



United States Patent and Trademark Office

Performance and Accountability Report

Fiscal Year 2008



leadership

global



vision



accountability

transparency



Sustaining High Performance

FINANCIAL HIGHLIGHTS

(Dollars In Thousands)	% Change 2008 over 2007	September 30, 2008	September 30, 2007
Fund Balance with Treasury	2.0%	\$ 1,431,242	\$ 1,402,663
Property, Plant, and Equipment, Net	(0.2%)	204,184	204,577
Other Assets	(29.4%)	12,864	18,221
Total Assets	1.4%	<u>\$ 1,648,290</u>	<u>\$ 1,625,461</u>
Deferred Revenue	2.5%	\$ 848,505	\$ 828,070
Accounts Payable	0.1%	96,694	96,602
Accrued Payroll, Benefits, and Leave	20.9%	145,435	120,326
Other Liabilities	7.4%	125,052	116,443
Total Liabilities	4.7%	\$ 1,215,686	\$ 1,161,441
Net Position	(6.8%)	432,604	464,020
Total Liabilities & Net Position Program	1.4%	<u>\$ 1,648,290</u>	<u>\$ 1,625,461</u>
Total Program Cost	6.9%	\$ 1,892,590	\$ 1,769,658
Total Earned Revenue	7.3%	(1,862,174)	(1,735,706)
Net Cost of Operations	(10.4%)	<u>\$ 30,416</u>	<u>\$ 33,952</u>
Budgetary Resources Available for Spending	6.8%	\$ 1,916,609	\$ 1,794,460
Total (Collections)/Outlays, Net	(311.4%)	<u>\$ (17,514)</u>	<u>\$ 8,283</u>
Federal Personnel	6.8%	9,518	8,913
Disbursements by Electronic Funds Transfer (EFT)	—	99%	99%
On-Time Payments to Vendors	1.0%	97%	96%

PERFORMANCE HIGHLIGHTS

Performance Measures	FY 2008 Target	FY 2008 Actual	Met/Not Met Score ¹
Patent Average First Action Pendency (months)	26.9	25.6	●
Patent Average Total Pendency (months)	34.7	32.2	●
Patent In-Process Examination Compliance Rate	92.0%	92.5%	●
Patent Allowance Compliance Rate	96.0%	96.3%	●
Patent Applications Filed Electronically	69.0%	72.1% ²	●
Trademark Average First Action Pendency (months)	2.5 to 3.5	3.0	●
Trademark Average Total Pendency (months)	16.3	13.9	●
Trademark First Action Compliance Rate	95.5%	95.8%	●
Trademark Final Action Compliance Rate	96.0%	97.2%	●
Trademark Applications Filed Electronically	95.0%	96.9%	●
Number of instances in which EA experts review IP policies/standards.	275	595	●
No. of MOA for IP joint cooperation, plans of action, mechanisms and support programs initiated or implemented by developing countries as a result of OIPPE.	15	18	●
Improving Worldwide IP Expertise for U.S. Government Interests	12	14	●

¹ We are using three ratings for "met" or "not met." Green is for actually meeting or exceeding the target. Yellow indicates that the target is at least 75% met. Red indicates that the target was not met by at least 75%.

² This is preliminary data and is expected to be final by December 2008 and will be reported in the fiscal year (FY) 2009 PAR.

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WEB ADDRESS FOR THE USPTO PERFORMANCE AND ACCOUNTABILITY REPORT

<http://www.uspto.gov/web/offices/com/annual/index.html>

ABOUT THIS REPORT

The USPTO Performance and Accountability Report for FY 2008 provides a comprehensive summary of program and financial results and is structured to help the President, the Congress, and the American public assess our performance relative to our mission and accountability for our financial resources.

FISCAL YEAR 2008 SUSTAINING HIGH PERFORMANCE



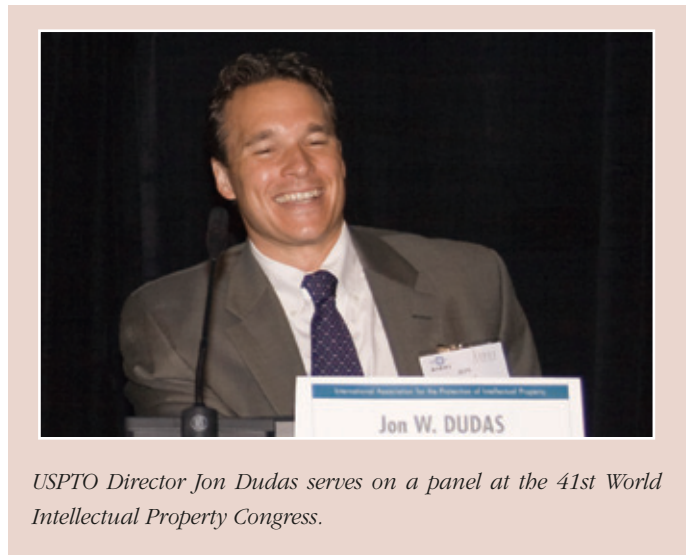
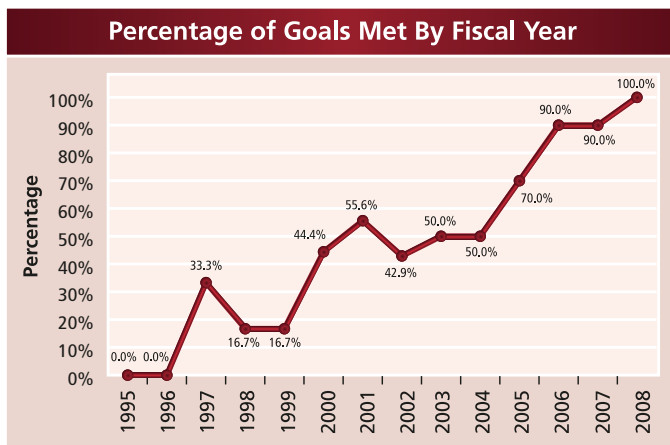
USPTO Director Jon Dudas addresses attendees at the 41st World Intellectual Property Congress in Boston, Massachusetts, presented by the International Association for the Protection of Intellectual Property, in September 2008.

Message from the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (USPTO)

Fiscal Year (FY) 2008 was a remarkable year for the United States Patent and Trademark Office (USPTO). FY 2008 demonstrated the USPTO's commitment to *sustaining high performance* in a year where our patent and trademark operations rose to the highest performance levels in our history. It was also a year of growing international interests and expansion of our collaborative efforts with intellectual property (IP) offices around the globe.

The key components of the USPTO's goals and objectives are to ensure high quality and timely examination of patent and trademark applications. These two factors are critical to the protection of America's valuable IP resources and to our innovation and competitiveness worldwide. That is why several years ago we embarked on a steady yet arduous path of continual improvement of our operations. As part of this process, we put in place numerous initiatives to improve the quality of examinations, reassuring right-holders of the high-quality products they receive. This resulted in six years of continual improvement.

In FY 2008, we built upon our past successes, and the USPTO can be proud it met 100 percent of its goals established pursuant to the Government Performance and Results Act (GPRA) of 1993.



USPTO Director Jon Dudas serves on a panel at the 41st World Intellectual Property Congress.

Highlights of USPTO accomplishments for the past year include:

- Maintained its high level of quality, achieving patent allowance compliance rate of 96.3 percent and a trademark first action compliance rate of 95.8 percent.
- Increased patent production by an additional 14 percent over 2007 by examining 448,003 applications – the highest number in our history. Production has increased by 38.6 percent over the past four years, compared to a 21.3 percent increase in application filings during the same period.
- Examined the patent filings in the Accelerated Examination Program, which rose 173 percent over its introduction last year and maintained 12-month pendency – or less – for every application in the program, with an average time to final action or allowance of 186 days, or just over 6 months.
- Trademarks saw a record number of applications filed electronically with approximately 268,000 applications comprising 390,000 classes. This represented a record rate of filing, 96.9 percent of applications were filed electronically.
- Maintained first action trademark pendency within the 2.5 to 3.5 month range for more than 18 months, a historic first. Disposal pendency was also maintained at record low levels, ending the year with 13.9 months, the lowest in 20 years.

- Received record numbers of patent and trademark applications filed electronically, achieving electronically filed application rates of 72.1 percent and 96.9 percent, respectively.
- Hosted the follow-up to the Heads of Offices meeting for the five largest IP Offices (Europe, Japan, Korea, China and the United States) to discuss further cooperative initiatives to meet the growing patent application filing demands and improve patent quality.

Our exceptional performance reflects the hard work and dedication of the USPTO management team and most importantly, the more than 9,500 bright, quality-focused and results-driven USPTO employees. Their perseverance in sustaining high performance for the USPTO will carry the agency into the future and continue to help strengthen the IP system for years to come.

Our performance in FY 2008 is largely attributed to adhering closely to the solid foundation laid out by our comprehensive **2007-2012 Strategic Plan**, which was introduced last year. The plan outlines ambitious goals in support of our fundamental mission:



Embodying Leadership — *The USPTO Senior Management team includes Director of the Office of Intellectual Property Policy and Enforcement Lois Boland, Commissioner for Trademarks Lynne Beresford, Director of the Office of Congressional Affairs Jefferson Taylor, Deputy Under Secretary Margaret J. A. Peterlin, Chief Administrative Officer Steve Smith, Under Secretary Jon Dudas, Chief Financial Officer Barry Hudson, Commissioner for Patents John Doll, General Counsel Jim Toupin, Acting Chief Information Officer Wendy Garber.*

I. Optimize patent quality and timeliness;

II. Optimize trademark quality and timeliness;

III. Improve IP protection and enforcement domestically and abroad; and

IV. Achieve organizational excellence.

With these goals and complementary initiatives as our guide, the USPTO reached its highest level of performance and achieved record breaking results.

I. OPTIMIZING PATENT QUALITY AND TIMELINESS

For the third year in a row, the Patent organization set new performance records. They exceeded all performance goals while examining more applications at a sustained high level of quality, making strides in improving electronic systems, and exploring a range of options to meet the challenges our patent system continues to face.

The Patent organization sustained its high level of quality, achieving an examination compliance rate of 96.3 percent. Building from ongoing successful multiyear quality review efforts, this accomplishment is the result of several initiatives. For instance, we established concrete work-sharing arrangements between Offices as we fully implemented the Patent Prosecution Highway (PPH) with the Japanese Patent Office (JPO). We also implemented PPH pilots with the IP Offices of Canada, Korea (KIPO), Australia, the UK, and the European Patent Office (EPO) and continue to enhance the mutual exploitation of work results throughout the world.

Also in FY 2008, the Patent organization expanded the successful Patent Training Academy enabling us to hire and train over 1,200 new patent examiners again this year. Expanding our workforce has helped us to examine more patent applications than ever before in our history. In the past three years, patent filings have increased dramatically – a full 11.1 percent. The USPTO has more than risen to the occasion, increasing production by a phenomenal 27.4 percent. Over the next few years, this positive trend will continue as the examiners hired over the past four years gain more experience and become even more productive. In addition, we achieved an average first action pendency of 25.6 months and an average total pendency of 32.2 months. Despite the growth in filings, our efforts have limited first action and average pendency growth to one percent over FY 2007.

Finally, in FY 2008, through a combination of innovative tools, including recruitment and retention incentives, workplace flexibilities such as telework, and our “best practices” Patent Training Academy,” the USPTO attracted and retained patent examiners at record levels. First-year patent-examiner attrition, less transfer and retirees, dropped below 12.9 percent, while overall patent examiner attrition fell to 7.8 percent. We will continue monitoring the effectiveness of these various tools to ensure that our retention rate continues to grow.

II. OPTIMIZING TRADEMARK QUALITY AND TIMELINESS

The Trademark organization continues to advance the strategic goal of optimizing quality and timeliness. For the third year in a row, Trademarks has met and exceeded all of its agency performance goals.

Searching and examination continued to show quality improvement, with measures for first and final actions reporting quality rates exceeding 95 percent. Advances have been made through expanded criteria for evaluating quality as well as greater use of on-line tools and workflow to better manage and track performance. Continued acceptance and use of electronic filing has improved quality by providing more complete and accurate filings.

First action pendency has been maintained within the target of 2.5 to 3.5 months due in part to more consistent monthly production and increased use of electronic forms. In particular, electronic filing has improved the efficiency of examination most notably by lowering disposal pendency for applicants who file using Trademark Electronic Application System (TEAS) Plus.

III. IMPROVING IP PROTECTION AND ENFORCEMENT

Encouraging greater collaboration

As our marketplace continues to expand globally, the USPTO, along with our colleagues at other international counterpart offices, is faced with growing demands to ensure protection and enforcement of IP rights. In this regard, the USPTO worked more closely in FY 2008 with our international counterpart offices than ever before.

For instance, the USPTO hosted the first follow-up Heads of Offices Meeting of the world’s five largest patent offices. Building from our historic meeting in Hawaii last year, the meeting enabled the USPTO, the EPO, the JPO, the KIPO, and the State Intellectual Property Office (SIPO) of the People’s Republic of China to discuss further cooperation initiatives necessary to meet the growing patent application filing demands and to address improvements in patent quality. We also entered into memoranda of understanding or other bilateral agreements with the IP Offices in Korea, Japan, Australia, Philippines, Brazil and Canada.

As a member of the World Intellectual Property Organization (WIPO) Madrid Working Group, we worked to build consensus for significant and beneficial reforms to the Madrid System for the International Registration of Marks.

Collaborating on IP education worldwide

Our Global Intellectual Property Academy (GIPA) celebrated the graduation of its first group of examiners participating in our Foreign Examiner in Residence (FEIR) program. Patent examiners from Brazil, China, Egypt, India, Mexico and the Philippines were trained in U.S. current patent examination practice while working on applications filed under the Patent Cooperation Treaty. USPTO officials gained critical knowledge of their systems as well.

In FY 2008, GIPA trained more than 4,100 foreign officials on best practices for strengthening IP rights and enforcement in their nations. The USPTO continues to expand the scope of GIPA’s programs and is developing outreach and capacity-building through long distance training to give participants maximum flexibility to benefit from these programs.

Curbing IP theft

As part of President Bush’s Strategy Targeting Organized Piracy (STOP!) initiative, we worked with other U.S. Government agencies to fight piracy and counterfeiting. For example, the USPTO managed the STOP! hotline, responding to 1,289 calls this year and helping businesses leverage U.S. Government resources in protecting their IP.

IV. ACHIEVING ORGANIZATIONAL EXCELLENCE

The USPTO's management goal is to *achieve organizational excellence*, and we have made measurable progress in FY 2008 in these key areas:

Expanding Telework Programs

The USPTO continues to be recognized as the leader in Federal Government telework initiatives through its award-winning programs. In FY 2008:

- The USPTO expanded our telework programs to include all business units and now have 54 percent of our employees eligible to participate in one of nearly 20 different telework programs across the Agency.
- The Trademark Assistance Center (TAC) received the 2008 Telework Exchange Award for Best New Telework Initiative.
- Eighty-six percent of eligible trademark examining attorneys now work from home nearly full time with 58 percent of all Trademark organization employees working from home at least one day per week.
- We further extended our electronic tools and technical capabilities to patent examiners, which enabled us to increase the number of eligible examiners who can work from home to more than 4,000.

Promoting Leadership Opportunities

To develop and strengthen our leadership capabilities, we began rolling out a competency-based leadership development program framework. The basic principle behind our leadership program is *leadership at all levels*, and every employee will have the opportunity to design and select their own programs based on their developmental needs.



Inspiring Innovation — USPTO Director Jon Dudas speaks to students at the *For Inspiration and Recognition of Science and Technology (FIRST) Robotics Competition*, which helps students discover the rewards and excitement of science, engineering, and technology.

Developing Human Capital

In FY 2008, the USPTO developed integrated plans throughout the business units that identified alignments of policies and operations to produce maximum value. For instance, under the Human Capital Strategic Plan (HCSP) developed in the Trademark organization, seven teams were created to develop initiatives, programs and training in support of the plans for three “human capital” objectives, i.e., talent management, results-oriented performance culture, and leadership and knowledge management. The HCSP aligns and integrates with the **2007-2012 Strategic Plan**.

Improving our IT Infrastructure

We continued to make improvements in information technology (IT) architecture to help improve the security, availability, and quality of our IT systems. Most notably, in FY 2008, the USPTO developed a five-year IT Modernization Plan that will improve and enhance our IT infrastructure, including updating our hardware and software systems, replacing our network, and standardizing our IT processes. This important, long-term modernization effort will ensure that the Agency's mission and goals continue to be met as our reliance on technology and the size of our workforce continues to increase.

Financial Compliance

We are confident that the USPTO's financial and performance data are complete, reliable, accurate, and consistent as we improve our ability to measure progress toward our performance goals. For the 16th consecutive year, we earned an unqualified audit opinion on our annual financial statements. For FY 2008 financial reporting, the independent auditors did not identify any material weaknesses or instances of non-compliance with laws and regulations.

However, we continue to report one non-financial material weakness in IT security. The Office of the Chief Information Officer (OCIO) is working diligently with the Office of the Inspector General of the Department of Commerce to improve our overall IT security program and certification packages to remove our material weakness for IT security.

Sustaining our High Performance

We can all be proud of the USPTO's achievements this year. However, meeting 100 percent of our goals is not by itself enough to ensure sustained high performance for the Agency over the long term. Of equal importance is having the discipline and strategic vision to anticipate needs and a willingness to explore alternatives to address future challenges.


I am pleased with the steps we have taken to meet the challenges facing the Agency, such as the ever-growing patent application backlog despite an increase in our examination capacity. In FY 2008, we explored ways to help reduce the patent backlog. In particular, the Patent organization extended the Flat Goal Pilot an additional year. This program provides improved flexibility regarding when examiners can do their work, provides more predictable goals, and reduces administrative burdens.

Other efforts include the Patent Examiner Laptop Program (PELP), a voluntary program which offers flexibility in regard to when and where overtime work is performed; the Accelerated Examination program, which provides patent protection to applicants in less than a year in exchange for concise information upfront and a submission with a limited number of claims; and the First-Action Interview pilot program, where an applicant is entitled to a first action interview, upon request, prior to the first Office action on the merits.

To promote still greater collaboration between the USPTO and its customers, we expanded the Peer Review Pilot that asked members of the public to review volunteered applications and submit prior art and comments. With the help of the Patent Public Advisory Committee we are continuing to reach out to the intellectual property community to seek their input on improvements to the patent system.

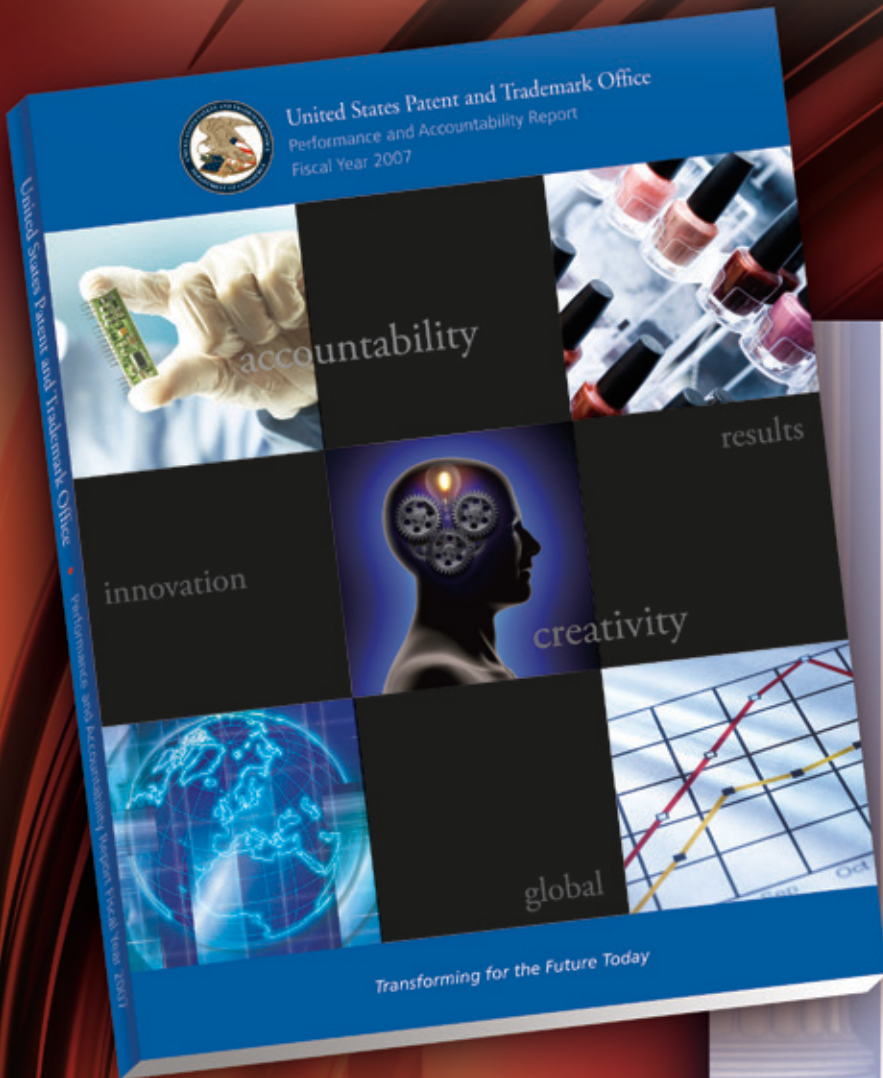
With the *2007-2012 Strategic Plan* now fully integrated into our work across the Agency, we are constantly monitoring and reevaluating our progress of these and other initiatives to ensure the USPTO continues to reach new heights for high quality and efficiency.

It is my pleasure to present the FY 2008 USPTO Performance and Accountability Report, which builds on the strong foundation and clear vision of our strategic plan and exemplifies our employees' drive towards excellence and to *sustaining high performance* at the USPTO.



Jon W. Dudas
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
November 7, 2008

2007 CERTIFICATE OF EXCELLENCE



CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING®


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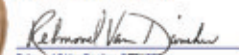
**U.S. Patent and
Trademark Office**

In recognition of your outstanding efforts
preparing PTO's Performance and
Accountability Report for the fiscal
year ended **September 30, 2007.**

A Certificate of Excellence in Accountability Reporting is presented
by AGA to federal government agencies whose annual
Performance and Accountability Reports achieve the
highest standards demonstrating accountability
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Executive Director, AGA

Management's Discussion and Analysis



accountability



vision



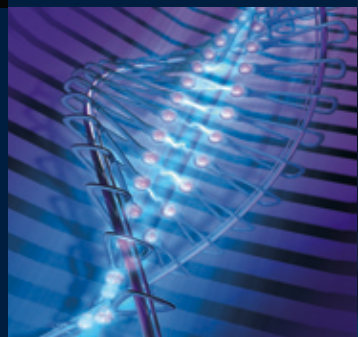
innovation



creativity



performance





Mission and Organization of the United States Patent and Trademark Office (USPTO)

Mission

The USPTO's mission is to foster innovation and competitiveness by:

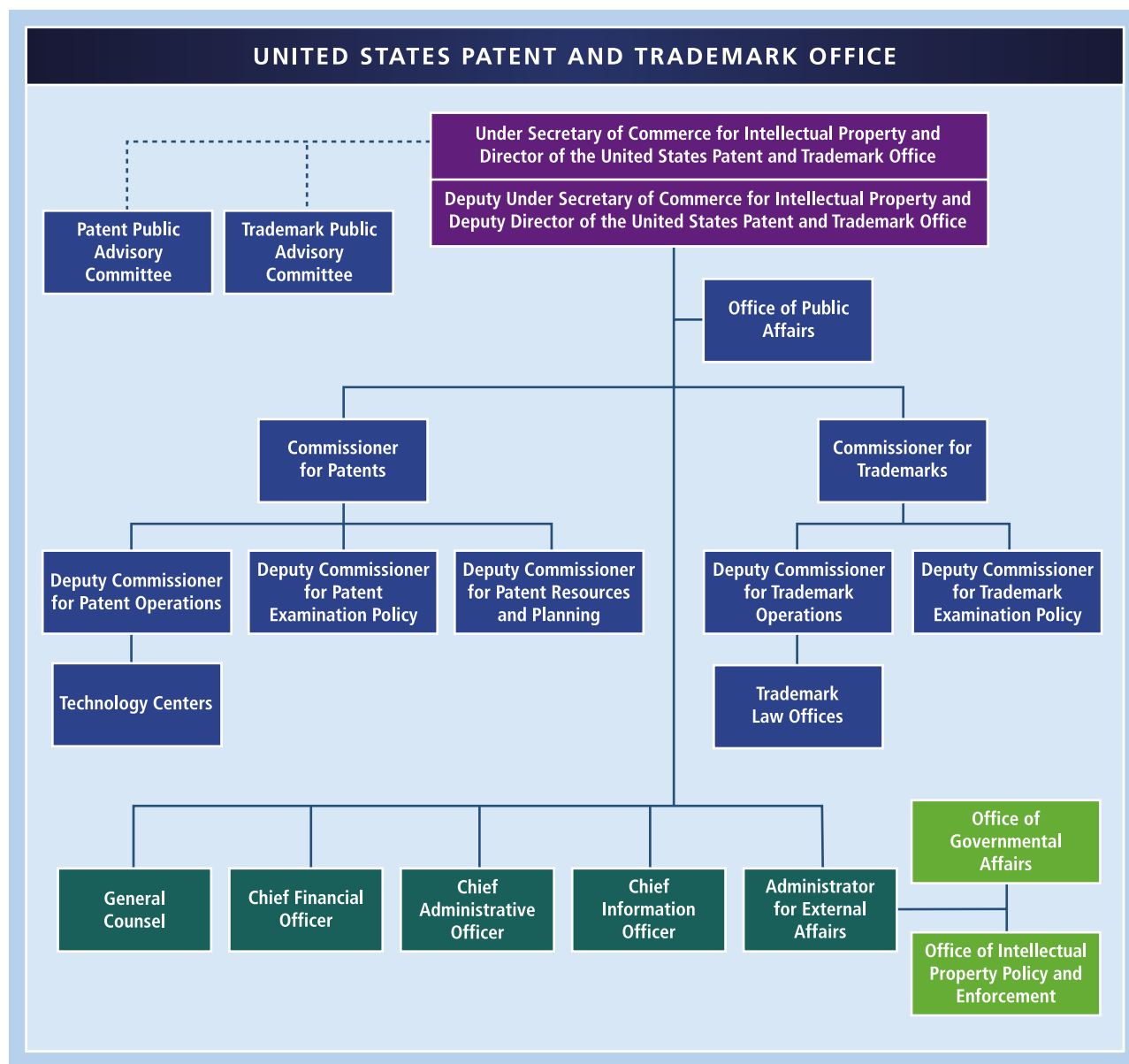
- Providing high quality and timely examination of patent and trademark applications
- Guiding domestic and international intellectual property policy
- Delivering intellectual property information and education worldwide

Intellectual property (IP) includes inventions or creations embodied in the form of a patent, trademark, trade secret, or copyright. The strength and vitality of the U.S. economy depends on effective mechanisms for protecting new ideas and investments in innovation and creativity. The continued demand for patents and trademarks underscores the ingenuity of American inventors and entrepreneurs. In fulfilling the mandate of Article 1, Section 8, of the Constitution, “to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries,” the USPTO is on the cutting edge of our nation’s technological progress and achievement.

Our Organization

The USPTO is an agency of the United States within the Department of Commerce (DOC). The Agency is led by the Under Secretary of Commerce for Intellectual Property and Director of the USPTO who consults with the Patent Public Advisory Committee and the Trademark Public

Advisory Committee. The USPTO has two major business lines: Patents and Trademarks, as shown in the organization chart below. Headquartered in Alexandria, Virginia, the USPTO also has two storage facilities located in Virginia and Pennsylvania.





Giving Back — USPTO employees serve their business areas as captains and key workers for the Combined Federal Campaign and celebrate another successful year in reaching their goal. The USPTO raised more than \$1.4 million for charities, reaching 111 percent of its goal. Eighty-one percent of USPTO employees contributed.

The USPTO has evolved into a unique government agency. In 1991 – under the Omnibus Budget Reconciliation Act (OBRA) of 1990 – the USPTO became fully supported by user fees to fund its operations. In 1999, the American Inventors Protection Act established the USPTO as an agency with performance-based attributes; for example, a clear mission statement, measurable services and a performance measurement system, and predictable sources of funding.

The Patent organization examines inventors' patent applications. Patent examiners compare the scope of claimed subject matter in an application to a large body of technological information to determine whether the claimed invention is new, useful, and non-obvious. Patent examiners also provide answers on applications appealed to the Board of Patent Appeals and Interferences (BPAI), prepare initial memoranda for interference proceedings to determine priority of invention, and prepare search reports and international preliminary examination reports for international applications filed under the Patent Cooperation Treaty (PCT). The patent process also includes performing an administrative review of newly filed applications, publishing pending applications, issuing patents to successful applicants, and disseminating issued patents to the public.

The Trademark organization registers marks (trademarks, service marks, certification marks, and collective membership marks) that meet the requirements of the Trademark Act of 1946, as amended, and provides notice to the public and businesses of the trademark rights claimed in the pending applications and existing registrations of others. The core process of the Trademark organization is the examination of applications for trademark registration. As part of that process, examining attorneys make determinations of registrability under the provisions of the Trademark Act, which includes searching the electronic databases for any pending or registered marks that are confusingly similar to the mark in a subject application, preparing letters informing applicants of the attorney's findings, approving applications to be published for opposition, and examining statements of use in applications filed under the Intent-to-Use provisions of the Trademark Act.

In registering trademarks, the USPTO assists businesses in protecting their investments, promotes quality goods and services, and safeguards consumers against confusion and deception in the marketplace. With notice readily available at www.uspto.gov, a business can make an informed decision when it wishes to adopt a new mark or expand the goods or services marketed under an existing mark. Federal registration provides enhanced protection for the owner's investment in the mark and in the goods and services sold under the registered mark.

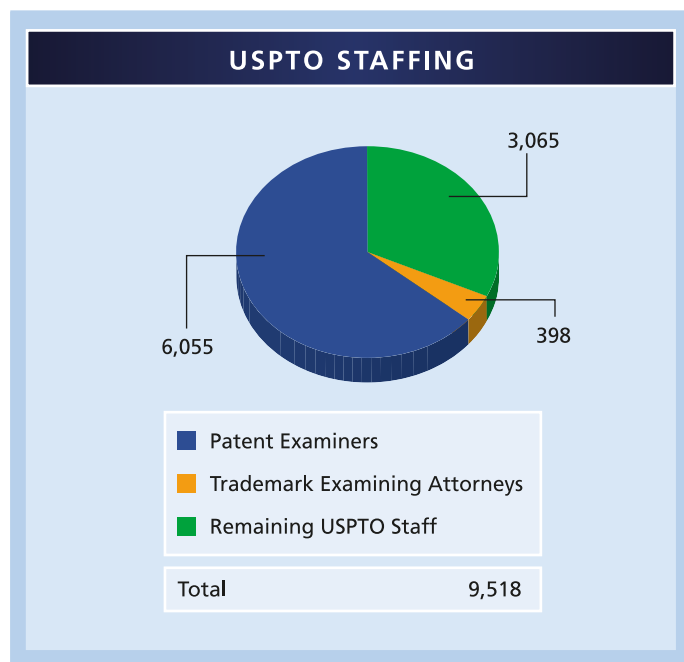


Celebrating Victory — TransComm tennis champions pose with USPTO Director Jon Dudas after receiving the victory trophy for being the 2008 Departmental Tennis League champions. This win marks the fifth straight year that the team has won the "A" Division Championship.

Domestically, the USPTO provides technical advice and information to executive branch agencies on IP matters and trade-related aspects of IP rights. Internationally, the USPTO works with foreign governments to establish regulatory and enforcement mechanisms that meet international obligations relating to the protection of IP.

Our People

At the end of fiscal year (FY) 2008, the USPTO workforce was composed of 9,518 Federal employees (including 6,055 patent examiners, and 398 trademark examining attorneys).



Welcoming Diversity — Members of the Patent and Trademark Office Society greet guests during the 2008 Community Day annual celebration which supports the agency's commitment to a workforce drawn from all segments of society.



Honoring Experience — USPTO Deputy Under Secretary Margaret J. A. Peterlin welcomes House Judiciary Committee Chairman John Conyers, Jr., as the keynote speaker at one of its largest Patent Training Academy graduation ceremonies and presents him with an Honorary Certificate of Completion of New Patent Examiner Training.



Performance Goals and Results

USPTO Strategic Plan

In FY 2008, the USPTO continued to implement the **2007-2012 Strategic Plan** that was formally released in March of 2007. The **2007-2012 Strategic Plan**, along with an annual performance plan and report that are integrated with the annual budget request, meet the requirements of the Government Performance and Results Act (GPRA). These documents can be found at www.uspto.gov.

In support of the DOC's strategic objective to "protect intellectual property and improve the patent and trademark systems," the USPTO established three strategic goals and a management goal to guide its policies and operations. Together they accomplish the mission of fostering innovation and competitiveness. These goals and the related objectives, initiatives, and performance measures were established with a focus on four guiding principles:

- **QUALITY**—accurate and consistent results in examination
- **TIMELINESS**—processing applications without undue delay
- **COST-EFFECTIVENESS**—efficiency, accountability, and a focus on results
- **TRANSPARENCY**—impartiality, fairness, accessibility, availability, and a public-service mentality

The **2007-2012 Strategic Plan** is an ever-changing document with the USPTO continually reviewing, refining, and updating it to adjust to changing conditions, and to incorporate the best thinking of the IP community and beyond. However, changes have been limited to a refinement of the performance measures, as noted later in this report, and to minor changes to initiatives. The overall framework, including the mission, vision, strategic goals and objectives, has proven successful and continues to drive the Agency in exceeding its statutory obligations. The USPTO's budget and performance plan, submitted to the Congress each year, documents key measurements and yearly milestones to justify the funding for the USPTO to achieve its strategic goals.

Information related to achieving the Agency's objectives for each of the goals is described in the following sections of this report. Detailed information about the performance measures for each of the three strategic goals, including data verification and validation, is included in the "Accompanying Information on USPTO Performance" section of this report.

2007-2012 USPTO Strategic Plan			
Mission			
<p>To foster innovation and competitiveness by:</p> <ul style="list-style-type: none"> ■ Providing high quality and timely examination of patent and trademark applications ■ Guiding domestic and international intellectual property policy ■ Delivering intellectual property information and education worldwide 			
Vision			
USPTO: Leading the World in Intellectual Property Protection and Policy			
Strategic Goal #1	Strategic Goal #2	Strategic Goal #3	Management Goal
Optimize Patent Quality and Timeliness	Optimize Trademark Quality and Timeliness	Improve Intellectual Property Protection and Enforcement Domestically and Abroad	Achieve Organizational Excellence
Objectives	Objectives	Objectives	Objectives
<ul style="list-style-type: none"> ■ Provide high quality examination of patent applications ■ Improve and integrate existing electronic systems to promote full electronic patent application processing; implement better/more secure systems ■ Improve the quality and timeliness of patent examination by exploring a range of approaches to examining applications 	<ul style="list-style-type: none"> ■ Achieve and maintain three-month first action pendency, and reduce disposal pendency excluding suspended and <i>inter partes</i> cases ■ Improve quality of examination by ensuring consistency and quality of searching and examination, and provide internal on-line tools ■ Provide electronic file management and workflow ■ Develop interactive on-line electronic filing capabilities and upgrade e-tools 	<ul style="list-style-type: none"> ■ Support efforts and initiatives aimed at strengthening IP protection and curbing theft of IP ■ Continue efforts to develop unified standards for international IP practice ■ Provide policy guidance on domestic IP issues ■ Foster innovation and competitiveness by delivering IP information and education worldwide 	<ul style="list-style-type: none"> ■ Function as true business partners across the organization to achieve superior enterprise performance and provide strategic leadership ■ Ensure operational excellence in enterprise-wide management processes ■ Dramatically simplify on-line access to, and availability of, USPTO information and data

Performance Measures by Goal		
Goal #1 Measures	Goal #2 Measures	Goal #3 Measures
<ul style="list-style-type: none"> ■ Patent allowance compliance rate ■ Patent in-process examination compliance rate ■ Patent average first action pendency ■ Patent average total pendency ■ Patent applications filed electronically 	<ul style="list-style-type: none"> ■ Trademark first action compliance rate ■ Trademark final action compliance rate ■ Trademark average first action pendency ■ Trademark average total pendency ■ Trademark applications filed electronically 	<ul style="list-style-type: none"> ■ Number of instances in which USPTO experts review IP policies/standards ■ Improving worldwide IP expertise for U.S. Government interests ■ Number of Memoranda of Agreement for IP joint cooperation, plans of action, mechanisms, and support programs initiated or implemented in developing countries as a result of the Office of Intellectual Property Policy and Enforcement (OIPPE)

Strategic Goal 1: Optimize Patent Quality and Timeliness

High quality and timely examination of patent applications advances science and technology and creates the certainty innovators need in capital-driven markets. The Patent organization is working closely with the public and its stakeholders to find the best ways to ensure that the U.S. patent system continues to promote innovation and U.S. competitiveness in the global economy. Proposed solutions will not be limited by existing laws, rules, processes or procedures. The following are the priorities for achieving this goal and our accomplishments in FY 2008.

