, long term absences..)
- significant workload fluctuations and short term absences of FO team members (PA Units in the past had to cope with +/- 20 % weekly workload fluctuations)

To compensate for the above, two mechanisms are needed: (1) a means of re-balancing of FO staff between directorates within a PD to address structural capacity issues and (2) cooperation between directorates within a PD to address short term capacity/workload fluctuations.

Details of these two mechanisms should be worked out during the implementation phase.

6.5. OVERVIEW AND IMPACT ON MANAGERS

While the move to a structure based on larger Directorates with largely integrated Formalities support would not change the daily work of operational staff as such, a number of improvements can be expected compared with the situation today.

As a consequence of the integration of PD Patent Administration into DG1, the Principal Directorate and its four constituent Directorates would be dissolved.

There would, therefore, be a direct impact on Directors and line managers, notably in the numbers required and by the introduction of a new FO Team Manager profile.

Concerning Directors, some 68 large directorates will be created.

Some ca. 40 DG1 and 4 DG2 Directors would take up new duties, as Director of a large directorate, Coordinating Director supporting a Director of large Directorate, or Directors with other tasks within or outside of DG1.

Following detailed discussions between the services, a number of vacancies suitable for DG1/DG2 Directors have been identified. Directors not nominated to lead operational or opposition Directorates should be allocated roles supporting management functions in the new structure, helping to ease the time constraints on appointing Team Managers.

Concerning examiner - level Team Managers, some approximately 360 will be needed for the structure envisaged on 1 January 2018, meaning a further approximately 190, in addition to the 168 already working today.

The new structure implies some changes in the profile of line managers in the formalities area. More details of the proposed changes in the job profile and the introduction of a new profile for **Formalities Team Manager** are given in Section 7 below. The essential point is that, analogous to examiner-level Team Managers, the future Formalities Team Managers should spend around 80% of their time on files and around 20% of their time on management tasks.

In terms of the numbers of **Formalities Team Managers**, across DG1, some 68 Formalities Team Managers would be required to work in the operational Directorates and a further 6 or 7 Unit Managers, dedicated full time to management tasks, would be required in the centralised Directorates. Taking into account that there are currently some 27 staff who will meet the requirements of the new profile, a further approximately 50 Formalities Team Managers would be required.

6.6. NEW DG1 ORGANIGRAM
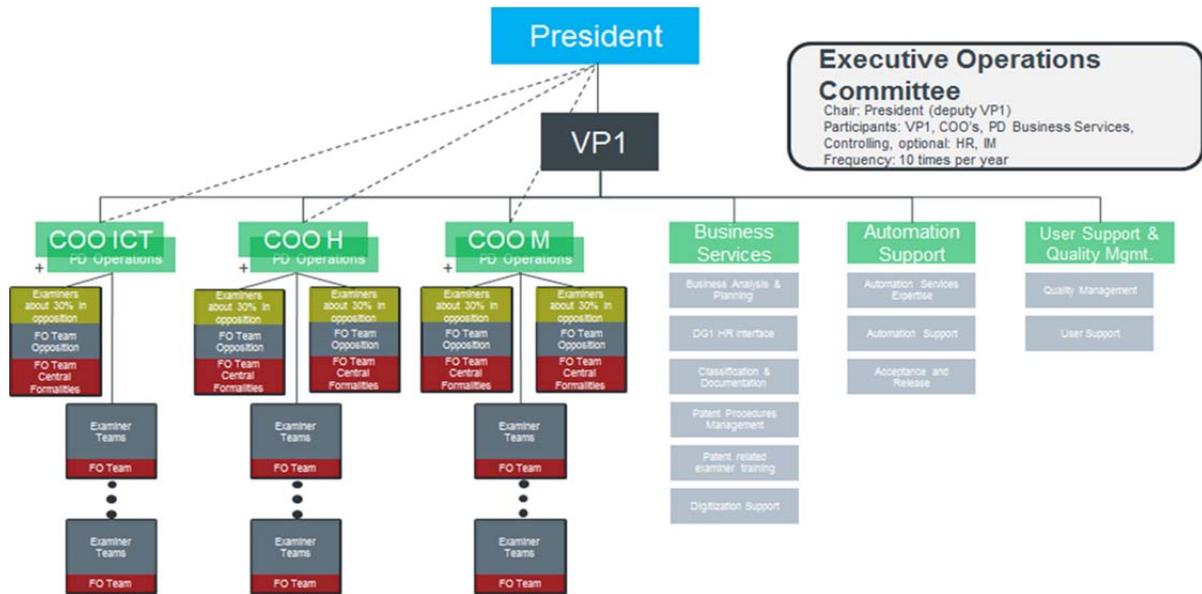
7. FUTURE JOB PROFILES

The new role of Chief Operating Officer (COO) is described above. The expanded responsibility of DG1 Directors in the end-to-end process is also described.

