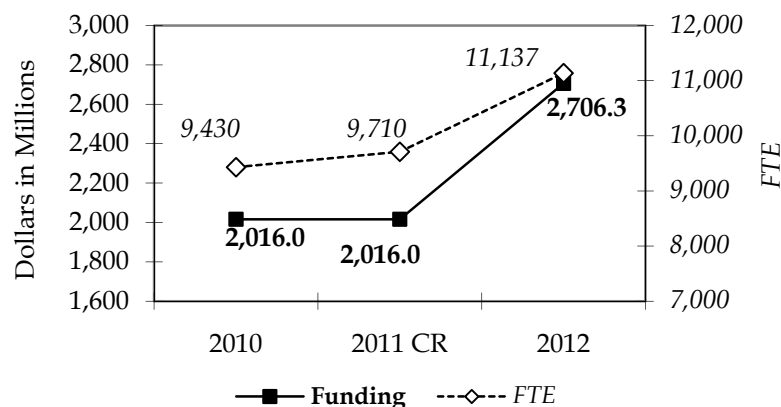


## U.S. Patent and Trademark Office

The mission of the U.S. Patent and Trademark Office (USPTO) is to foster innovation, competitiveness and economic growth, domestically and abroad by providing high quality and timely examination of patent and trademark applications, guiding domestic and international intellectual property (IP) policy, and delivering IP information and education worldwide. This mission is accomplished by the USPTO through its two distinct business lines, Patents and Trademarks, which administer the patent and trademark laws [15 U.S.C. 113 and 35 U.S.C. 41 and 376]. These laws provide protection to inventors and businesses for their inventions and corporate and product identifications, and encourage innovation and scientific and technical advancement of American industry through the preservation, classification, and dissemination of patent and trademark information. In addition to the examination of applications for patents and trademark registrations, the USPTO provides technical advice and information to Executive Branch agencies on IP matters and trade-related aspects of IP rights, and assists governments of other countries in establishing regulatory and enforcement mechanisms to meet their international obligations relating to the protection of IP.

Funding requested for FY 2012 will be used in support of USPTO's strategic and management goals to optimize patent and trademark quality and timeliness, provide domestic and global leadership to improve IP policy, protection and enforcement worldwide, and achieve organizational excellence.

### Total Funding and FTE



## Summary of Appropriations

### Funding Levels

	2010 Actual	2011 CR (Annualized) <sup>1</sup>	2012 Estimate	Increase (Decrease)
New Offsetting Collections/Program Level*	\$2,016,000	\$2,016,000	\$2,706,313	\$690,313
Base Fee Collections	(2,068,543)	(2,198,621)	(2,443,706)	(245,085)
Patent Fee Collection Surcharge <sup>2</sup>		0	(262,607)	(262,607)
Unappropriated Fee Collections, Available for Obligation, subject to further appropriation <sup>3</sup>	52,543	182,621		(182,621)
<b>TOTAL APPROPRIATION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Budget Authority

New Offsetting Collections/Program Level*	2,016,000	2,016,000	2,706,313	690,313
Base Fee Collections	(2,068,543)	(2,198,621)	(2,443,706)	(245,085)
Patent Fee Collection Surcharge <sup>2</sup>			(262,607)	(262,607)
Total Budget Authority <sup>3</sup>	(52,543)	(182,621)	0	182,621
<b>FTE <sup>4</sup></b>	<b>9,430</b>	<b>9,710</b>	<b>11,137</b>	<b>1,427</b>

\* Excludes collections for reimbursables.

<sup>1</sup> The FY 2011 CR (Annualized) level is being shown, however USPTO is assuming that funding will be appropriated for updated fee estimate along with a 15% Patent Fee Surcharge in FY 2011.

<sup>2</sup> FY 2012 fee estimates include a 15% surcharge on Patent fees.

<sup>3</sup> Fee collections in FY 2010 and FY 2011 CR (Annualized) are above authorized spending levels resulting in negative Budget Authority.