PROVIDING HIGH QUALITY

The Patent organization met or exceeded all of its goals for the year, examining more applications than ever before while maintaining a high level of quality. Hiring and training of large

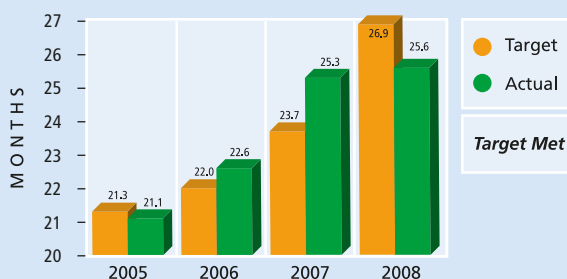


Awarding Excellence — The USPTO grants full signatory authority to 286 patent examiners at a Full Signatory Award Ceremony. Prior to this grant of authority to sign a notice of allowability or a final rejection, a rigorous review of the examiners' work was conducted over an 18-month period. Present at the ceremony to recognize and congratulate the new primary examiners were Deputy Under Secretary Margaret J.A. Peterlin, Under Secretary Jon Dudas, Commissioner for Patents John Doll, Deputy Commissioner for Patent Operations Peggy Focarino, Assistant Deputy Commissioners for Patent Operations, the examiners' group directors, and supervisory patent examiners.

numbers of new examiners continued (1,211 this year) enabling the Patent organization to address growing patent pendency, with the result of 25.6 months from filing to first action and 32.2 months until issue or abandonment. In order to educate this number of new hires over a sustained period of time, it was necessary to expand the USPTO campus training space. The Patent Training Academy opened a new facility in March 2008 to better train our newly hired examiners. Additionally, the position of Chief Scientist was announced, whereby university professors or experienced scientists will be utilized in Academy classes to provide a greater focus on technical training for new examiners.

Patent Pendency Performance — The two primary measures of Patent organization processing are average first action pendency (the time from filing to first action) and average total pendency (the time from filing until the application is issued as a patent or abandoned by the applicant).

Measure: Patent Average First Action Pendency



Measure: Patent Average Total Pendency





Sharing Ideas — Patent Commissioner John Doll and Patent Deputy Commissioner Peggy Focarino confer with a Technology Fair participant. Displays, demonstrations, and hand-out materials are available to participants.

The USPTO continues to work with the world's major intellectual property offices to study, review and implement work-sharing efforts that promote examination efficiencies in each participating office by leveraging the work done in one office when an application is filed in a second office. For example, the USPTO and the Japan Patent Office (JPO) developed a work-sharing cooperation framework known as the Patent Prosecution Highway (PPH), which is resulting in a quick turn-around time for a first office action, shorter overall pendency, and improved quality. In addition, PPH pilot programs were established with the following IP offices: IP Australia (IPAU), Canadian IP Office (CIPO), Korean IP Office (KIPO), and the United Kingdom Intellectual Property Office (UK-IPO).

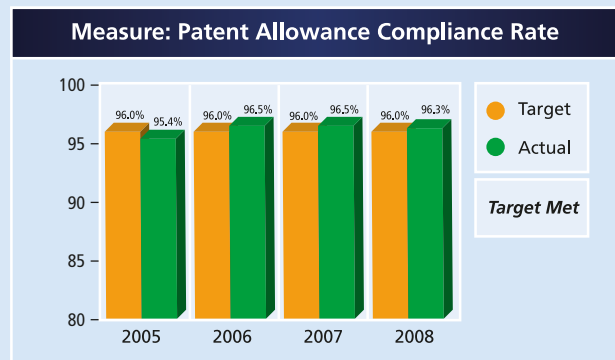
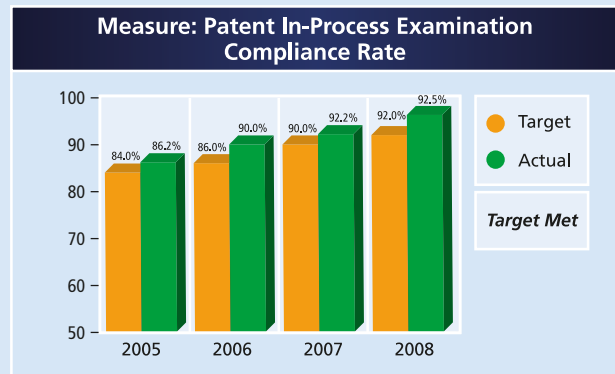
Similarly, the Trilateral Strategic Working Group, which includes the European Patent Office (EPO) as well as the USPTO and the JPO, is implementing related initiatives. In one pilot, when applications are filed in more than one office, the "office of first filing" gives the application precedence in prosecution so that the "office of second filing" can exploit those work results on the corresponding application. A search-sharing pilot has also been initiated, which will leverage the searching expertise of each of the Trilateral Offices by eliminating certain timing issues while providing both applicants and the offices with the benefits of the search results.

Through these and other efforts, the Patent organization reached an allowance compliance rate of 96.3 percent and an in-process compliance rate of 92.5 percent.



Advancing Productivity — Technology Center Director Wendy Garber, Deputy Commissioner for Patent Operations Peggy Focarino, Patent Office Professional Association (POPA) Director Robert Budens, and POPA Treasurer Randy Myers mark the signing of an agreement to begin a six-month First Action Interview Pilot initiative. This pilot was created to provide an opportunity for the examiner and the applicant to discuss the invention, claims, and relevant references prior to the first action on the merits.

Patent Quality Performance — The Patent organization continues to improve the quality of its products and services using in-depth reviews of work in progress and enhanced end-process reviews.





Recognizing Achievement — Some of the 286 patent examiners recognized at a Full Signatory Award Ceremony.

IMPROVING E-SYSTEMS

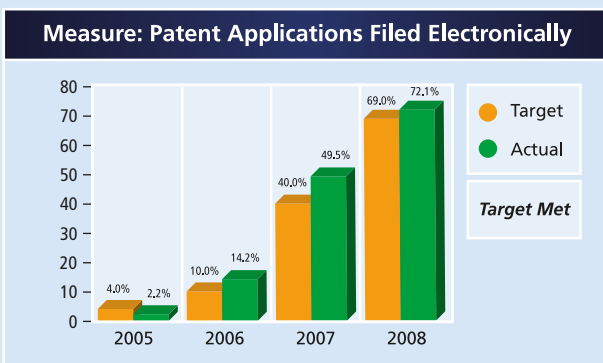
The Patent organization continued to transition to an end-to-end, text-based patent prosecution system, and increased the number of examiners able to work from home, while providing them with better electronic tools to perform their work. Electronic filings exceeded this year's goal, reaching 72.1 percent of total filings. The USPTO continues to explore options that will move toward complete electronic filings.

The Agency also continued the development of a text based Patent File Wrapper (PFW) system, with a goal of replacing the current image-based system. PFW will transform the manual, image-based USPTO system into an environment where the majority of applications are managed and prosecuted electroni-

cally. PFW will integrate the applicant with the Patent process, provide workflow and intelligent text processing, and facilitate the work-at-home program. This year implementation of the Transfer Inquiry (TI) portion of PFW was started. The new TI portion of PFW automatically routes transfer inquiry requests to the appropriate art unit. The new interface also allows examiners to access patent application images with improved tables of contents, examiner dockets, and image thumbnails.

In support of both teleworking and the examination process, the Agency implemented the eRed Folder (eRF) automated tool. This tool improves document file management and permits the electronic submission of office actions for review and credit. Finally, the number of eligible positions teleworking increased to 87 percent for FY 2008.

E-Filing of Patent Applications — Electronic filings increased from 49.5 percent in FY 2007 to 72.1 percent in FY 2008.



EXPLORING RANGE OF OPTIONS TO MEET CHALLENGES

While continued hiring of patent examiners is key to managing increasing workloads, hiring alone is not the answer to the growth of filings and complexity in the patent system. In fact, the Agency is exploring a range of innovative concepts to meet these challenges.

The USPTO expects to increase productivity in the Patent organization by offering examiners more opportunities to determine when and how they do their work, and achieve higher bonuses. This year the Agency extended the voluntary Flat

Goal Pilot program for patent examiners that moves production away from an hourly-based system. Under the pilot, examiners may earn larger, quarterly bonuses for every application examined above a particular target goal. Early indications are that participants prefer the per-application bonus compared to the present productivity award structure and enjoy the flexibility of choosing when and how to do their work. The USPTO will evaluate the results of the pilot and incorporate that information into future planning. Similarly, the Agency implemented a voluntary program providing laptops for experienced patent examiners which offers flexibility regarding when and where overtime work is performed. The vast majority of participants report improved production and job satisfaction.

Another pilot concept is the First-Action Interview program, an initiative in which the applicant is entitled to a first-action interview, upon request, prior to the first office action on the merits. Interviews conducted early in an application's prosecution allow for a speedy resolution of any unresolved issues. These, coupled with reduced applicant periods for response under the pilot, are expected to reduce total pendency for the applications examined under this initiative.

Other initiatives under way include the IP Experienced Hire pilot and the Peer Review pilot. In addition to at least one year of direct and current prosecution experience, candidates must have successfully completed a four-year course of study or specific course requirements in a science or engineering field. It is expected that the IP Experienced Hire pilot will greatly shorten the formal training period and performance adjustment phase for these new examiners. The USPTO has just extended the Peer Review pilot to include business methods in addition to the original computer-related applications.

There were notable regulatory and legislative developments this year. In April, a United States district court issued a permanent injunction enjoining the USPTO from implementing the changes in the *Claims and Continuations Final Rule* that was published last year. Therefore, the changes to the rules of practice in the *Claims and Continuations Final Rule* did not go into effect, and USPTO employees continue to process and examine patent applications as before, until further notice. In Congress, patent modernization legislation (H.R. 1908) passed the House of Representatives last fall. A companion bill in the Senate (S. 1145) was passed out of committee but did not reach the Senate floor. The USPTO held two Senate briefings, participated in over 60 meetings with Senate offices and provided technical assistance and expertise to many

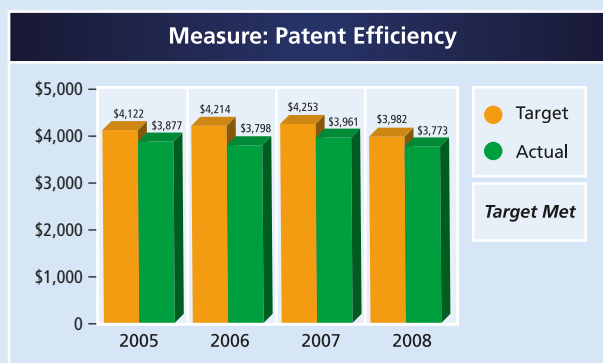


Advancing Technology — Toyota Motor Corporation's Fuel Cell Hybrid Vehicle on display during Technology Centers 3600 and 3700 annual Technology Fair. The fair is an opportunity for patent examiners to see the actual "production to market" device resulting from a patent they have issued and to learn about changes in the field of technology in which they work.

Judiciary Committee requests. It is anticipated that the patent legislation will be a major bill of the 111th Congress.

Through the Patent Public Advisory Committee (PPAC), the USPTO is reaching out to the user community to determine the types of examination options that should be provided as alternatives to the current system. This is resulting in an open dialogue with patent stakeholders and the public as to what the USPTO needs to do to best protect and encourage innovation in America.

Patent Efficiency — The following metric measures the relative cost-effectiveness of the entire patent examination process over time, or the efficiency with which the organization applies its resources to production.



Strategic Goal 2: Optimize Trademark Quality and Timeliness

The Trademark organization continues to demonstrate excellence and the qualities that allow the USPTO to make progress toward its vision to “lead the world in IP protection and policy.” For the third year in a row, the Trademark organization has met and exceeded all of its Agency performance targets, advancing all of the objectives outlined in the USPTO’s **2007-2012 Strategic Plan**. FY 2008 accomplishments and future priorities are:

IMPROVING EFFICIENCY

First action pendency — the length of time between receipt of a trademark application and when the USPTO makes a preliminary decision — was consistently maintained at 3.1 months or less each month throughout the fiscal year – ending the year at 3.0 months an unprecedented achievement, and the second year in a row that pendency has been maintained within the 2.5-3.5 month goal. Average total pendency also showed significant sustained improvement with registration occurring within 11.8 to 13.9 months from filing.

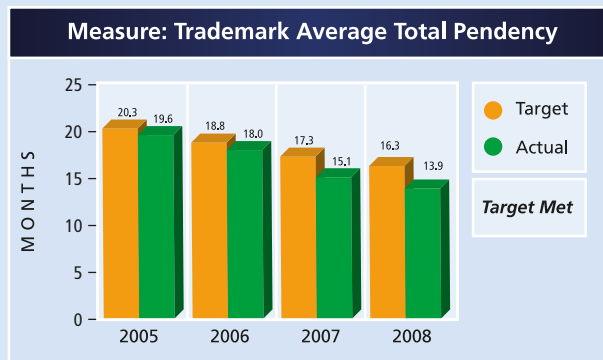
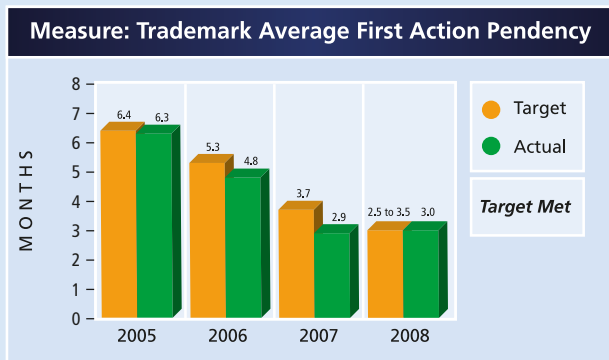
Pendency has improved as electronic filing and processing represent the primary means of conducting business with and within the office. Increased use of electronic forms, particularly Trademark Electronic Application System (TEAS) Plus



Fun in the Sun — USPTO Director Jon Dudas plays ball with T. Marky, the new USPTO character created for the Trademark Expo.

filings (which represent 26 percent of new application filings with 31 percent of first action approvals) has improved the efficiency of examination as well as contributing to an increase in the number of applications approved for publication. Electronically filed TEAS Plus applications are disposed and registered on average within 9.8 to 10.4 months, whereas those filed on paper average 15.8 to 28.1 months or 38 to 63 percent longer.

Trademark Pendency Performance — The two primary measures of Trademark organization processing are average first action pendency (the time from filing to first action) and total average pendency (the time from filing until disposal).



The Trademark organization continued to make process changes to streamline the post-examination process, reduce costs, and lower disposal pendency. The Trademark organization has eliminated backlogs in work thereby decreasing the time between approval for publication by the examining attorney, publication in the **Official Gazette**, and registration. Process changes were made to address both quality and workload management by realigning the technical support staff. The realignment of the technical support staff has had a direct and positive impact on reducing and maintaining disposal pendency to the lowest level in 20 years.

IMPROVING QUALITY

Searching and examination quality continued to demonstrate high levels and sustained improvement. 95.8 percent of first actions and more than 97.2 percent of final actions met statutory and compliance rates for quality of decision making and writing, the highest levels ever achieved. An additional review was added to evaluate examination quality at the stage applications are approved for publication and ultimately registration. The compliance rate was 98.4 percent, demonstrating the high degree of quality that applies to the majority of the determinations made by the office. Advances have also been made to enable more complete and accurate filings. Specifically, the Trademark organization has made greater use of on-line tools and has improved the workflow process to better manage and track performance, improve training, and increase the use of electronic filing, which contribute to better quality of application data and consistency in processing and examination. All newly hired examiners now complete a twelve-week training course on substantive and procedural examination, with an emphasis on the Trademark organization's examination curriculum. The Trademark organization's quality results are a reflection of the cumulative effect of six years of emphasis on the same criteria for assessing examination quality.

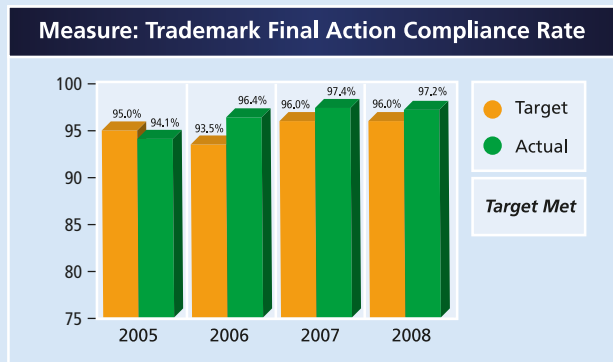
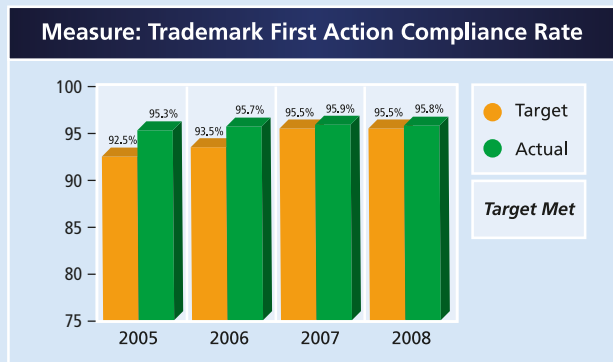
The USPTO hosted the Trademark Expo from April 10 – 12. The event was designed to spotlight the vital role trademarks play in the national and global economy. The Expo was supported by 23 businesses that helped sponsor the successful event that was attended by more than 7,000 people over three days.

The Trademark Assistance Center (TAC) received the 2008 Telework Exchange Award for Best New Telework Initiative. The recognition was sponsored by the Telework Exchange®, Service Mark (SM), a public-private partnership focused on demonstrating the tangible value of telework. TAC is the first



Expanding Telework — Trademarks managers (SEATED) Deputy Commissioner for Trademarks, Debbie Cohn, Vernon Towler; (STANDING) Commissioner for Trademarks Lynne Beresford, Tommie Clifton, and Susan White mark the expansion of the Trademarks Work-at-Home program. The Trademark organization started its work-at-home program more than 10 years ago with a focus exclusively on the job of examining attorney. As the organization gained experience with work-at-home, it expanded its work-at-home program by developing pilot programs in two more units within the Trademark organization.

Trademark Quality Performance — The Trademark organization continues to improve the quality of its products and services using in-depth reviews of work in progress and enhanced end-process reviews.





Educating the Community — *The 2008 Trademark Expo, at the USPTO Alexandria campus, attracted a wide audience of more than 7,000 people. The event focuses on educating the public about the value and important role trademarks play in society and the global marketplace. It features themed displays, company booths, costumed characters, interactive exhibits, and trademark-related seminars for attendees.*

government call center to take advantage of telework and was recognized for its contribution to the quality of life for its participants, customer initiatives and Agency goals.

The Trademark organization continues to improve on its successful telework program through the continued expansion of telework opportunities and by expanding the use of remote access and collaboration tools. Eighty-six percent of eligible examining attorneys work from home nearly full time, with 83 percent of all eligible Trademark employees working from home at least one day per week. Fifty-eight percent of all Trademark employees telework. Two pilot programs for employees in TAC and Post Registration became permanent in the past year expanding the number of employees and functions supported by telework programs. Geographic expansion of telework is currently under evaluation with a pilot program that has 18 examiners working in 13 states.

The Trademark organization developed a Trademark Human Capital Strategic Plan in support of the Agency's Human Capital Strategic Plan. Seven teams were organized to develop initiatives, programs, project schedules and training in support

of the three "human capital" objectives of talent management, results-oriented performance culture, and leadership and knowledge management. Progress has been made on specific programs and actions that support the objectives such as hiring to retain a highly qualified diverse workforce; improving training opportunities; expanding and improving the Telework Program; ensuring performance appraisal plans have measurable performance standards that align with Agency goals; maximizing awareness and use of incentive awards and recognition programs; and improving internal and external communications. Results from the Department of Commerce employee survey indicate that the Trademark organization leads the USPTO in 33 of 40 survey responses with strengths in the talent management and personal work experience categories.

PROVIDING E-MANAGEMENT AND E-TOOLS

The Trademark organization continues to make progress in its long-term project to replace manual, paper-based processes with a fully electronic operation. In the past year, the electronic docketing system known as the First Action System for Trademarks (FAST) was improved and expanded. Additional features were added to support examining attorney search functionality, preparation of office actions, and attaching evidence to office actions. FAST was expanded to include processing of requests following notice of allowance, which will further extend electronic workflow and processing throughout the operation and provide for more timely and consistent processing of statements of use. This was the first implementation to extend electronic workload management tools to include the routing and assignment of new work and the monitoring of cases in process beyond the core examination operation. This system significantly improves the processing and management of applications, as well as providing access to on-line production reports to monitor the status of individual performance.

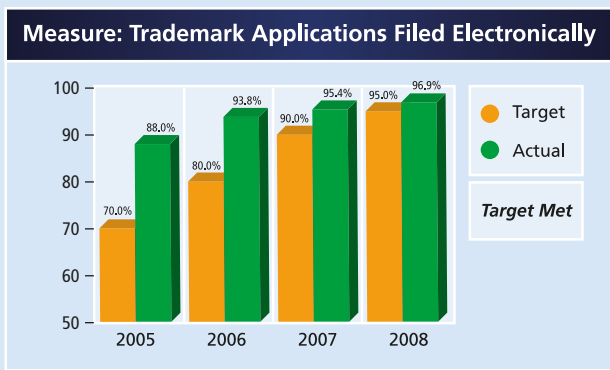
To ensure that the transition to electronic processing results in more productive, efficient, and cost-effective business processes and practices, the Trademark organization recently completed a multi-year project to assess the effect of incremental changes on its process and workforce. The assessment included documenting or mapping the entire workflow to identify opportunities for further improvement, examining how best to organize

and use staff, developing consistent procedures manuals, and revising performance standards based on changes in how the work is performed. Several process and organizational changes have been made in performance plans, production measures, and workflows, which now mostly rely on electronic processing and file records to support core examination activities.

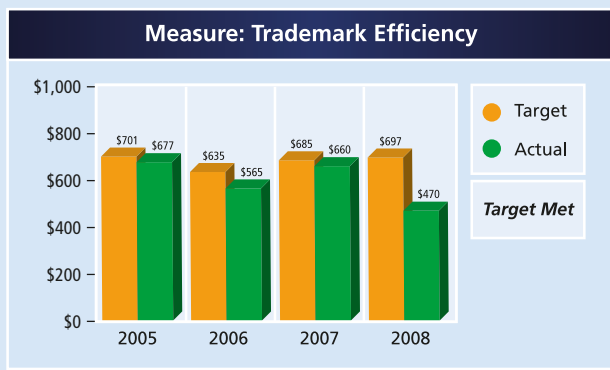
Documentation from the process mapping continues to be used to complete the design requirements and complete implementation of the electronic workflow and file management system.

The Trademark organization continued to improve functionality of electronic filing by releasing additional enhancements for existing TEAS forms in conjunction with the Office of the Chief Information Officer (OCIO). Changes were made to expand the number and acceptance of Portable Document Format (PDF) attachments to the initial application form, provide a consistent look and feel, and provide additional options such as download portable data, multiple signatures for multiple business owners, e-signature and handwritten signature features.

E-Filing Applications — The percent of trademark applications filed electronically has steadily increased over the past four years to the current level of 96.9 percent.



Trademark Efficiency — This following metric measures the relative cost-effectiveness of the entire trademark examination process over time, or the efficiency with which the organization applies its resources to production.



Strategic Goal 3: Improve Intellectual Property Protection and Enforcement Domestically and Abroad

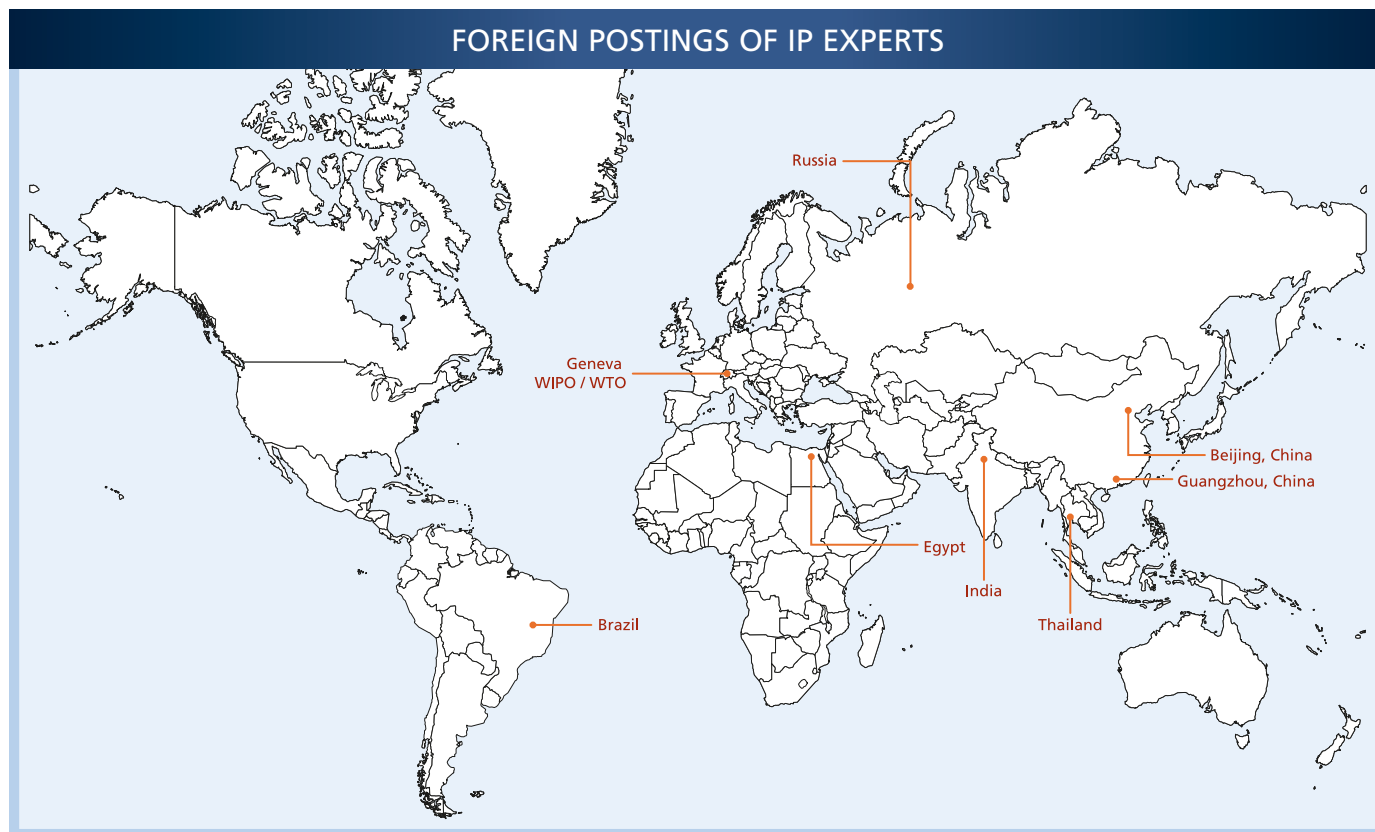
The USPTO is an integral component of President Bush's strategy to encourage innovation and strengthen the nation's ability to compete in the global economy. To this end, the USPTO advocates U.S. Government IP policy, works to develop unified standards for international IP, provides policy guidance on domestic IP issues, and fosters innovation.

PROTECTING IP AND CURBING IP THEFT

During FY 2008, the USPTO continued to improve the enforcement of IP rights in the United States and around the world. USPTO actions included taking the lead on several initiatives to strengthen IP protection and enforcement and to continue advocating improved IP protection and enforcement for American businesses.

As part of the Administration's Strategy Targeting Organized Piracy! (STOP!) initiative, the USPTO advanced work with other U.S. Government agencies to fight piracy and counterfeiting. As part of STOP!, the USPTO continued managing a hotline that helps small and medium-sized businesses leverage U.S. Government resources to protect their IP. The USPTO responded to 1,289 STOP! hotline calls in FY 2008.

The USPTO worked with the Office of the United States Trade Representative (USTR) on the IP chapter for several free trade agreements (FTAs) during FY 2008, most notably the IP chapter of the U.S.-Malaysia FTA negotiations, Peru and Costa Rica's implementation of the U.S.-Central America FTA, and implementation of the U.S.-Chile FTA. The USPTO also contributed to the development of the United States' World



Trade Organization (WTO) dispute settlement case against China relating to intellectual property rights (IPR) enforcement deficiencies. The USPTO is participating in the negotiations to establish an Anti-Counterfeiting Trade Agreement, which will create high standards of enforcement against piracy and counterfeiting through cooperation, best practices, and a strong legal framework amongst partners to the Agreement. The USPTO's IP experts posted at American embassies in key locations around the world continued to address country-specific and regional issues involving IP protection and enforcement.

WORKING TO UNIFY INTERNATIONAL IP PRACTICE

Multilateral Efforts

The USPTO hosted the second Heads of Offices Meeting for the world's five largest patent offices. The meeting enabled the USPTO, the EPO, the JPO, the KIPO, and the State Intellectual Property Office (SIPO) of the People's Republic of China to build from last year's historic meeting in Hawaii and discuss further cooperation initiatives to meet the growing patent application filing demands and improvements in patent quality.

The weeklong talks focused on sharing experiences, analyzing ongoing cooperative initiatives, and exploring information technology (IT) issues and future work-sharing initiatives to meet the growing demands placed on the patent system. The meeting opened up dialogue that resulted in a successful framework for moving forward on these cooperative initiatives.

The USPTO made strides in establishing work-sharing arrangements between the Offices. The USPTO and the JPO implemented the PPH on a full-time basis leveraging fast-track patent examination procedures available in both Offices to allow applicants in both countries to obtain corresponding patents faster and more efficiently. The USPTO also began a comparable pilot with the EPO. PPH pilots were also implemented this year with the CIPO, the KIPO, and IP Australia, and continued with the UK Intellectual Property Office (UK-IPO). The PPH work-sharing program is an important step toward reducing duplication of searching as it permits each Office to benefit from work previously done by the other Office, resulting in reductions in examination workload and improved patent quality.

Other work-sharing initiatives were also implemented this year within the framework of the USPTO-JPO-EPO Trilateral cooperation include a "New Route" pilot with the JPO, and a "Triway" pilot with other Trilateral Offices.

At the USPTO hosted 25th Annual Trilateral Conference, the Trilateral Offices agreed on a common application format in consultation with users. The format allows an applicant desiring to file an application in each Office to prepare a single application in the common application format, which will be accepted by each office, thereby providing significant savings to applicants in the filing and processing of patent applications.

The USPTO, as a member of the World Intellectual Property Organization (WIPO) Madrid Working Group, worked to build consensus for reforms to the Madrid System for the International Registration of Marks. The USPTO goal for the Madrid System is to increase membership as well as to increase simplicity, transparency, and flexibility of the system for the benefit of users. In May 2008, the Madrid Working Group agreed to move towards harmonization of services provided by national offices, which will benefit all users by promptly informing them of the status of designations in other countries. These reforms will make it easier to move forward with harmonization and simplification efforts in the future. Moreover, the USPTO has actively worked with other delegations at WIPO to gain support for discussions about the legal development of the Madrid System with an eye towards addressing significant obstacles blocking wider adherence to the system.

Finally, the USPTO achieved significant multilateral cooperation with its Trademark Trilateral partners. These are the JPO and the Office for Harmonization in the Internal Market (OHIM), which is responsible for registration of trademarks and designs for the European Union. The Trademark Trilateral continues to negotiate an ever expanding list of identifications of goods and services that can be used by trademark applicants filing trademark applications in any of the three offices and encouraging other national trademark offices to utilize that list and participate in its ongoing development.

Bilateral Efforts

The USPTO continued its effort to establish cooperative agreements with other countries for increased technical cooperation between offices. During FY 2008, the USPTO signed agreements with the Intellectual Property Offices of Brazil,



Harmonizing Efforts — *The U.S., Japan, and Europe further their coordination, cooperation and harmonization efforts at the 25th Annual Trilateral Conference. USPTO Director Jon Dudas, JPO Commissioner Masabiro Koezuka, and EPO President Alison Brimelow address global workload challenges and identify mechanisms for improving quality of applications. More than half of the world's patent applications are filed in the Trilateral Offices.*

Kazakhstan, and Singapore, and continued its efforts in implementing the work plan with the SIPO by conducting the second automation experts meeting.

The USPTO also signed a Statement on Enhanced Mutual Cooperation with the JPO to further promote the existing close relationship between the two offices and signed an agreement with the KIPO for comprehensive cooperation on patents to promote work sharing. Additionally, within the context of the PCT, the USPTO signed an agreement with the IP Australia to establish it as an international searching authority and preliminary examining authority under the PCT for certain international applications filed with the USPTO as Receiving Office.

GIVING DOMESTIC IP POLICY GUIDANCE

Patent modernization continued to be the subject of intense debate in Congress. The USPTO participated in numerous high-level meetings with key Members of Congress, their IP counsel, and patent stakeholders, including corporations, independent inventors, other Federal agencies, and the White House to discuss this legislation. The USPTO hosted two well-attended briefings on Capitol Hill and reached out to every Senate office to educate Senators and their staff on patent

issues. The proposed legislation is intended to improve patent quality, reduce patent litigation costs, and further the international harmonization of patent laws. The USPTO supports these goals, and continues to work closely with Congress to develop laws that are effective, fair, and balanced for all stakeholders.

The USPTO also provided policy guidance on various other patent, trademark, and IP bills during the year and participated in Congressional hearings on “Telework: Breaking New Ground” and USPTO oversight.

In March 2008, the George Washington University School of Business held the 15th annual International Business Case Competition, which was focused on operations at the USPTO. This was a rare and exciting opportunity for the USPTO to garner fresh perspectives on how to address important issues.

In FY 2008, the Deputy Under Secretary for IP and Director of the USPTO participated in three listening tours to seek the perspectives of parties concerned with the protection of industrial designs. In May, the USPTO spoke with automotive designers at Ford Motor Company's Dearborn, Michigan design center. In June, the USPTO hosted a town hall meeting with over 75 participants representing diverse interests such as automobile, insurance and consumer products companies, and independent parts manufacturers. In July, the USPTO met with West Coast stakeholders at Nike Inc. headquarters in Beaverton, Oregon, to learn about the role of design protection in their businesses, and how changes to design protection law and policy might impact their companies.

The USPTO was honored that the Secretary of Commerce, in November 2007, delegated the responsibility for administering the National Medal of Technology and Innovation to the USPTO. The Medal, which is presented each year by the President, is the nation's highest honor for technological achievement and is awarded to innovators who have made lasting contributions to America's competitiveness, standard of living, and quality of life through technological innovation.

As in past years, the USPTO was heavily involved in shaping IP law and policy through precedential decisions issued by the Agency's Boards and through domestic litigation. The Trademark Trial and Appeal Board (TTAB) issued more than 50 decisions affecting Agency practice and substantive

law of trademark registration. The Board of Patent Appeals and Interferences (BPAD) issued six precedential and 19 informative opinions, particularly concentrating on clarifying the application of the obviousness standard in the wake of the Supreme Court's KSR decision to particular technologies.

In a series of important cases the USPTO urged the U.S. Court of Appeals for the Federal Circuit to clarify the standards for patent-eligibility under 35 U.S.C. § 101. This issue has become more challenging in recent years due to a growing number of patent applications claiming intangible subject matter. In *In re Nuijten*, the Federal Circuit affirmed the USPTO's decision that a "signal" is not patent-eligible subject matter, agreeing that a patent-eligible "manufacture" requires a tangible article. In *In re Comiskey*, the Federal Circuit significantly clarified the law on the patent-eligibility of processes, following the suggestions in the Office of General Counsel's (OGC) brief. Because of the importance of the patent-eligibility question, the Federal Circuit decided to hear en banc the appeal of the USPTO's decision in *In re Bilski*. The USPTO is currently studying how to implement the recent Bilski ruling in examinations of process inventions.

The USPTO has also continued to advise the Solicitor General of the United States on intellectual property matters before the Supreme Court. For example, the USPTO assisted in preparing the Government's *amicus* brief in *Quanta Computer v. LG Electronic Co. Ltd.*, which involved the application of the "patent exhaustion doctrine" as a defense to patent infringement. The Supreme Court largely agreed with the Government's position, finding that the exhaustion doctrine applies to patented method claims, as well as when an authorized sale of a product substantially embodies a patented invention.

On the trademark side, the USPTO, in conjunction with the Department of Justice, convinced the U.S. Court of Appeals for the Fourth Circuit to overturn the lower court's decision in *The Last Best Beef, LLC v. Dudas*. The case involved the USPTO's authority to cancel two of the plaintiff's trademark registrations. In so doing, the USPTO successfully defended the validity of a recently enacted statute that prohibited the registration of the particular marks.

Furthering the USPTO's leadership in IP law, OGC launched a pilot program this year with law school clinics through which law students can practice intellectual property law before the agency by prosecuting patent or trademark applications. Six law schools have been selected to participate in the pilot,



Improving Quality — Deputy Under Secretary Margaret J.A. Peterlin hosts the second Heads of Offices Meeting at the USPTO for the world's five largest patent offices. The five-day meeting enabled the USPTO, the European Patent Office (EPO), the Japan Patent Office (JPO), the Korean Intellectual Property Office (KIPO), and the State Intellectual Property Office (SIPO) of the People's Republic of China to discuss further cooperation initiatives to meet the growing patent application filing demand and improve patent quality.

and students in the program will gain practical, real-world experience while working under the strict guidance of a law school clinical faculty supervisor.