The FO Team Manager would be a new role with a new profile, spending around 80% of their time on files and around 20% of their time on management tasks. This is analogous to the established role of Examiner Team Manager.

In principle, team managers for Formality Officers would remain in JG6 with attribution of a functional allowance for the additional managerial responsibility. Exceptionally, it could be that some existing JG5 unit managers will also be appointed as team manager for Formality Officers. They will keep the JG5 *ad personam*.

Overall, the introduction of the new structure would result in a significant number of management functions becoming available, notably as Directors in DG1 (around 50) and Team Managers at examiner (around 190) and Formality Officer (around 50) level.

8. FUTURE STRUCTURE OF SUPPORT IN DG1

8.1. GENERAL

In the new structure of DG1 it is foreseen to have three Principal Directorates which will make up the support area.

The general approach should be first to merge the relevant units according to the support being given today to Operations, to support the implementation of the reorganisation, and subsequently consolidate and streamline resources for efficiency. On non-core activities roles and responsibilities are aligned to the office-wide process (in particular training, recruitment...).

8.2. PD USER SUPPORT & QUALITY MANAGEMENT

The unit will manage the ISO certification process and the Quality Management System. In addition, PD QM will be in charge of the customer relation management by merging the current Patent Administration Customer Relationship Management with the DG1 External Relations Group and by bringing the customer orientation of the Office to a higher level via the quality angle.

The new initial post allocation amounts to 74.

8.3. PD BUSINESS SERVICES

The unit will continue to (1) plan and monitor closely DG1 performance, and also the work done by the Formalities Officers, against capacity, production, operational quality and timeliness plans; (2) shape the patent practice and procedures from the operational view in cooperation with DG5 for the legal view; (3) coordinate the necessary support to PD HR on recruitment, legal and technical training for examiners and formalities officers, and talent related topics; (4) ensure the best patent documentation and classification system is available to examiners; (5) manage the operations of DG1 level formalities, including the centralised quality check at publication stage.

The current support units in PD Patent Administration comprise some 108 staff. As explained above, around 35 of these would be allocated to PD Business Services to perform formalities related tasks at DG level. In addition, staff from the Change Management unit (some 40 today) and general management support (some 12 today), would be allocated for the most part, though with exceptions, to PD Business Support. Overall, therefore, the estimated initial post allocation in the new Business Services structure would be around 110, compared with 35 in the current PD1.1. Synergies and IT developments are expected gradually to lead to a reduction of staffing needs in this area.

8.4. PD AUTOMATION SUPPORT

The unit will bring together in DG1 the application management of the examiners and formalities officer tools, as well as the application management of online tools used by external users (such as online filing, CMS filing and online fee payment), representing the user requirements towards IM. PD Automation Support will ensure testing, acceptance and roll-out to the user community.

The proposed structure is based on the merger of the existing two Application Management units (AM DG1 and AM DG2) designed around establishing application experts from the business.

8.4.1. Automation support – Structure

In summary, the new structure foresees:

Application Expertise	Reengineered end-to-end XML process: (Formalities, Search, Exam, Oppo)
	External Tools (Online Filing, Mailbox, portfolio View, Account Managment)
	Special Process Support (Scan, OCR, Triage, Auto-Prec, CDR, Special Services)
	Data-warehouse and Reporting: (DWH and MUSE)
User and Project Support	Budget and Contract Management (BA, ISO, Audit, Best Practice and SLA Mgmt)
	BPM and Requirements Engineering
	User Support
	Technical Change and Handover
	DG1 Corporate Support (PTHW, IE/FF, Windows, EUWS)
Acceptance And Release	Acceptance Testing (UAT, Cellule de Suivi Coordination)
	Release Management

8.4.2. Automation Support – Identifying Synergies

Today, there are 20 permanent posts and 12 FTEs of contractors working in AM DG1 and 25 permanent posts and 13,5 FTEs of contractors working in AM DG2.

