

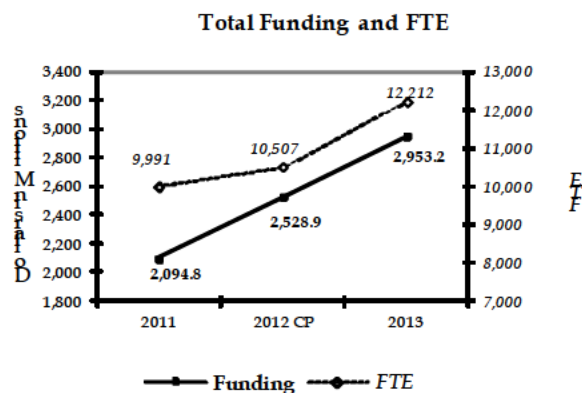
U.S. Patent and Trademark Office

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, including the newly enacted Leahy-Smith America Invents Act (P. L. No. 112-29)]. 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 policy and 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 2013 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. In addition, the USPTO will implement the America Invents Act (AIA) by publishing final rules, completing AIA studies in accordance with statutory due dates, implementing new AIA programs in accordance with statutory due dates, and implementing a new fee structure as authorized by the AIA.

The FY 2013 Budget continues to emphasize the patent pendency and backlog reduction priority, particularly in light of the projected increase in patent application filings over the next five years. Likewise, the budget addresses the projected increase in trademark application filings during the planning horizon. The required funds for information technology reflect the transition from development to operations and maintenance.

Finally, the FY 2013 Budget provides the comprehensive background and support for a new fee structure that will be proposed and vetted through the rulemaking process.



Summary of Appropriations

Funding Levels

Appropriation, Discretionary	2011 Actual	2012 Enacted	2013 Estimate	Increase (Decrease)
New Offsetting collections/Program level*	\$2,094,801	\$2,706,313	\$2,953,241	\$246,928
Fee collections	(2,303,656)	(2,706,313)	(2,953,241)	(246,928)
Unappropriated fee collections, available for obligation, subject to further appropriation	208,855	0	0	0
TOTAL APPROPRIATION	0	0	0	0
Transfer to IG	0	(1,000)	(2,000)	(1,000)
Budget Authority				
New Offsetting collections/program level	2,094,801	2,705,313	2,951,241	245,928
Fee collections	(2,303,656)	(2,706,313)	(2,953,241)	(246,928)
Total Budget Authority	(208,855)	(1,000)	(2,000)	(1,000)
FTE	9,991	10,507	12,212	1,705

*Excludes collections for reimbursables.

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>
2012 Enacted				\$0
2012 Enacted Fee Collections			10,970	\$2,706,313
Re-estimate of USPTO fee collections			10,507	2,528,872
Other Income /Recoveries				23,000
USPTO Funding to Operating Reserve				(44,267)
Funds currently available, 2012			10,507	2,507,605
FY 2012 Transfer to DOC IG				(1,000)
USPTO FY 2012 Base				2,506,605

Adjustments to Base:

Other Changes

2013 Pay raise		\$4,986		
Full year cost in 2013 of positions financed for part-year in 2012	1,182	120,619		
Other Compensation Adjustments		35,498		
Civil Service Retirement System (CSRS)		(2,409)		
Federal Employees' Retirement System (FERS)		4,096		
Thrift Savings Plan		688		
Federal Insurance Contributions Act (FICA) - OASDI		2,088		
Health insurance		5,087		
Post-retirement benefits to OPM		10,321		
Travel		107		
Rent payments to GSA		1,818		
Printing and Reproduction		1,503		
General Pricing Level Adjustment:				
Transportation of things		5		
Rental payments to others		258		
Communications, utilities, and misc. charges		172		
Other services		6,172		
Supplies and materials		585		
Equipment		2,121		
Subtotal, other cost changes			1,182	193,715
TOTAL, ADJUSTMENTS TO BASE			1,182	193,715
2013 Base			11,689	2,700,320
Administrative savings [non-add]				[6,120]
Program Changes			523	119,248
FY 2013 Transfer to DOC IG				2,000
TOTAL REQUIREMENTS			12,212	2,821,568
Total offsetting fee Collections				(2,953,241)
Other Income /Recoveries				(23,000)
USPTO Funding to Operating Reserve				154,673
2013 NET APPROPRIATION			12,212	0