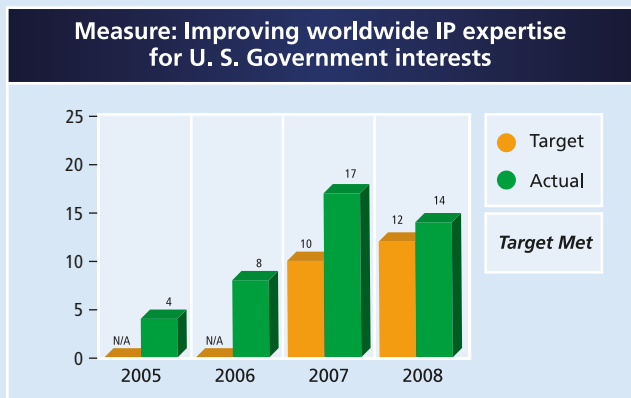
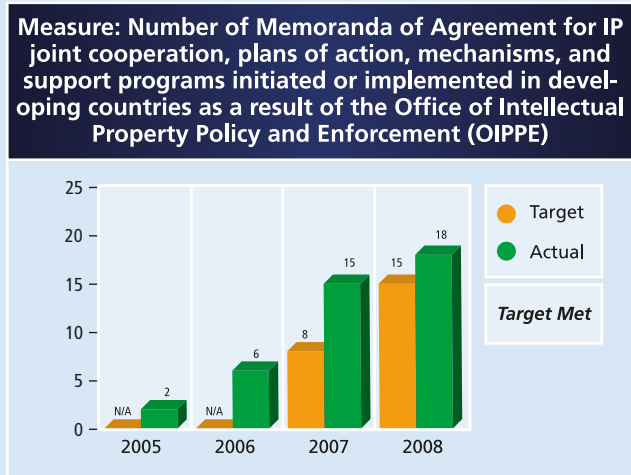
DELIVERING IP EDUCATION WORLDWIDE

The USPTO Global IP Academy (GIPA) continued to deliver high-level capacity building and technical assistance training to foreign judges, prosecutors, customs officials, IP enforcement personnel, as well as officials from copyright, trademark and patent offices from around the world. In 2008, the GIPA provided training to more than 4,100 officials from 127 countries on a variety of topics, including IP protection and enforcement, and technology transfer. GIPA also delivers IP training to other stakeholders, including small business owners, U.S. Government officials, and the general public.

As part of the STOP! initiative, the USPTO continued its intensive national public awareness campaign. For the fourth year in a row, the USPTO conducted outreach events around the country for small and medium-sized businesses. The USPTO's Office of Governmental Affairs conducted a highly anticipated event for small and medium-sized busi-

IP Protection — The measures of the USPTO's progress in protecting and enforcing IP focus on FTA negotiations and implementation, World Trade Organization (WTO) accessions, 301 reviews, trade policy reviews, technical assistance, expansion of foreign postings, work details of USPTO employees to other U.S. Government agencies, as well as development of specific plans for strategic cooperation; for example, the work plans with China, Egypt, India, Brazil, and the Association of South East Asian Nations (ASEAN).

The significant variance in actual numbers of instances in which USPTO experts reviewed IP policies/standards compared to the target was due to the exceptionally large number of requests from the USTR to assist with trade policy reviews, activities associated with FTAs, and requests for technical assistance stemming from the successful GIPA program and an increased focus on China.



nesses designed to aid them in protecting their IP in a global marketplace, which was held in Baltimore, Maryland in June 2008. The USPTO also organized two China-specific events during FY 2008, which took place in San Jose, California and Houston, Texas. More than 220 small and medium-sized enterprises (SMEs), attorneys, and other businesses attended these conferences. Large companies presented “Lessons Learned” and “Best Practices” to small business attendees and small businesses discussed the importance of IP protection.

The USPTO expanded its relationships with federal agencies that share the goal of bringing awareness of IPR to SMEs. The USPTO signed a memorandum of understanding with the Minority Business Development Agency (MBDA) in 2008 whereby MBDA will emphasize the importance of IPR with

the businesses with which it works, and the USPTO will work with MBDA to provide education and training opportunities. The MBDA also included IPR awareness as a goal in their 2009-2012 Strategic Plan. The USPTO has participated in five events hosted by the MBDA, providing awareness briefings and educational materials to nearly 800 hundred business owners, business development consultants, and leaders in the minority business community. In February, details of the initiative were rolled out in Ft. Lauderdale, Florida to MBDA's management, and national business development staff. This was quickly followed by an invitation to participate in a White House Initiative on Asian American and Pacific Islanders conference in New York. Following this successful event, in June the Deputy Under Secretary addressed 150 MBDA business center owners and business development specialists

during MBDA's 2008 National Conference in Seattle, Washington, that included a short workshop by an OIPPE attorney-advisor. A return to New York in August, for a Business-to-Business networking conference, provided a briefing and educational materials to more than 100 business owners. In September, the nearly 700 participants in MBDA's 26th Annual National Conference to recognize the outstanding achievements of minority business enterprises, held in Washington, D.C., were provided with information on the web-based IPR educational tool for SMEs located on *www.StopFakes.gov* and STOP! initiative literature.

The USPTO continued its partnership with the Ad Council to reach young people through a national ad campaign called "Inspiring Invention," which seeks to make inventing and developing new ideas part of the lives of American children. Radio and TV commercials are now playing throughout the country with the message "Anything's possible. Keep thinking." In July, new television and radio commercials, as well as an updated interactive Web site for children, were launched as the newest phase of the campaign.



Protecting Intellectual Property — The USPTO organized a U.S. Congressional Staff Delegation visit to Copenhagen, Denmark, in August focusing on discussions relating to protecting and promoting patents, trademarks, and intellectual property rights. The trip included a visit to the Danish Patent and Trademark Office (DKPTO). USPTO representatives included Attorney-Advisor Charles Elosbway (back row, far left), Deputy Commissioner for Patent Operations Peggy Focarino (front row, second from left) and Director of the Office of Governmental Affairs Jefferson Taylor (back row, far right).

Management Goal: Achieve Organizational Excellence

Fulfilling the USPTO's mission and goals requires strong leadership and collaborative management. While the three strategic goals focus on the core mission, the management goal focuses on the organizational excellence that is a prerequisite for achieving those goals. Collectively, the USPTO leadership is responsible for core management activities in these critical areas.

WORKING AS PARTNERS FOR SUPERIOR PERFORMANCE

During FY 2008, USPTO business units worked as true partners across the organization to achieve superior performance and provide strategic leadership, as follows:

HUMAN CAPITAL MANAGEMENT — Human Capital Implementation Plans were developed by business units to carry out the Agency's Human Capital Strategic Plan by developing initiatives, programs, and training in support of the three "human capital" objectives of talent management, results-oriented performance culture, and leadership and knowledge management.

LEADERSHIP DEVELOPMENT — To develop and strengthen its leadership capability, the USPTO created a comprehensive, competency-based leadership development framework. The framework provides leadership development opportunities for individuals at all levels of the organization, and the programs support an environment that fosters continuous learning and development across multiple levels, early to late in employees' careers, while shaping the leadership culture of a high performing organization.



Exploring Possibilities — USPTO Senior Management members, (SEATED) Steve Smith, Wendy Garber, John Doll, (STANDING) Lynne Beresford, and Barry Hudson explore all possibilities regarding the federal telework program and how they can better enhance the hoteling programs at the USPTO.

EXPANSION OF TELEWORK — The USPTO is considered a leader in federal telework programs and several outside organizations continue to rate the USPTO as the best in this area. This year, the USPTO expanded its telework population to 54 percent of eligible positions that are teleworking.

DIVERSITY — The U.S. Equal Employment Opportunity Commission (EEOC) found that the USPTO had tremendous effectiveness in processing matters for the USPTO and its employees, and continued to promote diversity of the workforce and its supervisory ranks. In addition, the USPTO is noted for its annual diversity celebrations and being proactive in preventing discrimination and harassment by providing training to all new hires and many of the new managers.

SAFE WORKPLACE ENVIRONMENT — The USPTO has created an environment for employees that is favorable to enhancing its effectiveness by taking measures to ensure the workplace is modern, safe, secure and attractive. The USPTO took actions in the area of emergency preparedness by providing all personnel with computer-based training to foster awareness of various emergency situations. An Emergency Notification System (ENS) was developed and launched enabling emergency messages to be broadcast to every USPTO computer desktop instantly.

ENSURING EXCELLENCE IN MANAGEMENT PROCESSES

HUMAN RESOURCES MANAGEMENT — The Office of Human Resources (OHR) was transformed to ensure the best candidates are hired and well performing employees are retained. This was done through recruitment incentives, a re-invigorated awards program, and an improved new employee orientation program. To enhance customer service, an “OHR on wheels” program was established, whereby OHR officials provide services to employees at buildings throughout the USPTO campus.

REVENUE MANAGEMENT — The USPTO began an effort to modernize the Revenue Accounting and Management (RAM) system, a mission-critical fee collection system that provides automated support and controls for processing fee payments, debits and credits to customer deposit accounts, and refunds. RAM interfaces with more than 20 automated information systems to provide fee information (e.g., fee history, payment detail, etc.), and to allow customers to pay various fees over the Internet via credit card, Electronic Funds Transfer (EFT), or via a USPTO-established deposit account. Modernization will optimize these processes to obtain greater efficiencies and improved customer service and ensure compliance.

PROGRAM ASSESSMENT — The USPTO collaborated with the OMB to assess two programs using the Program Assessment Rating Tool (PART). The Patent organization received a rating of “moderately effective” with a score of 73, and the Intellectual Property Protection Activities (the Office of Intellectual Property Protection and Enforcement) received a rating of “adequate” with a score of 67. As a requirement of PART, the USPTO is developing improvement plans to improve performance and meet or exceed all agency performance goals.

FEE MANAGEMENT — The USPTO is conducting a study and analysis of the current fee schedule, the fees charged for providing products and services. This review will provide recommendations for altering the fee schedule to encourage innovation while enabling the USPTO to provide high quality and timely examination of patents and trademarks. Certain fees are established to recover, on average, the full costs of providing products and services, whereas the major patent processing fees have been established in statute. A review of full costs related to PCT international transmittals and searches has resulted in a notice of proposed rule making to adjust the fees.

The USPTO is confident that its financial and performance data are complete, reliable, accurate, and consistent. For the 16th consecutive year, the USPTO earned an unqualified audit opinion on the annual financial statements. For FY 2008 financial reporting, the independent auditors did not identify any material weaknesses or instances of non-compliance with laws and regulations.



Making History — At a congressional committee hearing entitled, “Telework: Breaking New Ground” chaired by Congressman Danny Davis (D-IL), Trademark teleworker and examining attorney John Wilke makes a historic testimony remotely before Congress about his teleworking experience at the USPTO from the basement of his home in Long Grove, IL, a suburb of Chicago. Through the use of web cam technology, Wilke was projected live from his home on plasma screens in the hearing room where he responds to questions asked by Committee members to help shape the next generation of federal telework programs across America.

DATA AND AUTOMATED INFORMATION SYSTEMS MANAGEMENT

— The USPTO continues to report one non-financial material weakness in IT security. OCIO continued to work diligently with the Office of the Inspector General (OIG) and the DOC to improve the USPTO's overall IT security program and the quality of the certification and accreditation (C&A) packages to remove the current material weakness identified for IT security.

The USPTO continues to make significant progress in tracking IT costs by project and category of expense through improved budget processes and controls and increased use of Earned Value Management (EVM). Through the efforts of the Office of the Chief Financial Officer (OCFO) and the OCIO, USPTO managers can better understand the costs of providing IT products and services and thereby drive improved efficiency and cost reduction. In fulfilling responsibilities under 44 U.S.C. § 3504(h), the USPTO uses a Capital Planning and Investment Control (CPIC) process to prioritize investments and determine funding levels for subsequent fiscal years. Projects are carefully managed throughout their life cycle, and progress reviews are conducted at key milestone dates, to compare the project's status to planned benefit, cost, and schedule, along with technical efficiency and effectiveness measures. All major IT system investments are reported in the Office of Management and Budget's (OMB) Circular A-11, Exhibit 53, the USPTO's IT Investment Portfolio, for FY 2009.

ENHANCING ON-LINE ACCESS TO INFORMATION

In addition to achieving record numbers of electronic filings of applications and related documents, the USPTO continued to make improvements in our IT enterprise architecture, internal processes, and organizational alignment to improve our ability to be more responsive and better manage and deliver quality products at enhanced service levels. In particular, these initiatives directly support efforts to:

- improve overall efficiency;
- improve availability of and streamline access to USPTO information, data, and services;
- serve an increasingly geographically dispersed workforce;
- implement faster, more secure information exchange; and
- continue expansion and improvement of e-filing, e-processing, and other e-government efforts.

Management Challenges

The USPTO will continue to lead the world in IP policy by optimizing patent and trademark quality and timeliness, and improving IP protection and enforcement domestically by addressing the following challenges identified by the USPTO management:

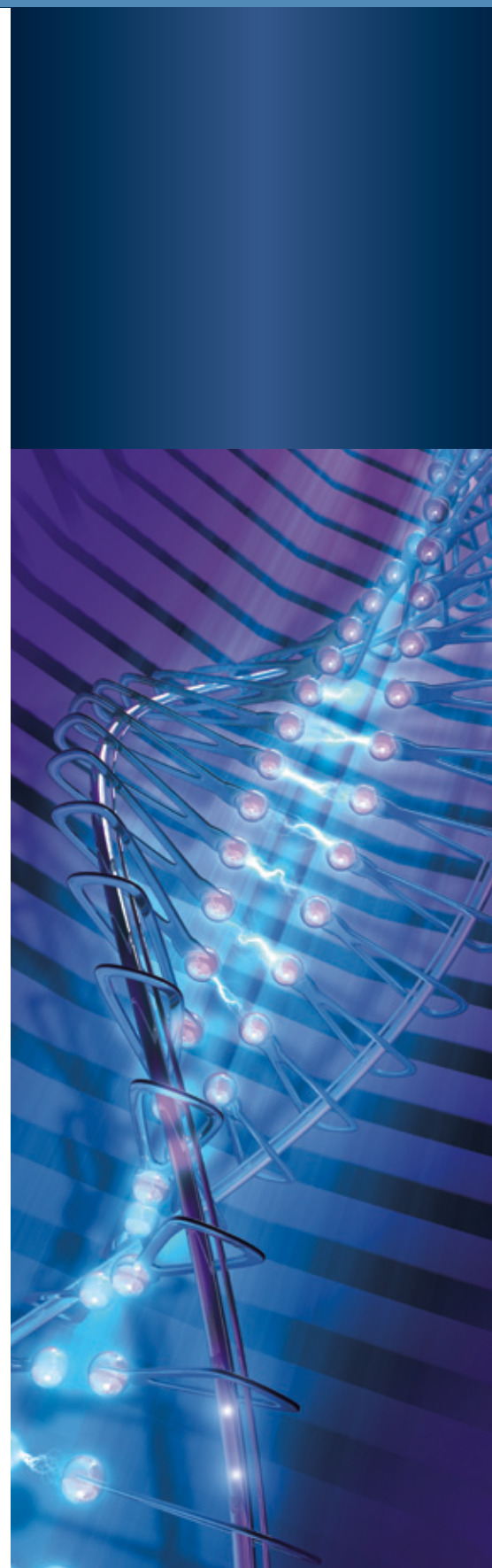
MAKE EFFICIENCY GAINS FOR THE FUTURE, WHILE KEEPING QUALITY HIGH

The Patent organization's biggest challenge is to address the growth of pendency and the backlog of patent applications waiting to be examined while maintaining high quality. The Patent organization must address the dual challenges of rising workloads and a shift of applications from traditional arts to more complex technologies. To address rising workloads, the Patent organization will continue to hire, train, and retain additional examiners, and explore and implement process improvements. Quality, which is a critical component of the USPTO's *2007-2012 Strategic Plan*, will be ensured throughout the patent examination process.

The Trademark organization's biggest challenge is to maintain the gains it has made in quality and pendency while controlling costs. Maintaining trademark first action pendency between 2.5 and 3.5 months on a consistent monthly basis, fluctuations in filings, and an uncertain economy, which could lead to lower fee revenue, are challenges that must be carefully managed. If the Trademark organization can maintain high quality and low first action pendency, it can also ensure low disposal pendency, which translates to certainty for business owners in making investments in new products and services.

CONTINUE TO MOVE TO AN ELECTRONIC WORKPLACE

The Patent and Trademark organizations are moving rapidly to eliminate paper documents from their processes. Electronic communications are improving, encouraging more applicants to do business electronically in using Web-based systems. Both Patent and Trademark organizations have made significant progress in support of the long-term goal to create an e-government operation. The Trademark organization now relies exclusively on data submitted or captured electronically to support examination, publish documents, and issue registrations. Because of the high degree of reliance on electronic operations, the Trademark organization is dependent on the



management and support of internal information technology systems and services to manage its operations and provide services to the public.

The Trademark organization along with the support of the OCIO is working to address the challenge of completing an electronic docket and file management system to link all operations and processing that support core examination and post-registration to link all operations and processing. A fully electronic workflow will allow the Trademark organization to better manage the fluctuations in filings and be more efficient, as well as timely, in processing and responding.

This increased reliance on electronic systems presents other challenges to the USPTO in the event of an unplanned outage or disruption in processing. To address this need, the USPTO has embarked on an aggressive, phased business continuity/disaster recovery program. The current phase involves establishing a remote data bunker, which stores backups of mission critical data. Subsequent phases of the project will establish Automated Information System (AIS) failover capability, a high availability environment for production systems, an alternate processing site, and deployment of AISs to the alternate site.

STRENGTHEN GLOBAL INTELLECTUAL PROPERTY RIGHTS (IPR) SYSTEMS

An effective IPR system is important to trade because it provides confidence to businesses that rights will be respected and that profits will be returned to IPR holders. The tremendous ingenuity of American inventors, coupled with a strong IP system, encourages and rewards innovation and helps propel the economic and technological growth of our nation.

The challenges to maintaining an effective IPR system include deepening the dialogue on global IP policy, facilitating technical cooperation with foreign countries, surveying and exchanging information on the current status of IPR protection and administrative systems, and arriving at agreement on standards of enhanced IP enforcement. These standards of enhanced IP enforcement include increased criminal and civil protection, as well as tighter controls on circumventing technological protection. Reaching bilateral and multilateral agreements will require all sides to openly communicate and strive toward a more global convergence of patent and trademark standards.

ENSURING PROPER FEE RATES

The USPTO seeks specific authority to eliminate, set, or otherwise adjust patent and trademark filing and processing fees subject to appropriate oversight and comment by the Patent Public Advisory Committee, Trademark Public Advisory Committee, stakeholders, and Congress. In the United States, demands for products and services have created substantial workload challenges in the processing of patents and trademarks. Long-term funding stability is essential to the creation of a predictable environment for planning purposes.

ATTRACT AND RETAIN THE RIGHT SKILLS AND TALENT

Work at the USPTO is highly technical in nature and requires a well educated, well credentialed, and diverse workforce. Consequently, the Agency is faced with employment, management, training, and leadership challenges. Customer demands continue to increase while recruiting challenges escalate in a highly competitive environment, particularly for patent examiners, IT specialists, and Human Resource (HR) Specialists.

The USPTO will focus on ways to manage the new generation of employees in an increasing virtual workplace. While the agency has strong performance management processes in place, there are still management challenges: retaining younger employees, maintaining engagement, encouraging motivation, and loyalty to the Agency. The USPTO continues to provide more enhanced training in supervision, management, and leadership, to keep the workforce current with current technology trends.

The Agency has addressed its succession planning by developing a comprehensive, competency-based leadership development program. This program is designed to create the next generation of leaders by preparing and motivating employees at every level. The USPTO will continue to encourage mid-level supervisors to welcome the leadership challenge. In addition, the Agency has made significant progress ensuring all performance plans have measurable performance standards that are directly aligned with agency goals. The significance of our mission, excellent benefits, recruitment incentives and wide use of telework and other employment flexibilities continues to make a good business case for marketing the USPTO as an employer of choice.

What's Ahead?

OPTIMIZE PATENT QUALITY AND TIMELINESS

As outlined in the *2007-2012 Strategic Plan*, the Patent organization will continue to provide high quality examination of patent applications, improve and integrate existing electronic systems to promote full electronic patent application processing, and improve the quality and timeliness of patent examination by exploring a range of approaches to examining applications.

To build and retain the high-quality examiner corps needed, the Patent organization will continue hiring 1,200 examiners per year in FY 2009 and into the future. With the refinement of an end-to-end electronic processing environment and the move toward e-filing of applications and related documents, the Patent organization will move closer to becoming a nationwide workforce. These actions will help to make the Agency more responsive to the ever increasing demand for patents.

OPTIMIZE TRADEMARK QUALITY AND TIMELINESS

The Trademark organization will build on its accomplishments and work toward meeting the objectives of the *2007-2012 Strategic Plan* while working with its customers to ensure that the objectives remain aligned with their needs.

The Trademark organization will continue to assess the efficiency of its operations going forward, and incorporate process improvement in the incremental redesign of the electronic workflow and file management system. The USPTO will also continue to use e-government as the primary means of doing business with applicants and registrants, and as a means of processing work within the Trademark organization.

First-action pendency has reached the long-term target range of 2.5 to 3.5 months. The Trademark organization must strike a proper balance between forecasting levels of new filings, existing inventories, and managing an appropriately sized staff to ensure sufficient resources are available to maintain this goal on a consistent basis. Completing the electronic workflow and file management system throughout the entire process will provide better automated tools and consistency for managing workloads and provide better services to customers.



IMPROVE INTELLECTUAL PROPERTY PROTECTION AND ENFORCEMENT DOMESTICALLY AND ABROAD

The USPTO will continue strong advocacy policies that ensure that IP rights, such as patents, trademarks, and copyrights, are recognized as essential tools for economic growth in both developed and developing economies. This is particularly important in light of misperceptions, such as the misperception that strong IP protection hinders development. The USPTO will continue to work with international partners to promote a strong and effective IP regime that provides adequate and effective incentives for innovation and creativity, worldwide, including within organizations such as the WIPO, the WTO, and the United Nations Human Rights Commission.

The USPTO must continue to advocate pro-IP principles as endorsed by the “Group of Eight” (G8) countries — Canada, France, Germany, Italy, Japan, Russia, the UK and the United States — to assist all countries in adopting and effectively enforcing adequate levels of IP protection for the benefit of all citizens. This will be accomplished by advising other Federal agencies on domestic and international IP policy, and by continually expanding our IP training and technical assistance internationally.

The USPTO will continue to search for solutions to its workload, examination quality, and e-government challenges by taking the lead on cooperative initiatives with other IP offices throughout the world. This will result in progress in the areas of work-sharing, examination practice uniformity, and electronic access and compatibility. Finally, the Agency will continue to address policy and legal matters relating to all legislative proposals relating to IP and the USPTO, especially in the context of the continuing debate over proposed changes to the patent laws of the United States.

ACHIEVE ORGANIZATIONAL EXCELLENCE

USPTO leaders will continue to work together as business partners to: lead and support efforts to improve efficiency; develop and implement an effective, comprehensive communication plan; recruit and retain the best, brightest, and most talented staff with the necessary skill sets; improve internal monitoring and reporting of organizational goals and objectives (by imple-

menting and expanding performance measures and service level agreements); streamline access to USPTO information, data, and services; implement faster, more secure information exchange; and continue expansion of e-filing, e-processing, and other e-government efforts. In FY 2009, the USPTO will also take steps to improve its ability to be more responsive and better manage and deliver quality products at enhanced service levels. This will be accomplished by reducing the cost and complexity of systems, establishing and enforcing more standards, and practicing continual process improvement.

In addition, the OCIO will continue to:

- Work with the OIG and the DOC to improve the overall IT security program and C&A package quality.
- Work to implement funded portions of the *OCIO Road Map and Transformation Plan* which will address five key areas: stabilization, standardization, consolidation, optimization, and enhancement of our IT infrastructure.
- Improve the security, availability, and quality of IT systems and services while reducing their complexity and cost; support business area needs to accommodate the hiring and equipping of 1,200 patent examiners a year through 2013; work with the Trademark organization to provide internal on-line tools (regarding consistency and quality of searching and examination); provide electronic file management and workflow; develop interactive on-line electronic filing capabilities and upgrade e-tools; help move to fully electronic records and eliminate the need to collect and store paper records; and continue to improve overall data quality.
- Support the Office of Chief Administrative Officer to implement the HR Line of Business in FY 2008, which will improve on-line HR services and capability, including access to employee information such as Official Personnel Files and an employee self-service feature (on-line view and update of employee information and benefits).
- Work with the OCFO to plan and support the implementation of the Financial Management Line of Business.

Accompanying Information on USPTO Performance

The President's Management Agenda (PMA)

The USPTO is committed to the objectives of the PMA, which is the strategy implemented by President Bush's Administration to improve the management and performance of the Federal Government. Departmental agencies are scored green, yellow or red on their status in achieving overall goals or long-term criteria, as well as their progress in implementing improvement plans.

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

The USPTO plays a vital role in enabling discoveries, inventions and creative ideas to be brought to the marketplace. To support this effort, it is essential to have a strong human capital management program that continues to attract, hire, train, and maintain employees with technical knowledge and skills that increase in both range and depth.

PROGRESS	UPCOMING EVENTS
<ul style="list-style-type: none">■ Recruited and hired 1,211 patent examiners in FY 2008.■ Supported Telework – Of the USPTO's 9,518 employees, 54 percent are eligible to work at home. Of those eligible, 82.7 percent actually did work at home.	<ul style="list-style-type: none">■ Continue to measure business areas for progress in achieving the objectives of the <i>Strategic Human Capital Plan</i>.■ Continue to hire an additional 1,200 patent examiners through FY 2013 by holding recruitment events at colleges and universities, and bringing college and university representatives to USPTO for on-site briefings.■ Train recruiters and hiring coordinators on issues such as reviewing resumes and transcripts, conducting interviews, and ensuring adherence to merit system principles.



COMPETITIVE SOURCING

The USPTO is committed to achieving performance enhancements and cost-savings through competitive sourcing.

PROGRESS	UPCOMING EVENTS
<ul style="list-style-type: none"> ■ Directed the Competitive Sourcing Steering Committee (CSSC) to conduct feasibility studies on all Federal Activities Inventory Reform (FAIR) Act activities containing 20 or more commercial jobs. The feasibility studies will determine if sufficient "return" exists to justify the "investment" associated with conducting a competition. 	<ul style="list-style-type: none"> ■ Once the feasibility studies are complete, for any study that establishes a favorable return on investment, the CSSC will authorize a full assessment on the scope of the study, applicable mission impacts, risks, estimated savings, and timeline. After the full assessment, the CSSC will determine specific functions to be competed among public and private sources.

IMPROVED FINANCIAL PERFORMANCE

The USPTO is in compliance with all Federal accounting principles and standards and has encountered no instances of material weaknesses in internal controls or non-compliance with Federal accounting regulations. The USPTO will continue to maintain and strengthen internal controls and improve the timeliness and usefulness of financial management information.

PROGRESS	UPCOMING EVENTS
<ul style="list-style-type: none"> ■ Met all quarterly financial reporting requirements instituted by OMB. ■ Sustained the Agency's clean audit opinion, with FY 2008 marking the 16th consecutive unqualified audit opinion and the 12th consecutive year with no material weaknesses. ■ Maintained a certified and accredited, fully integrated financial management system and uses a data warehouse to manage both financial and operational data. The data warehouse is used by managers for analyzing financial results and performance and by supervisory patent examiners for managing patent processing time frames. ■ Operated a mature activity based cost (ABC) system that captures costs of core mission activities and both direct and indirect costs for the Agency. Managers use data from the ABC system to analyze the cost of operations when making decisions regarding improving processes, setting fees, or developing budget requirements. 	<ul style="list-style-type: none"> ■ The USPTO will continue its efforts to meet all reporting requirements, comply with all financial reporting rules, and earn an unqualified audit opinion with no material weaknesses. Financial systems will continue to be maintained at the highest standards and integrated into the daily operations.

EXPANDED E-GOVERNMENT

E-government is a critical factor in achieving the USPTO's three strategic goals. Specific e-government activities related to the strategic goals are included in the Performance Goals and Results section. The following describes enterprise-wide activities in support of this PMA initiative.

PROGRESS	UPCOMING EVENTS
<ul style="list-style-type: none"> ■ Continued support of the Patent Electronic Filing System (EFS)-Web system (the electronic patent document filing system launched in FY 2006) which provides users with a simple, fast, and secure method for submitting initial and follow-on patent applications over the Internet. ■ Continued development of the PFW system to pro-actively support the Patent organization as it faces the issues of increased filings, the need for remote access, and significant, fast paced changes in the examined technologies. ■ TEAS continued to provide customers with the ability to submit trademark applications and other trademark forms electronically over the Internet. ■ Continued to expand the BPAI and TTAB electronic processing systems. ■ Continued to enhance the electronic business center (available at the USPTO Web site www.uspto.gov) which provides citizens with on-line services such as the ability to pay fees, obtain historical patent and trademark information, file applications, maintain patents and registered marks, view patent and trademark documents, and locate registered patent attorneys or agents. 	<ul style="list-style-type: none"> ■ The USPTO will implement the HR Line of Business, which will improve on-line HR services and capabilities. ■ The USPTO will continue planning for the Financial Management Line of Business. ■ The USPTO will continue to: improve the security, availability, and quality of IT systems and services, while reducing their complexity and cost; support business area needs; provide internal on-line tools (re: consistency and quality of searching and exam); provide electronic file management and workflow; develop interactive on-line electronic filing capabilities; upgrade e-tools; help move to fully electronic records; eliminate the need to collect and store paper records; and continue to improve overall data quality.

BUDGET AND PERFORMANCE INTEGRATION

Since FY 1999, the USPTO has developed an annual corporate plan that links the annual performance plan and budget request so that resource requirements for continuing programs and new initiatives are aligned with outputs and performance goals.

PROGRESS	UPCOMING EVENTS
<ul style="list-style-type: none"> ■ Ensured that the annual performance plan is linked to the Agency's FY 2010 budget request and reflects the priorities and goals found in the <i>2007-2012 Strategic Plan</i>. The annual budget request is a consequence of USPTO managers integrating their funding requirements to the <i>2007-2012 Strategic Plan</i>, and establishing measurable objectives and milestones for each goal. The annual integrated budget/performance plan is the most effective and efficient way to establish accountability by making sure that performance measures are consistent with the views of the Administration and Congress. ■ Refined the Agency's performance goals for better integration of budgetary resources with both enterprise-wide strategic goals and individual unit performance targets. ■ Completed the 2008 PART effort to assess the Patent and OIPPE programs. ■ Utilized the PART, and other assessment evaluations and modeling techniques to effectively enhance delivery of services and achieve improved program results. The Agency routinely monitors program performance targets to ensure achievement of actual results vis-à-vis performance goals. Organizational goals and crosscutting performance measures are also included in senior executive members' performance appraisal plans to ensure alignment with Agency mission, strategic goals, and objectives. 	<ul style="list-style-type: none"> ■ Improve efficiency measures and their targets to provide more meaningful information for decision making. ■ Continue activities from Improvement Plans as a result of the 2008 PART effort.

Performance Audits and Evaluations

The OIG completed two evaluations during FY 2008. The first report, ***USPTO Has Reasonable Controls Over Personal Property, but Additional Improvements Are Needed (March 2008)***, focused on the effectiveness of USPTO's internal controls over laptops and other accountable property. The OIG found that the USPTO has made a commitment to establish an effective system of internal controls regarding accountable property; however, additional controls are needed. The USPTO concurred with the OIG's audit findings and began to address all recommendations. Some examples included: expanding property accountability training to include all individuals who support a property custodian; established an asset management Web site; and developing a plan to notify property accountability officers regarding their responsibility to verify the inventory of property assigned to their property custodians.

The second report, ***The Overseas Intellectual Property Rights Attaché Program is Generally Working Well but a Comprehensive Operating Plan Is Needed (July 2008)***, evaluated the effectiveness of the Intellectual Property Rights (IPR) Attaché Program. The OIG found the program was valuable and working well; however, findings and recommendation were made to improve the effectiveness of the program. The USPTO will continue to work closely with the International Trade Administration (ITA) Commercial Services (CS) and the U.S. Department of State to better define the IPR attachés' roles and responsibilities, improve their training, ensure program continuity and establish guidelines and criteria for the possible expansion of the program.

These evaluations were performed in support of the Management Goal: Achieve Organizational Excellence.

PROGRAM ASSESSMENT RATING TOOL (PART)

A key element of the President's Management Agenda is the effort to determine whether or not federal programs are achieving desired results at an acceptable cost to taxpayers. The Office of Management and Budget (OMB) uses the PART to evaluate programs across a set of performance-related criteria, including program design, strategic planning, program management, and results. Programs are assessed and assigned numeric scores, which correspond to qualitative ratings of Effective, Moderately Effective, Adequate, Ineffective, and Results Not Demonstrated. PART scores and findings are used to inform the budget process and drive improvements.

Since 2003, the USPTO and OMB have used the PART to review two of its programs. In 2008, the USPTO and OMB collaborated on one new PART review, Intellectual Property Protection Activities, and one PART reassessment, Patents. The Patent and Trademark programs are both rated Moderately Effective, while the Intellectual Property Protection Activities program is Adequate.

A complete list of USPTO's PART assessments, scores and ratings, as well as information on PART improvement plans, are available at www.ExpectMore.gov.

PERFORMANCE DATA VERIFICATION AND VALIDATION

In accordance with GPRA requirements, the USPTO is committed to making certain the performance information it reports is complete, accurate, and consistent. The USPTO developed a strategy to validate and verify the quality, reliability, and credibility of USPTO performance results and has taken the following actions:

ACCOUNTABILITY — Responsibility for providing performance data lies with managers of USPTO programs who are held accountable for making certain that procedures are in place to ensure the accuracy of data and the performance measurement sources are complete and reliable.

QUALITY CONTROL — Automated systems and databases that collect, track, and store performance indicators are monitored and maintained by USPTO program managers, with systems support provided by the OCIO. Each system, such as Patent Application Location and Monitoring (PALM) or Trademark Reporting And Application Monitoring (TRAM), incorporates internal program edits to control the accuracy of supporting data. The edits, typically, evaluate data for reasonableness, consistency, and accuracy. Crosschecks between other internal automated systems also provide assurances of data reasonableness and consistency. In addition to internal monitoring of each system, experts outside of the business units routinely monitor the data-collection methodology. The OCFO is responsible for monitoring the Agency's performance, providing direction and support on data collection methodology and analysis, ensuring that data quality checks are in place, and reporting performance management data.

FINANCIAL STATEMENT AUDIT — During the FY 2008 financial statement audit, the USPTO conducted various tests and reviews of the primary accounting system and internal controls, as required by the Chief Financial Officers' Act. In their FY 2008 report, the auditors reported no material weaknesses in internal controls or material compliance violations. The auditors issued an unqualified opinion on the USPTO's FY 2008 financial statements.

DATA ACCURACY — The USPTO conducts verification and validation of performance measures periodically to ensure quality, reliability, and credibility. At the beginning of each fiscal year, and at various points throughout the reporting or measurement period, sampling techniques and sample counts are reviewed and adjusted to ensure data are statistically reliable for making inferences about the population as a whole. Data analyses are also conducted to assist the business units in interpreting program data, such as the identification of statistically significant trends and underlying factors that may be impacting a specific performance indicator. For examination quality measures, the review programs themselves are assessed in terms of reviewer variability, data entry errors, and various potential biases.

Following is specific information, including data verification and validation, for each performance measure:

PERFORMANCE GOAL 1: OPTIMIZE PATENT QUALITY AND TIMELINESS

Patent Quality

Quality improvement continues to drive many of the Patent organization's new initiatives. The Patent organization continues to improve the quality of its products and services using in-depth reviews of work in progress and enhanced end-process reviews to provide feedback to examiners on areas for improvement, targeted training, and safeguards to ensure competencies. The in-process compliance rate is the percentage of applications reviewed during prosecution and prior to allowance that were found to be free of errors. The allowance compliance rate is the percentage of reviewed applications allowed by examiners that did not have any errors.

Measure: Patent Allowance Compliance Rate		
FISCAL YEAR	TARGET	ACTUAL
2005	96.0%	95.4%
2006	96.0%	96.5%
2007	96.0%	96.5%
2008	96.0%	96.3%
<i>Target Met.</i>		

Measure: Patent In-Process Examination Compliance Rate		
FISCAL YEAR	TARGET	ACTUAL
2005	84.0%	86.2%
2006	86.0%	90.0%
2007	90.0%	92.2%
2008	92.0%	92.5%
<i>Target Met.</i>		

Data Verification and Validation for Patent Allowance Compliance Rate and Patent In-Process Examination Compliance Rate

Data source:	Office of Patent Quality Assurance Report
Frequency:	Daily input, monthly reporting
Data Storage:	Automated systems, reports
Verification:	Manual reports and analysis
Data Limitations:	None

Patent Pendency

The two primary measures of Patent organization processing time are: (1) average first action pendency, which measures the average time in months from filing until an examiner's initial determination is made of the patentability of an invention; and (2) average total pendency, which measures the average time in months from filing until the application is issued as a patent or abandoned by the applicant. The USPTO is implementing strategies to reduce patent pendency and the backlog of applications awaiting examination such as increased hiring and process changes. However, even with continued access to the funding required to successfully execute these strategies, pendency will continue to rise for a period of time, but not to the extent it would have if these actions were not taken.

Measure: Patent Average First Action Pendency		
FISCAL YEAR	TARGET	ACTUAL
2005	21.3	21.1
2006	22.0	22.6
2007	23.7	25.3
2008	26.9	25.6
Target Met.		