In merging the staff from AM DG1 and AM DG2, there will be opportunities to eliminate any duplication of work. During the detailed discussions, these areas will be progressively identified and the staffing consequences implemented.

Areas of particular attention include:

- Efficiencies from only having one point of contact with IM
- Efficiencies coming from applying building larger teams under a single team manager
- In the long term, dependant on how long it will take to decommission the legacy systems, efficiencies may also come from sharing the work of application management as more systems become common for both examiners and Formalities Officers

The overall initial post allocation amounts to 55.

CHAPTER 3 – THE NEW STRUCTURE IN OPERATION

9. INTERACTION WITH OTHER SERVICES

A series of detailed questions concerning the interface between the new DG1 and DG5 (e.g. on internal cooperation, external representation, legal division, CRM ticketing etc.) has been examined and has not revealed difficulties. Work will continue across the interfaces either unaffected or adapted in a straightforward way to the new structure. For some interfaces the contact persons will change and the representation in the co-operation bodies would benefit from the reorganised structure. The routing of enquiries and cases to PD 52 directorates would be harmonised via the opposition directorates.

Applying the logic of end-to-end responsibility, recruitment and Learning and Development operations are the responsibility of HR, with the cooperation of the patent granting process for the technical part. The precise modalities should be established in the implementation phase.

The new structure would require adjustments in IT Governance which should be worked out in detail during the implementation phase.

10. PERFORMANCE MANAGEMENT

10.1. OPERATIONAL MANAGEMENT

Roles and responsibilities need to be clear, and support achievement of the objectives set, in terms of quality, production, productivity and timeliness in respect of Early Certainty.

The three COOs will be the key senior managers responsible for delivering on workforce planning and production plans. They manage quality and performance in their areas of responsibility, ensure harmonisation, balance workload and resources to achieve their timeliness objectives.

VP1 would be in charge of monitoring and taking corrective actions with respect to quality and DG1 performance throughout the year.

An Executive Operations Committee should be established under the Chairmanship of the President. The participants should be VP1, the three COOs, PD Business Services, and Controlling, with participation by PD HR, IM and other services as required. The Committee should meet around 10 times per year. It will oversee the operation of the new structure and follow-up on DG1 performance and quality achievements. The President would regularly chair such meetings, e.g. on a quarterly basis, following the established Quality Board model. More frequent meetings may be chaired by VP1 under delegation from the President.

10.2. CHIEF OPERATING OFFICERS - INDIVIDUAL PERFORMANCE MANAGEMENT

10.2.1. New structure: direct involvement of the President

The President will be the reporting officer of the three COOs, with VP1 acting as co-reporting officer. The following performance management process will be implemented:

- The **production objectives** are agreed between the President and the COOs at the end of October of the previous year. All other objectives, including quality, are formally set by the President in February of the reporting year. VP1 will support the President by preparing the relevant documentation.

- **Regular meetings** are organised by VP1 to review the performance of the COOs, based on performance reports provided by PD Business Services (DG1 Management Dashboard, DG1 Balanced Scorecard, Early Certainty Dashboard, New Career System report, Team Performance report, etc.).

- Taking into account the achievements of the previous year, **the President assesses the performance** of the COOs each year in February, in his role as reporting officer. The reports are co-signed by VP1 who will support the President by preparing the relevant documentation.

- Taking into account the performance appraisal of the previous year, the President decides, typically in November, on the **reward allocation** for each COO.

CHAPTER 4 – TRANSITION TO THE NEW STRUCTURE

11. TIMELINES

11.1. PREPARATORY WORK, MILESTONES & DECISIONS

The selection procedures for the COOs were launched at the end of March. The following timelines for appointments of Directors to large Directorates, as well as for Team Managers and Senior Experts is constructed to allow the personal participation of each group in the appointment of its subordinates. Consultation of all stakeholders is continuously ongoing.

11.2. TRANSITION STEP 1 ON 1/7/2017

VP2 becomes the new VP1. Stepwise implementation of the new structure begins. The Project Implementation team is working on the detail of implementation.

