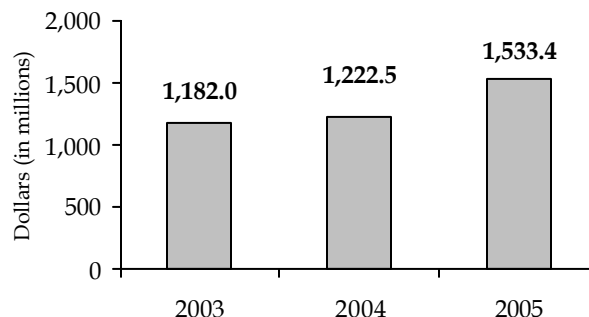


U.S. Patent and Trademark Office

The U. S. Patent and Trademark Office (USPTO) is charged with administering the patent and trademark laws of the United States. USPTO examines patent applications, grants patent protection for qualified inventions and disseminates technological information disclosed in patents. USPTO also examines trademark applications and provides Federal registration to owners of qualified trademarks.

In FY 2005, the third year of the 5-year *21st Century Strategic Plan*, the USPTO will spend \$1,533 million to increase the quality of patent and trademark products and services, keep pace with workload growth and promote e-Government activities. Offsetting collections will total \$1,533 million in FY 2005 from fees charged pursuant to 15 U.S.C. 1113 and 35 U.S.C. 41 and 376. In addition, the Administration had proposed legislation in 2003 to restructure the statutory fees charged for products and services. Relative to current law, the restructuring is expected to raise fee collections by \$219 million in FY 2005. These additional funds will provide sufficient resources to both allow the agency to implement Strategic Plan initiatives and to transfer to the Office of Personnel Management accruing indirect personnel costs associated with post-retirement health insurance, life insurance, and retirement benefits of USPTO employees.

PTO Program Level



Summary of Appropriations

Funding Levels

	2003 <u>Actual</u>	2004 <u>Estimate</u>	2005 <u>Estimate</u>	Increase (Decrease)
From New Offsetting Collections	\$1,015,229	\$1,222,460	\$1,533,407	\$310,947
From Prior Year Offsetting Collections	166,771	0		0
Program Level	1,182,000	1,222,460	1,533,407	310,947
Fee Collections	(1,193,743)	(1,271,402)	(1,533,407)	(262,005)
2003 Fee Collections Not Available	178,514	0		0
2004 Fee Collections Not Available	0	48,942	0	(48,942)
TOTAL APPROPRIATION	166,771	0	0	0
Unobligated balance, rescission		(1,412)	0	1,412
Unavailable Offsetting Collections due to limitation in current year	(178,514)	(48,942)	0	48,942
TOTAL BUDGET AUTHORITY	(11,743)	(50,354)	0	50,354
FTE	6,581	6,673	7,141	468

Highlights of Budget Changes

Appropriation: Salaries and Expenses

Summary of Requirements

	Detailed		Summary	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
2004 Enacted				
Fee collections in 2004			6,673	\$1,271,402
Unavailable offsetting collections				(48,942)
Funds Currently Available, 2004			6,673	1,222,460
Adjustments to Base				
Other Changes				
2004 Pay raise		\$5,954		
2005 Pay raise		7,148		
Full year cost of positions financed in FY 2004	5	1,371		
Within-grade step increases		7,148		
Recognition of Employee Performance (NonRecurring)		9,178		
One less compensable day		(2,548)		
Civil Service Retirement System (CSRS)		(298)		
Federal Employees' Retirement System (FERS)		496		
Thrift Savings Plan		85		
Federal Insurance Contributions Act (FICA) -OASDI		(220)		
Health insurance		3,334		
Rent payments to GSA		3,024		
Printing and reproduction		591		
General Pricing Level Adjustment:		2,529		
Communications, Utilities and misc.		147		
Subtotal, other cost changes		37,939	5	37,939
TOTAL, ADJUSTMENTS TO BASE			5	37,939
2005 Base			6,678	1,260,399
Program Changes			463	273,008
TOTAL REQUIREMENTS			7,141	1,533,407
Total Offsetting Fee Collections				(1,533,407)
Portion Not Available for Obligation (Limitation on Obligation)				0
2005 APPROPRIATION			7,141	0

Comparison by Activity

	2004 Currently Avail.		2005 Base		2005 Estimate		Increase / Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
DIRECT OBLIGATIONS								
Patents	5,939	\$1,097,998	5,944	\$1,121,152	6,346	\$1,336,751	402	\$215,599
Trademarks	734	133,252	734	139,247	795	158,656	61	19,409
OPM Expenditure Transfer	0	0	0	0	0	38,000	0	38,000
TOTAL OBLIGATIONS	6,673	1,231,250	6,678	1,260,399	7,141	1,533,407	463	273,008
FINANCING								
Fees		(1,271,402)				(1,533,407)		
Prior year recoveries/Reimbursements		(5,250)				0		
Unobligated Balance, Start of Year		(3,540)				0		
Offsetting Collections Not Available for Obligation		48,942				0		
TOTAL APPROPRIATION	6,673	0			7,141	0		
Unobligated balance, rescission		(1,412)						
Unavailable Offsetting Collections due to limitation in current year and becoming available in following year(s)		(48,942)				0		
TOTAL BUDGET AUTHORITY	6,673	(50,354)			7,141	0		

Highlights of Program Changes

	<u>Base</u>		<u>Increase / Decrease</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
Patent Process	5,944	\$1,121,152	+402	+\$215,599
Trademark Process	734	\$139,247	+61	+\$19,409
OPM Expenditure Transfer			+0	+\$38,000

An increase (+402 FTE; +\$215,599) is requested in support of the Patent Business goals to minimize patent application processing time and enhance the quality of products and services. Resources will be used to hire additional examination staff, continue refining the system for electronic filing and processing of applications, and improve the quality of products through enhanced quality assurance programs and examiner certification/recertification.