Measure: Patent Average Total Pendency		
FISCAL YEAR	TARGET	ACTUAL
2005	31.0	29.1
2006	31.3	31.1
2007	33.0	31.9
2008	34.7	32.2
Target Met.		

Data Verification and Validation for Patent Average First Action Pendency and Patent Average Total Pendency

Data source:	PALM system
Frequency:	Daily input, monthly reporting
Data Storage:	PALM, automated systems, reports
Verification:	Accuracy of supporting data is controlled through internal program edits in the PALM system. Final test for reasonableness is performed internally by patent examiners, supervisors, and program management analysts
Data Limitations:	None

Patent E-Filing

The USPTO also created a fully electronic patent application management process whereby all patent examiners, technical support staff, and adjunct users can access an electronic image of all patent applications.

Measure: Patent Applications Filed Electronically		
FISCAL YEAR	TARGET	ACTUAL
2005	4.0%	2.2%
2006	10.0%	14.2%
2007	40.0%	49.3%
2008	69.0%	72.1% ¹
Target Met.		
<small>¹ This is preliminary data and is expected to be final by December 2008 and will be reported in the fiscal year (FY) 2009 PAR.</small>		

Data Verification and Validation for Patent Applications Filed Electronically

Data source:	PALM system
Frequency:	Daily input, quarterly reporting
Data Storage:	PALM and automated systems
Verification:	Accuracy of supporting data is controlled through internal program edits in PALM and crosschecks against other automated systems
Data Limitations:	None

Patent Efficiency

Measures the relative cost-effectiveness of the entire patent examination process over time, or the efficiency with which the organization applies its resources to production.

Measure: Patent Efficiency		
FISCAL YEAR	TARGET	ACTUAL
2005	\$4,122	\$3,877
2006	\$4,214	\$3,798
2007	\$4,253	\$3,961
2008	\$3,982	\$3,773
Target Met.		

Data Verification and Validation for Patent Efficiency

Data source:	PALM system
Frequency:	Daily input, quarterly reporting
Data Storage:	PALM, Data Warehouse, Activity Based Management (ABM) System
Verification:	Accuracy of supporting data is controlled through internal program edits in PALM, Momentum, ABM System. Quality control review of data by ABC System and Program Business Teams
Data Limitations:	None

PERFORMANCE GOAL 2: OPTIMIZE TRADEMARK QUALITY AND TIMELINESS

Trademark Quality

The Trademark organization measures for assessing examination quality include an evaluation for all issues that could be considered deficient in making a first and final action substantive refusal. Evaluations are conducted on a random sample of applications to review the quality of decision making of the examiner's first office action and final action refusal.

The "in-process review" standard for assessing excellent and deficient work creates a comprehensive, meaningful and rigorous review of what constitutes quality.

The results of an examiner's first action and final refusal are reviewed for the quality of the substantive basis for decision-making, search strategy, evidence and writing. The measures consider elements for review and evaluation with training targeted to topics that warrant improvement. Examiners are given feedback about excellent as well as deficient work to further improve quality.

Measure: Trademark Final Action Compliance Rate		
FISCAL YEAR	TARGET	ACTUAL
2005	95.0%	94.1%
2006	93.5%	96.4%
2007	96.0%	97.4%
2008	96.0%	97.2%
Target Met.		

Measure: Trademark First Action Compliance Rate		
FISCAL YEAR	TARGET	ACTUAL
2005	92.5%	95.3%
2006	93.5%	95.7%
2007	95.5%	95.9%
2008	95.5%	95.8%
Target Met.		

Data Verification and Validation for Trademark Final Action Compliance Rate and Trademark First Action Compliance Rate

Data source:	Office of Trademark Quality Review Report
Frequency:	Daily input, monthly reporting
Data Storage:	Automated systems, reports
Verification:	Manual reports and analysis
Data Limitations:	None

Trademark Pendency

Trademark first action pendency measures the average number of months from the date of application filing to the first office action.

Trademark average total pendency measures the average number of months, from the date of application filing to the date of disposal. Disposal includes registration, abandonment or issuance of a notice of allowance, excluding applications, that are suspended and awaiting further action or involved in *inter partes* proceedings.

Disposal pendency, including suspended and *inter partes* cases, was 13.9 months. Excluding applications that were suspended or delayed for *inter partes* proceedings; disposal pendency was 11.8 months.

Measure: Trademark Average First Action Pendency		
FISCAL YEAR	TARGET	ACTUAL
2005	6.4	6.3
2006	5.3	4.8
2007	3.7	2.9
2008	2.5 to 3.5	3.0
Target Met.		

Measure: Trademark Average Total Pendency		
FISCAL YEAR	TARGET	ACTUAL
2005	20.3	19.6
2006	18.8	18.0
2007	17.3	15.1
2008	16.3	13.9
Target Met.		

Data Verification and Validation for Trademark Average First Action Pendency and Trademark Average Total Pendency including suspended and interpartes cases

Data source:	TRAM system
Frequency:	Daily input, monthly reporting
Data Storage:	TRAM, automated systems, reports
Verification:	Accuracy of supporting data is controlled through internal program edits in the TRAM system. Program management performs final test for reasonableness
Data Limitations:	None

Trademark E-Filing

The number of trademark applications has progressed steadily over the years as a result of promotional events, increased number and type of applications, electronic filing, improved functionality and enhancements, and financial incentives, for example, lower fees.

The Trademark organization has created an electronic trademark application record management process by capturing nearly 100 percent of the application inventory as an electronic file that includes text and image of the initial application and subsequent applicant and office correspondence. Examining attorneys use the electronic record to process and examine applications, manage their dockets of pending work, and take action on applications.

Measure: Trademark Applications Filed Electronically		
FISCAL YEAR	TARGET	ACTUAL
2005	70.0%	88.0%
2006	80.0%	93.8%
2007	90.0%	95.4%
2008	95.0%	96.9%
Target Met.		

Data Verification and Validation for Trademark Applications Filed Electronically

Data source:	TRAM system
Frequency:	Daily input, monthly reporting
Data Storage:	TRAM, automated systems, reports
Verification:	Accuracy of supporting data is controlled through internal program edits in the TRAM system and crosschecks against other automated systems
Data Limitations:	None

Trademark Efficiency

Measures the relative cost-effectiveness of the entire trademark examination process over time, or the efficiency with which the organization applies its resources to production.

Measure: Trademark Efficiency		
FISCAL YEAR	TARGET	ACTUAL
2005	\$701	\$677
2006	\$635	\$565
2007	\$685	\$660
2008	\$697	\$470
Target Met.		

Data Verification and Validation for Trademark Efficiency

Data source:	TRAM system, Momentum, ABM system
Frequency:	Daily input, quarterly reporting
Data Storage:	TRAM, Data Warehouse, ABM system
Verification:	Accuracy of supporting data is controlled through internal program edits in TRAM, Momentum, ABM System. Quality control review of data by ABC System and program organization teams
Data Limitations:	None

PERFORMANCE GOAL 3: IMPROVE INTELLECTUAL PROPERTY PROTECTION AND ENFORCEMENT DOMESTICALLY AND ABROAD

The following measures demonstrate progress in protecting and enforcing IP. They focus on FTA negotiations and implementation, WTO accessions, 301 reviews, trade policy reviews, technical assistance, expansion of foreign postings, work details of USPTO employees to other U.S. Government agencies, as well as development of specific plans for strategic cooperation; for example, the work plans with China, Egypt, India, Brazil, and Association of South East Asian Nations (ASEAN).

Measure: Number of Instances in which USPTO Experts Review IP Policies/Standards		
FISCAL YEAR	TARGET	ACTUAL
2005	N/A	61
2006	N/A	77
2007	80	461
2008	275	595
<i>Target Met.</i>		

Measure: Improving Worldwide IP Expertise for U. S. Government Interests		
FISCAL YEAR	TARGET	ACTUAL
2005	N/A	4
2006	N/A	8
2007	10	17
2008	12	14
<i>Target Met.</i>		

Measure: Number of Memoranda of Agreement, Plans of Action, Mechanisms, and Support Programs Initiated or Implemented in Developing Countries as a result of OIPPE		
FISCAL YEAR	TARGET	ACTUAL
2005	N/A	2
2006	N/A	6
2007	8	14
2008	15	18
<i>Target Met.</i>		

The significant variance in actual numbers of instances in which USPTO experts reviewed IP policies/standards compared to the target was due to the exceptionally large number of requests from the USTR to assist with trade policy reviews, activities associated with FTAs, and requests for technical assistance stemming from the successful GIPA program and an increased focus on China.

Data Verification and Validation for Number of instances in which USPTO experts review IP policies/standards; improving worldwide IP expertise for U. S. Government interest; and plans of action, mechanisms, and support programs initiated or implemented in developing countries.

Data source:	External Affairs' reports and databases
Frequency:	Monthly input and reporting
Data Storage:	Reports
Verification:	Manual reports and analysis
Data Limitations:	None

COMMISSIONERS' PERFORMANCE FOR FY 2008

The American Inventors Protection Act (AIPA), Title VI, Subtitle G, the Patent and Trademark Office Efficiency Act, requires that an annual performance agreement be established between the Commissioner for Patents and the Secretary of Commerce, and the Commissioner for Trademarks and the Secretary of Commerce. The Commissioners for Patents and Trademarks have FY 2008 performance agreements with the Secretary of Commerce, which outline the measurable organizational goals and objectives for which they are responsible. They may be awarded a bonus, based upon an evaluation of their performance as defined in the agreement, of up to 50 percent of their base salary. The results achieved in FY 2008 are documented in this report. FY 2008 bonus information is currently not available. For FY 2007, the Commissioner for Patents was awarded a bonus of 17.9 percent of base salary and the Commissioner for Trademarks a bonus of 14.9 percent.

Management Assurances and Compliance with Laws and Regulations

This section provides information on the USPTO's compliance with the following legislative mandates:

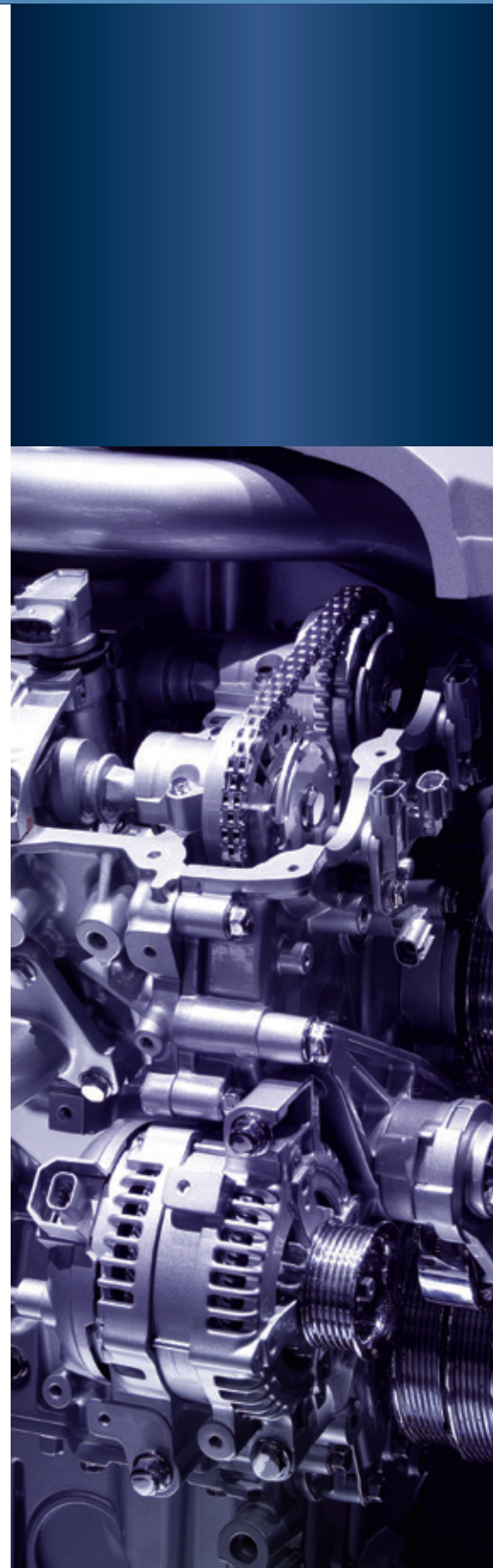
- Federal Managers' Financial Integrity Act (FMFIA)
- Federal Financial Management Improvement Act (FFMIA)
- Federal Information Security Management Act
- Inspector General (IG) Act Amendments
- OMB Financial Management Indicators
- Prompt Payment Act
- Civil Monetary Penalty Act
- Debt Collection Improvement Act
- Biennial Review of Fees

Management Assurances

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The FMFIA requires Federal agencies to provide an annual statement of assurance regarding management controls and financial systems. The USPTO management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. The objectives of internal control, as defined by the Government Accountability Office (GAO), are to ensure:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with laws and regulations.



The statement of assurance is provided at right, which includes one Section 2 material weakness for IT security discussed in further detail in the Federal Information Security Management Act section below. This statement was based on the review and consideration of a wide variety of evaluations, control assessments, internal analyses, reconciliations, reports, and other information, including the DOC OIG audits, and the independent public accountants' opinion on the USPTO's financial statements and their reports on internal control and compliance with laws and regulations. In addition, the USPTO is not identified on the GAO's High Risk List related to controls governing various areas.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The FFMIA requires Federal agencies to report on agency substantial compliance with Federal financial management system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. The USPTO complied substantially with the FFMIA for FY 2008.

Other Compliance with Laws and Regulations

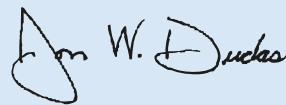
FEDERAL INFORMATION SECURITY MANAGEMENT ACT

The USPTO continues to stay vigilant in reviewing administrative controls over information systems and is always seeking methods of improving our security program. As of the end of FY 2008, 91 percent of our major IT systems are fully certified and accredited, with full authority to operate.

During FY 2008, the USPTO made significant progress, including improved processes and documentation. However, since some weaknesses remain, we are continuing to report the material weakness in IT Security, in recognition of the need for compliance with Government guidance on IT Security and to reconfirm its commitment to the protection of our Nation's intellectual property information systems and data.

On the basis of the USPTO's comprehensive internal control program during FY 2008, the USPTO can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008, was operating effectively, except for the one material weakness identified. Accordingly, I am pleased to certify with reasonable assurance, except for the one Federal Information Security Management Act material weakness regarding information technology security, that our agency's systems of internal control, taken as a whole, comply with Section 2 of the Federal Managers' Financial Integrity Act of 1982. Our agency also is in substantial compliance with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level and with federal financial system requirements. Accordingly, our agency fully complies with Section 4 of the Federal Managers' Financial Integrity Act of 1982, with no material non-conformances.

In addition, the USPTO conducted its assessment of the effectiveness of our agency's internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the USPTO provides reasonable assurance that its internal control over financial reporting as of June 30, 2008 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. In addition, no material weaknesses related to internal control over financial reporting were identified between July 1, 2008 and September 30, 2008.



Jon W. Dudas
*Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
November 7, 2008*

While the USPTO IT Security Program has made significant strides over the past year, there remain several security areas that require improvement. Specific areas that have been improved upon during FY 2008 include the C&A process of contractor systems, continuous monitoring of IT systems, and improvement of C&A packages for federal systems.

During FY 2009, the USPTO will continue to improve upon the remaining weaknesses.

INSPECTOR GENERAL ACT AMENDMENTS

The Inspector General Act, as amended, requires semi-annual reporting on IG audits and related activities, as well as any requisite agency follow-up. The report is required to provide information on the overall progress on audit follow-up and internal management controls, statistics on audit reports with

disallowed costs, and statistics on audit reports with funds put to better use. The USPTO did not have audit reports with disallowed costs or funds put to better use.

The USPTO's follow-up actions on audit findings and recommendations are essential to improving the effectiveness and efficiency of our programs and operations. As of September 30, 2008, management had resolved the two recommendations outstanding from a report issued in FY 2004 (USPTO-BTD-16432-4-0001: "USPTO Needs Strong Office of Human Resources Management Capable of Addressing Current and Future Challenges"). One new audit report was issued during FY 2008 (USPTO-CAR-18701: "USPTO Has Reasonable Controls Over Personal Property, but Additional Controls Are Needed"). Actions were taken to close five recommendations contained in the one new audit report. This audit report still has two recommendations remaining open. A summary of audit findings and recommendations follows.

Status of IG Act Amendment Audit Recommendations as of September 30, 2008				
Report for Fiscal Year	Status	Recommendation	Action Plan	Completion Date
FY 2004	Closed	Ensure that the USPTO works with Commerce and OPM to officially obtain delegated examining authority (DEA).	Currently, DEA is no longer the primary means of bringing new employees on board at USPTO. Hiring employees using Federal Career Intern Program (FCIP) is faster and more efficient. With Patent Examiner positions filled now under FCIP and few positions filled under DEA, there is no need to obtain DEA from OPM.	February 2008
FY 2004	Closed	Ensure that the USPTO develops Office of Human Resources (OHR) organizational descriptions, policies, and procedures, in accordance with the intent of DOO 10-14.	As OPM and DOC regulations change, the USPTO OHR created and/or updated our policies and SOPs. To date, OHR has implemented over 30 AAOs, policies, and SOPs to address OHR functions and services.	January 2008
FY 2008	Open	Conduct inventories consistent with the requirements contained in the Department Personal Property Management Manual dated October 2007.	The USPTO will implement and communicate USPTO's Standard Operating Procedures (SOP) for the annual physical verification of USPTO's home use assets, including laptops.	Estimated October 2008

Continued on next page

Status of IG Act Amendment Audit Recommendations as of September 30, 2008 (continued)				
Report for Fiscal Year	Status	Recommendation	Action Plan	Completion Date
FY 2008	Closed	Provide training to employees conducting inventories.	The Office of Corporate Services (OCS) worked with USPTO's OHR to provide property accountability training to property officials and all other individuals involved in supporting a Property Custodian (PC) in fulfilling his/her required duties.	March 2008
FY 2008	Closed	Make property management information readily available to USPTO employees.	The OCS worked with the OCIO to establish an asset management website, which will be displayed on USPTO's internal network home page.	February 2008
FY 2008	Closed	Require the Inventory Support Team to perform its quality assurance review in accordance with the contract, which requires that the team select and verify ten percent of the property on-hand with Enterprise Asset Management System (EAMS).	The OCS required the Inventory Support Team to not only physically observe and validate ten percent of the assets found in the custodian's general location, but to also select and verify at least ten percent of the assets found in the PCs general location and compare them to the PCs inventory report.	October 2007
FY 2008	Open	Require Property Accountability Officers (PAOs) to inventory the holdings of the PCs who report them.	PAOs will receive a notice indicating that, as part of their quarterly certification efforts, they must also verify the accuracy of the property assigned to PCs under their oversight.	Estimated October 2008
FY 2008	Closed	Follow Departmental policy in establishing property boards of review.	The USPTO's Chief Administrative Officer (CAO) officially impaneled the Property Board of Review and issued a justification permitting USPTO's Property Management Official to remain as a member of the Property Board of Review.	April 2008
FY 2008	Closed	Use Report of Review of Property forms (CD-52s) to promptly and thoroughly document actions taken on cases of lost/missing/stolen property.	The USPTO's Property Board of Review converted to the use of CD-52s to document actions taken on lost, missing, or stolen assets.	June 2008

Financial Performance Measure	FY 2008 Target	FY 2008 Performance
Percentage of Timely Vendor Payments (MTS)	98%	97%
Percentage of Payroll by Electronic Transfer (OMB)	90%	99%
Percentage of Treasury Agency Locations Fully Reconciled (OMB)	95%	100%
Timely Reports to Central Agencies (OMB)	95%	100%
Audit Opinion on FY 2008 Financial Statements (OMB)	Unqualified	Unqualified
Material Weaknesses Reported by OIG (OMB)	None	None
Timely Posting of Inter-Agency Charges (USPTO)	30 days	18 days
Average Processing Time for Travel Payments (USPTO)	8 days	6 days

OMB FINANCIAL MANAGEMENT INDICATORS

The OMB prescribes the use of quantitative indicators to monitor improvements in financial management. The USPTO tracks other financial performance measures as well. The table above shows the USPTO's performance during FY 2008 against performance targets established internally and by OMB and the government-wide Metric Tracking System (MTS).

PROMPT PAYMENT ACT

The Prompt Payment Act requires Federal agencies to report on their efforts to make timely payments to vendors, including interest penalties for late payments. In FY 2008, the USPTO did not pay interest penalties on 99.3 percent of the 8,644 vendor invoices processed, representing payments of approximately \$557.0 million. Of the 82 invoices that were not processed in a timely manner, the USPTO was required to pay interest penalties on 65 invoices, and was not required to pay interest penalties on 17 invoices, where the interest was calculated at less than \$1. The USPTO paid only \$20 in interest penalties for every million dollars disbursed in FY 2008. Virtually all recurring payments were processed by EFT in accordance with the EFT provisions of the Debt Collection Improvement Act of 1996.

CIVIL MONETARY PENALTY ACT

There were no Civil Monetary Penalties assessed by the USPTO during FY 2008.

DEBT COLLECTION IMPROVEMENT ACT

The Debt Collection Improvement Act prescribes standards for the administrative collection, compromise, suspension, and termination of Federal agency collection actions, and referral to the proper agency for litigation. Although the Act has no material effect on the USPTO since it operates with minimal delinquent debt, all debt more than 180 days old has been transferred to the U.S. Department of the Treasury for cross-servicing.

BIENNIAL REVIEW OF FEES

The Chief Financial Officers Act of 1990 requires a biennial review of agency fees, rents, and other charges imposed for services and things of value it provides to specific beneficiaries as opposed to the American public in general. The objective of the review is to identify such activities and to begin charging fees, where permitted by law, and to periodically adjust existing fees to reflect current costs or market value so as to minimize general taxpayer subsidy of specialized services or things of value (such as rights or privileges) provided directly to identifiable non-Federal beneficiaries. The USPTO is a fully fee-funded agency without subsidy of general taxpayer revenue. For non-legislative fees, it uses ABC accounting to evaluate the costs of activities and determine if fees are set appropriately. When necessary, fees are adjusted to be consistent with the program and with the legislative requirement to recover full cost of the goods or services provided to the public.

In October 2008, the USPTO implemented an increase to patent processing fees, commensurate with the last 12 months' increase in the Consumer Price Index. A study and analysis of all USPTO fees is under way, comparing the average unit costs for all products and services to the fees currently charged. This study is ongoing and is expected to continue through FY 2009.

Financial Discussion and Analysis

Financial Highlights

The following presents the USPTO's FY 2008 financial highlights for budgetary resources and requirements, along with results of operations. Details behind these highlights are included in the discussion of the USPTO's financial statements beginning on page 54.

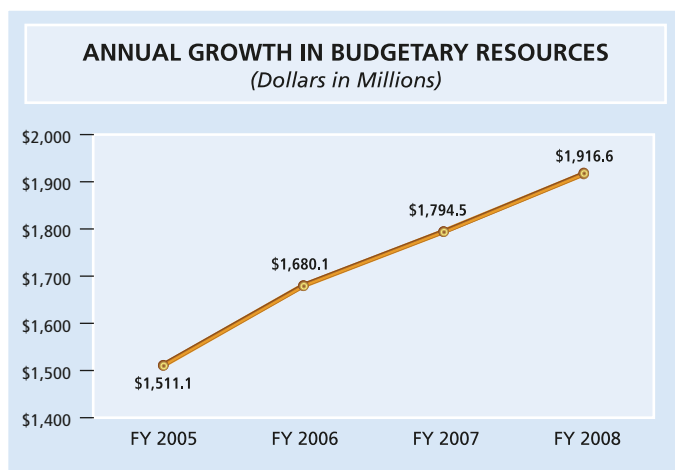
BUDGETARY RESOURCES AND REQUIREMENTS

The USPTO was provided appropriation authority to spend all planned fee collections in FY 2008. When spending authority is less than fee collections, the additional fee collections are temporarily unavailable. During FY 2007, the USPTO collected an additional \$12.2 million in fees that were temporarily unavailable for spending. However, beginning in FY 2008, the USPTO received access to fee collections \$100 million above original estimates, which greatly diminishes the chance of fees being temporarily unavailable.

The following table presents the source of funds made available to the USPTO, and the use of such funds.

Source and Status of Funds (Dollars in millions)	FY 2005	FY 2006	FY 2007	FY 2008
Source of Funds:				
Unobligated Beginning Balance	\$ 2.3	\$ 5.7	\$ 5.7	\$ 28.0
Recovery of Prior Year Obligations	7.6	9.1	9.9	12.0
Spending Authority from Offsetting Collections	1,504.2	1,665.4	1,791.1	1,885.6
Non-Expenditure Transfer	–	(0.1)	–	(1.0)
Net Increase in Unavailable Fees	–	–	(12.2)	–
Total Source of Funds	\$ 1,514.1	\$ 1,680.1	\$ 1,794.5	\$ 1,924.6
Status of Funds:				
Obligations Incurred	\$ 1,508.4	\$ 1,674.4	\$ 1,766.5	\$ 1,852.5
Unobligated Balance, Available	2.7	5.7	28.0	64.1
Unobligated Balance, Unavailable	3.0	–	–	8.0
Total Status of Funds	\$ 1,514.1	\$ 1,680.1	\$ 1,794.5	\$ 1,924.6

During FY 2008, total budgetary resources available for spending is 6.8 percent over the amount available in the preceding year. This increase in budgetary resources available for use is depicted by the graph below.



In FY 2008, the USPTO was provided with use of all of its fee collections. This allowed the USPTO continued flexibility towards meeting the goals of the **2007-2012 Strategic Plan**, including transitioning to a fully electronic operating environment, improving the quality of its services and products, addressing patent and trademark pendency, and improving intellectual property protection and enforcement. The additional funding has enabled the USPTO to substantially increase the number of patent examiners to assist in addressing the growing average complexity of patent applications and increasing

workloads and to allocate additional resources towards protecting intellectual property in the United States and abroad. As a result, the USPTO was able to meet all key performance goals and continue reforms that assure intellectual property relevancy in a highly competitive, global marketplace.

RESULTS OF OPERATIONS

The USPTO generated a net cost of \$30.4 million for the year ended September 30, 2008, a decrease of \$3.5 million over FY 2007 net cost of \$33.9 million. This variation is the result of a few factors, explained in more detail in the Statement of Net Cost discussion.

Due to the increase in pendency, the amount of time an application is waiting before a patent is issued or trademark is registered, the USPTO has been recognizing a steadily increasing deferred revenue liability for fees received prior to the revenue being earned. From FY 2005 through FY 2008, unearned patent fees increased 27.1 percent. In FY 2008, for each month patent pendency to first action increased, deferred revenue increased approximately \$2.6 million per pendency month, with a corresponding decrease in earned revenue. From FY 2005 through FY 2008, unearned trademark fees decreased 20.2 percent, a result of the increased staffing to address the backlog and the decrease in pendency. In addition to the 1,211 examiners hired during FY 2008, the USPTO plans to continue hiring at least 1,200 new patent examiners each fiscal year through FY 2013, as well as implementing new operating practices, to reduce the backlog of unprocessed applications and reduce pendency.

Financial Discussion and Analysis

FINANCIAL STATEMENTS

The USPTO received an unqualified (clean) audit opinion from the independent public accounting firm of KPMG LLP on its FY 2008 financial statements, provided on pages 69 to 93. This is the 16th consecutive year that the USPTO received a clean opinion. Our unqualified audit opinion provides independent assurance to the public that the information presented in the USPTO financial statements is fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. In addition, KPMG LLP reported no material weaknesses in the USPTO's internal control, and no instances of non-compliance with laws and regulations affecting the financial statements.

The USPTO financial management process ensures that management decision-making information is dependable, internal controls over financial reporting are effective, and that compliance with laws and regulations is maintained. The preparation of these financial statements is a component of the USPTO's objective to continually improve the accuracy and usefulness of its financial management tools.

The following sections provide a discussion and analysis of the financial statements and related information.

STATEMENT OF BUDGETARY RESOURCES

The following table displays the USPTO's total budgetary resources available for spending over the past four years, with the related percentage change. The budgetary resources available for spending do not include amounts that were not available through September 30, 2008, but will become available for spending on October 1, 2008 once apportioned by the OMB.

Resources	FY 2005	FY 2006	FY 2007	FY 2008
Budgetary Resources Available for Spending <i>(dollars in millions)</i>	\$1,511.1	\$1,680.1	\$1,794.5	\$1,916.6
<i>Percentage Change</i>	22.3%	11.2%	6.8%	6.8%
Patent Examiners	4,177	4,779	5,477	6,099
<i>Percentage Change</i>	13.5%	14.4%	14.6%	11.4%
Trademark Examining Attorneys	357	413	404	391
<i>Percentage Change</i>	24.8%	15.7%	(2.2)%	(3.2)%

As presented from the *Resources* table below, total budgetary resources available for spending increased with a 6.8 percent change and a 26.8 percent increase over the past three fiscal years. The increase in available budgetary resources was used to fund the increased cost of additional human capital to address the growing average complexity of patent applications and the increase in patent and trademark filings.

Filings	FY 2005	FY 2006	FY 2007	FY 2008
Patent Filings	409,532	445,613	468,330	495,095 ¹
<i>Percentage Change</i>	8.1%	8.8%	5.1%	5.7%
Trademark Filings	323,501	354,775	394,368	401,392
<i>Percentage Change</i>	8.4%	9.7%	11.2%	1.8%

¹ Preliminary data

The increase in available budgetary resources also allows the USPTO to apply additional funds towards the accomplishment of strategic goals and other initiatives that are associated with the performance goals contained in the **2007-2012 Strategic Plan** and the PMA.

The USPTO fee collections did not exceed the fee appropriation of \$1,915.5 million during FY 2008, and during FY 2008 the USPTO collected \$1,879.3 million of fees. The USPTO did not meet the planned fee collections primarily due to a decrease in the expected number of claims being filed per application and less issue fee collections due to focusing resources on reducing patent allowance error rates. Although less than planned, the FY 2008 fee collections increased 5.4 percent over FY 2007 collections of \$1,783.2 million, all of which was appropriated. This increase in collections is due to an increase in patent and trademark application filings, as well as an increase in maintenance fees received.

Temporary Unavailable Fee Collections (Dollars in millions)	FY 2005	FY 2006	FY 2007	FY 2008
Fiscal year fee collections	\$ 1,497.2	\$ 1,657.6	\$ 1,783.2	\$ 1,879.3
Fiscal year collections appropriated	(1,497.2)	(1,657.6)	(1,771.0)	(1,879.3)
Reductions - Rescissions	—	—	—	—
Fiscal year unavailable collections	\$ —	\$ —	\$ 12.2	\$ —
Prior year collections unavailable	516.5	516.5	516.5	528.7
Cumulative temporarily unavailable fee collections	\$ 516.5	\$ 516.5	\$ 528.7	\$ 528.7

As defined earlier, temporarily unavailable fee collections occur when the USPTO is not appropriated the authority to spend all fees collected during a given year. During FY 2008, the USPTO did not collect any fee collections that were designated as temporarily unavailable. As a result, the \$528.7 million in temporarily unavailable fee collections at the end of FY 2007 remained the same through FY 2008.

The above chart illustrates amounts that Congress has appropriated to the USPTO over the past four fiscal years, as well as the cumulative unavailable fee collections.

In addition to these annual restrictions, collections of \$233.5 million are unavailable in accordance with the OBRA of 1990, and deposited in a special fund receipt account at the U.S. Department of the Treasury.

STATEMENT OF NET COST

The Statement of Net Cost presents the USPTO's results of operations by the following responsibility segments – Patent, Trademark, and Intellectual Property Protection and Enforcement Domestically and Abroad. The following table presents the total USPTO's results of operations for the past four fiscal years. In FY 2005, the USPTO's operations resulted in a net cost. In FY 2006, the USPTO generated a net income due to the increased maintenance fees received and revenue recognition of previously deferred revenue collected subsequent to the fee increase on December 8, 2004. During FY 2007 and FY 2008, the USPTO's operations resulted in a net cost of \$33.9 million and \$30.4 million, respectively.

Net (Cost)/Income (Dollars in millions)	FY 2005	FY 2006	FY 2007	FY 2008
Earned Revenue	\$1,372.8	\$1,594.4	\$1,735.7	\$1,862.2
Program Cost	(1,424.0)	(1,514.2)	(1,769.6)	(1,892.6)
Net (Cost)/Income	\$ (51.2)	\$ 80.2	\$ (33.9)	\$ (30.4)

The Statement of Net Cost compares fees earned to costs incurred during a specific period of time. It is not necessarily an indicator of net income or net cost over the life of a patent or trademark. Net income or net cost for the fiscal year is dependent upon the groups of work that have been completed over the various phases of the production life cycle. The net income calculation is based on fees earned during the fiscal year being reported, regardless of when those fees were collected. Maintenance fees also play a large part in whether a total net income or net cost is recognized. Maintenance fees collected in FY 2008 are a reflection of patent issue levels 3.5, 7.5, and 11.5 years ago, rather than a reflection of patents issued in FY 2008. Therefore, maintenance fees can have a significant impact on matching costs and revenue.

While the backlog for patent applications continues to increase, increasing deferred revenue and decreasing earned revenue, during FY 2008, the Patent organization disposed of 9.4 percent more applications than were disposed of during FY 2007.

During FY 2008, with the number of trademark applications increasing only 1.8 percent over the prior year, the Trademark organization was able to significantly reduce their publication backlog and register 41.1 percent more trademarks over FY 2007. The Trademark organization was able to do this while recognizing a corresponding increase in revenue earned.

Earned Revenue (Dollars in Millions)	FY 2005	FY 2006	FY 2007	FY 2008
Patent	\$ 1,197.8	\$ 1,384.2	\$ 1,507.0	\$ 1,625.0
<i>Percentage Change in Patent Earned Revenue</i>	<i>9.6%</i>	<i>15.6%</i>	<i>8.9%</i>	<i>7.8%</i>
Trademark	175.0	210.2	228.7	237.2
<i>Percentage Change in Trademark Earned Revenue</i>	<i>19.5%</i>	<i>20.1%</i>	<i>8.8%</i>	<i>3.7%</i>
Total Earned Revenue	\$ 1,372.8	\$ 1,594.4	\$ 1,735.7	\$ 1,862.2
<i>Percentage Change in Earned Revenue</i>	<i>10.8%</i>	<i>16.1%</i>	<i>8.9%</i>	<i>7.3%</i>

EARNED REVENUE

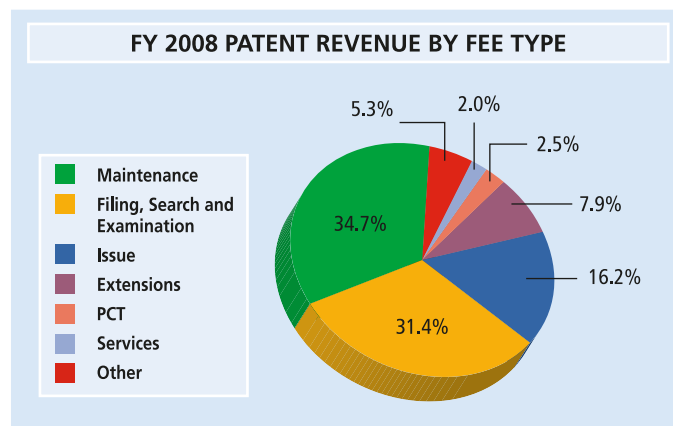
The USPTO's earned revenue is derived from the fees collected for patent and trademark products and services. Fee collections are recognized as earned revenue when the activities to complete the work associated with the fee are completed. The table above presents the earned revenue for the past four years.

Earned revenue totaled \$1,862.2 million for FY 2008, an increase of \$126.5 million, or 7.3 percent, over FY 2007 earned revenue of \$1,735.7 million. Of revenue earned during FY 2008, \$423.7 million related to fee collections that were deferred for revenue recognition in prior fiscal years, \$561.8 million related to maintenance fees collected during FY 2008, which were considered earned immediately, \$871.1 million related to work performed for fees collected during FY 2008, and \$5.6 million were not fee-related.

For fees collected and earned during FY 2008, there was an increase of \$75.6 million over these same fees earned during FY 2007. This increase can primarily be attributed to \$27.1 million in fees considered earned immediately, \$17.8 million in earned patent filing fees, \$12.0 million in earned patent issue fees, \$12.4 million in trademark post-registration fees, and \$7.7 million in patent petition fees.

Patent

Traditionally, the major components of earned revenue derived from patent operations are maintenance fees, initial application fees for filing, search, and examination, and issue fees. These fees account for over 82 percent of total patent income. The following chart depicts the relationship among the most significant patent fee types.



Patent maintenance fees are the largest source of earned revenue by fee type. During FY 2008, maintenance fees collected increased \$17.1 million, or 3.1 percent, over FY 2007. As they are recognized immediately as earned revenue, any fluctuations in the rates of renewal have a significant impact on the total earned revenue of the USPTO. To some extent, renewals recoup costs incurred during the initial patent process. As shown on the next page, the renewal rates for all three stages of maintenance fees have been increasing modestly over the last four years and the trend indicates that this growth pattern will continue.