The three Chief Operating Officers are selected; nominated and start to contribute actively to the shaping of their new Principal Directorates. They report to VP1 on a day-to-day basis and have interactions with the President in his role as reporting Officer.

The current DG1 management structure remains in place until 31/12/2017. This will ensure clear responsibilities for performance management on a personal and unit level while allowing the new structure to take its full form on 1/1/2018.

Staff of the three support PDs (US&QM, Business Services, and Automation) will know on 1/7/17 where they will go on 1/10/17. Note that some PA staff directly concerned by the recertification process should not move at this point (e.g. the current Director Customer Relations, who chairs the PA FMA Quality, which is instrumental to the Quality process and re-certification).

11.3. TRANSITION STEP 2 ON 1/10/2017

By 1/10/2017 the complete new DG1 structure and all examiner and Formalities Officer staff movements that take place on 1/1/2018 are precisely defined.

On 1/10/2017 staff of the three support PDs move to their new units in DG1, where necessary.

All staff will already know where they will be positioned on 1/1/2018 and what the expected outline tasks will be, and re-skilling of Formalities Officers has already started before and is ongoing by 1/10/2017.

Work on preparing the systems for full transition to the new structure on 1 January 2018 is well advanced, Formality Officer teams start working in the existing large Directorates.

The ISO recertification will have been finalised.

11.4.   TRANSITION STEP 3 ON 1/1/2018

The full organisational change is implemented at FIPS level on 1 January 2018.

Reporting lines within the three operational Principal Directorates in DG1 are changed such that the entire management team reports to the COO, unless decided differently by the COOs.
Teams of Formalities Officers are constituted and placed under the responsibility of the existing DG1 large directorates. Such teams have a minimum size and all competencies needed to support the end-to-end processing are abundantly available in each team.

In each Principal Directorate a central team will be in place including management assistant, PD, cluster controller support; there will be opposition /central formalities teams(s) in specific Opposition Directorates.

A central formalities team is in place working for the whole DG in PD Business Support.

The new support structure within DG1, with PD Business Services, PD Automation Support & Application Management and PD User Support & Quality Management integrating the reorganised PA support services takes its final shape.

Efficiency gains resulting from the reorganisation will start to materialise. Performance is expected to improve. Budget posts will be under scrutiny during each budget cycle starting early 2018.

12.   TRAINING ACTIONS

Initial results from a small pilot, carried out by PA Training, show that whilst the original SIS Units can be effectively reorganized into balanced FO teams of 5-9 staff - such that all of the main procedures are covered by existing staff.

The vulnerability, however, can be overcome through extensive training between now and the end of year, to increase the diversification of staff. Initial results from the pilot showed the major training need to be in CHII 401 and CDR part 1, followed by the RS, RO, EXAM, CHII 408/409 and SA procedures.

A first analysis based on average team sizes, with a small amount of redundancy in procedural skills in each team to cover for absences has identified a first set of minimum training measures. These should begin in June. Training will also be provided to Directors to take account of their wider responsibilities under the end-to-end Patent Grant Process.

13. PROJECT IMPLEMENTATION

A project team under joint DG1/DG2 lead should undertake further detailed preparation and implementation work (follow-up implementation and coordination details of training, accommodation, etc).

CHAPTER 5 – PROPOSALS FOR DECISION

In summary, the Task Force recommends the President to take the following decisions pursuant to Article 10 (2)(a) EPC to support the core Patent Grant Process by bringing Examiners and Formalities Officers together and to regroup and streamline the overall Office structure:

A. PATENT GRANT PROCESS

1. The current DG2 (with the exception of IM) should be integrated into an enlarged DG1, thus bringing the Search, Examination, and Opposition divisions and the Receiving Section into a single Directorate General;

2. The cluster structure should be re-grouped into three enlarged Principal Directorates, according to technology, as described in Section 6.2;

3. Each Principal Directorate to be headed by a Chief Operating Officer (COO) reporting directly to the President, assisted by a Principal Director Operations;

4. To integrate Formalities Officers at the deepest practicable level, thereby creating Principal Directorates comprising around 25 Directorates of 60+ examiners and typically between 5 and 9 Formalities Officers, depending on tasks, fields and size of directorate, each directorate headed by a Director reporting to the COO, with 68 such Directorates in total;