Trademark Process

An increase (+61 FTE; +\$19,409) is requested in support of the Trademark Business goals to minimize trademark application processing time and enhance the quality of products and services. Resources will be used to hire additional examiners, and improve the quality of products through enhanced quality assurance programs and examiner certification/recertification.

OPM Expenditure Transfer

An increase (+0 FTE; +\$38,000) is requested for the purpose of transferring to the Office of Personnel Management, accruing indirect personnel costs associated with post-retirement health insurance, life insurance, and retirement benefits of USPTO employees.

USPTO Performance Measures

In order to achieve the USPTO's mission, the Agency developed the *21st Century Strategic Plan* covering FY 2004 - FY 2008. This plan transforms the USPTO into a more agile, capable, and productive organization. Congress, owners of intellectual property, the Patent Bar, and the public-at-large have told the USPTO that it must (1) improve patent and trademark quality, (2) aggressively implement e-Government to handle the workload associated with the 21st Century economy, and (3) reduce patent and trademark pendency. The USPTO has identified three strategic themes that correspond directly to these challenges:

1. Agility: Address the 21st Century Economy by Becoming a More Agile Organization

The USPTO will create a flexible organization and work processes that can handle the increasing expectations of our markets, the growing complexity and volume of our work, and the globalization that characterizes the 21st Century economy. The Office will work, both bilaterally and multilaterally, with our partners to create a stronger, better-coordinated and more streamlined framework for protecting intellectual property around the world. The USPTO will transform its workplace by radically reducing labor-intensive paper processing.

2. Capability: Enhance Quality through Workforce and Process Improvements

The USPTO will make patent and trademark quality its highest priority by emphasizing quality in every component of its strategic plan. Through the timely issuance of high-quality patents and trademarks, the Office will respond to market forces by promoting advances in technology, expanding business opportunities and creating jobs.

3. Productivity: Accelerate Processing Times Through Focused Examination

The USPTO will reduce patent and trademark pendency, reduce time to first office action, and recover the investments in people, processes, and technology.

In FY 2005, the USPTO aims to achieve these goals through a number of priority efforts that improve or transform existing programs. These include delivering an operational system to process patent applications electronically, continuing the transition of the trademark operations to a fully electronic environment, enhancing the current quality assurance programs by integrating reviews to cover all stages of examination, and achieving greater examiner productivity by reducing the prior art search burden. A more detailed presentation of goals and performance measures can be found in the Department's FY 2005 Annual Performance Plan.

Performance Goals (Obligations) and Measures (Targets)

(Dollars in millions)

	2003 <u>Actual</u>	2004 Estimate / <u>Target</u>	2005 Estimate / <u>Target</u>
Goal 1: Improve the quality of patent products and services and optimize patent processing time	\$1,019.6	\$1,047.4	\$1,292.4
Improve patent quality by reducing the error rate	4.4%	4.0%	3.7%
Patent in-process reviews	New	Baseline	TBD
Patent examiner certification	New	Baseline	TBD
Patent examiner re-certification	New	Baseline	TBD
Reduce average patent first actions pendency (months)	18.3	20.2	21.1
Reduce average patent total pendency (months)	26.7	29.8	31.1
Patent productivity	New	Baseline	TBD
Patent efficiency (cost per patent disposed)	\$3,329	\$3,502	\$4,052

	2003 <u>Actual</u>	2004 Estimate / <u>Target</u>	2005 Estimate / <u>Target</u>
Goal 2: Improve the quality of trademark products and services and optimize trademark processing time	\$119.4	\$118.2	\$140.6
Trademark final action deficiency rate	5.3%	5.0%	4.5%
Trademark in process reviews deficiency rate	N/A	Baseline	TBD
Reduce average trademark first actions pendency (months)	5.4	5.4	5.8
Reduce average trademark total pendency (months)	19.8	21.6	23.5
Trademark productivity	N/A	Baseline	TBD
Trademark efficiency (cost per trademark disposed)	\$433	\$583	\$701
Goal 3: Create a more flexible organization through transitioning patent and trademark applications to e-Government operations and participating in IP development worldwide	\$51.9	\$56.9	101.0
Patent applications filed electronically	1.3%	2.0%	4.0%
Patent applications managed electronically	New	70%	90%
Trademark applications filed electronically	57.5%	65%	70%
Trademark applications managed electronically	New	100%	100%
Total	\$1,190.9	\$1,222.5	\$1,533.4