<sup>4</sup> FY 2011 CR (Annualized) FTE increase over FY 2010 due to the impact of the FY 2010 \$129M Supplemental on Patent hiring.

## Highlights of Budget Changes

### Appropriation: Salaries and Expenses

#### Summary of Requirements

	<u>Detailed</u>		<u>Summary</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
<b>2011 CR (Annualized) Appropriation</b>				\$0
<b>2011 CR (Annualized) Fee Collections</b>			9,710	\$2,016,000
<b>Re-estimate of USPTO fee collections <sup>1</sup></b>			10,246	2,346,227
<b>Unavailable offsetting collections</b>				0
<b>Other Income/Recoveries</b>				23,000
<b>USPTO Funding from Operating Reserve</b>				10,123
<b>Funds currently available, 2011</b>			<u>10,246</u>	<u>2,379,350</u>
<b>Adjustments to Base</b>				
<b><u>Other Changes</u></b>				
Full year cost in 2012 for positions financed for part-year in FY 2011	458	\$49,122		
Other Compensation Adjustments		43,062		
Civil Service Retirement System (CSRS)		(2,282)		
Federal Employees' Retirement System (FERS)		3,813		
Thrift Savings Plan		652		
Federal Insurance Contributions Act (FICA) - OASDI		1,962		
Health insurance		6,562		
Rent payments to GSA		2,354		
Printing and reproduction		1,180		
OPM Transfer for OPEB - Mandatory Requirements		4,798		
Working Capital Fund		(293)		
General Pricing Level Adjustment:		8,007		
<b>TOTAL, ADJUSTMENTS TO BASE</b>			458	118,940
<b>2012 Base</b>			<u>10,704</u>	<u>2,498,290</u>
Administrative savings <sup>2</sup>				[26,000]
Program Changes			433	101,103
<b>TOTAL REQUIREMENTS</b>			<u>11,137</u>	<u>2,599,393</u>
Total Offsetting Fee Collections <sup>3</sup>				(2,706,313)
Other Income/Recoveries				(23,000)
USPTO Funding from Operating Reserve				129,920
<b>2012 NET APPROPRIATION</b>				<u>0</u>

<sup>1</sup> Assumes funding will be appropriated for updated fee estimate along with a 15% Patent Fee Surcharge in FY 2011.

<sup>2</sup> Of the administrative savings, \$5M in strategic sourcing savings reduce Total Requirements and increase the Operating Reserve, while \$21M in savings are accrued from decisions made in prior years.

<sup>3</sup> Includes \$2,444M under existing fee structure and \$262M for requested Patent Surcharge

Note: the distribution of administrative savings reflected in this table is based on current estimates. As the review and implementation processes proceed, the distribution of these savings may change.

## Comparison by Activity

	2011 Currently Avail.		2012 Base		2012 Estimate		Increase / Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>DIRECT OBLIGATIONS</b>								
Patents	NA	\$1,928,871	9,801	\$2,254,851	10,215	\$2,352,547	416	97,696
Trademarks	NA	225,682	903	235,439	921	238,846	17	3,407
<b>DIRECT OBLIGATIONS</b>	<b>9,710</b>	<b>2,154,553</b>	<b>10,704</b>	<b>2,490,290</b>	<b>11,137</b>	<b>2,591,393</b>	<b>433</b>	<b>101,103</b>
<b>Reimbursables</b>		<b>8,000</b>		<b>8,000</b>		<b>8,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL OBLIGATIONS</b>	<b>9,710</b>	<b>2,162,553</b>	<b>10,704</b>	<b>2,498,290</b>	<b>11,137</b>	<b>2,599,393</b>	<b>433</b>	<b>101,103</b>
<b>FINANCING</b>								
Fees		(2,198,621)				(2,706,313)		
Other Income/Recoveries		(23,000)				(23,000)		
USPTO Funding from Operating Reserve		(123,553)				129,920		
Subtotal Financing		<b>(2,345,173)</b>			<b>0</b>	<b>(2,599,393)</b>		
<b>TOTAL BUDGET AUTHORITY</b>	<b>9,710</b>	<b>(182,621)</b>			<b>11,137</b>	<b>0</b>		
Unappropriated Fee Collections, Available for Obligation, subject to further appropriation		182,621				0		
<b>TOTAL APPROPRIATION</b>	<b>9,710</b>	<b>0</b>			<b>11,137</b>	<b>0</b>		

Note: the distribution of administrative savings reflected in this table is based on current estimates. As the review and implementation processes proceed, the distribution of these savings may change.

