

**EXHIBIT 3A**

**U.S. Patent and Trademark Office  
USPTO TOTAL RESOURCE REQUIREMENTS**

<i>Dollars in thousands</i> USPTO TOTAL	FY 2005 Actual	FY 2006 Enacted	FY 2007 Base	Increase/ (Decrease)	FY 2007 President's Budget	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate
TOTAL FUNDING	\$1,513,930	\$1,688,286	\$1,758,512	\$88,954	\$1,847,466	\$1,999,497	\$2,164,401	\$2,400,349	\$2,639,568
↳ Direct Obligations	\$1,508,392	\$1,683,086	\$1,753,312	\$89,654	\$1,842,966	\$1,994,997	\$2,159,901	\$2,395,849	\$2,635,068
↳ Reimbursable	\$5,538	\$5,200	\$5,200	\$(700)	\$4,500	\$4,500	\$4,500	\$4,500	\$4,500
IT FUNDING (included above)	\$312,951	\$311,378	\$315,900	\$(21,671)	\$294,229	\$312,591	\$301,338	\$299,304	\$302,740
FULL-TIME EQUIVALENT (FTE) TOTALS	6,825	7,875	8,157	400	8,557	9,191	9,801	10,414	10,972

This Exhibit represents a summary of USPTO's total obligations by performance goal. USPTO Information Technology (IT) funding and FTE resources shown in the above table are also reported using the Agency IT Investment Portfolio (FY 2007 Budget Exhibit 53) reporting format.

**RESOURCE REQUIREMENTS, TARGETS AND PERFORMANCE SUMMARY**  
**GOAL ONE: Improve the quality of patent products and services and optimize patent processing time**

<i>Dollars in thousands</i> <b>USPTO GOAL 1</b>	FY 2005 Actual	FY 2006 Enacted	FY 2007 Base	Increase/ Decrease	FY 2007 President's Budget	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate
TOTAL FUNDING	\$1,218,046	\$1,339,710	\$1,393,950	\$82,498	\$1,476,448	\$1,607,318	\$1,761,615	\$1,979,352	\$2,202,097
↳ Direct Obligations	\$1,213,162	\$1,335,124	\$1,389,364	\$83,115	\$1,472,479	\$1,603,349	\$1,757,646	\$1,975,383	\$2,198,128
↳ Reimbursable	\$4,884	\$4,586	\$4,586	\$617	\$3,969	\$3,969	\$3,969	\$3,969	\$3,969
IT FUNDING (included above)	\$244,978	\$243,747	\$247,290	(\$16,967)	\$230,323	\$244,696	\$235,887	\$234,295	\$236,985
FULL-TIME EQUIVALENT (FTE) TOTALS	6,202	6,954	7,184	365	7,549	8,197	8,809	9,408	9,942

Allowance Error Rate	4.6%	4.0%	—	—	4.0%	4.0%	4.0%	4.0%	4.0%
In-Process Examination Compliance Rate	84.0%	86.0%	—	—	88.0%	89.0%	90.0%	91.0%	92.0%
Average First Action Pendency (months)	21.1	22.0	—	—	23.0	23.7	23.9	23.8	23.5
Average Total Pendency (months)	29.1	31.3	—	—	32.0	33.0	33.7	33.9	33.8

Rationale of Performance Goal: This performance goal was established as a result of USPTO's strategic planning process. The *21st Century Strategic Plan* recognized quality and processing time (pendency) as the two measures most significant for our patent user community and other external stakeholders. In particular, the inability to hire new personnel at a rate necessary to keep up with growth in electronic technologies has meant increased pendency in those technologies for which the value of patents depends most on prompt issuance. Additionally, improving the quality of patents through implementation of the quality initiatives in the *21st Century Strategic Plan* are paramount to achieving the targets set forth under this goal.

External Factors and Mitigation Strategies: The key variables impacting performance under this goal are incoming workloads and requested resources to improving quality and reducing pendency. The patent incoming workloads are dependent upon many factors, including economic activity around the world, and especially in the United States. Growth of science and technology has had considerable impact on intellectual property protection in the United States. For the USPTO, this growth has meant increases in application filings, and receipt of significantly more complex patent applications supporting the latest technologies. Achievement of the outyear (fiscal years 2008 to 2011) performance targets set forth in this exhibit assume permanent authorization of the revised fee schedule that was set forth in the Consolidated Appropriations Act, 2005 (P.L. 108-447). Funding at the fiscal year 2007 budget level will allow the USPTO to continue implementation of its strategic planning initiatives and ultimately result in enhanced quality throughout the Patent examination process.