5. To create five Opposition and Central Formalities Directorates as described in Section 6.2.1;

6. To merge the support area services into three Principal Directorates: PD User Support & Quality Management, PD Business Services and PD Automation Support, as described in section 8, thereby dissolving current PD Patent Administration;

7. To establish the Executive Operations Committee as described in Section 10;

B. GENERAL OFFICE STRUCTURE

8. To adopt the consolidated Office structure presented in Section 2.2, with Directorate General 1 Patent Granting Process, Directorate General 2 Corporate Services, and Directorate General 3 Legal and International Affairs, and in particular:

   - transferring PD Finance to the new DG2,
   - establishing a new Principal Directorate Presidential Area,
   - allocating responsibility for operational activities relating to the UPP to the Directorate Legal and Unitary Patent Division in PD 52, and

- centralising responsibility for logistical support for external evens to a directorate in PD 54.

C. TIMELINE

9. To pursue further implementation according to a general time line described in Section 11, with initial adoption of the new structure on 1 July 2017 and full implementation on 1 January 2018, the detailed implementation steps to be addressed by a project implementation team steered by the Task Force.

ANNEXE

LIST OF CONSULTATION AND INFORMATION MEETINGS WITH STAFF

Date	Target group	Aim/ messages	Tool	Comment	Responsible
25 Jan	All staff	Announce start of a task force, provide study, but do not detail any scenario	Intranet news		PO
30 Jan	Task force	Agree on communication plan, set up of focus groups	Status report		
2 Feb	DG 1 Mgt PA Mgt QM Mgt	Task force presents itself and provides: • Background • Chosen scenario • Approach • Timeline • Status report	Use time slot of Thursday DG 1 Dir meeting, but also invite respective DG2 managers	DG 2 is a main stakeholder but not part of MM17, it is necessary to start with a meeting prior to the MM17	
6 Feb	Task force meeting		Status report	Followed by communication group meeting	Task force
7/8 Feb	DG 1 Mgt DG 1 TM	• Background • Chosen scenario • Approach • Timeline • Status report of task force • Additional details for DG1	DG1 MM17 Mgt to provide information to their respective staff		DG 1, Task force
9/10 Feb	Focus group facilitators	briefing for focus groups	Briefing meeting		IC
16 Feb	All staff	gazette interview with the President also addresses DG1/DG2 re-organisation	Gazette		IC with PD43 and PO (gazette published on 16.2.)
13 Feb	All staff	On line going of intranet site for all staff	Intranet news with link to dedicated project intranet site and email		IC, Task Force

Date	Target group	Aim/ messages	Tool	Comment	Responsible
			address		
16 Feb	DG 1 Mgt PA Mgt QM Mgt	Fortnightly status report by Task Force	Single issue meeting using time slot of Thursday DG 1 Dir meeting		IC for logistics, Task Force (on podium) for presentation and answering questions
20-22 Feb	All focus groups	• Introduction to the group • Feedback on information and decisions so far	Newly set-up focus groups (See below)		HR partner, members of change management in DG1 and DG2
16.3.	DG 1 Mgt PA Mgt QM Mgt	Status report by Task Force	Single issue meeting using time slot of Thursday DG 1 Dir meeting		IC for logistics, Task Force (on podium) for presentation and answering questions
21-23.3.	All focus groups	Feedback on information and decisions so far	Newly set-up focus groups		HR partner, members of change management in DG1 and DG2
3.5.	President		Meeting with President		
11.5.	PD MAC	Information on decisions taken and next steps	PD MAC meeting		
4 May or 12 May	DG 1 Mgt PA Mgt QM Mgt	Status report by Task Force	Single issue meeting using time slot of Thursday DG 1 Dir meeting		IC for logistics, Task Force (on podium) for presentation and answering questions
5-9.5. or 15-17.5.	All focus groups	Feedback on information and decisions so far	Newly set-up focus groups		HR partner, members of change management in DG1 and DG2
7.6.	GCC	Formal Consultation			
8.6.	All managers	Information on decisions taken and next steps	Managers meeting, Isar 201 with Vico to Auditorium		IC for logistics