Comparison by Activity

	2012 Current Plan		2013 Base		2013 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	9,605	\$2,241,257	10,733	\$2,423,141	11,229	\$2,541,238	496	\$118,097
Trademarks	902	258,348	956	270,179	983	271,330	27	1,151
TOTAL DIRECT OBLIGATIONS	10,507	2,499,605	11,689	2,693,320	12,212	2,812,568	523	119,248
Reimbursables		7,000		7,000		7,000	0	0
TOTAL OBLIGATIONS	10,507	2,506,605	11,689	2,700,320	12,212	2,819,568	523	119,248
FINANCING								
Fees		(2,528,872)				(2,953,241)		
Other Income / Recoveries		(23,000)				(23,000)		
USPTO funding to Operating Reserve		44,267				154,673		
Subtotal Financing	0	(2,507,605)			0	(2,821,568)		
TOTAL BUDGET AUTHORITY	10,507	(1,000)			12,212	(2,000)		
Transfer to DOC IG		1,000				2,000		
TOTAL APPROPRIATION	10,507	0			12,212	0		

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 continuing its pursuit of an aggressive government-wide effort to curb non-essential administrative spending. As a result, the Department of Commerce continues to seek ways to improve the efficiency of programs without reducing their effectiveness. Building on USPTO's administrative savings planned for FY 2012 (\$26.3 million), an additional \$6.1 million in savings is targeted for FY 2013 for a total savings in FY 2013 of \$32.4 million. For additional information see the Administrative Savings section of the Introduction to the Budget-in-Brief.

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	10,733	\$2,423,141	496	\$118,097

Resources requested in FY 2013 will be used for examining patent applications, granting patents, and continuing to implement the Patent End to End portfolio. USPTO will continue its aggressive agenda to reduce overall pendency and backlog through FY 2016 by which time backlog and pendency will have been reduced to optimal levels.

Trademark Process	956	\$270,179	27	\$1,151
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The FY 2013 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)

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.

The USPTO supports the Department's strategic objective to "protect intellectual property and improve the patent and trademark systems." The USPTO focuses on measuring patent and trademark quality and timeliness, and improving IP protection and enforcement domestically and abroad in concert with our focused management priorities.

	2011 Actuals	2012 Enacted/Targets	2013 Estimate/Targets
Objective 1: Facilitate intellectual property protection by reducing patent and trademark pendency and increasing quality of issued patents and trademarks			
	\$2,111.2M	\$2,438.8M	\$2,744.3M
Patent quality composite rate ²	30.7	48-56	65-73
Patent average first action pendency (months)	28.0	22.5	16.9
Patent average total pendency (months)	33.7	34.7	30.1
Patent backlog	669,625	621,800	529,100
Patent applications filed electronically	93.1%	96.0%	97.0%
Trademark first action compliance rate	96.5%	95.5%	95.5%
Trademark final compliance rate	97.0%	97.0%	97.0%
Trademark first action pendency (months)	3.1	2.5 to 3.5	2.5 to 3.5
Trademark average total pendency (months)	10.5	12.0	12.0
Trademark applications processed electronically	73.0%	74.0%	76.0%
Objective 2: Expand international markets for U.S. firms and inventors by improving the protection and enforcement of intellectual property rights			
	\$43.7M	\$60.8M	\$68.3M
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: (1) institutional improvements of IP office administration for advancing IP protection, (2) institutional improvements of IP enforcement entities, (3) improvements in IP laws and regulations, and (4) establishment of government-to-government cooperative mechanisms.	100.0%	75.0%	75.0%
Percentage of foreign officials trained who have initiated or implemented a positive change in the IP systems in their organization and/or countries	Baseline	75.0%	75.0%
Total	\$2,154.9M	\$2,499.6M	\$2,812.6M

² 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 2013 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: By September 30, 2013, the Department will reduce patent pendency for first actions and for final actions from the end of 2011 levels of 28.0 and 33.7 months respectively to 16.9 months and 30.1 months, as well as the patent backlog of 669,625 applications to 529,100.

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 the first office action. 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 2011 actual and FY 2012 and FY 2013 targets. The following table provides all the targets and actuals from 2004 – 2017.

Fiscal Year	First action patent pendency		Final action patent pendency		Patent backlog	
	Target	Actual	Target	Actual	Target	Actual
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 ¹	23.0	28.0	34.5	33.7	659,000	669,625
2012	22.5		34.7		621,800	
2013	16.9		30.1		529,100	
2014	15.9		24.6		421,600	
2015	10.1		22.9		329,500	
2016	9.4		18.3		328,400	
2017	9.4		18.1		358,000	

¹Targets assumed funding would be appropriated for updated fee estimate along with a 15% Patent Fee Surcharge in FY 2011. The Agency's final FY 2011 appropriation did not include this increase, which impacted completion of a number of initiatives and 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 and FY 2011 Performance and Accountability Reports (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