Program Increases for Performance Goal One: + 365 FTE and + \$83.1 million: The increases requested for fiscal year 2007 are for hiring patent examiners to implement the strategic initiatives that contribute to achieving the quality and pendency targets shown above

Performance Monitoring and Program Evaluations: The patent examination program is evaluated for quality of examination decisions through in-process and allowance reviews. The focus of the review for patent applications is threefold: (1) to identify patentability errors; (2) to assess adequacy of the field of search and proper classification; and (3) to assess proper examination practice and procedures. The information gathered from the review of these examination program activities help business units identify necessary training with the goal of enhancing overall product quality and improving the consistency of examination. The results of the reviews provide analysis in the form of reports to Patent management. In addition to reporting specific errors, the analysis provides information on recurring problems and trends that may warrant changes in the examination program.

The patent examination program is also monitored for production through tracking and analysis of production counts recorded in the Patent Application Locator Monitoring (PALM) system. Production reports, containing detailed information on time spent examining and actions performed by each patent examiner, are provided to Patent management on a biweekly basis. Like the quality review tools, production monitoring identifies recurring problems and trends that may warrant changes in the examination program.

Crosscutting Activities: None other than intra-USPTO.

## RESOURCE REQUIREMENTS, TARGETS AND PERFORMANCE SUMMARY

### GOAL 2: Improve the quality of trademark products and services and optimize trademark processing time

<i>Dollars in thousands</i> <u>USPTO GOAL 2</u>	FY 2005 Actual	FY 2006 Enacted	FY 2007 Base	Increase/ (Decrease)	FY 2007 President's Budget	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate
TOTAL FUNDING	\$142,259	\$143,390	\$144,575	\$4,220	\$148,795	\$154,273	\$159,441	\$164,049	\$170,228
↳ Direct Obligations	\$141,605	\$142,776	\$143,961	\$4,303	\$148,264	\$153,742	\$158,910	\$163,518	\$169,697
↳ Reimbursable	\$654	\$614	\$614	-\$83	\$531	\$531	\$531	\$531	\$531
IT FUNDING (included above)	\$25,881	\$25,751	\$26,120	(\$1,787)	\$24,333	\$25,851	\$24,921	\$24,752	\$25,037
FULL-TIME EQUIVALENT (FTE) TOTALS	737	844	896	19	915	898	896	910	934

Final Action Deficiency Rate	5.9%	6.5%	—	—	6.0%	5.5%	5.0%	4.5%	4.0%
First Action Deficiency Rate	4.7%	6.5%	—	—	6.0%	5.5%	5.0%	4.5%	4.0%
Average First Action Pendency (months)	6.3	5.3	—	—	3.7	3.0	3.0	3.0	3.0
Average Total Pendency (months)	19.6	18.8	—	—	17.3	16.6	15.9	15.3	14.6

Rationale of Performance Goal: As in Goal One, this performance goal was also established as a result of USPTO's strategic planning process. The *21st Century Strategic Plan* recognized quality and processing time (pendency) as the two measures most significant for our trademark user community and other external stakeholders. In particular, the inability to hire new personnel at a rate necessary to keep up with growth in filings has meant increased pendency. Additionally, improving the quality of trademark products and services through continuation of the quality initiatives in the *21st Century Strategic Plan* are paramount to achieving the targets set forth under this goal.

External Factors and Mitigation Strategies: The key variables impacting performance under this goal are incoming workloads and resources allotted to improving quality and reducing pendency. The trademark incoming workloads are dependent upon many factors, including economic growth in the United States.

Program Increases for Performance Goal Two: + 19 FTE and + \$4.3 million: The increases requested for fiscal year 2007 are for hiring trademark examining attorneys for implementing the strategic initiatives that contribute to achieving the quality and pendency targets shown above.

Performance Monitoring and Program Evaluations: The trademark examination program is evaluated for quality of examination decisions through in-process and final action reviews. The focus of the trademark review program is to identify practice and procedural deficiencies and develop training modules to address those deficiencies. The review of trademark applications is centered on addressing the appropriateness or omission of substantive refusals outlined in Section 2 of the Trademark Act. Section 2 of the Trademark Act provides the statutory bases for which the Office refuses marks for registration. The results of the reviews provide analysis in the form of reports to Trademark management. In addition to reporting specific types of errors, the analysis provides information on recurring problems and trends that may warrant changes in the examination program. The information gathered from the review of these examination program activities are also used to develop and implement quality-driven training modules as well as Policy Papers aimed at reinforcing the proper practice in a wide range of examination activities.