## Administrative Savings

The Administration is pursuing an aggressive government-wide effort to curb non-essential administrative spending called the Administrative Efficiency Initiative. In order to be good stewards of taxpayer money the Federal Government should continue to seek ways to improve the efficiency of programs without reducing their effectiveness. As such, the President directed each agency to analyze its administrative costs and identify savings where possible. After reviewing its administrative costs, the USPTO has identified \$26,000,000 in administrative savings, of which \$5,000,000 is from strategic sourcing, reducing Total Requirements and allowing USPTO to increase its Operating Reserve. Another \$21,000,000 is accrued from decisions made in prior years, with an additional \$293,000 in savings identified through the Department's Working Capital Fund (see the Departmental Management Working Capital Fund section for more details). These administrative savings will be reinvested back into the Patent organization, which will re-engineer its business processes so that the Patents End-to-End (PE2E) information technology project will be built independent of legacy systems, with no mandates to re-use those legacy systems or to build interim interfaces unless they cannot be avoided. The business process re-engineering effort will also result in savings that will be reinvested in creating and maintaining the system.

## Highlights of Program Changes

	Base		Increase / Decrease	
	FTE	Amount	FTE	Amount
Patent Process	9,801	\$2,254,851	416	+\$97,696
Trademark Process	903	\$235,439	17	+\$3,407

Resources requested in FY 2012 will be used for examining patent applications, granting patents, and continuing to reengineer the quality management program. USPTO will continue its aggressive patent pendency reduction agenda to reduce overall pendency and backlog over the next three years.

The FY 2012 Budget provides resources for examining trademark applications, registering trademarks, maximizing the use of e-government for conducting business with applicants and registrants, and improving trademark practices worldwide.

## Performance Objectives and Measures

(Dollars reflect direct obligations in Millions)

In FY 2012, in conjunction with its new strategic plan, the Department will complete the re-organization of its performance structure from three strategic goals and a management integration goal to three program themes and three administrative themes. An overview of the Strategic Plan can be found on Page 169. All of USPTO's program activities support the theme of Economic Growth and the Innovation and Entrepreneurship goal. Within this goal, USPTO supports two objectives: Facilitate intellectual property protection by reducing patent and trademark pendency and increasing quality of issued patents and trademarks (Objective 1), and Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights (Objective 2). The following table shows the measures that USPTO uses to track its performance. A more detailed description of these measures can be found in the USPTO section of the Department of Commerce budget.

	2010 Actuals	2011 CR (Annualized) /Targets <sup>1</sup>	2012 Estimate/Targets
<b>Objective 1: Facilitate intellectual property protection by reducing patent and trademark pendency and increasing quality of issued patents and trademarks</b>	\$1,890.3M	\$2,318.8M	\$2,528.3M
Patent Quality Composite <sup>2</sup>	N/A	Baseline	TBD
In-process compliance rate	94.9%	94.6%--95.6%	94.6%--96.0%
Final disposition compliance rate	96.3%	95.6%--96.5%	95.6%--96.7%
Patent average first action pendency (months)	25.7	23.0	22.3
Patent average total pendency (months)	35.3	34.5	32.1
Patent backlog	New	659,000	549,600
Patent applications filed electronically	89.5%	90.0%	90.0%
Trademark first action compliance rate	96.6%	95.5%	95.5%
Trademark final compliance rate	96.8%	97.0%	97.0%
Trademark first action pendency (months)	3.0	2.5 to 3.5	2.5 to 3.5
Trademark average total pendency (months)	10.5	12.5	12.5
Trademark applications processed electronically	68.1%	68.0%	70.0%
<b>Objective 2: Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights</b>	\$48.7M	\$60.6M	\$71.1M
Percentage of prioritized countries for which country teams have implemented at least 75% of action steps in the country-specific action plans toward progress in institutional improvements of IP enforcement entities, IP office administration, and the establishment of government-to-government cooperative mechanisms to improve IP laws and regulations	75%	75.0%	75.0%
<b>Total</b>	\$1,939.0M	\$2,379.4M	\$2,599.4M

