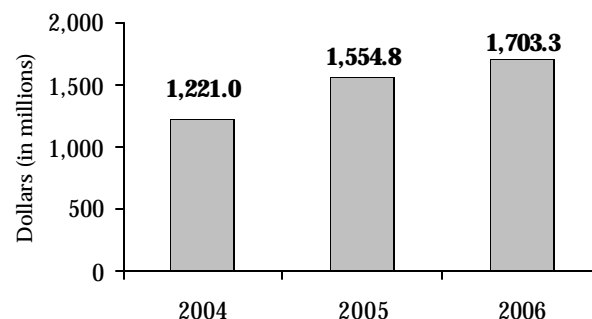


## U.S. Patent and Trademark Office

The mission of the U.S. Patent and Trademark Office (USPTO) 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 respective 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

	2004 <u>Actual</u>	2005 <u>Estimate</u>	2006 <u>Estimate</u>	Increase <u>(Decrease)</u>
From New Offsetting Collections	\$1,222,460	\$1,554,754	\$1,703,300	\$148,546
Rescission	(1,412)	0		0
<b>Program Level</b>	<b>1,221,048</b>	<b>1,554,754</b>	<b>1,703,300</b>	<b>148,546</b>
Fee Collections	(1,320,950)	(1,563,200)	(1,703,300)	(140,100)
2004 Unappropriated Fee Collections, Not Available for Obligation	99,902	0		0
2005 Unappropriated Fee Collections, Not Available for Obligation	0	8,446	0	(8,446)
<b>TOTAL APPROPRIATION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Unobligated balance, rescission temporarily unavailable	(1,412)		0	0
Unappropriated Offsetting Collections due to limitation in current year	(98,490)	(8,446)	0	8,446
<b>TOTAL BUDGET AUTHORITY</b>	<b>(99,902)</b>	<b>(8,446)</b>	<b>0</b>	<b>8,446</b>
<b>FTE</b>	<b>6,579</b>	<b>7,198</b>	<b>7,875</b>	<b>677</b>

## 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>
<b>2005 Appropriation</b>				
Fee collections in 2005			7,198	\$1,563,200
Unappropriated offsetting collections, unavailable for obligation				(8,446)
<b>Funds Currently Available, 2005</b>			7,198	1,554,754
<b>Adjustments to Base</b>				
<b>Other Changes</b>				
2005 Pay raise		\$16,431		
2006 Pay raise		13,217		
Full year cost of positions financed in FY 2005	293	26,725		
Within-grade step increases		8,267		
Changes in compensable days		(2,751)		
Civil Service Retirement System (CSRS)		(620)		
Federal Employees' Retirement System (FERS)		948		
Thrift Savings Plan		177		
Federal Insurance Contributions Act (FICA) - OASDI		359		
Health insurance		3,756		
Employees Compensation Fund		(77)		
Rent payments to GSA		1,404		
Printing and reproduction		916		
General Pricing Level Adjustment:		5,116		
Subtotal, other cost changes			293	73,868
<b>TOTAL, ADJUSTMENTS TO BASE</b>			293	73,868
<b>2006 Base</b>			7,491	1,628,622
Program Changes			384	74,678
<b>TOTAL REQUIREMENTS</b>			7,875	1,703,300
Total Offsetting Fee Collections				(1,703,300)
Portion Not Available for Obligation (Limitation on Obligation)				0
<b>2006 APPROPRIATION</b>			7,875	0

**Comparison by Activity**

	2005 Currently Avail.		2006 Base		2006 Estimate		Increase / Decrease	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>DIRECT OBLIGATIONS</b>								
Patents	6,396	\$1,391,773	6,653	\$1,450,451	6,996	\$1,516,814	343	\$66,363
Trademarks	802	175,344	838	178,171	879	186,486	41	8,315
<b>TOTAL OBLIGATIONS</b>	<b>7,198</b>	<b>1,567,117</b>	<b>7,491</b>	<b>1,628,622</b>	<b>7,875</b>	<b>1,703,300</b>	<b>384</b>	<b>74,678</b>
<b>FINANCING</b>								
Fees		(1,563,200)				(1,703,300)		
Prior year recoveries/Reimbursements		(10,000)				0		
Unobligated Balance, Start of Year		(2,363)				0		
Unappropriated Offsetting Collections Not Available for Obligation		8,446				0		
<b>TOTAL APPROPRIATION</b>	<b>7,198</b>	<b>0</b>			<b>7,875</b>	<b>0</b>		
Unobligated balance, rescission								
Unappropriated Offsetting Collections due to limitation in current year and becoming available in following year(s)		(8,446)				0		
<b>TOTAL BUDGET AUTHORITY</b>	<b>7,198</b>	<b>(8,446)</b>			<b>7,875</b>	<b>0</b>		

**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	6,653	\$1,450,451	+343	+\$66,363
Trademark Process	838	\$178,171	+41	+\$8,315

An increase (+343 FTE; +\$66,363) 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.

An increase (+41 FTE; +\$8,315) 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.

## USPTO Performance Measures

In order to achieve the USPTO's mission, the Agency developed the *21<sup>st</sup> Century Strategic Plan* covering fiscal years 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 21<sup>st</sup> 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 21.4 month pendency to first action on the merits and 31.3 months overall pendency in fiscal year 2006.

### 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 fiscal year 2006, Trademarks will be able to hire sufficient numbers of new examining attorneys to achieve a trademark first action pendency of 5.3 months and a total pendency of 18.7 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 *21<sup>st</sup> 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 2006, 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 2006 Budget submission.

## Performance Goals (Obligations) and Measures (Targets)

(Dollars in millions)

	2004 <u>Actual</u>	2005 Estimate / <u>Target</u>	2006 Estimate / <u>Target</u>
<b>Goal 1: Improve the quality of patent products and services and optimize patent processing time</b>	\$1,059.0	\$1,230.4	\$1,355.7
Improve patent quality by reducing the error rate	5.3%	4.0%	3.75%
Reduce average patent first actions pendency (months)	20.2	20.7	21.4
Reduce average patent total pendency (months)	27.6	31.0	31.3
Patent efficiency (cost per patent disposed)	\$3,440	\$4,036	\$4,824
<b>Goal 2: Improve the quality of trademark products and services and optimize trademark processing time</b>	\$112.0	\$130.4	\$145.1
Trademark final action deficiency rate	5.8%	5.0%	4.8%
Reduce average trademark first actions pendency (months)	6.6	5.6	5.3
Reduce average trademark total pendency (months)	19.5	20.3	18.7
Trademark efficiency (cost per trademark disposed)	\$519	\$697	\$564
<b>Goal 3: Create a more flexible organization through transitioning patent and trademark applications to e-Government operations and participating in IP development worldwide</b>	\$62.0	\$210.7	\$202.4
Patent applications filed electronically	1.5%	4.0%	10.0%
Patent applications managed electronically	88%	90%	100%
Trademark applications filed electronically	73%	75%	80%
Trademark applications managed electronically	98%	100%	100%
IP Technical Activities completed	Baseline	80	82
<b>Total</b>	<b>\$1,233.0</b>	<b>\$1,571.5</b>	<b>\$1,707.8</b>