Patent Renewal Rates*	FY 2005	FY 2006	FY 2007	FY 2008
First Stage	83.1%	93.1%	90.1%	83.1%
Second Stage	65.4%	69.2%	71.4%	73.7%
Third Stage	45.0%	44.4%	48.5%	49.2%

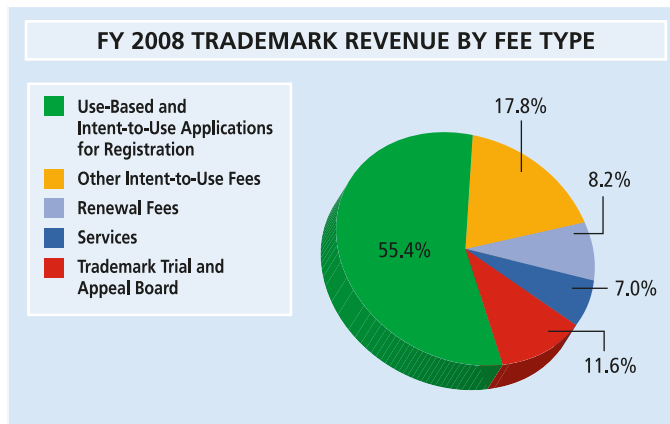
***Note:** the First Stage refers to the end of the 3rd year after the initial patent is issued; the Second Stage refers to the end of the 7th year after the initial patent is issued; and the Third Stage refers to the end of the 11th year after the initial patent is issued. For example, in FY 2008, 83.1 percent of the patents issued three years ago were renewed, 73.7 percent of the patents issued seven years ago were renewed, and 49.2 percent of the patents issued 11 years ago were renewed.

Application fee revenue earned upon filing increased from \$98.0 million in FY 2007 to \$99.8 million in FY 2008, with the number of applications increasing from 468,330 to 495,095 over the same period, increases of 1.8 percent and 5.7 percent, respectively. The FY 2009 President's Budget projects an increase of 5.0 percent in patent applications filed beginning in FY 2009 and extending through FY 2013, which will contribute to the continued growth in earned fee revenue.

Earned issue fee revenue increased from \$249.9 million in FY 2007 to \$262.3 million in FY 2008, with the number of patents issued decreasing from 184,377 to 182,556 over the same period, an increase of 5.0 percent and a decrease of 1.0 percent, respectively. The FY 2009 President's Budget projects that patents issued will increase an average of 8.7 percent each fiscal year through FY 2013.

Trademark

Trademark fees are comprised of application filing, renewal services, and Trademark Trial and Appeal Board fees. Additional fees are charged for intent-to-use filed applications, as additional requirements must be met for registration. The following chart depicts the relationship among the most significant trademark fee types.



Earned revenue for trademark applications decreased from \$133.1 million in FY 2007 to \$131.3 million in FY 2008, with the number of trademarks registered increasing from 194,327 to 274,250 over the same period, a decrease of 1.4 percent and an increase of 41.1 percent, respectively. The FY 2009 President's Budget projects that trademark applications filed will continue to increase, which will contribute to the continued growth in earned fee revenue.

Trademark registration can be a recurring source of revenue. To some extent, renewal fees recoup costs incurred during the initial examination process. As shown below, the renewal rates for trademarks have remained fairly stable over the last four years, indicating continued earned revenue from this source. Further, in the FY 2009 President's Budget, earned revenue from trademark renewals is expected to continue in the future.

Trademark Renewal Rates	FY 2005	FY 2006	FY 2007	FY 2008 ¹
Renewals	28.6%	28.8%	28.6%	27.0%

Note: the renewals occur every 10th year for trademarks registered after November 15, 1989. For trademarks issued or renewed before November 15, 1989, renewal will occur after the 20th year and the renewal will be for a ten-year period. For example, in FY 2008, 27.0 percent of the trademarks granted ten and 20 years ago were renewed.

¹ Preliminary data

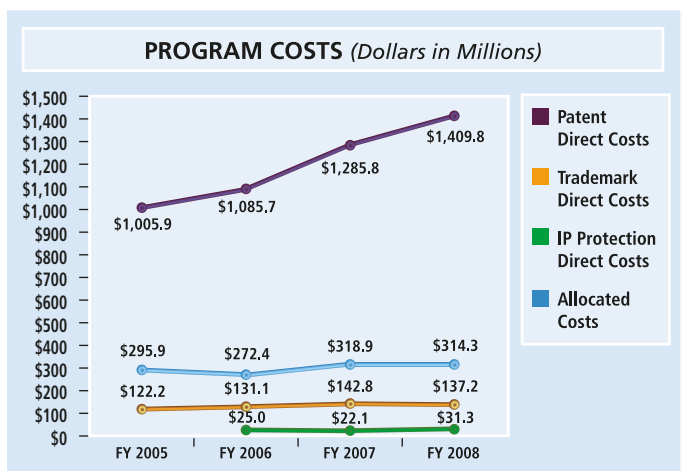
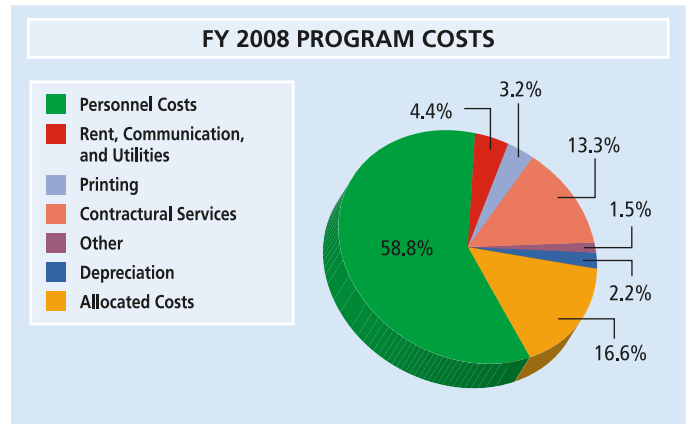
PROGRAM COSTS

Program costs totaled \$1,892.6 million for the year ended September 30, 2008, an increase of \$123.0 million, or 7.0 percent, over FY 2007 program costs of \$1,769.6 million. The USPTO's most significant program cost is personnel services and benefits, which traditionally comprise over half of USPTO's total program costs. Any significant change or fluctuation in staffing or pay rate directly impacts the change in total program costs from year-to-year. Total personnel services and benefits costs for the year ended September 30, 2008, were \$1,198.7 million, an increase of \$139.0 million, or 13.1 percent, over FY 2007 personnel services and benefits costs of \$1,059.7 million. This change, 113.0 percent of the total increase in program costs, was a result of a 4.5 percent increase in the Federal pay scale, combined with a net increase of 605 personnel, from 8,913 at the end of FY 2007 to 9,518 at the end of FY 2008.

The USPTO directs maximum resources to the priority functions of patent and trademark examination, as well as IP protection and enforcement domestically and abroad. For FY 2008, costs directly attributable to the Patent, Trademark, and IP protection business areas represent 83.4 percent of total USPTO costs. The remaining costs, representing support costs, are allocated to the business areas using ABC accounting.

Patent

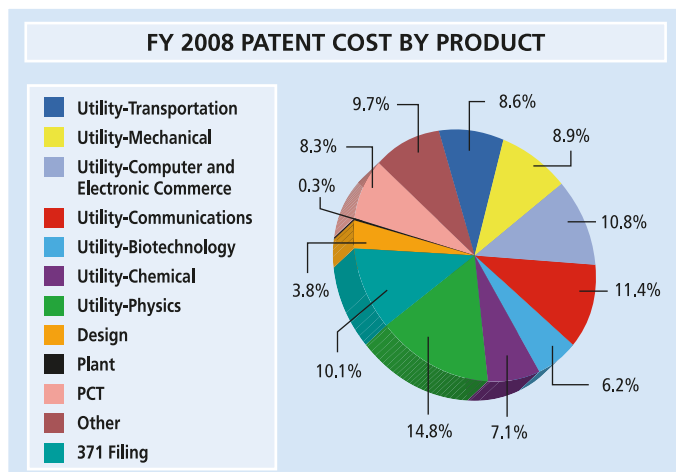
Total costs for the Patent business unit increased \$402.6 million, 32.1 percent, from FY 2005 through FY 2008. The following table presents the major components of Patent costs for the past four years.



Patent Costs (Dollars in millions)	FY 2005	FY 2006	FY 2007	FY 2008
Personnel Costs	\$ 646.5	\$ 714.4	\$ 867.1	\$ 993.6
Contractual Services	156.1	181.5	223.6	226.2
Printing and Reproduction	68.9	71.9	70.0	59.4
Rent, Communications, and Utilities	82.6	69.3	71.1	72.6
Depreciation, Amortization, or Loss on Asset Disposition	26.1	24.8	32.3	35.8
Other	25.7	23.8	21.7	22.2
Direct Costs	1,005.9	1,085.7	1,285.8	1,409.8
Allocated Costs	247.2	226.6	247.2	245.9
Total Patent Costs	\$ 1,253.1	\$ 1,312.3	\$ 1,533.0	\$ 1,655.7
Percentage Change in Patent Costs	9.4%	4.7%	16.8%	8.0%

The Patent organization's most significant program costs relate to personnel services, and account for 86.2 percent of the increase in total cost of Patent operations during the past three years. Patent personnel costs for the year ended September 30, 2008 were \$993.6 million, an increase of \$126.5 million, or 14.6 percent, over FY 2007 personnel costs of \$867.1 million. Rent, communications, and utilities, printing and reproduction, and contractual service costs represent 21.7 percent of the Patent program costs for FY 2008. Over the last three years, contractual costs increased in line with the overall increase in total Patent costs due to increases in the number of patents issued and increased spending on indexing and scanning documents for the electronic file wrapper, offset by minor decreases to printing and reproduction. In addition, rental costs decreased 12.1 percent over the past three years, with a decrease in costs of \$10.0 million as the move to Alexandria has been completed.

Patent costs were spread over four main patent products: utility patents, design patents, plant patents, and PCT patents. Utility patents were further broken down into the technology of the utility patent. The cost percentages presented below are based on direct and indirect costs allocated to patent operations and are a function of the volume of applications processed in each product area.

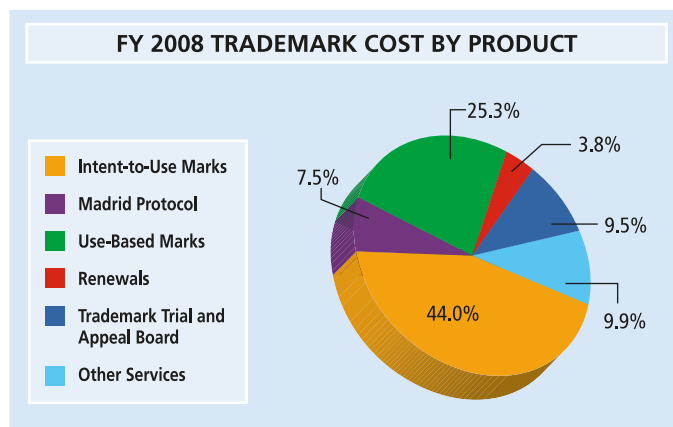


Trademark

Total costs for the Trademark business unit increased \$21.7 million, 12.7 percent, from FY 2005 through FY 2008. The table on the next page shows the major components of Trademark costs for that period.

The Trademark organization's most significant program costs relate to personnel services, and account for 100.0 percent of the increase in total cost of Trademark operations during the past three years. The increase of \$21.7 million was offset by other cost increases and decreases. Contractual services have decreased \$3.8 million over the past three years, which represents a decrease of 17.5 percent of the total Trademark cost change over the past three years, as a result of being able to rely more on automated tools, rather than contractors.

The Intent to Use cost includes costs related to examining both the application and the additional intent to use disclosures. The overall cost percentages presented below are based on both direct costs and indirect costs allocated to trademark operations and are a function of the volume of applications processed in each product area.



Trademark Costs (Dollars in millions)	FY 2005	FY 2006	FY 2007	FY 2008
Personnel Costs	\$ 80.0	\$ 88.8	\$ 99.8	\$ 101.7
Contractual Services	23.2	25.1	24.4	19.4
Printing and Reproduction	0.8	0.3	0.8	0.4
Rent, Communications, and Utilities	8.4	7.8	7.8	7.3
Depreciation, Amortization, or Loss on Asset Disposition	6.1	6.0	7.3	5.4
Other	3.7	3.1	2.7	3.0
Direct Costs	122.2	131.1	142.8	137.2
Allocated Costs	48.7	37.7	61.7	55.4
Total Trademark Costs	\$ 170.9	\$ 168.8	\$ 204.5	\$ 192.6
<i>Percentage Change in Total Trademark Costs</i>	<i>19.2%</i>	<i>(1.2)%</i>	<i>21.1%</i>	<i>(5.8)%</i>

Intellectual Property Protection and Enforcement

The release of the *2007-2012 Strategic Plan* resulted in a new responsibility segment for FY 2007. Prior year costs were reclassified to conform to the current year presentation of this new responsibility segment. Total costs for IP Protection increased \$11.2 million, 33.8 percent, from FY 2006 through FY 2008. The following table shows the major components of IP Protection costs for that period.

The most significant program costs for IP Protection relate to personnel services, and account for 40.4 percent of the total cost for IP Protection operations during the past year. The next largest cost associated with the protection and enforcement of intellectual property domestically and abroad is contractual services. These costs were incurred in line with the activities discussed on pages 24 to 29.

Intellectual Property Protection and Enforcement Costs (Dollars in millions)	FY 2005¹	FY 2006	FY 2007	FY 2008
Personnel Costs	–	\$ 13.6	\$ 13.1	\$ 17.9
Contractual Services	–	6.3	1.9	6.6
Rent, Communications, and Utilities	–	2.1	2.2	2.6
Travel	–	1.6	3.5	2.8
Depreciation, Amortization, or Loss on Asset Disposition	–	0.5	0.4	0.5
Other	–	0.9	1.0	0.9
Direct Costs	–	25.0	22.1	31.3
Allocated Costs	–	8.1	10.0	13.0
Total IP Protection Costs	–	\$ 33.1	\$ 32.1	\$ 44.3
<i>Percentage Change in Total IP Protection Costs</i>	–	<i>–%</i>	<i>(3.0)%</i>	<i>38.0%</i>

¹ Costs prior to FY 2006 are not available.

Composition of USPTO Assets (Dollars in millions)	FY 2005	FY 2006	FY 2007	FY 2008
Cash	\$ 8.8	\$ 6.8	\$ 7.0	\$ 4.4
Fund Balance with Treasury	1,240.8	1,401.8	1,402.7	1,431.2
Property, Plant, and Equipment, Net	148.4	164.5	204.6	204.2
Accounts Receivable and Prepayments	11.1	7.2	11.2	8.5
Total Assets	\$ 1,409.1	\$ 1,580.3	\$ 1,625.5	\$ 1,648.3
<i>Percentage Change in Total Assets</i>	<i>8.6%</i>	<i>12.1%</i>	<i>2.9%</i>	<i>1.4%</i>

BALANCE SHEET AND STATEMENT OF CHANGES IN NET POSITION

At the end of FY 2008, the USPTO's consolidated Balance Sheet presents total assets of \$1,648.3 million, total liabilities of \$1,215.7 million, and a net position of \$432.6 million.

Total assets increased 17.0 percent over the last three years, resulting largely from the increase in Fund Balance with Treasury and Property, Plant, and Equipment. The table above shows the changes in assets during this period.

Fund Balance with Treasury is the single largest asset on the Balance Sheet and represents 86.8 percent of total assets at the end of FY 2008. This asset is comprised of unpaid obligated funds of \$484.5 million, temporarily unavailable fees of \$528.7 million, unavailable special receipt funds under OBRA of \$233.5 million, other funds held on deposit for customers of \$112.4 million, and unobligated funds of \$72.1 million.

The unavailable special receipt funds and the temporarily unavailable funds require Congressional appropriation before they will be available for USPTO's use. These funds, together with amounts obligated and held on deposit, represent 95.0 percent of the Fund Balance with Treasury.

The other major asset is property, plant, and equipment. The net balance of this asset has increased by \$55.8 million during the past three years, with the acquisition values of property, plant, and equipment increasing by \$183.4 million. Investments in IT software and software in development increased \$98.5 million, in conjunction with enhancing the existing e-government capabilities in areas such as e-filing, application information retrieval, data and image capture, and web-based search systems.

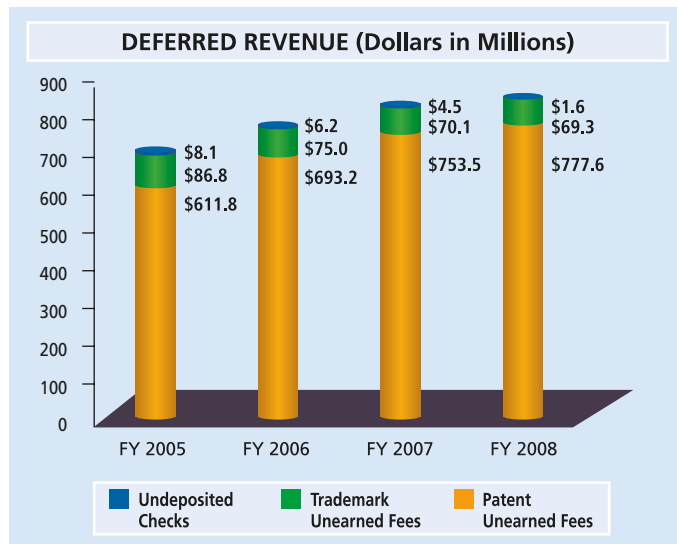
Total liabilities increased from \$1,161.5 million at the end of FY 2007 to \$1,215.7 million at the end of FY 2008, representing an increase of \$54.2 million, or 4.7 percent. The below table shows the change in liabilities during the past four years.

The USPTO's deferred revenue is the largest liability on the Balance Sheet. The liability for deferred revenue is calculated by analyzing the process for completing each service provided. The percent incomplete based on the inventory of pending work is applied to fee collections to estimate the amount for deferred revenue liability.

At the end of FY 2008, deferred revenue liability was \$848.5 million, representing an increase of \$141.8 million, or 20.1 percent, over the past three years. The deferred revenue liability

Composition of USPTO Liabilities (Dollars in millions)	FY 2005	FY 2006	FY 2007	FY 2008
Deferred Revenue	\$ 706.7	\$ 774.4	\$ 828.1	\$ 848.5
Accounts Payable	101.8	104.4	96.6	96.7
Accrued Payroll, Leave, and Benefits	90.7	101.4	120.3	145.4
Customer Deposit Accounts	74.1	83.8	91.9	101.5
Other Liabilities	18.0	18.3	24.6	23.6
Total Liabilities	\$ 991.3	\$ 1,082.3	\$ 1,161.5	\$ 1,215.7
<i>Percentage Change in Total Liabilities</i>	<i>19.7%</i>	<i>9.2%</i>	<i>7.3%</i>	<i>4.7%</i>

includes unearned patent and trademark fees, as well as undeposited checks. The unearned patent fees represented 91.6 percent of this liability. The following graph depicts the composition of the deferred revenue liability, in addition to the increase in this liability during each of the past four years.



Deferred revenue at the USPTO is largely impacted by the change in patent and trademark filings, changes in the first action pendency rates, and changes in fee rates. In FY 2005 and FY 2006, the percentage change in first action pendency months

was less than the percentage change in deferred revenue as a result of the increased fees associated with the unearned patent and trademark application filings. However, in FY 2007, the percentage increase in deferred revenue is consistent with the percentage increases in the first action pendency months. Again in FY 2008, the percentage change in first action pendency months was less than the percentage change in deferred revenue as a result of the increased fees associated with the unearned patent and trademark application filings. The following table depicts the changes in the filings and pendencies during the past four years.

Deferred revenue associated with the patent process is expected to further increase. In the FY 2009 President's Budget, the number of patent applications filed from FY 2009 through FY 2013 is expected to increase approximately 5.0 percent each year, with first action pendency increasing to 27.8 months in FY 2012 and total pendency increasing to 38.8 months in FY 2013. The pendency increases will result in patent deferred revenue increases.

The deferred revenue associated with the trademark process continued to decrease in FY 2008. Trademark deferred revenue decreased by \$0.8 million, or 1.1 percent, from FY 2007, with a total 20.2 percent decrease over the past three years. This was consistent with trademark first action pendency increasing to

Filings and Pendencies	FY 2005	FY 2006	FY 2007	FY 2008
Patent Filings	409,532	445,613	468,330	495,095 ¹
<i>Percentage Change in Patent Filings</i>	8.1%	8.8%	5.1%	5.7%
Patent First Action Pendency (months)	21.1	22.6	25.3	25.6
<i>Percentage Change in Patent First Action Pendency</i>	4.5%	7.1%	11.9%	1.2%
Total Patent Pendency (months)	29.1	31.1	31.9	32.2
<i>Percentage Change in Total Patent Pendency</i>	5.4%	6.9%	2.6%	0.9%
Trademark Filings	323,501	354,775	394,368	401,392
<i>Percentage Change in Trademark Filings</i>	8.4%	9.7%	11.2%	1.8%
Trademark First Action Pendency (months)	6.3	4.8	2.9	3.0
<i>Percentage Change in Trademark First Action Pendency</i>	(4.5)%	(23.8)%	(39.6)%	3.4%
Total Trademark Pendency (months)	19.6	18.0	15.1	13.9
<i>Percentage Change in Total Trademark Pendency</i>	0.5%	(8.2)%	(16.1)%	(7.9)%

¹ Preliminary data

3.0 months and total trademark pendency decreasing to 13.9 months. Estimates included in the FY 2009 President's Budget project the pendencies to remain constant in the upcoming years.

The Statement of Changes in Net Position presents the changes in the financial position of the USPTO due to results of operations and unexpended appropriations. The movement in net position is the result of the net income or net cost for the year. The change in the net position during the past four years is presented in the following table.

USPTO Net Position (Dollars in millions)	FY 2005	FY 2006	FY 2007	FY 2008
Net Position	\$ 417.8	\$ 498.0	\$ 464.0	\$ 432.6
Percentage Change in Net Position	(10.9)%	19.2%	(6.8)%	(6.8)%

The decrease in net position from \$464.0 million at the end of FY 2007 to \$432.6 million at the end of FY 2008, or 6.8 percent, is attributable largely to the results of operations.

LIMITATION ON FINANCIAL STATEMENTS

The USPTO has prepared its FY 2008 financial statements in accordance with the requirements of OMB Circular A-136, *Financial Reporting Requirements*, as amended, and guidance provided by the Department of Commerce. OMB Circular A-136 incorporates the concepts and standards contained in the Statements of Federal Financial Accounting Concepts (SFFAC) and the Statements of Federal Financial Accounting Standards (SFFAS) recommended by the Federal Accounting Standards Advisory Board (FASAB) and approved by the Secretary of the Treasury, the Director of the OMB, and the Comptroller General.

On October 19, 1999, the American Institute of Certified Public Accountants Council designated the FASAB as the accounting standards-setting body for Federal government entities. Therefore, the SFFAS constitute accounting principles generally accepted in the United States (GAAP) for the Federal Government. These concepts and standards have been set by FASAB to help Federal agencies comply with the requirements of the *Chief Financial*

Officers' Act of 1990, as amended by the *Government Management Reform Act of 1994*. These two Acts demand financial accountability from Federal agencies and require the integration of accounting, financial management, and cost accounting systems.

The financial data in this report and the financial statements that follow have been prepared from the accounting records of the USPTO in conformity with GAAP. The USPTO's financial statements consist of the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, the Statement of Budgetary Resources, and the Statement of Cash Flows. The financial statements were prepared pursuant to the requirements of 31 (United States Code) U.S.C. 3515(b). The following limitations apply to the preparation of the financial statements:

- While the statements are prepared from books and records in accordance with the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.
- The statements should be read with the realization that the USPTO is a component of the U.S. Government, a sovereign entity. One implication is that unfunded liabilities cannot be liquidated without legislation that provides resources to do so.

In addition, certain information contained in this financial discussion and analysis and in other parts of this Performance and Accountability Report may be deemed forward-looking statements regarding events and financial trends that may affect future operating results and financial position. Such statements may be identified by words such as "estimate," "project," "plan," "intend," "believe," "expect," "anticipate," or variations or negatives thereof or by similar or comparable words or phrases. Prospective statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. Such risks and uncertainties include, but are not limited to, the following: changes in U.S. or international IP laws; changes in U.S. or global economic conditions; the availability, hiring and retention of qualified staff employees; management of patent and trademark growth; Government regulations; disputes with labor organizations; and deployment of new technologies. The USPTO undertakes no obligation to publicly update these financial statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

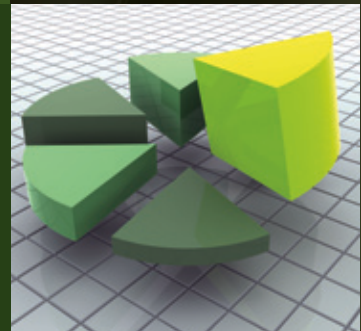
MANAGEMENT RESPONSIBILITIES

USPTO management is responsible for the fair presentation of information contained in the principal financial statements, in conformity with GAAP, the requirements of OMB Circular A-136, and guidance provided by the Department of Commerce. Management is also responsible for the fair presentation of the USPTO's performance measures in accordance with OMB requirements. The quality of the USPTO's internal control rests with management, as does the responsibility for identifying and complying with pertinent laws and regulations.

Financial Section



accuracy



data

innovation



creativity



leadership



Message from the Chief Financial Officer

In FY 2008, the USPTO continued a high standard of financial management. As a result of the dedicated efforts of the financial management staff throughout the USPTO, we have received an unqualified opinion on our financial statements for the 16th consecutive year. Along with the unqualified opinion, the auditors reported no material weaknesses in the design and operation of the USPTO's system of internal control over financial reporting and the auditors reported that our financial system complies with Federal financial systems requirements. For the sixth

consecutive year, the Association of Government Accountants awarded the USPTO the Certificate of Excellence in Accountability Reporting for our **FY 2007 Performance and Accountability Report**, clearly demonstrating our excellence in integrating performance and accountability reporting.

In accordance with the **2007-2012 Strategic Plan**, the Office of the Chief Financial Officer (OCFO) continues to support the strategic direction of the USPTO by carrying out the fundamental objectives of the enterprise-wide management goal, Achieve Organizational Excellence, through sound and cost-effective resource management and improving the transparency into executive management information to monitor the health of the organization.



Our CFO — USPTO Chief Financial Officer Barry Hudson serves as the agency's principal financial adviser and manager of fiscal operations. In accordance with the Strategic Plan for 2007-2012, the Office of the Chief Financial Officer continues to support the strategic direction of the USPTO to achieve its core mission and strives to achieve organizational excellence.

An important foundation for organizational excellence is the continuous evaluation of processes to improve efficiency, effectiveness, and accountability. Changes to our accounting classification structure improved the timeliness, usefulness, and accuracy of financial management information for decision-making. Cost information is now captured at an enterprise-wide level, rather than a traditional stove-piped view. This allows the USPTO to better manage processes across the organization from a cross-functional perspective rather than an organizational one.

As a result, executives and program managers now have better insight into the cost of cross-cutting activities and the ability to more accurately align costs with operational activities. Furthermore, the OCFO is able to provide more effective stewardship of patent and trademark fees by right-sizing our spending plans and maximizing our funding flexibilities. The USPTO also analyzed the current fee structure for newly proposed or revised fees using cost information to ensure full cost recovery.

We also continue to review financial management and related processes to identify areas for improvement in efficiency, financial and performance data integration, and internal controls to ensure unmatched reliability in financial activities. We strive to carry out an internal control evaluation program that not only meets regulatory requirements, but allows us to continuously improve efficiency, effectiveness, and accountability. Each year, we conduct an assessment of our internal controls over financial reporting. In addition, we perform a number of internal control reviews to monitor

the effectiveness and efficiency of selected operational controls and compliance with applicable laws and regulations. In FY 2008, we performed two such non-financial internal control reviews in order to measure our success at fulfilling the objectives of OMB Circular A-25, *User Charges*, and the Program Assessment Rating Tool (PART) review process.

As in past years, we will continue to integrate strategic, financial, performance, and operational data in a manner to improve analysis of crucial information, bring the information to those who require it in a timely manner, and ensure the information is valuable, simplistic, and accurate. We will look forward to continuing our organizational excellence by providing strategic leadership and being a true business partner to achieving the strategic goals of the organization.



Barry K. Hudson
Chief Financial Officer
November 7, 2008

Principal Financial Statements and Related Notes



Excellent Team Work — Members of the USPTO FY 2007 Performance and Accountability Report team. The 2007 PAR team members include Maureen Brown, Judy Grundy, CFO Barry Hudson, Ray Chen, Pam Kitchens, Greg Morse, Shana Willard, Dennis Detar, Karen Strobecker, and David Fitzpatrick.

UNITED STATES PATENT AND TRADEMARK OFFICE CONSOLIDATED BALANCE SHEETS

As of September 30, 2008 and 2007

(Dollars in Thousands)	2008	2007
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 1,431,242	\$ 1,402,663
Advances and Prepayments	2,591	1,950
Total Intragovernmental	1,433,833	1,404,613
Cash	4,358	7,010
Accounts Receivable, Net	517	5,078
Advances and Prepayments	5,398	4,183
Property, Plant, and Equipment, Net (Note 4)	204,184	204,577
Total Assets	\$ 1,648,290	\$ 1,625,461
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 4,675	\$ 5,674
Accrued Payroll and Benefits	9,323	6,846
Accrued Post-employment Compensation	1,950	1,826
Customer Deposit Accounts (Note 3)	4,535	4,779
Total Intragovernmental	20,483	19,125
Accounts Payable	92,019	90,928
Accrued Payroll and Benefits	76,052	61,707
Accrued Leave	60,060	51,773
Customer Deposit Accounts (Note 3)	96,940	87,090
Patent Cooperation Treaty Account (Note 3)	11,598	13,717
Madrid Protocol Account (Note 3)	311	450
Deferred Revenue (Note 6)	848,505	828,070
Actuarial Liability (Note 7)	8,318	7,929
Contingent Liability (Note 14)	1,400	652
Total Liabilities (Note 5)	\$ 1,215,686	\$ 1,161,441
NET POSITION		
Cumulative Results of Operations – Earmarked Funds (Note 10)	\$ 432,604	\$ 464,020
Total Net Position	\$ 432,604	\$ 464,020
Total Liabilities and Net Position	\$ 1,648,290	\$ 1,625,461

The accompanying notes are an integral part of these financial statements.

UNITED STATES PATENT AND TRADEMARK OFFICE CONSOLIDATED STATEMENTS OF NET COST

For the years ended September 30, 2008 and 2007

(Dollars in Thousands)	2008	2007
Strategic Goal 1: Optimize Patent Quality and Timeliness		
Total Program Cost	\$ 1,655,656	\$ 1,533,051
Total Program Earned Revenue	(1,624,993)	(1,506,994)
Net Program Cost	30,663	26,057
Strategic Goal 2: Optimize Trademark Quality and Timeliness		
Total Program Cost	192,587	204,527
Total Program Earned Revenue	(237,181)	(228,712)
Net Program Income	(44,594)	(24,185)
Strategic Goal 3: Improve Intellectual Property Protection and Enforcement Domestically and Abroad		
Total Program Cost	44,347	32,080
Net Cost of Operations (Note 11)	\$ 30,416	\$ 33,952
Total Entity		
Total Program Cost (Notes 12 and 13)	\$ \$1,892,590	\$ 1,769,658
Total Earned Revenue	(1,862,174)	(1,735,706)
Net Cost of Operations (Note 11)	\$ 30,416	\$ 33,952

The accompanying notes are an integral part of these financial statements.

UNITED STATES PATENT AND TRADEMARK OFFICE CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2008 and 2007

(Dollars in Thousands)	2008	2007
	Earmarked Funds	Earmarked Funds
Cumulative Results of Operations		
Beginning Balances	\$ 464,020	\$ 497,972
Budgetary Financing Sources:		
Transfers Out Without Reimbursement	(1,000)	—
Total Financing Sources	(1,000)	—
Net Cost of Operations	(30,416)	(33,952)
Net Change	(31,416)	(33,952)
Cumulative Results of Operations	\$ 432,604	\$ 464,020
Unexpended Appropriations		
Beginning Balances	\$ —	\$ 26
Budgetary Financing Sources:		
Appropriations Transferred Out	—	(26)
Total Unexpended Appropriations	\$ —	\$ —
Net Position, End of Year	\$ 432,604	\$ 464,020

The accompanying notes are an integral part of these financial statements.

UNITED STATES PATENT AND TRADEMARK OFFICE COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the years ended September 30, 2008 and 2007

(Dollars in Thousands)	2008	2007
BUDGETARY RESOURCES		
Unobligated Balance - Brought Forward, October 1	\$ 28,036	\$ 5,716
Recoveries of Prior Year Unpaid Obligations	11,963	9,865
Spending Authority from Offsetting Collections:		
Earned:		
Collected	1,862,291	1,735,310
Customer Receivables and Refund Payables	(77)	459
Change in Unfilled Customer Orders - Advance Received	23,407	55,325
Total Spending Authority from Offsetting Collections	1,885,621	1,791,094
Nonexpenditure Transfers, Net, Anticipated and Actual	(1,000)	(26)
Temporarily Not Available Pursuant to Public Law	—	(12,189)
Total Budgetary Resources	\$ 1,924,620	\$ 1,794,460
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred - Reimbursable	\$ 1,852,541	\$ 1,766,424
Unobligated Balance:		
Apportioned for Current Year	64,068	28,036
Unobligated Balance not Available	8,011	—
Total Status of Budgetary Resources	\$ 1,924,620	\$ 1,794,460
CHANGE IN OBLIGATED BALANCE		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 511,467	\$ 553,826
Customer Receivables and Refund Payables, Brought Forward, October 1	584	1,043
Total Unpaid Obligated Balance Brought Forward, Net	512,051	554,869
Obligations Incurred, Net	1,852,541	1,766,424
Gross Outlays	(1,868,184)	(1,798,918)
Recoveries of Prior Year Unpaid Obligations, Actual	(11,963)	(9,865)
Change in Customer Receivables and Refund Payables	77	(459)
Total Unpaid Obligated Balance, Net, Current Year	(27,529)	(42,818)
Obligated Balance, Net, End of Year		
Unpaid Obligations	483,861	511,467
Uncollected Customer Receivables and Unpaid Refund Payables	661	584
Total Unpaid Obligated Balance, Net, End of Year	\$ 484,522	\$ 512,051
NET OUTLAYS		
Gross Outlays	\$ 1,868,184	\$ 1,798,918
Offsetting Collections	(1,885,698)	(1,790,635)
Net (Collections)/Outlays	\$ (17,514)	\$ 8,283

The accompanying notes are an integral part of these financial statements.

UNITED STATES PATENT AND TRADEMARK OFFICE CONSOLIDATED STATEMENTS OF CASH FLOWS (INDIRECT METHOD)

For the years ended September 30, 2008 and 2007

(Dollars in Thousands)	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Cost of Operations	\$ (30,416)	\$ (33,952)
Adjustments Affecting Cash Flow:		
Decrease/(Increase) in Accounts Receivable	4,561	(2,196)
Increase in Advances and Prepayments	(1,856)	(1,818)
Increase/(Decrease) in Accounts Payable	92	(7,788)
Increase in Accrued Payroll and Benefits	16,822	10,997
Increase in Accrued Leave and Post-employment Compensation	8,411	8,224
Increase in Customer Deposit Accounts	9,606	8,062
(Decrease)/Increase in Patent Cooperation Treaty Account	(2,119)	4,971
(Decrease)/Increase in Madrid Protocol Account	(139)	171
Increase in Deferred Revenue	20,435	53,645
Increase in Contingent Liability	748	402
Increase in Actuarial Liability	389	459
Depreciation, Amortization, or Loss on Asset Dispositions	67,636	61,734
Total Adjustments	124,586	136,863
Net Cash Provided by Operating Activities	94,170	102,911
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(67,243)	(101,773)
Net Cash Used in Investing Activities	(67,243)	(101,773)
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfers Out Without Reimbursement	(1,000)	—
Appropriations Transferred Out	—	(26)
Net Cash Used in Financing Activities	(1,000)	(26)
Net Cash Provided by Operating, Investing, and Financing Activities	\$ 25,927	\$ 1,112
Fund Balance with Treasury and Cash, Beginning of Year	\$ 1,409,673	\$ 1,408,561
Net Cash Provided by Operating, Investing, and Financing Activities	25,927	1,112
Fund Balance with Treasury and Cash, End of Year	\$ 1,435,600	\$ 1,409,673

The accompanying notes are an integral part of these financial statements.

UNITED STATES PATENT AND TRADEMARK OFFICE NOTES TO FINANCIAL STATEMENTS

As of and for the years ended September 30, 2008 and 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The United States Patent and Trademark Office (USPTO) is an agency of the United States within the U.S. Department of Commerce. The USPTO administers the laws relevant to patents and trademarks and advises the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property.

These financial statements include the USPTO's three core business activities – granting patents, registering trademarks, and intellectual property protection and enforcement domestically and abroad – that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks.

These financial statements report the accounts for salaries and expenses (13X1006), special fund receipts (135127), customer deposits from the public and other Federal agencies (13X6542), Patent Cooperation Treaty collections (13X6538), and the Madrid Protocol Collections (13X6554) that are under the control of the USPTO. The Federal budget classifies the USPTO under the Other Advancement of Commerce (376) budget function. The USPTO does not have custodial responsibility, nor does it have lending or borrowing authority. The USPTO does not transact business among its own operating units, and therefore, no intra-entity eliminations are necessary.

