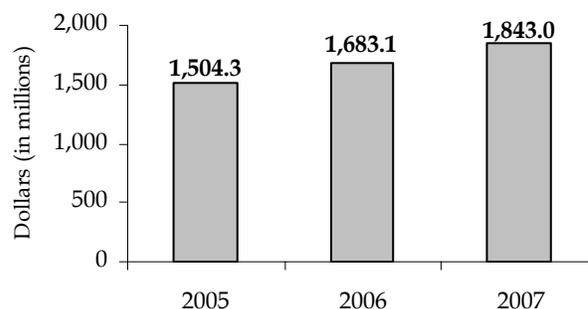


U.S. Patent and Trademark Office

The mission of the U.S. Patent and Trademark Office (PTO) is to ensure that the intellectual property system contributes to a strong global economy, encourages investment in innovation, and fosters entrepreneurial spirit. This mission is accomplished by the USPTO through its two businesses, Patents and Trademarks, which aim to: 1) Promote the progress of science and the useful arts by securing for limited times to inventors the exclusive rights to their discoveries (Article 1, Section 8 of the United States Constitution), and (2) Provide businesses with enhanced protection of trademark rights and notices of the trademark rights claimed by others, as well as protect consumers against confusion and deception in the marketplace.

PTO Program Level



Summary of Appropriations

Funding Levels

| | 2005 | 2006 | 2007 | Increase (Decrease) |
|---|---------------|-----------------|-----------------|------------------------|
| | <u>Actual</u> | <u>Estimate</u> | <u>Estimate</u> | <u>(Decrease)</u> |
| New Offsetting Collections/Program Level | \$1,504,266 | \$1,683,086 | \$1,842,966 | \$159,880 |
| Fee Collections | (1,504,266) | (1,683,086) | (1,842,966) | (159,880) |
| TOTAL APPROPRIATION/BUDGET AUTHORITY | 0 | 0 | 0 | 0 |
| FTE | 6,825 | 7,875 | 8,557 | 682 |

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> |
| 2006 Appropriation | | | | |
| Fee collections in 2006 | | | 7,875 | \$1,683,086 |
| Unavailable offsetting collections | | | | 0 |
| Funds Currently Available, 2006 | | | 7,875 | 1,683,086 |
| Adjustments to Base | | | | |
| <u>Other Changes</u> | | | | |
| 2006 Pay raise | | \$5,611 | | |
| 2007 Pay raise | | 13,517 | | |
| Full year cost of positions financed in FY 2005 | 282 | 20,731 | | |
| Within-grade step increases | | 8,646 | | |
| Civil Service Retirement System (CSRS) | | (822) | | |
| Federal Employees' Retirement System (FERS) | | 4,192 | | |
| Thrift Savings Plan | | 235 | | |
| Federal Insurance Contributions Act (FICA) -OASDI | | 1,311 | | |
| Health insurance | | 3,547 | | |
| Travel | | 1 | | |
| Rent payments to GSA | | 1,561 | | |
| Printing and reproduction | | 1,679 | | |
| General Pricing Level Adjustment: | | 10,017 | | |
| Subtotal, other cost changes | | | 282 | 70,226 |
| TOTAL, ADJUSTMENTS TO BASE | | | 282 | 70,226 |
| 2007 Base | | | 8,157 | 1,753,312 |
| Program Changes | | | 400 | 89,654 |
| TOTAL REQUIREMENTS | | | 8,557 | 1,842,966 |
| Total Offsetting Fee Collections | | | | (1,842,966) |
| Portion Not Available for Obligation (Limitation on Obligation) | | | | 0 |
| 2007 APPROPRIATION | | | 8,557 | 0 |

Comparison by Activity

| | 2006 Currently Avail. | | 2007 Base | | 2007 Estimate | | Increase / Decrease | |
|--|-----------------------|------------------|--------------|------------------|---------------|------------------|---------------------|---------------|
| | <u>FTE</u> | <u>Amount</u> | <u>FTE</u> | <u>Amount</u> | <u>FTE</u> | <u>Amount</u> | <u>FTE</u> | <u>Amount</u> |
| DIRECT OBLIGATIONS | | | | | | | | |
| Patents | 6,996 | \$1,495,050 | 7,207 | \$1,556,393 | 7,582 | \$1,640,421 | 375 | \$84,028 |
| Trademarks | 879 | 188,036 | 950 | 196,919 | 975 | 202,545 | 25 | 5,626 |
| TOTAL OBLIGATIONS | 7,875 | 1,683,086 | 8,157 | 1,753,312 | 8,557 | 1,842,966 | 400 | 89,654 |
| FINANCING | | | | | | | | |
| Fees | | (1,683,086) | | | | (1,842,966) | | |
| Prior year recoveries/Reimbursements | | (5,000) | | | | (5,000) | | |
| Unobligated Balance, Start of Year | | (5,728) | | | | (10,728) | | |
| Unobligated Balance, End of Year | | 10,728 | | | | 15,728 | | |
| TOTAL APPROPRIATION/ BUDGET AUTHORITY | 7,875 | 0 | | | 8,557 | 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 | 7,207 | \$1,556,393 | +375 | +\$84,029 |

This increase will support 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 | 950 | 196,919 | +25 | +\$5,625 |
|-------------------|-----|---------|-----|----------|

This increase will support the Trademark Business goals to minimize trademark application processing time and enhance the quality of products and services. USPTO will use resources to hire additional examiners, and improve the quality of products through enhanced quality assurance programs and examiner certification/recertification.