The trademark examination program is also monitored for production through tracking and analysis of production counts recorded in the Trademark Reporting and Monitoring (TRAM) system. Production reports, containing detailed information on time spent examining and actions performed by each examining attorneys, are provided to Trademark management on a biweekly basis. Like the quality review tools, production monitoring identifies recurring problems and trends that may warrant changes in the examination program.

Crosscutting Activities: None other than intra-USPTO.

## RESOURCE REQUIREMENTS, TARGETS AND PERFORMANCE SUMMARY

### GOAL 3: Create a more flexible organization through transitioning patent and trademark applications to e-Government operations and participating in IP development worldwide

<i>Dollars in thousands</i> USPTO GOAL 3	FY 2005 Actual	FY 2006 Enacted	FY 2007 Base	Increase/ (Decrease)	FY 2007 President's Budget	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate
TOTAL FUNDING	\$153,625	\$205,186	\$219,987	\$2,236	\$222,223	\$237,906	\$243,345	\$256,888	\$267,243
↳ Direct Obligations	\$153,625	\$205,186	\$219,987	\$2,236	\$222,223	\$237,906	\$243,345	\$256,888	\$267,243
↳ Reimbursable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
IT FUNDING (included above)	\$42,092	\$41,880	\$42,490	(\$2,916)	\$39,574	\$42,044	\$40,530	\$40,256	\$40,719
FULL-TIME EQUIVALENT (FTE) TOTALS	68	77	77	16	93	96	96	96	96

Patent Applications filed electronically	2.2%	10.0%	—	—	20.0%	30.0%	40.0%	50.0%	60.0%
Patent applications managed electronically	96.7%	99.0%	—	—	99.0%	99.0%	99.0%	99.0%	99.0%
Trademark Applications filed electronically	88.0%	80.0%	—	—	80.0%	80.0%	80.0%	80.0%	80.0%
Trademark applications managed electronically	99.9%	99.0%	—	—	99.0%	99.0%	99.0%	99.0%	99.0%
Technical assistance activities completed (activities/countries)	59/142	82/77			84/79	84/79	84/79	84/79	84/79

Rationale of Performance Goal: The goal of creating a flexible organization through e-government incorporates initiatives that enhance and maintain electronic end-to-end processing of patent and trademark applications. This performance goal was established as a result of USPTO's strategic planning process and for the targeted implementation of the President's Management Agenda initiatives. The second part of this performance goal also is an integral part of the *21st Century Strategic Plan* and is achieved through worldwide technical assistance programs designed to address civil, criminal and border enforcement of intellectual property rights. Under this goal, the USPTO provides

foreign governments with the tools to encourage economic development through robust protection of intellectual property rights, combat health and safety risks associated with counterfeit and pirated products, and combat growing criminal activity involving intellectual property theft. To maximize resources, these programs are developed and implemented in coordination with national and international intellectual property organizations, Federal agencies and rights owners.

External Factors and Mitigation Strategies: The key variables impacting performance under this goal are passage of the fee legislation and funding at the fiscal year 2007 budget level.

Program Increases for Performance Goal Three: + 16 FTE and - \$2.2 million: The funding increase reflected above assumes that implementation of e-government strategic initiatives will peak in fiscal year 2006 and will gradually move into maintenance mode at a relatively lower cost. The USPTO will see some increases in the later years as Patent E-Government Phase two of the workflow applications integration process will further enhance workflow tools and products through fiscal year 2010.

Program Evaluations: Evaluations or proofs of concept have been incorporated into the implementation plans of many strategic initiatives. Completed pilot projects or new ones to be initiated will be tested, as necessary. Evaluations will assess the consistency of pilot program components with the intent of the *United States Patent and Trademark Fee Modernization Act of 2004*, where appropriate, and will incorporate analyses of pilot results against baseline data, critical success factors, and recommendations for full implementation.

Crosscutting Activities: Within the Department of Commerce, the USPTO provides support to the International Trade Administration (ITA) at international negotiations on intellectual property rights and advises ITA on patent and trademark issues. The USPTO also works with the Department of State and U.S. Missions abroad in the implementation of IP-focused programs.