BASIS OF PRESENTATION

As required by the Chief Financial Officers' Act of 1990 and 31 U.S.C. § 3515(b), the accompanying financial statements present the financial position, net cost of operations, budgetary resources, and cash flows for the USPTO's core business activities. The books and records of the USPTO serve as the source of this information.

These financial statements were prepared in accordance with accounting principles generally accepted in the United States (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular A-136, *Financial Reporting Requirements*, as well as the accounting policies of the USPTO. Therefore, they may differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the USPTO's budgetary resources. The GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official body for setting the accounting standards of the Federal Government.

Throughout these financial statements, assets, liabilities, revenues, and costs have been classified according to the type of entity with which the transactions are associated. Intra-governmental assets and liabilities are those from or to other Federal entities. Intra-governmental earned revenues are collections or accruals of revenue from other Federal entities and intra-governmental costs are payments or accruals to other Federal entities.

BASIS OF ACCOUNTING

Transactions are recorded on the accrual basis of accounting, as well as on a budgetary basis. Accrual accounting allows for revenue to be recognized when earned and expenses to be recognized when goods or services are received, without regard to the receipt or payment of cash. Budgetary accounting allows for compliance with the requirements for and controls over the use of Federal funds. The accompanying financial statements are presented on the accrual basis of accounting.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EARMARKED FUNDS

Statement of Federal Financial Accounting Standard 27, *Identifying and Reporting Earmarked Funds*, requires separate identification of the earmarked funds on the *Consolidated Balance Sheets* (Net Position section), *Consolidated Statements of Changes in Net Position*, and further disclosures in a footnote (Note 10).

Earmarked funds are financed by specifically identified revenues, which remain available over time. These specifically identified revenues are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. At the USPTO, earmarked funds include the salaries and expenses fund (13X1006) and the special fund receipts (135127).

BUDGETS AND BUDGETARY ACCOUNTING

Total budgetary resources are primarily comprised of Congressional authority to spend current year fee collections. In FY 2008 and 2007, the USPTO was appropriated up to \$1,915,500 thousand and \$1,771,000 thousand for fees collected during the fiscal year, respectively. For the year ended September 30, 2008, the USPTO collected \$36,205 thousand less than the amount apportioned through September 30, 2008. For the year ended September 30, 2007, the USPTO collected \$12,189 thousand more than the amount appropriated through September 30, 2007.

The USPTO receives an appropriation of Category A funds from OMB, which apportions budgetary resources by fiscal quarter. The USPTO does not receive any Category B funds, or those exempt from apportionment.

FUNDING LIMITATIONS

Pursuant to the *Patent and Trademark Office Fee Fairness Act of 1999* (35 U.S.C. § 42(c)), all fees available to the Director under section 31 of the Trademark Act of 1946 are used only for the processing of trademark registrations and for other activities, services, and materials relating to trademarks, as well as to cover a proportionate share of the administrative costs of the Patent and Trademark Office.

The total temporarily unavailable fee collections pursuant to Public Law as of September 30, 2008 are \$762,216 thousand. Of this amount, certain USPTO collections of \$233,529 thousand were withheld in accordance with the Omnibus Budget Reconciliation Act (OBRA) of 1990, and deposited in a special fund receipt account at the U.S. Department of the Treasury.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

REVENUE AND OTHER FINANCING SOURCES

The USPTO's fee rates are established by law and, consequently, in some instances may not represent full cost or market price. Since FY 1993, the USPTO's funding has been primarily through the collection of user fees. Fees that are remitted with initial applications and requests for other services are recorded as exchange revenue when received, with an adjustment to defer revenue for services that have not been performed. All amounts remitted by customers without a request for service are recorded as liabilities in customer deposit accounts until services are ordered.

The USPTO also receives some financial gifts and gifts-in-kind. All such transactions are included in the consolidated Gifts and Bequests Fund financial statements of the U.S. Department of Commerce. These gifts are not of significant value and are not reflected in the USPTO's financial statements. Most gifts-in-kind are used for official travel to further attain the USPTO mission and objectives.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ENTITY/NON-ENTITY

Assets that an entity is authorized to use in its operations are termed entity assets, while assets that are held by an entity and are not available for the entity's use are termed non-entity assets. Most of the USPTO's assets are entity assets and are available to carry out the mission of the USPTO, as appropriated by Congress, with the exception of a portion of the Fund Balance with Treasury, cash, and accounts receivable, as highlighted in Note 3.

FUND BALANCE WITH TREASURY

The USPTO deposits fees collected in commercial bank accounts maintained by the Treasury's Financial Management Service (FMS). All moneys maintained in these accounts are transferred to the Federal Reserve Bank on the next business day following the day of deposit. In addition, many customer deposits are wired directly to the Federal Reserve Bank. All banking activity is conducted in accordance with the directives issued by the FMS. Treasury processes all disbursements.

ACCOUNTS RECEIVABLE

Accounts receivable balances are established for amounts owed to the USPTO from its customers. As of September 30, 2007, most of the USPTO's public accounts receivable balance consisted of a refund due from the European Patent Office for \$4,655 thousand, which was collected during FY 2008.

The remaining portion of accounts receivable is comprised of amounts due from former employees for the reimbursement of education expenses and other benefits, amounts due from foreign intellectual property offices for the reimbursement of services provided, and other revenue-related receivables. This balance in accounts receivable remains as a very small portion of the USPTO's assets, as the USPTO requires payment prior to the provision of goods or services during the course of its core business activities.

The USPTO has written off, but not closed out, \$60 thousand and \$132 thousand of accounts receivables that are considered not collectible as of September 30, 2008 and 2007, respectively. These offsets are established for receivables older than two years with little or no collection activity that have been transferred to Treasury, subsequently adjusting the gross amount of its employee-related accounts receivable to the net realizable value. The gross amount of USPTO's employee-related accounts receivable as of September 30, 2008 and 2007 was \$474 thousand and \$329 thousand, respectively.

Receivables due from foreign intellectual property offices as of September 30, 2008 and 2007 were \$58 thousand and \$176 thousand, respectively.

Revenue-related receivables as of September 30, 2008 and 2007 totaled \$45 thousand and \$50 thousand, respectively.

ADVANCES AND PREPAYMENTS

On occasion, the USPTO prepays amounts in anticipation of receiving future benefits. Although a payment has been made, an expense is not recorded until goods have been received or services have been performed. The USPTO has prepayments and advances with non-governmental, as well as governmental vendors.

Total prepayments and advances to non-governmental vendors as of September 30, 2008 and 2007 were \$5,398 thousand and \$4,183 thousand, respectively. The largest prepayments as of September 30, 2008 were \$1,556 thousand for various cooperative efforts with the National Inventors Hall of Fame, the International Intellectual Property Institute, and the World Intellectual Property Organization. Travel advances to personnel as of September 30, 2008 were \$18 thousand.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Total prepayments and advances to governmental vendors as of September 30, 2008 and 2007 were \$2,591 thousand and \$1,950 thousand, respectively. The largest governmental prepayments include the USPTO deposit accounts held with the U.S. Government Printing Office to facilitate recurring transactions. Deposit accounts held with the U.S. Government Printing Office as of September 30, 2008 and 2007 were \$1,491 thousand and \$1,160 thousand, respectively.

CASH

Most of the USPTO's cash balance consists of checks, electronic funds transfer, and credit card payments for deposits that are in transit and have not been credited to USPTO's Fund Balance with Treasury. As of September 30, 2008 and 2007, \$2,729 thousand and \$2,414 thousand were in transit due to the lag time between deposits in commercial bank accounts and the confirmation received from Treasury. Of this balance, \$772 thousand and \$884 thousand were non-entity deposit account assets, \$141 thousand and \$105 thousand were non-entity Patent Cooperation Treaty assets, and \$12 thousand and \$3 thousand were non-entity Madrid Protocol Account assets as of September 30, 2008 and 2007, respectively.

The cash balance also consists of undeposited checks for fees that were not processed at the Balance Sheet date due to the lag time between receipt and initial review. All such undeposited check amounts are considered to be cash equivalents. As of September 30, 2008 and 2007, the cash balance includes undeposited checks of \$1,628 thousand and \$4,595 thousand, respectively. Of these balances, \$34 thousand and \$29 thousand were non-entity Patent Cooperation Treaty Account assets as of September 30, 2008 and 2007, respectively.

Cash is also held outside the Treasury to be used as imprest funds. An imprest fund of \$1 thousand was held as of September 30, 2008 and 2007.

PROPERTY, PLANT, AND EQUIPMENT, NET

The USPTO's capitalization policies are summarized below:

Classes of Property, Plant, and Equipment	Capitalization Threshold for Individual Purchases	Capitalization Threshold for Bulk Purchases
IT Equipment	\$25 thousand or greater	\$500 thousand or greater
Software	\$25 thousand or greater	\$ 25 thousand or greater
Software in Progress	\$25 thousand or greater	\$ 25 thousand or greater
Furniture	\$25 thousand or greater	\$ 50 thousand or greater
Equipment	\$25 thousand or greater	\$500 thousand or greater
Leasehold Improvements	\$25 thousand or greater	Not applicable

Contractor costs for developing custom internal use software are capitalized when incurred for the design, coding, and testing of the software. Software in progress is not amortized until placed in service.

Property, plant, and equipment acquisitions that do not meet the capitalization criteria are expensed upon receipt. The USPTO does not defer to a future period maintenance on property, plant, and equipment.

INJURY COMPENSATION

Claims brought by USPTO employees for on-the-job injuries fall under the Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL). The DOL bills each agency annually as its claims are paid, but payment on these bills is deferred approximately two years to allow for funding through the budget process. As of September 30, 2008, the USPTO had a \$1,791 thousand liability for estimated claims paid on its behalf during the benefit period July 1, 2006 through September 30, 2008. As of September 30, 2007, the USPTO had a \$1,777 thousand liability for estimated claims paid on its behalf during the benefit period July 1, 2005 through September 30, 2007.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

POST-EMPLOYMENT COMPENSATION

USPTO employees who lose their jobs through no fault of their own may receive unemployment compensation benefits under the unemployment insurance program administered by the DOL. The DOL bills each agency quarterly as its claims are paid. As of September 30, 2008 and 2007, the USPTO liability was \$159 thousand and \$49 thousand, respectively, for estimated claims paid by the DOL on behalf of the USPTO.

ANNUAL, SICK, AND OTHER LEAVE

Annual leave and compensatory time are accrued as earned, with the accrual being reduced when leave is taken. An adjustment is made each fiscal quarter to ensure that the balances in the accrued leave accounts reflect current pay rates. No portion of this liability has been obligated. To the extent current or prior year funding is not available to pay for leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as used.

Accrued leave as of September 30, 2008 and 2007 was \$60,060 thousand and \$51,773 thousand, respectively.

EMPLOYEE RETIREMENT SYSTEMS AND POST-EMPLOYMENT BENEFITS

USPTO employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The FERS was established by the enactment of Public Law 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees who had five years of Federal civilian service prior to 1984 and who are rehired after a break in service of more than one year may elect to join the FERS and Social Security system or be placed in the CSRS offset retirement system.

The USPTO's financial statements do not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. The reporting of such amounts is the responsibility of the U.S. Office of Personnel Management (OPM), who administers the plans. While the USPTO reported no liability for future payments to employees under these programs, the Federal Government is liable for future payments to employees through the various agencies administering these programs. The USPTO financial statements recognize an expense, which represents the USPTO's share of the costs to the Federal Government of providing pension, post-retirement health, and post-retirement life insurance benefits to all eligible USPTO employees. The USPTO appropriation requires full funding of the present costs of post-retirement benefits such as the Federal Employees Health Benefit Program (FEHB) and the Federal Employees Group Life Insurance Program (FEGLI), and full funding of the CSRS and FERS pension liabilities. While ultimate administration of any post-retirement benefits or retirement system payments will continue to be administered by various Federal Government agencies, the USPTO is responsible for the payment of the present value associated with these costs calculated using the OPM factors.

For the years ended September 30, 2008 and September 30, 2007, the USPTO made current year contributions through agency payroll contributions and quarterly supplemental payments to OPM equivalent to approximately 18.2 percent and 18.0 percent of the employee's basic pay for those employees covered by CSRS, based on OPM cost factors, respectively. For the years ended September 30, 2008 and September 30, 2007, the USPTO made current year contributions through agency payroll contributions and quarterly supplemental payments to OPM equivalent to approximately 11.2 percent of the employee's basic pay for those employees covered by FERS, based on OPM cost factors.

All employees are eligible to contribute to a thrift savings plan. For those employees participating in the FERS, a thrift savings plan is automatically established, and the USPTO makes a mandatory contribution to this plan equal to one percent of the employees' compensation. In addition, the USPTO makes matching contributions ranging from one to four percent of the employees' compensation for FERS-eligible employees who contribute to their thrift savings plans.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

No matching contributions are made to the thrift savings plans for employees participating in the CSRS. Employees participating in the FERS are also covered under the Federal Insurance Contributions Act (FICA), for which the USPTO contributes a matching amount to the Social Security Administration.

DEFERRED REVENUE

Deferred revenue represents fees that have been received by the USPTO for requested services that have not been substantially completed. Two types of deferred revenue are recorded. The first type results from checks received, accompanied by requests for services, which were not yet deposited due to the lag time between receipt and initial review. The second type of deferred revenue relates primarily to fees for applications that have been partially processed. The deferred revenue calculation is a complex accounting estimate, dependent upon numerous business and administrative processes, workloads, and inventories.

ENVIRONMENTAL CLEANUP

The USPTO does not have any liabilities for environmental cleanup.

NOTE 2. FUND BALANCE WITH TREASURY

As of September 30, 2008 and 2007, Fund Balance with Treasury consisted of the following:

(Dollars in Thousands)	2008	2007
Fund Balances:		
Special Fund	\$ 233,529	\$ 233,529
General Fund	1,085,288	1,068,774
Deposit Funds	112,425	100,360
Total Fund Balance with Treasury	\$ 1,431,242	\$ 1,402,663
Status of Fund Balance with Treasury:		
Obligated Balance Not Yet Disbursed	\$ 484,522	\$ 512,051
Unobligated Balance Available	64,068	28,036
Unobligated Balance Unavailable	8,011	—
Temporarily Not Available Pursuant to Public Law	528,687	528,687
Non-Budgetary Fund Balance with Treasury	345,954	333,889
Total Fund Balance with Treasury	\$ 1,431,242	\$ 1,402,663

No discrepancies exist between the Fund Balance reflected in the general ledger and the balance in the Treasury accounts.

As of September 30, 2008 and 2007, the Non-Budgetary Fund Balance with Treasury includes surcharge receipts of \$233,529 thousand and Non-Entity Fund Balance with Treasury of \$112,425 thousand and \$100,360 thousand, respectively.

NOTE 3. NON-ENTITY ASSETS

Non-entity assets consist of amounts held on deposit for the convenience of the USPTO customers and fees collected on behalf of the World Intellectual Property Organization (WIPO) and the European Patent Office (EPO). Customers have the option of maintaining a deposit account at the USPTO to facilitate the order process. Customers can draw from their deposit account when they place an order and can replenish their deposit account as desired. Funds maintained in customer deposit accounts are not available for the USPTO use until an order has been placed. Once an order has been placed, the funds are reclassified to entity funds. Also, in accordance with the Patent Cooperation Treaty and the Madrid Protocol Implementation Act, the USPTO collects international fees on behalf of the WIPO and the EPO.

(Dollars in Thousands)	2008	2007
Fund Balance with Treasury:		
Intragovernmental Deposit Accounts	\$ 4,535	\$ 4,779
Other Customer Deposit Accounts	96,168	86,206
Patent Cooperation Treaty Account	11,423	8,928
Madrid Protocol Account	299	447
Total Fund Balance with Treasury	112,425	100,360
Cash:		
Other Customer Deposit Accounts	772	884
Patent Cooperation Treaty Account	175	134
Madrid Protocol Account	12	3
Accounts Receivable:		
Patent Cooperation Treaty Account	—	4,655
Total Non-Entity Assets	\$ 113,384	\$ 106,036

NOTE 4. PROPERTY, PLANT, AND EQUIPMENT, NET

As of September 30, 2008, property, plant, and equipment, net consisted of the following:

(Dollars in Thousands)

Classes of Property, Plant, and Equipment	Depreciation/Amortization Method	Service Life (Years)	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value
IT Equipment	SL	3-5	\$ 255,101	\$ 213,033	\$ 42,068
Software	SL	3-5	238,172	199,602	38,570
Software in Progress	—	—	46,000	—	46,000
Furniture	SL	5	26,803	15,702	11,101
Equipment	SL	3-5	11,873	10,144	1,729
Leasehold Improvements	SL	5-20	83,065	18,349	64,716
Total Property, Plant, and Equipment			\$ 661,014	\$ 456,830	\$ 204,184

As of September 30, 2007, property, plant, and equipment, net consisted of the following:

(Dollars in Thousands)

Classes of Property, Plant, and Equipment	Depreciation/Amortization Method	Service Life (Years)	Acquisition Value	Accumulated Depreciation/Amortization	Net Book Value
IT Equipment	SL	3-5	\$ 255,929	\$ 193,123	\$ 62,806
Software	SL	3-5	226,315	184,156	42,159
Software in Progress	—	—	25,104	—	25,104
Furniture	SL	5	25,330	11,471	13,859
Equipment	SL	3-5	10,883	8,854	2,029
Leasehold Improvements	SL	5-20	71,385	12,765	58,620
Total Property, Plant, and Equipment			\$ 614,946	\$ 410,369	\$ 204,577

NOTE 5. LIABILITIES

The USPTO records liabilities for amounts that are likely to be paid as the direct result of events that have already occurred. The USPTO considers liabilities covered by three types of resources: realized budgetary resources; unrealized budgetary resources that become available without further Congressional action; and cash and Fund Balance with Treasury. Realized budgetary resources include obligated balances funding existing liabilities and unobligated balances as of September 30, 2008. Unrealized budgetary resources are amounts that were not available for spending through September 30, 2008, but become available for spending on October 1, 2008 once apportioned by the OMB. In addition, cash and Fund Balance with Treasury cover liabilities that will never require the use of a budgetary resource. These liabilities consist of deposit accounts, refunds payable to customers for fee overpayments, undeposited collections, and amounts collected by the USPTO on behalf of other organizations.

Liabilities not covered by budgetary resources include Accounts Payable, Accrued Post-employment Compensation, Accrued Payroll and Benefits, Accrued Leave, Deferred Revenue, Actuarial Liability, and Contingent Liability. Although future appropriations to fund these liabilities are probable and anticipated, Congressional action is needed before budgetary resources can be provided.

As of September 30, 2008 and 2007, liabilities covered and not covered by budgetary resources were as follows:

(Dollars in Thousands)	2008	2007
Liabilities Covered by Resources		
Intragovernmental:		
Accounts Payable	\$ 4,675	\$ 4,491
Accrued Payroll and Benefits	9,323	6,846
Accrued Post-employment Compensation	159	—
Customer Deposit Accounts	4,535	4,779
Total Intragovernmental	18,692	16,116
Accounts Payable	92,019	90,928
Accrued Payroll and Benefits	44,542	32,811
Customer Deposit Accounts	96,940	87,090
Patent Cooperation Treaty Account	11,598	13,717
Madrid Protocol Account	311	450
Deferred Revenue	73,672	32,602
Total Liabilities Covered by Resources	\$ 337,774	\$ 273,714
Liabilities Not Covered by Resources		
Intragovernmental:		
Accounts Payable	\$ —	\$ 1,183
Accrued Post-employment Compensation	1,791	1,826
Total Intragovernmental	1,791	3,009
Accrued Payroll and Benefits	31,510	28,896
Accrued Leave	60,060	51,773
Deferred Revenue	774,833	795,468
Actuarial Liability	8,318	7,929
Contingent Liability	1,400	652
Total Liabilities Not Covered by Resources	\$ 877,912	\$ 887,727
Total Liabilities	\$ 1,215,686	\$ 1,161,441

NOTE 6. DEFERRED REVENUE

As of September 30, 2008, deferred revenue consisted of the following:

(Dollars in Thousands)	Patent	Trademark	Total
Unearned Fees	\$ 777,614	\$ 69,297	\$ 846,911
Undeposited Checks	1,394	200	1,594
Total Deferred Revenue	\$ 779,008	\$ 69,497	\$ 848,505

As of September 30, 2007, deferred revenue consisted of the following:

(Dollars in Thousands)	Patent	Trademark	Total
Unearned Fees	\$ 753,452	\$ 70,052	\$ 823,504
Undeposited Checks	4,026	540	4,566
Total Deferred Revenue	\$ 757,478	\$ 70,592	\$ 828,070

NOTE 7. ACTUARIAL LIABILITY

The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job and for those who have contracted a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under the FECA for the USPTO's employees are administered by the DOL and are paid ultimately by the USPTO.

The DOL estimated the future workers compensation liability by applying actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability estimates for FECA benefits include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The actuarial liability is updated annually.

The DOL method of determining the liability uses historical benefit payment patterns for a specific incurred period to predict the ultimate payments for that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's economic assumptions for ten-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

2008	2007
4.37% in year 1, 4.77% in year 2, and thereafter	4.93% in year 1, 5.08% in year 2, and thereafter

Based on information provided by the DOL, the U.S. Department of Commerce estimated the USPTO's liability as of September 30, 2008 and 2007 was \$8,318 thousand and \$7,929 thousand, respectively.

NOTE 8. LEASES

OPERATING LEASES:

The General Services Administration (GSA) negotiates long-term office space leases and levies rent charges, paid by the USPTO, approximate to commercial rental rates. These operating lease agreements for the USPTO's office buildings expire at various dates between FY 2009 and FY 2024. During the years ended September 30, 2008 and 2007, the USPTO paid \$90,026 thousand and \$87,893 thousand, respectively, to the GSA for rent.

Under existing commitments, the future minimum lease payments as of September 30, 2008 are as follows:

Fiscal Year	(Dollars in Thousands)
2009	\$ 63,143
2010	62,710
2011	61,938
2012	61,953
2013	61,988
Thereafter	631,772
Total Future Minimum Lease Payments	\$ 943,504

The commitments shown above relate primarily to the operating lease for the USPTO headquarters in Alexandria, Virginia, beginning in FY 2004 and extending to FY 2024. The operating lease commitments for the USPTO offices in Crystal City, Virginia, will expire in FY 2009.

NOTE 9. POST-EMPLOYMENT BENEFITS

For the years ended September 30, 2008 and 2007, the post-employment benefit expenses were as follows:

(Dollars in Thousands)	2008	2007
CSRS	\$ 14,405	\$ 14,895
FERS	83,486	71,782
FEHB	42,116	41,091
FEGLI	138	121
FICA	58,281	50,201
Total Cost	\$ 198,426	\$ 178,090

NOTE 10. EARMARKED FUNDS

Earmarked funds are financed by specifically identified revenues, which remain available over time. These specifically identified revenues are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Government's general revenues. At the USPTO, earmarked funds include the salaries and expenses fund and the special fund receipts. Non-entity funds, as disclosed in Note 3, are not earmarked funds and are therefore excluded from the below amounts.

The following tables provide the status of the USPTO's earmarked funds as of and for the years ended September 30, 2008 and 2007.

(Dollars in Thousands)	Salaries and Expenses Fund	Surcharge Fund	Total Earmarked Funds
Balance Sheet as of September 30, 2008			
Fund Balance with Treasury	\$ 1,085,288	\$ 233,529	\$ 1,318,817
Cash	3,399	—	3,399
Accounts Receivable, Net	517	—	517
Other Assets	212,173	—	212,173
Total Assets	\$ 1,301,377	\$ 233,529	\$ 1,534,906
Total Liabilities	\$ 1,102,302	\$ —	\$ 1,102,302
Cumulative Results of Operations	199,075	233,529	432,604
Total Liabilities and Net Position	\$ 1,301,377	\$ 233,529	\$ 1,534,906
Statement of Net Cost For the Year Ended September 30, 2008			
Total Program Cost	\$ 1,892,590	\$ —	\$ 1,892,590
Less Earned Revenue	(1,862,174)	—	(1,862,174)
Net Cost of Operations	\$ 30,416	\$ —	\$ 30,416
Statement of Changes in Net Position For the Year Ended September 30, 2008			
Net Position, Beginning of Year	\$ 230,491	\$ 233,529	\$ 464,020
Budgetary Financing Sources	\$ (1,000)	\$ —	\$ (1,000)
Net Cost of Operations	(30,416)	—	(30,416)
Change in Net Position	\$ (31,416)	\$ —	\$ (31,416)
Net Position, End of Year	\$ 199,075	\$ 233,529	\$ 432,604

NOTE 10. EARMARKED FUNDS (Continued)

(Dollars in Thousands)	Salaries and Expenses Fund	Surcharge Fund	Total Earmarked Funds
Balance Sheet as of September 30, 2007			
Fund Balance with Treasury	\$ 1,068,774	\$ 233,529	\$ 1,302,303
Cash	5,989	—	5,989
Accounts Receivable, Net	423	—	423
Other Assets	210,710	—	210,710
Total Assets	\$ 1,285,896	\$ 233,529	\$ 1,519,425
Total Liabilities	\$ 1,055,405	\$ —	\$ 1,055,405
Cumulative Results of Operations	230,491	233,529	464,020
Total Liabilities and Net Position	\$ 1,285,896	\$ 233,529	\$ 1,519,425
Statement of Net Cost For the Year Ended September 30, 2007			
Total Program Cost	\$ 1,769,658	\$ —	\$ 1,769,658
Less Earned Revenue	(1,735,706)	—	(1,735,706)
Net Cost of Operations	\$ 33,952	\$ —	\$ 33,952
Statement of Changes in Net Position For the Year Ended September 30, 2007			
Net Position, Beginning of Year	\$ 264,469	\$ 233,529	\$ 497,998
Budgetary Financing Sources	\$ (26)	\$ —	\$ (26)
Net Cost of Operations	(33,952)	—	(33,952)
Change in Net Position	\$ (33,978)	\$ —	\$ (33,978)
Net Position, End of Year	\$ 230,491	\$ 233,529	\$ 464,020

The **Salaries and Expenses Fund** contains moneys used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for the USPTO's three core business activities – granting patents, registering trademarks, and intellectual property protection and enforcement – that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. The USPTO may use moneys from this account only as authorized by Congress via appropriations.

The **Surcharge Fund** was created in FY 1992 through the Patent and Trademark Office Surcharge provision in the OBRA of 1990 (Section 10101, Public Law 101-508). This required that the USPTO impose a surcharge on certain patent fees and set in statute the amounts of money that the USPTO should deposit in a special fund receipt account at the U.S. Department of the Treasury. This surcharge was eliminated in FY 1999. The USPTO may use moneys from this account only as authorized by Congress, and only as made available by the issuance of a Treasury warrant.

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Total intragovernmental costs and exchange revenue, by Strategic Goal, for the years ended September 30, 2008 and 2007 were as follows:

(Dollars in Thousands)	2008			
	Patent	Trademark	Intellectual Property Protection	Total
Strategic Goal 1: Optimize Patent Quality and Timeliness				
Intragovernmental Gross Cost	\$ 314,108	\$ —	\$ —	\$ 314,108
Gross Cost with the Public	1,341,548	—	—	1,341,548
Total Program Cost	1,655,656	—	—	1,655,656
Intragovernmental Earned Revenue	(7,145)	—	—	(7,145)
Earned Revenue from the Public	(1,617,848)	—	—	(1,617,848)
Total Program Earned Revenue	(1,624,993)	—	—	(1,624,993)
Net Program Cost	\$ 30,663	\$ —	\$ —	\$ 30,663
Strategic Goal 2: Optimize Trademark Quality and Timeliness				
Intragovernmental Gross Cost	\$ —	\$ 36,537	\$ —	\$ 36,537
Gross Cost with the Public	—	156,050	—	156,050
Total Program Cost	—	192,587	—	192,587
Intragovernmental Earned Revenue	—	(282)	—	(282)
Earned Revenue from the Public	—	(236,899)	—	(236,899)
Total Program Earned Revenue	—	(237,181)	—	(237,181)
Net Program Income	\$ —	\$ (44,594)	\$ —	\$ (44,594)
Strategic Goal 3: Improve Intellectual Property Protection and Enforcement Domestically and Abroad				
Intragovernmental Gross Cost	\$ —	\$ —	\$ 8,414	\$ 8,414
Gross Cost with the Public	—	—	35,933	35,933
Total Program Cost	—	—	44,347	44,347
Net Cost/(Income) from Operations	\$ 30,663	\$ (44,594)	\$ 44,347	\$ 30,416
Total Entity				
Total Program Cost (Notes 12 and 13)	\$ 1,655,656	\$ 192,587	\$ 44,347	\$ 1,892,590
Total Earned Revenue	(1,624,993)	(237,181)	—	(1,862,174)
Net Cost/(Income) from Operations	\$ 30,663	\$ (44,594)	\$ 44,347	\$ 30,416

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE (Continued)

(Dollars in Thousands)

2007

	Patent	Trademark	Intellectual Property Protection	Total
Strategic Goal 1: Optimize Patent Quality and Timeliness				
Intragovernmental Gross Cost	\$ 293,657	\$ —	\$ —	\$ 293,657
Gross Cost with the Public	1,239,394	—	—	1,239,394
Total Program Cost	1,533,051	—	—	1,533,051
Intragovernmental Earned Revenue	(7,678)	—	—	(7,678)
Earned Revenue from the Public	(1,499,316)	—	—	(1,499,316)
Total Program Earned Revenue	(1,506,994)	—	—	(1,506,994)
Net Program Cost	\$ 26,057	\$ —	\$ —	\$ 26,057
Strategic Goal 2: Optimize Trademark Quality and Timeliness				
Intragovernmental Gross Cost	\$ —	\$ 39,177	\$ —	\$ 39,177
Gross Cost with the Public	—	165,350	—	165,350
Total Program Cost	—	204,527	—	204,527
Intragovernmental Earned Revenue	—	(266)	—	(266)
Earned Revenue from the Public	—	(228,446)	—	(228,446)
Total Program Earned Revenue	—	(228,712)	—	(228,712)
Net Program Income	\$ —	\$ (24,185)	\$ —	\$ (24,185)
Strategic Goal 3: Improve Intellectual Property Protection and Enforcement Domestically and Abroad				
Intragovernmental Gross Cost	\$ —	\$ —	\$ 6,145	\$ 6,145
Gross Cost with the Public	—	—	25,935	25,935
Total Program Cost	—	—	32,080	32,080
Net Cost/(Income) from Operations	\$ 26,057	\$ (24,185)	\$ 32,080	\$ 33,952
Total Entity				
Total Program Cost (Notes 12 and 13)	\$ 1,533,051	\$ 204,527	\$ 32,080	\$ 1,769,658
Total Earned Revenue	(1,506,994)	(228,712)	—	(1,735,706)
Net Cost/(Income) from Operations	\$ 26,057	\$ (24,185)	\$ 32,080	\$ 33,952

Intragovernmental expenses relate to the source of the goods or services, not the classification of the related revenue.

NOTE 12. PROGRAM COSTS

Program costs consist of both costs related directly to the individual business lines and overall support costs allocated to the business lines. All costs are assigned to specific programs. Total program or operating costs for the years ended September 30, 2008 and 2007 by cost category were as follows:

(Dollars in Thousands)	2008		
	Direct	Allocated	Total
Personnel Services and Benefits	\$ 1,113,181	\$ 85,490	\$ 1,198,671
Travel and Transportation	3,756	1,022	4,778
Rent, Communications, and Utilities	82,505	33,768	116,273
Printing and Reproduction	59,886	403	60,289
Contractual Services	252,198	134,796	386,994
Training	5,036	2,215	7,251
Maintenance and Repairs	3,117	20,768	23,885
Supplies and Materials	9,348	1,325	10,673
Equipment not Capitalized	7,392	8,433	15,825
Insurance Claims and Indemnities	134	181	315
Depreciation, Amortization, or Loss on Asset Dispositions	41,702	25,934	67,636
Total Program Costs	\$ 1,578,255	\$ 314,335	\$ 1,892,590

(Dollars in Thousands)	2007		
	Direct	Allocated	Total
Personnel Services and Benefits	\$ 979,905	\$ 79,835	\$ 1,059,740
Travel and Transportation	4,717	809	5,526
Rent, Communications, and Utilities	81,172	33,931	115,103
Printing and Reproduction	70,806	973	71,779
Contractual Services	249,846	133,246	383,092
Training	4,099	1,857	5,956
Maintenance and Repairs	6,510	38,581	45,091
Supplies and Materials	9,127	1,270	10,397
Equipment not Capitalized	4,611	6,452	11,063
Insurance Claims and Indemnities	34	143	177
Depreciation, Amortization, or Loss on Asset Dispositions	39,965	21,769	61,734
Total Program Costs	\$ 1,450,792	\$ 318,866	\$ 1,769,658

The unfunded portion of personnel services and benefits for the years ended September 30, 2008 and 2007 was \$11,255 thousand and \$13,994 thousand, respectively.

NOTE 13. PROGRAM COSTS BY CATEGORY AND RESPONSIBILITY SEGMENT

The program costs for the years ended September 30, 2008 and 2007 by cost category and business line were as follows:

(Dollars in Thousands)	2008			
	Patent	Trademark	Intellectual Property Protection	Total
Direct Costs				
Personnel Services and Benefits	\$ 993,585	\$ 101,728	\$ 17,868	\$ 1,113,181
Travel and Transportation	756	190	2,810	3,756
Rent, Communications, and Utilities	72,608	7,311	2,586	82,505
Printing and Reproduction	59,378	435	73	59,886
Contractual Services	226,180	19,411	6,607	252,198
Training	4,475	279	282	5,036
Maintenance and Repairs	2,400	616	101	3,117
Supplies and Materials	8,620	478	250	9,348
Equipment not Capitalized	5,867	1,340	185	7,392
Insurance Claims and Indemnities	134	—	—	134
Depreciation, Amortization, or Loss on Asset Dispositions	35,787	5,410	505	41,702
Subtotal Direct Costs	1,409,790	137,198	31,267	1,578,255
Allocated Costs				
Automation	121,704	28,118	3,750	153,572
Resource Management	124,162	27,271	9,330	160,763
Subtotal Allocated Costs	245,866	55,389	13,080	314,335
Total Program Costs	\$ 1,655,656	\$ 192,587	\$ 44,347	\$ 1,892,590

The unfunded portion of personnel services and benefits for the year ended September 30, 2008 was \$11,255 thousand.

NOTE 13. PROGRAM COSTS BY CATEGORY AND RESPONSIBILITY SEGMENT (Continued)

(Dollars in Thousands)	2007			
	Patent	Trademark	Intellectual Property Protection	Total
Direct Costs				
Personnel Services and Benefits	\$ 867,064	\$ 99,762	\$ 13,079	\$ 979,905
Travel and Transportation	1,134	120	3,463	4,717
Rent, Communications, and Utilities	71,141	7,792	2,239	81,172
Printing and Reproduction	69,960	752	94	70,806
Contractual Services	223,589	24,355	1,902	249,846
Training	3,609	301	189	4,099
Maintenance and Repairs	5,361	1,014	135	6,510
Supplies and Materials	8,523	282	322	9,127
Equipment not Capitalized	3,177	1,118	316	4,611
Insurance Claims and Indemnities	34	—	—	34
Depreciation, Amortization, or Loss on Asset Dispositions	32,257	7,307	401	39,965
Subtotal Direct Costs	1,285,849	142,803	22,140	1,450,792
Allocated Costs				
Automation	100,955	34,250	2,102	137,307
Resource Management	146,247	27,474	7,838	181,559
Subtotal Allocated Costs	247,202	61,724	9,940	318,866
Total Program Costs	\$ 1,533,051	\$ 204,527	\$ 32,080	\$ 1,769,658

The unfunded portion of personnel services and benefits for the year ended September 30, 2007 was \$13,994 thousand.

NOTE 14. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

In addition to the future lease commitments discussed in Note 8, the USPTO is obligated for the purchase of goods and services that have been ordered, but not yet received. Total undelivered orders for all of the USPTO's activities were \$341,794 thousand and \$383,106 thousand as of September 30, 2008 and 2007, respectively. Of these amounts, \$333,805 thousand and \$376,973 thousand, respectively, were unpaid.

CONTINGENCIES

The USPTO is a party to various routine administrative proceedings, legal actions, and claims brought by or against it, including threatened or pending litigation involving labor relations claims, some of which may ultimately result in settlements or decisions against the Federal Government.

As of September 30, 2008, management expects it is reasonably possible that approximately \$78,200 thousand may be owed for awards or damages involving labor relations claims. As of September 30, 2007, management expects it is reasonably possible that approximately \$74,352 thousand may be owed for awards or damages involving labor relations claims.

The USPTO is subject to suits where adverse outcomes are probable and claims are \$1,400 thousand and \$652 thousand as of September 30, 2008 and 2007, respectively.

For the years ended September 30, 2008 and 2007, there were no payments made on behalf of the USPTO from the Judgment Fund. However, the USPTO was required to make two payments totaling \$45 thousand and one payment totaling \$5 thousand to the Judgment Fund for the years ended September 30, 2008 and 2007, respectively.

An investigation is currently underway into the validity of certain refund transactions processed in previous fiscal years. If any refund transactions are determined to have been invalid, the USPTO will be liable to replenish the appropriate accounts. Since the validity of these refund transactions is unknown at this time, the ultimate liability of the USPTO is unknown. However, the amount is reasonably expected not to be material to the September 30, 2008 and 2007 financial statements.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Most entity transactions are recorded in both budgetary and proprietary accounts. However, because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts. The following reconciliation provides a means to identify the relationships and differences that exist between the aforementioned budgetary and proprietary accounts.