USPTO Performance Measures

In order to achieve the USPTO's mission, the Agency developed the *21st Century Strategic Plan* covering FY 2004 - 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 performance goals that correspond directly to these challenges:

Goal 1: Improve the quality of patent products and services and optimize patent processing time

The core process under Goal 1 is the examination of an inventor's application for a patent by comparing the claimed subject matter of the application to a large body of technological information to determine whether the claimed invention is new, useful, and non-obvious to someone knowledgeable in that subject matter. A quality review of the examination requirements and practice includes reviewing a random sample of both in-process and allowed applications for quality. The patent examination process also includes deciding appeals regarding issues of patentability and preparing interference proceedings. With the recent enactment of the Fee Bill and revenue increases, revisions to current rules, and legislation streamlining the patent system, the agency will be able to hire sufficient numbers of new patent examiners to control patent pendency through achieving a 23.0 month pendency to first action on the merits and 32.0 months overall pendency in FY 2007.

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

The core process under Goal 2 is the examination of applications for trademark registration. As part of that examination, examining attorneys make determinations of registrability under the provisions of the Trademark Act of 1946, as amended, including searching the electronic databases for any pending or registered marks to determine if a mark in the subject application is confusingly similar to an existing mark, prepare letters informing applicants of the attorney's findings, approve applications to be published for opposition, and examine Statements of Use in applications filed under the Intent to Use provisions of the Trademark Act. At the requested funding level in FY 2007, Trademarks will be able to hire sufficient numbers of new examining attorneys to achieve a trademark first action pendency of 3.7 months and a total pendency of 17.3 months.

Goal 3: Create a more flexible organization through transitioning patent and trademark operations to an e-Government environment and advancing IP development worldwide

The USPTO has made significant strides toward achieving the milestones and goals of the e-Government initiatives of the *21st Century Strategic Plan*. In Patents, implementation of the IFW — electronic version of paper patent application file wrapper — has been substantially completed. IFW was fully deployed before October 1, 2004. Completion of this phase of e-government provides instant and concurrent access to a patent application, eliminates examiner interruption for paper entry, and eliminates the loss or damage experienced with paper files.

In FY 2007, the USPTO aims to achieve these goals through a number of priority efforts that improve or transform existing programs. These include continued development of 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 USPTO's FY 2007 Budget submission.

Performance Goals (Obligations) and Measures (Targets)

(Dollars in millions)

| | 2005 <u>Actual</u> | 2006 Estimate / <u>Target</u> | 2007 Estimate / <u>Target</u> |
|---|-----------------------|-------------------------------------|-------------------------------------|
| Goal 1: Improve the quality of patent products and services and optimize patent processing time | \$1,213.2 | \$1,335.1 | \$1,472.5 |
| Allowance error rate | 4.6% | 4.0% | 4.0% |
| In-process examination compliance rate | 84.0% | 86.0% | 88.0% |
| Average patent first actions pendency (months) | 21.1 | 22.0 | 23.0 |
| Average patent total pendency (months) | 29.1 | 31.3 | 32.0 |
| Goal 2: Improve the quality of trademark products and services and optimize trademark processing time | \$141.6 | \$142.8 | \$148.3 |
| Trademark final action deficiency rate | 5.9% | 6.5% | 6.0% |
| Trademark first action deficiency rate | 4.7% | 6.5% | 6.0% |
| Average trademark first actions pendency (months) | 6.3 | 5.3 | 3.7 |
| Average trademark total pendency (months) | 19.6 | 18.8 | 17.3 |
| Goal 3: Create a more flexible organization through transitioning patent and trademark applications to e-Government operations and participating in IP development worldwide | \$153.6 | \$205.2 | \$222.2 |
| Patent applications filed electronically | 2.2% | 10.0% | 20.0% |
| Patent applications managed electronically | 96.7% | 99.0% | 99.0% |
| Trademark applications filed electronically | 88.0% | 80.0% | 80.0% |
| Trademark applications managed electronically | 99.9% | 99.0% | 99.0% |
| Technical assistance activities completed (activities / countries) | 59/142 | 82/77 | 84/79 |
| Total | \$1,508.4 | \$1,683.1 | \$1,843.0 |