<sup>1</sup> Resources and Estimate/Targets assume funding will be appropriated for updated fee estimate along with a 15% Patent Fee Surcharge in FY 2011. See Highlights of Budget Changes for re-estimate of USPTO fee collections level.

<sup>2</sup> Patent Quality composite will subsume Final disposition compliance rate and In-Process compliance rate

## Priority Goals

Priority goals are clear statements of the specific, measurable, ambitious near-term priority targets chosen by the senior leaders of major federal agencies. They communicate the performance improvements each agency is trying to accomplish relative to its priorities using existing legislative authority, previously appropriated funds, and funding at levels proposed in the FY 2012 President's Budget Request. They constitute the priority operational targets the agency will work to accomplish within 18 to 24 months of setting the targets. This distinguishes the priority goals from the longer-term targets agencies include in their strategic plans, and the full set of performance goals and measures agencies include in the annual plans and reports required by the Government Performance and Results Act (GPRA).

USPTO has the following priority goal along with three associated measures: Reduce patent pendency for first action and for final actions from the end of 2009 levels of 25.8 and 34.6 months respectively by the end of 2011, as well as the patent backlog.

1. First action patent pendency
2. Final action patent pendency
3. Patent backlog

All of these measures are ongoing GPRA measures, occurring under the aforementioned objective 1. The first measure tracks the timeliness of first office actions on patent applications, measuring the time in months from the application filing date to the date of mailing the first office actions. The second measure identifies the timeliness related to issuance of the patent or abandonment of the application, measuring the average time in months from the application filing date to the date of issue or abandonment. The third measure tracks the number of patent applications awaiting first action review by an examiner. The previous table shows the FY 2010 actual and FY 2011 and FY 2012 targets. The following table provides all the targets and actuals from 2003 – 2015.

Fiscal Year	First action patent pendency		Final action patent pendency		Patent backlog	
	Target	Actual	Target	Actual	Target	Actual
2003	18.4	18.3	27.7	26.7	484,700	457,254
2004	20.2	20.2	29.8	27.6	524,000	508,878
2005	21.3	21.1	31.0	29.1	594,800	586,580
2006	22.0	22.6	31.3	31.1	680,700	674,333
2007	23.7	25.3	33.0	31.9	801,000	737,288
2008	26.9	25.6	34.7	32.2	801,300	750,596
2009	27.5	25.8	37.9	34.6	741,400	718,835
2010	25.4	25.7	34.8	35.3	698,000	708,535
2011 <sup>1</sup>	23.0	--	34.5	--	659,000	--
2012	22.3	--	32.1	--	549,600	--
2013	15.2	--	29.1	--	427,300	--
2014	10.4	--	23.6	--	352,400	--
2015	10.6	--	19.3	--	332,500	--

<sup>1</sup>Targets assume funding will be appropriated for updated fee estimate along with a 15% Patent Fee Surcharge in FY 2011. In addition, the USPTO had the following milestones associated with this high priority performance goal, the details of which can be found in the *USPTO 2010-2015 Strategic Plan* and the FY 2010 Performance and Accountability Report (PAR).

- Re-engineer the Examiner Count System
- Project Exchange
- Institutionalize Compact Prosecution of Applications
- Measurement and Tracking of Patent Quality
- Improve and Provide More Effective Training

- Ombudsman Pilot Program
- Develop and Implement the Patent End-to-End Processing System
- Prioritize Work - Green Technology Acceleration
- Hire Patent Examiners
- Target Overtime to High Backlog Areas.
- Institute a "Nationwide Workforce"
- Reformulate Performance Appraisal Plans