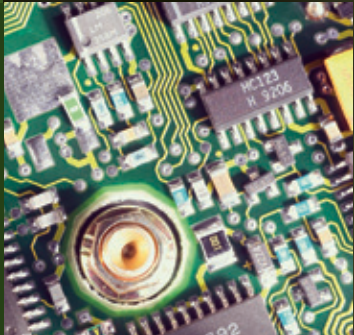
The reconciliation of net cost of operations to budget for the years ended September 30, 2008 and 2007 is as follows:

(Dollars in Thousands)	2008	2007
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 1,852,541	\$ 1,766,424
Spending Authority from Offsetting Collections and Recoveries	(1,897,584)	(1,800,959)
Net Obligations	(45,043)	(34,535)
Total Resources Used to Finance Activities	(45,043)	(34,535)
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	41,314	40,204
Resources that Fund Costs Recognized in Prior Periods	(1,232)	(1,378)
Budgetary Offsetting Collections that do not Affect Net Cost of Operations	23,026	55,277
Resources that Finance the Acquisition of Assets Capitalized on the Balance Sheet	(67,243)	(101,773)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	(4,135)	(7,670)
COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Costs that will be Funded by Resources in Future Periods	12,052	14,468
Net Decrease/(Increase) in Revenue Receivables not Generating Resources until Collected	123	(75)
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	12,175	14,393
Components not Requiring or Generating Resources:		
Depreciation, Amortization, or Loss on Asset Dispositions	67,636	61,734
Other Costs that will not Require Resources	(217)	30
Total Components of Net Cost of Operations that will not Require or Generate Resources	67,419	61,764
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	79,594	76,157
Net Cost of Operations	\$ 30,416	\$ 33,952

Independent Auditors' Report



accountability



results



innovation



creativity



leadership

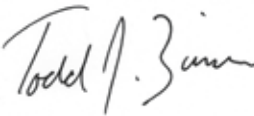




UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

November 10, 2008

MEMORANDUM FOR: Jon W. Dudas
Under Secretary of Commerce for Intellectual Property and
Director of the U.S. Patent and Trademark Office

FROM: Todd J. Zinser 

SUBJECT: FY 2008 Financial Statements
Final Audit Report No. FSD-19049-9-0002

I am pleased to provide you with the attached audit report required by the Chief Financial Officers Act of 1990, as amended, which presents an unqualified opinion on the U.S. Patent and Trademark Office's FY 2008 financial statements. The audit results indicate that the Department has established an internal control structure that facilitates the preparation of reliable financial and performance information.

The independent public accounting firm of KPMG LLP performed the audit of USPTO's financial statements for the fiscal year ended September 30, 2008. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In its audit of USPTO, KPMG found that

- the financial statements were fairly presented, in all material respects and in conformity with U.S. generally accepted accounting principles;
- there were two significant deficiencies related to controls over general information technology and receipts accounting segregation of duties, which were not considered material weaknesses in internal controls as defined in the audit report; and
- there were no instances in which the USPTO's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.

My office oversaw the audit's performance and delivery. We reviewed KPMG's report and related documentation, and made inquiries of its representatives. Our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards. However, our review cannot be construed as an audit in accordance with U.S. generally accepted government auditing standards. It was not intended to



enable us to express, and we do not express, any opinion on USPTO's financial statements, conclusions about the effectiveness of internal controls, or conclusions on compliance with laws and regulations. KPMG is solely responsible for the attached audit report dated November 7, 2008, and the conclusions expressed in the report.

In accordance with Department Administrative Order 213-5, *Audit Resolution and Follow-up*, please provide us with an audit action plan that addresses the report recommendation related to receipts accounting segregation of duties within 60 days of the date of this memorandum. The plan is not required to address the significant deficiency related to financial management system weaknesses. Instead, we ask that you provide an audit action plan addressing the related specific recommendations included in the separate, limited-distribution information technology general controls report (FSD-19049-9-0001).

If you wish to discuss the contents of this report, please call me on (202) 482-4661, or Judith J. Gordon, Assistant Inspector General for Audit and Evaluation, on (202) 482-2754. We appreciate the cooperation and courtesies USPTO extended to KPMG and my staff during the audit.

Attachment

cc: Barry K. Hudson
Chief Financial Officer
U.S. Patent and Trademark Office

Otto J. Wolff
Chief Financial Officer and Assistant Secretary for Administration
Department of Commerce



KPMG LLP
 2001 M Street, NW
 Washington, DC 20036

Independent Auditors' Report

Inspector General, U.S. Department of Commerce and
 Under Secretary of Commerce for Intellectual Property and
 Director of the U.S. Patent and Trademark Office:

We have audited the accompanying consolidated balance sheets of the U.S. Patent and Trademark Office (USPTO), an agency within the U.S. Department of Commerce, as of September 30, 2008 and 2007, and the related consolidated statements of net cost, changes in net position, cash flows, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2008 audit, we also considered the USPTO's internal controls over financial reporting and tested the USPTO's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

SUMMARY

As stated in our opinion on the financial statements, we concluded that the USPTO's financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our consideration of internal controls over financial reporting resulted in the identification of two significant deficiencies related to weaknesses in (1) the USPTO's general information technology controls, and (2) receipts accounting segregation of duties controls. However, we do not consider these significant deficiencies to be material weaknesses.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on the USPTO's financial statements; our consideration of the USPTO's internal controls over financial reporting; our tests of the



USPTO's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the U.S. Patent and Trademark Office as of September 30, 2008 and 2007, and the related consolidated statements of net cost, changes in net position, cash flows, and the combined statements of budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Patent and Trademark Office as of September 30, 2008 and 2007, and its net costs, changes in net position, budgetary resources, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis section is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information in the Other Accompanying Information section on pages 105 through 144 are presented for purposes of additional analysis and are not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the USPTO's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the USPTO's financial statements that is more than inconsequential will not be prevented or detected by the USPTO's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote



likelihood that a material misstatement of the financial statements will not be prevented or detected by the USPTO's internal control.

In our fiscal year 2008 audit, we noted two matters, summarized below, and in more detail in Exhibit I, that we consider to be significant deficiencies. However, these significant deficiencies are not believed to be material weaknesses.

- **General Information Technology controls.** We found that although the USPTO has taken corrective actions to address certain information technology (IT) control weaknesses, general IT weaknesses still exist. Despite the positive efforts made by USPTO, USPTO needs to make continued improvement in its IT general control environment to fully ensure that financial data being processed on the USPTO's systems has integrity, is confidentially maintained, and is available when needed.
- **Receipts Accounting Segregation of Duties controls.** We identified that the USPTO did not maintain adequate segregation of duties over responsibilities in receipts accounting and customer deposit account transactions. USPTO needs to perform an internal review over responsibilities throughout the receipts accounting function, to ensure appropriate segregation of duties is maintained.

We noted certain additional matters that we have reported to management of the USPTO in two separate documents addressing information technology and other matters, respectively.

COMPLIANCE AND OTHER MATTERS

The results of our tests of compliance described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

The results of our tests of FFMIA disclosed no instances in which the USPTO's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

* * * * *

RESPONSIBILITIES

Management's Responsibilities. Management is responsible for the financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, and contracts applicable to the USPTO.



Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2008 and 2007 financial statements of the USPTO based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the USPTO's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2008 audit, we considered the USPTO's internal control over financial reporting by obtaining an understanding of the USPTO's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the USPTO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the USPTO's internal control over financial reporting.

As part of obtaining reasonable assurance about whether the USPTO's fiscal year 2008 financial statements are free of material misstatement, we performed tests of the USPTO's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended, including certain provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the USPTO. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.



The USPTO's responses to the significant deficiencies identified in our audit are presented in Exhibit I. We did not audit the USPTO's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the USPTO's and the Department of Commerce's management, the U.S. Department of Commerce's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 7, 2008

U.S. Patent and Trademark Office
Independent Auditors' Report
Exhibit I – Significant Deficiencies

Financial Management Systems Need Improvement (*New Condition*)

Effective Information Technology (IT) general controls add assurance that data used to prepare and report financial information and statements is complete, reliable, and has integrity. Our fiscal year 2008 IT assessment, performed in support of the fiscal year 2008 consolidated financial statement audit, was focused on the IT general controls over the USPTO's major financial management systems and supporting network infrastructure, using GAO's *Federal Information System Controls Audit Manual (FISCAM)* as a guide.

In close concert with an organization's entity-wide information security program, access controls for general support systems and financial systems should provide reasonable assurance that computer resources such as data files, application programs, and computer-related facilities and equipment are protected against unauthorized modification, disclosure, loss, or impairment. Access controls are facilitated by an organization's entity-wide security program. Such controls include physical controls and logical controls.

The objectives of limiting access are to ensure that users have only the access needed to perform their duties; that access to very sensitive resources, such as security software programs, is limited to very few individuals; and that employees are restricted from performing incompatible functions or functions beyond their responsibility. This is reiterated by Federal guidelines. For example, OMB Circular A-130 and supporting National Institute of Standards and Technology (NIST) security publications provide guidance related to the maintenance of technical access controls. In addition, the *Department of Commerce IT Security Program Policy and Minimum Implementation Standards* contain many requirements for operating USPTO IT devices in a secure manner.

During fiscal year 2008, we noted that access controls should be improved, primarily in the areas of: (1) applying consistently patch management practices to protect system devices against external and internal vulnerabilities, (2) managing user accounts to appropriately disable inactive accounts at the network and financial application levels, (3) strengthening access authorizations and recertification efforts, (4) strengthening network, financial application, and database password controls, (5) monitoring data center access, (6) evidencing follow-up investigations performed for suspected security violations, and (7) maintaining an up-to-date IT Security Handbook, Incident Response Procedures, and Audit and Accountability Policy. We recognize that the USPTO has certain compensating controls in place to help reduce the risk of the identified vulnerabilities, and we have considered such compensating controls as part of our financial statement audit.

Recommendations

Specific recommendations are included in a separate, limited-distribution IT general controls report, issued as part of the fiscal year 2008 consolidated financial statement audit.

U.S. Patent and Trademark Office
Independent Auditors' Report
Exhibit I – Significant Deficiencies, Continued

Management's Response

Management agreed with our findings, conclusions, and recommendations related to improving the USPTO's financial management systems controls. The USPTO is in the process of developing corrective action plans to address the recommendations presented in the separate limited distribution IT general controls report.

Receipts Accounting Segregation of Duties (*New Condition*)

The Government Accountability Office's *Standards of Internal Control in the Federal Government* provides that internal control should provide reasonable assurance that the agency's objectives are achieved, including efficiency and effectiveness of operations, reliability of financial reporting, compliance with laws and regulations, and safeguarding of assets. Segregation of duties is a significant control activity, that when properly implemented, reduces the risk of inaccurate accounting transactions and of the misappropriation of assets.

The USPTO did not maintain adequate segregation of duties over responsibilities in receipts accounting and customer deposit accounts, which has a balance of \$101.5 million at September 30, 2008. Specifically, we identified the following responsibilities which should be, but were not, segregated between different individuals in order to maintain an effective control environment:

- Customer deposit account maintenance, including establishment of new accounts, changing existing account information, and closing accounts.
- Transferring funds between the suspense account and customer deposit accounts and fee accounts.
- Initiation of customer deposit account refunds.
- Opening, logging and recording customer deposit account checks received through the mail.
- Receiving and responding to customer account questions and complaints.

Recommendation

We recommend that USPTO and Office of Finance management perform an internal review over responsibilities throughout the receipts accounting function, to ensure that appropriate segregation of duties is maintained. This should include, but not be limited to, the specific responsibilities noted within this finding.

Management's Response

Management agreed with our findings, conclusions, and recommendations related to improving the USPTO's controls over the customer deposit accounting function. The USPTO is in the process of developing a corrective action plan to address the recommendations identified.

Other Accompanying Information



accountability



results




innovation

creativity



Intellectual
Property





Management and Performance Challenges Identified by the Inspector General

The Inspector General's Statement of Management Challenges

We are providing the management challenges for the United States Patent and Trademark Office in accordance with the provisions of the Reports Consolidation Act of 2000 (PL 106-531). Detailed information about our work is available on our Web site at: <http://www.oig.doc.gov/>

*Inspector General
Todd J. Zinser*

STRENGTHEN INFORMATION SECURITY

The Federal Information Security Management Act (FISMA) requires that we annually assess USPTO's efforts to safeguard data processed by its computer systems and networks. The continuing expansion of information technology means federal agencies face ever-increasing challenges in performing their missions while providing for the security of their sensitive information. Since enactment of FISMA in 2002, agencies have spent millions of dollars to improve the security of information on their computer systems and shared via the Internet. Yet weaknesses persist and breaches continue. At USPTO, IT security is a material weakness under the Federal Managers Financial Integrity Act.

The system security certification process is supposed to provide officials with complete, accurate, and trustworthy information on a system's security status so they can make timely, credible, risk-based decisions on whether to authorize operation. Our FISMA review of USPTO's certification and accreditation (C&A) packages continues to find weaknesses. Two USPTO packages were available for our FY 2008 review—one for an agency system and one for a contractor system. Both lacked sufficient evidence to confirm that operational and technical controls are in place and operating as intended, leaving certification agents and authorizing officials without adequate information about remaining vulnerabilities. Therefore, we recommend that USPTO again report IT security as a material weakness.

We did find, however, that USPTO is working more effectively than in past years to improve the C&A process, so we increased the rating of the quality of the process to satisfactory in our FY 2008 FISMA report. USPTO is participating with the Department in the adoption of the Cyber Security Assessment and Management (CSAM) tool, which should provide consistency and repeatability in C&A as well as management visibility into the process. The agency plans to fully use CSAM in FY 2009. Other improvements include achieving better compliance with NIST's C&A guidance; implementing improved control assessment methods and tools; redefining system boundaries to strengthen security management; and providing independent review of all C&A packages to identify weaknesses.

USPTO needs to continue its improvement efforts and demonstrate results in better C&A packages.

Improper Payments Information Act (IPIA) Reporting Details

During FY 2008, the USPTO did not have any erroneous payments that exceeded the ten million dollar threshold. While our erroneous payments were 0.30 percent of total disbursements and primarily related to inaccurate banking information, we plan to further reduce this percentage through our use of the government-wide Central Contractor Registration database maintained by the Department of Defense, which requires all government contractors to maintain current contact and banking information. The USPTO identifies overpayments and erroneous payments by reviewing (1) credit memos and refund checks issued by vendors or customers and (2) undelivered electronic payments returned by financial institutions.

Improper Payment Reduction Outlook (Dollars in millions)												
Program	FY 2007			FY 2008			FY 2009		FY 2010		FY 2011	
	Outlays	Improper Payment Percent	Improper Payment Dollars	Outlays	Improper Payment Percent	Improper Payment Dollars	Estimated Outlays	Improper Payment Percent	Estimated Outlays	Improper Payment Percent	Estimated Outlays	Improper Payment Percent
Patent	\$1,544	0.30%	\$ 4.57	\$1,634	0.30%	\$ 4.88	\$ 1,695	0.00%	\$ 1,760	0.00%	\$ 1,891	0.00%
Trademark	255	0.30%	0.76	190	0.30%	0.57	197	0.00%	205	0.00%	220	0.00%
Intellectual Property	–	–	–	44	0.30%	0.13	45	0.00%	47	0.00%	50	0.00%
Total	\$ 1,799	0.30%	\$ 5.33	\$1,868	0.30%	\$ 5.58	\$ 1,937	0.00%	\$ 2,012	0.00%	\$ 2,161	0.00%

During FY 2005, the USPTO entered into an agreement with the DOC to use an existing contract for recovery audit services. The audit was limited to closed obligations greater than \$0.1 million. Further excluded were grants, travel payments, purchase card transactions, inter-agency agreements, government bills of lading, and gift and bequest transactions.

The audit was completed in FY 2006 and resulted in three invoices that were identified as recoverable improper

payments, which are insignificant. The improper payments identified of \$0.1 million were recovered during FY 2006. No additional actions were taken in FY 2007 and FY 2008.

Summary of Recovery Audit Effort (Dollars in millions)	
Amount subject to review # of invoices	\$ 159.4 4,433
Actual amount reviewed # of invoices	\$ 107.3 985

Summary of Financial Statement Audit and Management Assurances

Table 1. - Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NONE	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Table 2. - Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
NONE	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Technology Security	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
NONE	0	0	0	0	0	0
Total non-conformances	0	0	0	0	0	0
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	Agency		Auditor			
Overall Substantial Compliance	Yes		Yes			
1. System Requirements	Yes		Yes			
2. Accounting Standards	Yes		Yes			
3. USSGL at Transaction Level	Yes		Yes			



The Nature of the Training Provided to USPTO Examiners

Achieving organizational excellence demands a high performance workforce that delivers high quality work products and provides customer service excellence. Training is a critical component in achieving consistently high quality products and services. Patent examiners and Trademark examining attorneys received extensive legal, technical, and automation training in FY 2008. The USPTO has a comprehensive training program for new patent examiners and trademark examining attorneys, embedding a well-established curriculum including initial legal training, automation training, and training in examination practice and procedure. Automation training is provided to all examiners as new systems are deployed and existing systems are enhanced. New technology-specific legal and technical training was conducted throughout the examining operations. This specific training either focuses on practices particular to a technology or was developed to address training needs identified through patent and trademark examination reviews or staff requests.

The USPTO training staff works with the Patent and Trademark organizations to address specific training concerns and serve as consultants to design specific internal programs to fit the education needs of each business unit. Training is reviewed and evaluated on an ongoing basis to ensure it is up-to-date and that coursework reflects developments and changes that have taken place in the industry. In FY 2008, the USPTO continued to expand training opportunities by developing additional computer-based training and instructional videos.

PATENT EXAMINER TRAINING

U.S. Patent Training Academy

- Mandatory training for first year examiners

Training in the Academy

This Program provides training for new examiners in Legal, Procedural, Automation, Life Skills, Technical, and Professional Development. Participants attend an eight-month training curriculum. Each class is composed of up to 160 new examiners, starting at specific dates during the year. The training is delivered in large group lectures or a small group workshop. The class is then split into groups of approximately 16 examiners for labs, small group discussions, and tailored training in their specific fields of study. Examiners have access to tutors, library and search assistance, and automation guidance. In addition to extensive lecture and lab training, attendees spend considerable time learning their jobs through the examination of real patent applications in a setting that provides immediate assistance when needed. The training is structured to provide new examiners with advanced entry-level competencies, as well as providing instruction in a variety of skills that will produce well-rounded, motivated employees.

■ **Curriculum**

Training in the Academy includes the legal and procedural training, plus enhanced instruction in areas such as: Classification Systems, Searching (classification, text), Claim Interpretation, Advanced Text Searching, Writing an Effective Examiner's Answer, Appeal Procedure and Practice (Appeal Conference & Pre-Conference; Prevent Administrative Remand).

Technical training in the Academy encompasses: Introduction to examining applications in specific areas of technology, the current state of specific technologies, ongoing technology topics, etc.

Examiners attending the Academy receive extensive training in automation, including classes in more than a dozen specialized applications used in patent examination, multiple search systems, databases, and commonly used office applications.

The Academy provides new examiners training in life skills such as: time management, physical security, ethics, stress management, balancing quality and production, professionalism, balancing work and personal life, diversity training, dealing with conflict and difficult situations, and benefits and financial planning basics.

■ **Individual Development Plan**

The Academy training program includes creating an Individual Development Plan (IDP) for each examiner. The IDP is composed of formal training courses, development assignments, and on-the-job training. The IDP is designed to assist the examiner from day one, through the first 24 months of employment. When the examiner graduates from the Academy, and is transferred to a Technology Center, the IDP will continue to enable the examiner to acquire the competencies essential to perform assigned duties and to prepare for further development.

PATENT EXAMINER TRAINING *(Continued)*

Programs for all Examiners

- ***Continuing Education***

Continuing education courses are for patent examiners. Courses include: Federal Circuit Court Decisions Affecting USPTO Practice - Key Cases of the Past Year and mastery of updated automation tools.

- ***Legal Training***

TC Level courses taught by TC personnel, some developed within the TC's. Examples include: 101 Training, 102/103 Training, Obviousness Type Double Patenting, Patent Law & Evidence.

- ***Non-Duty Legal Studies program***

This is a voluntary program established to provide reimbursement for additional legal training.

- ***Non-Duty Technical Training Program***

This is a voluntary program established to provide reimbursement for additional technical training.

- ***Examiner Technical Training (Technology Center Focused)***

Includes attendance at technology fairs; seminars and lectures in the fields of biotechnology, computer software and hardware technology, semiconductors, communication technology, and knowledge management.

- ***Automation Training***

TC-Focused Classes: EAST Databases, EAST, Automated Searching for Design Examiners, EAST and Optical Character Recognition, OACS Basics for Design Examiners, Non-Patent Literature Web Resources in Your Art Area, Classification and Security Review.

TRADEMARK EXAMINING ATTORNEY TRAINING

In FY 2008 in the Trademark organization, data gathered from the results of quality reviews were analyzed and used to prepare the content of on-line e-learning training materials for trademark examining attorneys. Fourteen e-learning modules were developed and released covering the following list of topics.

- Concurrent User Applications
- Section 2(d) - Likelihood of Confusion - Weak and Diluted Marks
- Section 2(a) - Scandalous and Disparaging Marks
- Amendments to Goods and Services - Are They Within The Scope?
- Section 2(d) - Likelihood of Confusion - Relatedness of Goods and Services: A General Framework
- Section 2(d) - Likelihood of Confusion - Relatedness of Goods and Services: Evidence
- Section 2(d) - Likelihood of Confusion - Relatedness of Goods and Services: Food and Beverages Goods and Services
- Varietal and Cultivar Names
- Office of Petitions
- Nice Agreement 9th Ed. – Changes Effectuated
- Amendments to Color Features of Marks
- Examination Procedures for Drawings that Contain Black, White, or Gray
- Marks that Identify Authors, Artists, and Titles of Creative Works
- Representing an Applicant or Registrant Before the USPTO

Nine examination tips have been developed and released.

- Consent to Register a Mark Identifying a Particular Living Individual
- TEAS Allegations of Use
- Marks Containing the Term “Your” in Combination with Descriptive or Generic Matter
- Claiming Prior Registrations
- When is the Term “Official” Considered Descriptive?
- Foreign Agents and Attorneys
- Standard Character Marks
- Guidelines For Examining Specimens
- Examples of Excellent Actions Regarding the Examination of Specimens

Five issues of a multi-issue examination reminders newsletter have been developed and released.

Fiscal Year 2008 USPTO Workload Tables

Index of Tables		Page
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TABLE 1

SUMMARY OF PATENT EXAMINING ACTIVITIES
(FY 2004 - FY 2008)**(PRELIMINARY FOR FY 2008)¹**

Patent Examining Activity	2004	2005	2006	2007	2008
Applications filed, total^{1,2}	378,984	409,532	445,613	468,330	496,762
Utility ³	353,319	381,797	417,453	439,578	466,147
Reissue	996	1,143	1,204	1,057	1,071
Plant	1,212	1,288	1,103	1,002	1,333
Design	23,457	25,304	25,853	26,693	28,211
Provisional Applications Filed^{2,4}	102,268	111,753	121,471	132,459	143,030
First actions					
Design	17,328	20,108	23,291	29,029	28,756
Utility, Plant, and Reissue	288,315	297,287	320,349	367,953	422,065
PCT/Chapter	17,935	22,795	25,034	24,741	51,300
Patent application disposals, total	304,921	298,838	332,535	362,227	396,228
Allowed patent applications, total	195,611	182,254	186,593	195,530	187,607
Design	16,262	18,161	20,721	25,747	24,735
Utility, Plant, and Reissue	179,349	164,093	165,872	169,783	162,872
Abandoned, total	109,295	116,564	145,912	166,690	208,610
Design	1,471	1,332	2,125	2,661	2,936
Utility, Plant, and Reissue	107,824	115,232	143,787	164,029	205,674
Statutory invention registration disposals, total	15	20	30	7	11
PCT/Chapter II examinations completed	19,439	12,594	7,295	5,336	2,937
Applications Published⁵	248,561	291,221	291,259	302,678	309,194
Patents issued^{2,6}	187,170	165,483	183,187	184,376	182,556
Utility	169,296	151,077	162,509	160,306	154,699
Reissue	343	195	500	548	662
Plant	998	816	1,106	979	1,179
Design	16,533	13,395	19,072	22,543	26,016
Pendency time of average patent application ⁷	27.6	29.1	31.1	31.9	32.2
Reexamination certificates issued	138	223	329	367	575
PCT international applications received by USPTO as receiving office	45,396	46,926	52,524	54,214	54,522
National requirements received by USPTO as designated/elected office	37,173	41,256	48,158	52,339	57,486
Patents renewed under Public Law (Pub.L.) 102-204 ⁸	269,815	268,935	324,913	343,894	353,923
Patents expired under Pub.L. 102-204 ⁸	63,552	67,534	72,654	67,122	67,127

¹ FY 2008 data are preliminary and will be finalized in the FY 2009 PAR.

² FY 2007 application data has been updated with final end of year numbers.

³ Utility patents include chemical, electrical and mechanical applications.

⁴ Provisional applications provided for in Pub.L. 103-465.

⁵ Eighteen-month publication of patent applications provided for in the American Inventors Protection Act of 1999, Pub.L. 106-113.

⁶ Excludes withdrawn numbers. Past years' data may have been revised from prior year reports.

⁷ Average time (in months) between filing and issuance or abandonment of utility, plant, and reissue applications. This average does not include design patents.

⁸ The provisions of Pub.L. 102-204 regarding the renewal of patents superseded Pub.L. 96-517 and Pub.L. 97-247.

TABLE 2

**PATENT APPLICATIONS FILED
(FY 1988 - FY 2008)**

(PRELIMINARY FOR FY 2008)¹

Year	Utility	Design	Plant	Reissue	Total
1988	136,253	11,114	377	439	148,183
1989	150,418	11,975	418	495	163,306
1990	162,708	11,140	395	468	174,711
1991	166,765	10,368	414	536	178,083
1992	171,623	12,907	335	581	185,446
1993	173,619	13,546	362	572	188,099
1994	185,087	15,431	430	606	201,554
1995	220,141	15,375	516	647	236,679
1996	189,922	15,160	557	637	206,276
1997	219,486	16,272	680	607	237,045
1998	238,850	16,576	658	582	256,666
1999	259,618	17,227	759	664	278,268
2000	291,653	18,563	786	805	311,807
2001	324,211	18,636	914	956	344,717
2002	331,580	19,706	1,134	974	353,394
2003	331,729	21,966	785	938	355,418
2004	353,319	23,457	1,212	996	378,984
2005	381,797	25,304	1,288	1,143	409,532
2006	417,453	25,853	1,204	1,103	445,613
2007 ²	439,578	26,693	1,002	1,057	468,330
2008¹	464,541	28,162	1,340	1,052	495,095

¹ FY 2008 data are preliminary and will be finalized in the FY 2009 PAR.

² FY 2007 application data has been updated with final end of the year numbers.

TABLE 3**PATENT APPLICATIONS PENDING PRIOR TO ALLOWANCE¹
(FY 1988 - FY 2008)**

Year	Awaiting Action by Examiner	Total Applications Pending²
1988	75,678	215,280
1989	92,377	222,755
1990	104,179	244,964
1991	104,086	254,507
1992	112,201	269,596
1993	99,904	244,646
1994	107,824	261,249
1995	124,275	298,522
1996	139,943	303,720
1997	112,430	275,295
1998	224,446	379,484
1999	243,207	414,837
2000	308,056	485,129
2001	355,779	542,007
2002	433,691	636,530
2003	471,382	674,691
2004	528,685	756,604
2005	611,114	885,002
2006	701,147	1,003,884
2007	760,924	1,112,517
2008	771,529	1,208,076

¹ Includes patent applications pending at end of period indicated, and includes utility, reissue, plant, and design applications. Does not include allowed applications.

² Applications under examination, including those in preexamination processing.

TABLE 4

PATENT PENDENCY STATISTICS¹
(FY 2008)

UPR Pendency Statistics by Technology Center (in months)	Average First Action Pendency	Total Average Pendency
Total UPR Pendency	25.6	32.2
Tech Center 1600 - Biotechnology & Organic Chemistry	19.9	34.8
Tech Center 1700 - Chemical & Materials Engineering	27.5	36.3
Tech Center 2100 - Computer Architecture, Software & Information Security	30.8	42.4
Tech Center 2600 - Communications	32.5	43.6
Tech Center 2800 - Semiconductor, Electrical, Optical Systems & Components	19.5	28.2
Tech Center 3600 - Transportation, Construction, Agriculture, & Electronic Commerce	24.3	34.8
Tech Center 3700 - Mechanical Engineering, Manufacturing & Products	24.7	32.7

¹ Pendency is calculated based on the most recent filing date.

TABLE 5

SUMMARY OF TOTAL PENDING PATENT APPLICATIONS
(FY 2008)

Stage of Processing	Utility, Plant and Reissue Applications	Design Applications	Total Patent Applications
Pending patent applications, total	1,240,704	35,324	1,276,028
In preexamination processing, total	140,877	3,747	144,624
Under examination, total	1,038,954	23,752	1,062,706
Undocketed	205,999	5,265	211,264
Awaiting first action by examiner	403,720	11,921	415,641
Rejected, awaiting response by applicant	303,655	5,138	308,793
Amended, awaiting action by examiner	94,548	1,320	95,868
In interference	258	5	263
On appeal, and other ¹	30,774	103	30,877
In post-examination processing, total	60,873	7,825	68,698
Awaiting issue fee	42,770	5,526	48,296
Awaiting printing ²	14,968	2,298	17,266
D-10s (secret cases in condition for allowance)	3,135	1	3,136

¹ Includes cases on appeal and undergoing petitions.

² Includes withdrawn cases.

TABLE 6

PATENTS ISSUED¹
(FY 1988 - FY 2008)²

Year	Utility ³	Design	Plant	Reissue	Total
1988	77,317	5,740	283	244	83,584
1989	95,829	5,844	728	309	102,710
1990	88,972	7,176	295	282	96,725
1991	91,819	9,387	318	334	101,858
1992	99,406	9,612	336	375	109,729
1993	96,675	9,946	408	302	107,331
1994	101,270	11,138	513	346	113,267
1995	101,895	11,662	390	294	114,241
1996	104,900	11,346	338	291	116,875
1997	111,977	10,331	400	267	122,975
1998	139,298	14,419	577	284	154,578
1999	142,852	15,480	436	393	159,161
2000	164,486	16,718	453	561	182,218
2001	169,571	17,179	563	504	187,817
2002	160,839	15,096	912	465	177,312
2003	171,493	16,525	1,178	394	189,590
2004	169,296	16,533	998	343	187,170
2005	151,077	13,395	816	195	165,483
2006	162,509	19,072	1,106	500	183,187
2007	160,306	22,543	979	548	184,376
2008⁴	154,699	26,016	1,179	662	182,556

¹ Excludes withdrawn numbers.

² Past years' data may have been revised from prior year reports.

³ Includes chemical, electrical, and mechanical applications.

⁴ FY 2008 data is preliminary.

TABLE 7

PATENT APPLICATIONS FILED BY RESIDENTS OF THE UNITED STATES¹
(FY 2004 - FY 2008)²

State/Territory	2004	2005	2006	2007	2008 ³	State/Territory	2004	2005	2006	2007	2008 ³
Total	218,220	218,472	236,012	247,898	N/A	Nebraska	537	555	532	689	N/A
Alabama	954	884	837	886	N/A	Nevada	1,515	1,400	1,426	1,629	N/A
Alaska	90	93	86	82	N/A	New Hampshire	1,442	1,384	1,474	1,450	N/A
Arizona	4,084	4,090	4,123	4,486	N/A	New Jersey	7,746	7,994	8,973	8,649	N/A
Arkansas	395	381	365	406	N/A	New Mexico	721	949	802	960	N/A
California	52,432	52,401	57,608	63,027	N/A	New York	13,653	13,482	14,595	15,518	N/A
Colorado	4,910	4,794	4,889	4,918	N/A	North Carolina	4,856	4,827	5,427	5,841	N/A
Connecticut	4,167	3,872	4,368	4,281	N/A	North Dakota	178	200	217	218	N/A
Delaware	840	873	897	954	N/A	Ohio	7,156	6,836	7,508	8,104	N/A
District of Columbia	229	192	223	250	N/A	Oklahoma	1,189	1,071	1,079	1,129	N/A
Florida	7,103	7,309	7,896	8,184	N/A	Oregon	4,968	4,912	5,197	4,841	N/A
Georgia	3,962	3,966	4,906	4,818	N/A	Pennsylvania	7,044	6,812	7,448	7,811	N/A
Hawaii	228	206	245	294	N/A	Rhode Island	739	697	652	716	N/A
Idaho	3,377	2,783	3,114	2,495	N/A	South Carolina	1,432	1,255	1,541	1,506	N/A
Illinois	8,154	8,471	9,108	9,323	N/A	South Dakota	176	168	170	198	N/A
Indiana	2,878	3,209	3,085	3,178	N/A	Tennessee	2,022	2,063	2,357	2,320	N/A
Iowa	1,393	1,428	1,580	1,490	N/A	Texas	14,148	13,903	14,803	15,886	N/A
Kansas	1,403	1,270	1,355	1,475	N/A	Utah	1,995	1,987	2,304	2,391	N/A
Kentucky	1,100	1,198	1,184	1,129	N/A	Vermont	882	866	983	1,001	N/A
Louisiana	799	777	808	838	N/A	Virginia	2,827	2,993	3,242	3,554	N/A
Maine	383	348	382	415	N/A	Washington	8,033	10,149	10,444	11,163	N/A
Maryland	3,298	3,450	3,731	3,840	N/A	West Virginia	308	292	309	294	N/A
Massachusetts	9,981	9,990	10,506	11,218	N/A	Wisconsin	4,410	4,127	4,453	4,631	N/A
Michigan	8,217	7,764	7,964	8,249	N/A	Wyoming	144	128	147	198	N/A
Minnesota	6,796	6,871	7,755	7,997	N/A	Puerto Rico	80	84	75	70	N/A
Mississippi	360	347	367	329	N/A	Virgin Islands	5	9	7	10	N/A
Missouri	2,150	2,010	2,166	2,273	N/A	U.S. Pacific Islands ⁴	1	3	2	3	N/A
Montana	326	346	291	281	N/A	United States ⁵	4	3	6	2	N/A
						Other ⁵	-	-	-	-	N/A

- Represents zero.

¹ Data include utility, plant, design, and reissue applications.

² Finalized data for FY 2004 to 2007 provided.

³ FY 2008 preliminary data should be available January 2009 at www.uspto.gov, and finalized in the FY 2009 PAR.

⁴ Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

⁵ State/Territory information not available.

TABLE 8

PATENTS ISSUED TO RESIDENTS OF THE UNITED STATES¹
(FY 2008)²

State/Territory	2008	State/Territory	2008	State/Territory	2008
Total	91,843	Kentucky	481	Oklahoma	512
Alabama	365	Louisiana	316	Oregon	2,130
Alaska	28	Maine	137	Pennsylvania	2,823
Arizona	1,847	Maryland	1,458	Rhode Island	302
Arkansas	168	Massachusetts	3,908	South Carolina	517
California	22,122	Michigan	3,537	South Dakota	56
Colorado	1,848	Minnesota	2,903	Tennessee	769
Connecticut	1,586	Mississippi	162	Texas	6,106
Delaware	369	Missouri	785	Utah	713
District of Columbia	68	Montana	135	Vermont	512
Florida	2,904	Nebraska	222	Virginia	1,165
Georgia	1,560	Nevada	484	Washington	4,059
Hawaii	109	New Hampshire	541	West Virginia	90
Idaho	1,245	New Jersey	3,172	Wisconsin	1,983
Illinois	3,577	New Mexico	292	Wyoming	42
Indiana	1,268	New York	5,942	Puerto Rico	21
Iowa	634	North Carolina	2,163	Virgin Islands	5
Kansas	537	North Dakota	74	U.S. Pacific Islands ³	4
		Ohio	3,085	United States ⁴	2

¹ Data include utility, design, plant, and reissue patents.

² FY 2008 data is preliminary.

³ Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

⁴ No state indicated in database.

**TABLE 9 UNITED STATES PATENT APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES¹
(FY 2004 - FY 2008)**

Residence	2004	2005	2006	2007 ²	2008 ³	Residence	2004	2005	2006	2007 ²	2008 ³
Total	160,764	191,060	209,601	220,432	N/A	Dominican Republic	11	5	8	7	N/A
Afghanistan	-	1	-	-	N/A	Ecuador	7	5	12	5	N/A
Albania	-	1	-	-	N/A	Egypt	14	17	17	33	N/A
Algeria	-	3	2	3	N/A	El Salvador	2	-	-	3	N/A
Andorra	1	2	-	5	N/A	Estonia	7	20	14	18	N/A
Anguilla	-	-	1	-	N/A	Ethiopia	1	-	1	1	N/A
Antigua & Barbuda	1	2	-	2	N/A	Fiji	1	-	-	-	N/A
Argentina	118	92	133	166	N/A	Finland	1,771	2,096	2,310	2,517	N/A
Armenia	-	3	10	3	N/A	French Polynesia	-	2	1	-	N/A
Aruba	-	1	-	-	N/A	France	5,618	7,515	7,228	8,204	N/A
Australia	2,495	3,339	3,078	3,612	N/A	Georgia	3	5	10	14	N/A
Austria	858	1,119	1,200	1,417	N/A	Germany	16,394	21,598	22,263	23,535	N/A
Azerbaijan	1	3	4	1	N/A	Ghana	1	3	-	3	N/A
Bahamas	30	16	18	13	N/A	Gibraltar	-	7	10	3	N/A
Bahrain	1	-	1	1	N/A	Greece	53	65	81	86	N/A
Bangladesh	-	1	-	-	N/A	Greenland	-	-	-	3	N/A
Barbados	8	9	2	6	N/A	Guatemala	-	1	7	3	N/A
Belarus	10	4	13	15	N/A	Haiti	-	-	-	1	N/A
Belgium	1,160	1,539	1,578	1,700	N/A	Honduras	3	3	1	1	N/A
Benin	-	1	-	-	N/A	Hungary	91	128	172	193	N/A
Bermuda	5	7	8	4	N/A	Iceland	60	52	47	37	N/A
Bolivia	2	2	2	2	N/A	India	1,274	1,444	1,862	2,280	N/A
Bosnia & Herzegovina	-	1	-	3	N/A	Indonesia	40	24	31	37	N/A
Brazil	287	340	333	385	N/A	Iran	4	4	10	18	N/A
British Virgin Islands	17	5	7	11	N/A	Iraq	-	-	1	-	N/A
Brunei	-	-	-	1	N/A	Ireland	407	507	528	561	N/A
Bulgaria	98	67	52	49	N/A	Israel	2,547	3,191	3,617	4,114	N/A
Burkina Faso	-	-	-	1	N/A	Italy	2,792	3,685	3,691	3,832	N/A
Cameroon	1	2	1	3	N/A	Jamaica	3	5	4	4	N/A
Canada	9,035	9,114	10,243	10,788	N/A	Japan	63,543	73,250	76,940	79,725	N/A
Cayman Islands	4	14	2	4	N/A	Jordan	8	2	7	12	N/A
Chad ⁴	-	-	1	-	N/A	Kazakhstan	1	3	4	1	N/A
Chile	55	56	50	105	N/A	Kenya	8	7	7	9	N/A
China (Hong Kong)	1,379	1,319	1,318	1,447	N/A	Korea, Dem. Republic of	-	-	-	1	N/A
China (People's Republic)	1,708	2,330	3,838	4,422	N/A	Korea, Republic of	13,388	16,643	21,963	23,589	N/A
Colombia	26	15	15	27	N/A	Kuwait	13	23	36	25	N/A
Costa Rica	36	47	25	33	N/A	Kyrgyzstan	-	1	-	-	N/A
Croatia	23	42	37	32	N/A	Latvia	6	6	8	10	N/A
Cuba	1	16	9	16	N/A	Lebanon	5	7	14	12	N/A
Cyprus	8	13	11	5	N/A	Liechtenstein	22	25	27	26	N/A
Czech Republic	64	87	102	129	N/A	Lithuania	20	9	10	11	N/A
Denmark	869	1,167	1,259	1,232	N/A	Luxembourg	74	78	84	118	N/A
Dominican Republic	11	5	8	7	N/A	Macau	4	3	5	3	N/A
						Madagascar	-	-	-	1	N/A

TABLE 9 UNITED STATES PATENT APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES¹
CONT. (FY 2004 - FY 2008)

Residence	2004	2005	2006	2007 ²	2008 ³	Residence	2004	2005	2006	2007 ²	2008 ³
Macedonia	3	1	-	1	N/A	Serbia	-	-	7	12	N/A
Malaysia	334	341	392	378	N/A	Serbia & Montenegro	3	6	-	-	N/A
Malta	3	6	13	5	N/A	Seychelles	-	2	1	-	N/A
Mauritius	-	-	-	2	N/A	Singapore	902	949	1,183	1,192	N/A
Mexico	211	217	229	216	N/A	Slovakia	7	18	29	32	N/A
Moldova	1	-	1	1	N/A	Slovenia	46	50	47	53	N/A
Monaco	15	18	21	15	N/A	South Africa	173	241	243	280	N/A
Morocco	1	4	2	2	N/A	Spain	637	855	868	1,080	N/A
Mozambique	1	-	-	-	N/A	Sri Lanka	3	6	9	9	N/A
Netherlands	2,291	3,637	4,098	4,249	N/A	Sweden	1,769	2,371	2,793	3,132	N/A
Netherlands Antilles	1	1	-	1	N/A	Switzerland	2,053	2,651	2,968	3,138	N/A
New Zealand	270	416	449	474	N/A	Syria Arab Rep	-	2	-	-	N/A
Nigeria	2	3	2	5	N/A	Taiwan	17,703	17,933	21,165	20,447	N/A
Norway	366	583	593	662	N/A	Thailand	109	79	82	111	N/A
Oman	-	5	1	2	N/A	Trinidad & Tobago	-	6	3	4	N/A
Pakistan	10	12	12	10	N/A	Tunisia	3	1	3	7	N/A
Panama	9	3	6	7	N/A	Turkey	49	62	68	86	N/A
Paraguay	1	-	1	-	N/A	Turks and Caicos Islands	2	2	1	5	N/A
Peru	12	3	3	9	N/A	Ukraine	35	34	32	35	N/A
Philippines	82	60	85	87	N/A	United Arab Emirates	19	15	22	22	N/A
Poland	75	122	93	104	N/A	United Kingdom	6,679	8,603	9,127	9,185	N/A
Portugal	24	55	43	66	N/A	Uruguay	9	11	18	8	N/A
Qatar	5	1	-	4	N/A	Uzbekistan	1	-	1	-	N/A
Romania	13	16	31	39	N/A	Vanuatu (New Hebrides) ⁴	-	-	1	-	N/A
Russian Federation	266	361	377	443	N/A	Venezuela	27	31	33	37	N/A
Samoa ⁴	-	-	5	-	N/A	Vietnam	3	6	4	3	N/A
San Marino	-	-	-	1	N/A	West Bank/Gaza ⁴	-	-	1	-	N/A
Saudi Arabia	37	41	51	69	N/A	Zimbabwe	2	1	-	3	N/A

- Represents zero.

¹ Data include utility, design, plant, and reissue applications. Country listings include possessions and territories of that country unless listed separately in the table. Data is subject to minor revisions.

² FY 2007 data is updated and final.

³ FY 2008 preliminary data should be available January 2009 at www.uspto.gov, and finalized in the FY 2009 PAR.

⁴ Countries/Territories not previously reported.

TABLE 10

PATENTS ISSUED BY THE UNITED STATES TO RESIDENTS OF FOREIGN COUNTRIES¹
(FY 2004 - FY 2008)²

Residence	2004	2005	2006	2007	2008	Residence	2004	2005	2006	2007	2008
Total	89,258	80,245	87,014	89,760	90,713	French Polynesia	-	-	-	1	-
Algeria	1	-	1	-	-	Gabon	-	-	-	1	-
Andorra	1	2	-	1	1	Georgia	4	2	2	7	3
Angola	1	-	-	-	-	Germany	11,623	10,502	10,083	10,256	9,794
Anguilla	-	-	-	1	-	Ghana	-	-	-	1	-
Antigua and Barbuda	-	-	-	-	1	Gibraltar	-	-	-	1	3
Argentina	57	37	39	52	46	Greece	15	18	22	26	25
Armenia	1	-	3	1	1	Guatemala	-	1	1	-	4
Aruba	1	-	-	-	-	Honduras	-	1	-	2	-
Australia	1,079	1,091	1,413	1,493	1,485	Hungary	62	48	41	55	68
Austria	606	546	575	553	572	Iceland	18	23	22	20	23
Azerbaijan	2	-	1	2	2	India	366	405	470	560	650
Bahamas	11	9	7	3	5	Indonesia	12	36	11	16	21
Bangladesh	-	-	-	-	1	Iran	-	1	-	4	3
Barbados	-	-	2	2	2	Iraq	-	-	-	-	1
Belarus	2	2	3	7	8	Ireland	188	192	186	174	174
Belgium	698	629	665	629	602	Israel	1,157	1,000	1,231	1,218	1,322
Benin	-	-	-	1	-	Italy	2,009	1,706	1,817	1,791	1,890
Bermuda	4	2	-	6	1	Ivory Coast	1	-	-	-	-
Bolivia	-	-	-	-	1	Jamaica	1	1	-	1	2
Brazil	192	93	152	112	131	Japan	37,734	34,079	36,482	36,658	35,847
British Virgin Islands	10	7	5	1	1	Jordan	2	-	1	1	1
Bulgaria	8	6	4	3	18	Kazakhstan	2	2	1	3	-
Cameroon	-	-	-	1	-	Kenya	18	10	4	1	2
Canada	3,980	3,368	3,743	3,974	4,052	Korea, Republic of	4,590	4,811	5,835	6,882	8,410
Cayman Islands	2	2	-	12	2	Kuwait	6	3	6	7	12
Chad	-	-	-	-	1	Kyrgyzstan	-	-	-	-	1
Chile	17	15	12	25	19	Latvia	4	2	2	2	2
China (Hong Kong)	672	627	717	733	738	Lebanon	3	1	2	2	5
China (Mainland)	551	583	868	1,139	1,684	Liechtenstein	17	16	13	14	15
Colombia	11	9	7	8	9	Lithuania	3	5	6	9	13
Costa Rica	7	12	29	14	17	Luxembourg	56	49	48	58	40
Croatia	9	10	17	15	14	Macao	2	1	3	-	2
Cuba	4	3	2	2	6	Malaysia	86	95	124	154	179
Cyprus	2	6	4	4	1	Malta	2	1	1	1	2
Czech Republic	41	28	28	39	58	Mauritius	-	-	-	-	1
Denmark	580	463	547	494	573	Mexico	113	88	93	89	78
Dominican Republic	-	1	3	2	3	Moldova, Republic	4	1	-	-	-
Ecuador	2	3	2	5	3	Monaco	16	8	9	13	9
Egypt	4	7	3	10	6	Morocco	1	-	4	1	3
El Salvador	2	2	2	-	-	Namibia	-	-	-	-	1
Estonia	2	3	4	10	2	Netherlands	1,619	1,268	1,504	1,594	1,670
Ethiopia	-	-	-	1	-	Netherlands Antilles	-	-	-	1	-
Fiji	1	1	-	1	-	New Zealand	187	163	159	157	180
Finland	1,002	778	946	967	894	Nicaragua	1	-	-	-	-
France	3,846	3,355	3,542	3,757	3,683	Nigeria	2	-	-	1	1
						Norway	271	245	250	285	288

TABLE 10
CONT.**PATENTS ISSUED BY THE UNITED STATES TO RESIDENTS OF FOREIGN COUNTRIES¹**
(FY 2004 - FY 2008)²

Residence	2004	2005	2006	2007	2008	Residence	2004	2005	2006	2007	2008
Oman	-	-	1	-	2	South Africa	107	115	123	117	111
Pakistan	3	4	3	4	6	Spain	337	320	373	350	386
Palau	1	-	-	-	-	Sri Lanka	2	3	1	5	1
Panama	2	1	-	-	1	Sweden	1,452	1,269	1,255	1,298	1,249
Paraguay	-	-	1	-	-	Switzerland	1,406	1,214	1,295	1,283	1,340
Peru	5	4	2	2	1	Syrian Arab Rep	1	-	3	1	-
Philippines	28	18	30	26	22	Taiwan	7,376	6,311	7,356	7,569	7,424
Poland	18	29	26	37	64	Thailand	33	28	38	29	38
Portugal	16	14	18	16	30	Trinidad & Tobago	-	-	3	1	-
Qatar	-	2	2	-	1	Tunisia	1	1	1	1	2
Romania	8	6	11	11	11	Turkey	31	11	24	19	35
Russian Federation	187	160	169	183	186	Turks and Caicos Islands	1	7	1	1	1
Saint Kitts & Nevis	-	-	-	-	1	Ukraine	21	18	27	14	16
Samoa	-	-	-	4	-	United Arab Emirates	3	4	7	5	6
Saudi Arabia	13	16	21	23	28	United Kingdom	4,047	3,744	3,978	4,100	3,882
Serbia ³	-	-	2	6	2	Uruguay	1	1	1	3	3
Serbia and Montenegro ³	1	5	-	-	-	Uzbekistan	1	-	1	-	-
Seychelles	-	-	-	2	1	Venezuela	24	14	14	13	19
Singapore	498	420	424	457	426	Vietnam	1	2	-	1	-
Slovakia	6	1	2	8	13	Zimbabwe	-	2	1	1	-
Slovenia	23	17	21	23	17						

- Represents zero.

¹ Data include utility, design, plant, and reissue patents. Country listings include possessions and territories of that country unless separately listed in the table.

² FY 2008 numbers are preliminary. Past years' data may have been revised from prior year reports to reflect patent withdrawal information that was updated during the year. It is not uncommon for the withdrawal status of patents issued in prior years to change.

³ Each patent grant is listed under only one country of residence.

TABLE 11**STATUTORY INVENTION REGISTRATIONS PUBLISHED**
(FY 2004 - 2008)

Assignee	2004	2005	2006	2007	2008
Air Force	5	6	8	7	3
Army	1	-	-	-	-
Energy	-	-	-	-	-
Navy	4	3	12	4	6
Health & Human Services	-	-	-	-	-
USA ¹	-	-	1	-	-
Other Than U.S. Government	17	5	20	16	12
Total	27	14	41	27	21

- Represents zero.

¹ United States of America - no agency indicated in database.

TABLE 12**UNITED STATES GOVERNMENT AGENCY PATENTS¹
(FY 2004 - FY 2008)²**

Activity	2004	2005	2006	2007	2008	TOTAL
Agriculture	51	25	35	30	27	168
Air Force	54	38	58	33	36	219
Army	130	124	167	155	134	710
Attorney General	-	-	1	-	-	1
Commerce	9	8	5	2	3	27
Energy	46	22	23	22	20	133
EPA	11	7	11	9	9	47
FCC	-	-	-	-	-	0
HEW/HHS	125	77	108	116	100	526
Interior	7	12	2	6	1	28
NASA	108	78	74	65	72	397
Navy	353	257	267	255	241	1,373
NSA	10	10	16	11	16	63
NSF	1	-	-	-	-	1
Postal Service	3	7	14	15	19	58
State Department	-	1	-	-	-	1
Transportation	1	2	-	-	-	3
TVA	1	1	1	-	1	4
USA ³	1	-	2	1	3	7
VA	1	6	2	5	8	22
Total	912	675	786	725	690	3,788

- Represents zero.

¹ Data in this table represent utility patents assigned to agencies at the time of patent issue. Data is subject to minor revisions.

² FY 2008 numbers are preliminary. Past years' data may have been revised from prior year reports to reflect patent withdrawal information that was updated during the year. It is not uncommon for the withdrawal status of patents issued in prior years to change.

³ United States of America - no agency indicated in database.

TABLE 13A

EX PARTE REEXAMINATION
(FY 2004 - FY 2008)

Activity	2004	2005	2006	2007	2008
Requests filed, total	441	524	511	643	680
By patent owner	166	166	129	124	87
By third party	268	358	382	519	593
Commissioner ordered	7	-	-	-	-
Determinations on requests, total	419	537	458	594	666
Requests granted:					
By examiner	408	509	422	575	626
By petition	-	2	5	2	-
Requests denied	11	26	31	17	40
Requests known to have related litigation	138	176	229	369	316
Filings by discipline, total	441	524	511	643	680
Chemical	130	138	118	133	138
Electrical	156	188	228	275	305
Mechanical	155	198	165	235	237

- Represents zero.

TABLE 13B

INTER PARTES REEXAMINATION
(FY 2004 - FY 2008)

Activity	2004	2005	2006	2007	2008
Requests filed, total	27	59	70	126	168
Determinations on requests, total	25	57	47	119	150
Requests granted:					
By examiner	25	54	43	118	142
By petition	-	-	-	-	-
Requests denied	-	3	4	1	8
Requests known to have related litigation	5	29	32	81	115
Filings by discipline, total	27	59	70	126	168
Chemical	6	17	17	30	38
Electrical	7	20	27	53	67
Mechanical	14	22	26	43	63

- Represents zero.

TABLE 14

SUMMARY OF CONTESTED PATENT CASES
(Within the USPTO, as of September 30, 2008)

Item	Total
Ex parte cases	
Appeals	
Cases pending as of 9/30/07	2,511
Cases filed during FY 2008	6,385
Disposals during FY 2008, total	
Decided, total	4,940
Affirmed	2,790
Affirmed-in-Part	669
Reversed	1,179
Dismissed/Withdrawn	95
Remanded	207
Cases pending as of 9/30/08	3,956
Rehearings	
Cases pending as of 9/30/08	25
Inter partes cases	
Cases pending as of 9/30/07	60
Cases declared or reinstated during FY 2008	66
Inter partes cases, FY 2008 total	126
Cases terminated during FY 2008	74
Cases pending as of 9/30/08	52

TABLE 15

**SUMMARY OF TRADEMARK EXAMINING ACTIVITIES
(FY 2004 - FY 2008)**

Item	2004	2005	2006	2007	2008
Applications for Registration:					
Applications including Additional Classes	298,489	323,501	354,775	394,368	401,392
Applications Filed	244,848	258,527	275,790	298,796	302,253
Disposal of Trademark Applications:					
Registrations including Additional Classes	155,991	143,396	188,899	194,327	274,250
Abandonments including Additional Classes	109,931	108,879	126,884	129,200	156,093
Trademark First Actions including Additional Classes	268,865	317,757	405,998	455,802	415,896
Applications Approved for Publication including Additional Classes	186,271	211,624	288,042	344,617	345,067
Certificates of Registration Issued:¹					
1946 Act Principal Register	65,797	63,088	95,188	98,564	120,173
Principal Register					
ITU-Statements of Use Registered	49,479	43,930	45,720	44,108	81,387
1946 Act Supplemental Register	4,780	5,477	6,210	7,392	8,344
Total Certificates of Registration	120,056	112,495	147,118	150,064	209,904
Renewal of Registration:*					
Section 9 Applications Filed	32,352	39,354	36,939	40,786	42,388
Section 8 Applications Filed**	32,389	39,659	36,952	40,798	42,395
Registrations Renewed	34,735	32,279	37,305	47,336	42,159
Affidavits, Sec. 8/15:					
Affidavits Filed	41,157	47,752	48,444	49,241	68,470
Affidavits Disposed	40,765	41,466	45,676	55,888	65,222
Affidavits for Benefits:					
Under Sec. 12(c)	9	1	-	4	1
Published Under Sec. 12(c)	4	3	1	13	3
Amendments to Allege Use Filed	9,414	9,497	10,007	9,646	9,140
Statements of Use Filed	57,731	54,182	67,543	76,866	96,415
Notice of Allowance Issued	108,684	108,268	164,752	172,422	220,333
Total Active Certificates of Registration	1,216,691	1,255,570	1,322,155	1,380,150	1,497,131
Pendency - Average Months:					
Between Filing and Examiner's First Action	6.6	6.3	4.8	2.9	3.0
Between Filing, Registration (Use Applications)					
Abandonments and NOAs - including suspended and inter partes proceedings	19.5	19.6	18.0	15.1	13.9
Between Filing, Registration (Use Applications)					
Abandonments and NOAs - excluding suspended and inter partes proceedings	16.2	17.2	15.5	13.4	11.8

- Represents zero.

¹ With the exception of Certificates of Registration, Renewal of Registration, Affidavits filed under Section 8/15 and 12(c), the workload count includes extra classes.

"Applications filed" refers simply to the number of individual trademark applications received by the USPTO. There are, however, 47 different classes of items in which a trademark may be registered. An application must request registration in at least one class, but may request registration in multiple classes. Each class application must be individually researched for registrability. "Applications filed, including additional classes" reflects this fact, and therefore more accurately reflects the Trademark business workload. With the exception of Certificates of Registration, Renewal of Registration, Affidavits filed under Section 8/15 and 12(c), the workload count includes extra classes.

* Renewal of registration is required beginning 10 years following registration concurrent with 20 - year renewals coming due.

** Section 8 Affidavit is required for filing a renewal beginning October 30, 1999 (FY 2000) with the implementation of the Trademark Law Treaty.

TABLE 16

**TRADEMARK APPLICATIONS FILED FOR REGISTRATION
AND RENEWAL AND TRADEMARK AFFIDAVITS FILED
(FY 1988 - FY 2008)**

Year	For Registration	For Renewal¹	Section 8 Affidavit	Section 12(C) Affidavit
1988	76,813	6,763	18,316	23
1989	83,169	6,127	17,986	104
1990	127,294	6,602	20,636	5
1991	120,365	5,634	25,763	1
1992	125,237	6,355	20,982	25
1993	139,735	7,173	21,999	5
1994	155,376	7,004	20,850	4
1995	175,307	7,346	23,497	-
1996	200,640	7,543	22,169	6
1997	224,355	6,720	20,781	2
1998	232,384	7,413	33,231	-
1999	295,165	7,944	33,104	-
2000	375,428	24,435	28,920	-
2001	296,388	24,174	33,547	4
2002	258,873	34,325	39,484	-
2003	267,218	35,210	43,151	1
2004	298,489	32,352	41,157	9
2005	323,501	39,354	47,752	1
2006	354,775	36,939	48,444	-
2007	394,368	40,786	49,241	4
2008	401,392	42,388	68,470	1

- Represents zero.

¹ Renewal of registration term changed with implementation of the Trademark Law Reform Act (Pub.L. 100-667) beginning November 16, 1989 (FY1990).

TABLE 17

**SUMMARY OF PENDING TRADEMARK APPLICATIONS
(FY 2008)**

Stage of Processing	Application Files	Classes
Pending applications, total	481,197	677,098
In preexamination processing	64,031	80,693
Under examination, total	330,497	477,211
Applications under initial examination	104,529	154,839
Amended, awaiting action by Examiner	101,904	151,463
Awaiting first action by Examiner	2,625	3,376
Intent-To-Use applications pending Use	173,851	243,357
Applications under second examination	11,871	15,892
Administrative processing of Statements of Use	84	104
Undergoing second examination	3,515	4,608
Amended, awaiting action by Examiner	8,272	11,180
Other pending applications¹	40,246	63,123
In post-examination processing	86,669	119,194
(Includes all applications in all phases of publication and issue and registration)		

¹ Includes applications pending before the Trademark Trial and Appeal Board, and suspended cases.

TABLE 18

**TRADEMARKS REGISTERED, RENEWED, AND PUBLISHED
UNDER SECTION 12(C)¹
(FY 1988 - FY 2008)**

Year	Certificates of Regis. Issued	Renewed²	Published Under 12(c)	Registrations (Incl. Classes)
1988	46,704	5,884	29	-
1989	51,802	9,209	84	-
1990	56,515	7,122	19	-
1991	43,152	6,416	19	-
1992	62,067	5,733	13	-
1993	74,349	6,182	21	86,122
1994	59,797	6,136	11	68,853
1995	65,662	6,785	4	75,372
1996	78,674	7,346	11	91,339
1997	97,294	7,389	11	112,509
1998	89,634	6,504	8	106,279
1999	87,774	6,280	3	104,324
2000	106,383	8,821	15	127,794
2001	102,314	31,477	11	124,502
2002	133,225	29,957	26	164,457
2003	143,424	34,370	5	185,182
2004	120,056	34,735	4	155,991
2005	112,495	32,279	3	143,396
2006	147,118	37,305	1	188,899
2007	150,064	47,336	13	194,327
2008	209,904	42,159	3	274,250

- Represents zero.

¹ Includes withdrawn numbers.

² Includes Renewal of registration term changed with implementation of the Trademark Law Reform Act (Pub.L. 100-667) beginning November 16, 1989 (FY 1990).

TABLE 19 TRADEMARK APPLICATIONS FILED BY RESIDENTS OF THE UNITED STATES (FY 2008)

State/Territory	2008	State/Territory	2008	State/Territory	2008
Total	314,510	Kentucky	1,594	Oklahoma	1,725
Alabama	1,476	Louisiana	1,440	Oregon	3,517
Alaska	251	Maine	823	Pennsylvania	9,148
Arizona	6,416	Maryland	5,772	Rhode Island	1,161
Arkansas	965	Massachusetts	8,741	South Carolina	2,004
California	68,039	Michigan	6,086	South Dakota	404
Colorado	6,802	Minnesota	6,309	Tennessee	4,027
Connecticut	4,780	Mississippi	634	Texas	17,258
Delaware	3,402	Missouri	3,770	Utah	3,616
District of Columbia	2,574	Montana	687	Vermont	579
Florida	21,973	Nebraska	1,245	Virginia	7,158
Georgia	8,890	Nevada	6,216	Washington	7,095
Hawaii	1,117	New Hampshire	1,189	West Virginia	259
Idaho	1,050	New Jersey	12,646	Wisconsin	4,035
Illinois	13,659	New Mexico	879	Wyoming	383
Indiana	3,337	New York	31,965	Puerto Rico	276
Iowa	1,471	North Carolina	5,948	Virgin Islands	32
Kansas	1,662	North Dakota	246	U.S. Pacific Islands ¹	39
		Ohio	7,621	United States ²	119

¹ Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

² No state indicated in database, includes APO filings.

TABLE 20

TRADEMARKS REGISTERED TO RESIDENTS OF THE UNITED STATES¹
(FY 2008)

State/Territory	2008	State/Territory	2008	State/Territory	2008
Total	171,104	Kentucky	651	Oklahoma	678
		Louisiana	686	Oregon	1,585
Alabama	599	Maine	453	Pennsylvania	3,601
Alaska	107	Maryland	2,219	Rhode Island	465
Arizona	2,354	Massachusetts	2,767	South Carolina	837
Arkansas	406	Michigan	2,753	South Dakota	231
California	19,318	Minnesota	3,117	Tennessee	1,441
Colorado	2,723	Mississippi	257	Texas	6,182
Connecticut	1,449	Missouri	2,053	Utah	1,434
Delaware	34,291	Montana	295	Vermont	261
District of Columbia	1,123	Nebraska	545	Virginia	2,402
Florida	7,690	Nevada	4,101	Washington	3,219
Georgia	3,212	New Hampshire	447	West Virginia	136
Hawaii	351	New Jersey	4,029	Wisconsin	2,151
Idaho	367	New Mexico	304	Wyoming	248
Illinois	5,149	New York	9,357	Puerto Rico	122
Indiana	1,583	North Carolina	2,159	Virgin Islands	26
Iowa	907	North Dakota	118	U.S. Pacific Islands ²	14
Kansas	712	Ohio	3,764	United States ³	23,655

¹ When a trademark is registered, the trademark database is corrected to indicate the home state of the entity registering the trademark.

² Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

³ No state indicated in database, includes APO filings.

TABLE 21

**TRADEMARK APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES
(FY 2004 - FY 2008)**

Residence	2004	2005	2006	2007	2008	Residence	2004	2005	2006	2007	2008
Total	46,832	60,995	71,551	84,072	86,882	Dominican Republic	13	47	64	70	77
Afghanistan	-	-	3	2	2	Ecuador	25	18	15	28	24
Albania	1	1	19	1	3	Egypt	19	17	8	11	11
Algeria	-	-	-	1	-	El Salvador	55	50	31	69	56
Andorra	-	3	7	2	1	Estonia	3	16	24	26	35
Angola	-	2	-	-	-	Ethiopia	-	4	-	-	2
Anguilla	6	4	8	4	7	Faroe Islands	-	-	-	-	12
Antarctica	-	-	-	-	1	Fiji	2	12	1	3	1
Antigua & Barbuda	2	26	97	2	20	Finland	275	374	476	548	526
Argentina	202	225	228	253	266	France	2,427	4,555	4,843	5,460	6,254
Armenia	1	2	22	5	4	French Polynesia	49	16	9	9	3
Aruba	3	24	-	18	1	Georgia	2	6	4	2	3
Australia	1,845	2,204	2,593	3,685	3,164	Germany	6,466	8,146	9,896	11,455	12,686
Austria	401	696	1,125	1,187	1,344	Ghana	-	-	-	-	2
Azerbaijan	5	-	-	2	3	Gibraltar	24	65	50	59	32
Bahamas	139	207	192	218	152	Greece	236	64	120	126	244
Bahrain	10	3	7	17	11	Greenland	-	-	5	-	-
Bangladesh	-	-	-	10	3	Grenada	-	1	1	1	-
Barbados	207	213	177	322	310	Guadeloupe	2	3	-	2	-
Belarus	-	18	3	16	20	Guatemala	39	42	31	56	39
Belgium	266	581	606	804	869	Guinea	-	-	-	-	1
Belize	9	12	52	30	19	Guyana	1	6	5	2	7
Benin	3	2	-	-	-	Haiti	8	4	3	2	1
Bermuda	282	251	234	353	296	Honduras	5	4	19	5	9
Bhutan	-	-	-	1	-	Hong Kong	862	1,130	1,113	1,305	1,211
Bolivia	2	4	-	3	5	Hungary	40	88	115	135	77
Bosnia & Herzegovina	-	-	-	2	-	Iceland	86	42	74	140	240
Brazil	453	495	445	525	517	India	260	275	346	412	697
British Virgin Islands	151	389	665	625	623	Indonesia	24	55	32	35	62
Brunei	-	1	2	3	3	Iran	20	12	13	9	39
Bulgaria	17	84	81	145	101	Ireland	359	392	488	634	724
Cambodia	1	-	1	-	-	Isle of Man	27	56	59	82	101
Cameroon	2	-	8	-	-	Israel	476	534	614	761	764
Canada	7,365	7,730	8,337	9,127	9,614	Italy	1,577	2,894	4,057	4,912	4,395
Cape Verde	-	-	1	1	-	Jamaica	50	55	55	32	49
Cayman Islands	81	188	134	296	360	Japan	4,239	4,824	4,705	5,258	4,764
Channel Islands	27	73	67	104	68	Jordan	18	7	14	15	23
Chile	183	217	161	201	206	Kazakhstan	2	-	-	5	7
China (mainland)	594	1,246	1,784	2,364	2,262	Kenya	9	9	13	1	3
Colombia	181	156	185	249	187	Korea, Dem. Republic of	-	1	3	2	-
Cook Islands	3	2	6	-	-	Korea, Republic of	446	614	1,207	1,599	1,566
Costa Rica	41	58	73	68	100	Kuwait	3	2	12	37	37
Croatia	10	47	34	12	22	Kyrgyzstan	-	2	-	-	-
Cuba	2	26	11	3	13	Latvia	8	29	29	29	20
Cyprus	60	73	115	88	101	Lebanon	14	22	14	7	22
Czechoslovakia	59	93	164	212	256	Liberia	-	-	-	-	2
Denmark	353	637	886	922	1,197	Liechtenstein	56	165	180	202	247
Dominica	1	3	6	2	9	Lithuania	1	9	21	6	25
						Luxembourg	134	294	403	403	550

TABLE 21
CONT.**TRADEMARK APPLICATIONS FILED BY RESIDENTS OF FOREIGN COUNTRIES**
(FY 2004 - FY 2008)

Residence	2004	2005	2006	2007	2008	Residence	2004	2005	2006	2007	2008
Macao	1	1	4	2	20	Russian Federation	118	276	380	441	733
Macau	-	-	-	1	-	St. Kitts & Nevis	-	-	3	-	-
Macedonia	-	-	2	8	7	Saint Christ-Nevis	2	12	10	26	31
Madagascar	2	-	1	-	-	Saint Lucia	2	8	4	5	17
Malaysia	98	97	81	93	119	Saint Vincent/Grenadines	1	3	2	-	-
Malta	10	8	50	24	48	Samoa	1	2	11	6	11
Marshall Islands	4	2	4	-	5	San Marino	3	2	4	4	3
Martinique	-	-	-	1	-	Saudi Arabia	21	27	50	71	61
Mauritania	-	2	-	-	-	Scotland	35	66	105	93	73
Mauritius	46	27	61	63	32	Senegal, Republic of	-	-	2	-	1
Mexico	1,103	1,403	1,487	1,592	1,484	Serbia/Montenegro	3	3	-	42	11
Micronesia	-	2	2	1	7	Seychelles	1	5	23	24	27
Monaco	69	81	147	158	113	Sierra Leone	-	1	-	-	-
Mongolia	1	-	-	1	4	Singapore	205	311	355	503	479
Morocco	2	18	33	26	60	Slovakia	2	24	31	67	82
Mozambique	-	1	-	4	-	Slovenia	13	53	67	171	105
N. Mariana Island	4	2	7	-	-	South Africa	194	208	285	241	218
Namibia	-	-	-	-	3	Spain	1,097	1,136	1,735	1,742	1,864
Nepal	-	-	-	-	1	Sri Lanka	20	12	21	16	33
Netherlands	1,088	1,725	2,133	2,367	2,618	Suriname	1	-	-	-	-
Netherlands Antilles	22	41	56	130	76	Swaziland	1	2	-	-	-
New Zealand	535	510	513	648	534	Sweden	658	1,123	1,127	1,521	1,482
Nicaragua	10	9	2	4	7	Switzerland	2,093	3,346	3,687	4,692	4,772
Nigeria	1	1	5	12	1	Syria	1	3	3	1	6
Niue	-	2	-	-	-	Taiwan	1,424	1,196	1,427	1,257	1,283
Norway	159	331	354	616	630	Tanzania	-	-	-	-	2
Oman	5	5	2	1	2	Thailand	127	114	80	155	206
Pakistan	18	12	20	25	27	Togo	-	-	1	-	5
Panama	108	125	131	88	149	Trinidad & Tobago	3	7	11	37	1
Papua New Guinea	-	1	-	-	3	Tunisia	-	5	3	6	2
Paraguay	28	11	18	7	11	Turkey	174	349	461	632	602
Peru	33	50	40	46	101	Turks and Caicos Islands	-	-	24	4	13
Philippines	26	56	86	55	62	Uganda	-	-	-	-	3
Poland	97	148	189	196	273	Ukraine	19	59	61	81	90
Portugal	77	198	309	268	372	United Arab Emirates	21	48	150	171	307
Qatar	-	6	10	34	16	United Kingdom	5,432	6,273	7,557	9,431	9,463
Republic Moldova	2	22	16	18	6	Uruguay	41	47	37	57	35
Romania	6	48	24	53	73	Uzbekistan	1	-	-	-	1
Russian Federation	118	276	380	441	733	Vanuatu	6	7	9	30	-
St. Kitts & Nevis	-	-	3	-	-	Venezuela	73	53	61	77	120
Saint Christ-Nevis	2	12	10	26	31	Vietnam	60	39	41	40	61
Saint Lucia	2	8	4	5	17	Yemen	1	3	6	3	4
Saint Vincent/Grenadines	1	3	2	-	-	Yugoslavia	10	9	36	8	4
Samoa	1	2	11	6	11	Zimbabwe	1	-	-	-	1
San Marino	3	2	4	4	3	Other ¹	82	261	183	35	16
Saudi Arabia	21	27	50	71	61						

- Represents zero.

¹ Country of Origin information not available or not indicated in database, includes African Regional Industrial Property Organization filings.

TABLE 22

**TRADEMARKS REGISTERED TO RESIDENTS OF FOREIGN COUNTRIES
(FY 2004 - FY 2008)**

Residence	2004	2005	2006	2007	2008	Residence	2004	2005	2006	2007	2008
Total	22,485	19,968	27,592	27,798	38,800	Denmark	219	193	326	349	424
Afghanistan	2	2	3	3	5	Djibouti	-	-	-	-	1
Albania	-	1	2	7	6	Dominica	-	1	-	4	2
Algeria	-	-	1	4	3	Dominican Republic	26	27	18	29	32
Andorra	2	-	6	2	2	East Timor	-	-	-	2	-
Angola, Republic of	-	-	1	-	1	Ecuador	8	10	18	17	17
Anguilla	3	5	5	2	8	Egypt	1	3	10	8	5
Antarctica	-	-	1	1	-	El Salvador	11	20	26	22	64
Antigua & Barbuda	5	4	16	20	18	Eritrea	-	-	-	1	-
Argentina	142	92	123	130	182	Estonia	5	4	5	12	9
Armenia	3	1	7	7	19	Ethiopia	-	-	1	1	3
Aruba	2	-	1	2	18	Fiji	5	2	2	3	1
Australia	775	709	1,030	1,076	1,609	Finland	163	130	173	203	218
Austria	199	178	267	273	397	France	1,642	1,360	2,055	2,046	2,638
Bahamas	57	39	32	52	61	French Guiana	-	-	-	1	1
Bahrain	2	4	2	1	-	French Polynesia	9	-	20	7	10
Bangladesh	2	1	3	3	4	Georgia	5	-	1	1	-
Barbados	56	78	94	84	115	Germany	2,996	2,583	3,866	3,708	4,674
Belarus	-	2	2	6	10	Ghana	-	-	1	1	5
Belgium	194	152	243	283	399	Gibraltar	7	2	15	11	32
Belize	16	3	7	11	14	Greece	16	18	27	40	68
Benelux Convention	-	6	7	5	9	Greenland	-	-	-	1	-
Bermuda	93	148	130	129	164	Grenada	-	-	-	1	-
Benin	-	-	-	-	2	Guatemala	11	5	15	30	-
Bhutan	-	-	-	-	1	Guyana	5	1	4	2	4
Bolivia	-	1	4	4	4	Haiti	-	-	8	1	6
Bosnia & Herzegovina	-	-	-	-	1	Honduras	2	1	2	2	12
Brazil	181	152	195	164	235	Hong Kong	391	290	373	424	633
British Virgin Islands	167	182	211	242	381	Hungary	16	27	38	39	45
Brunei Darussalam	-	-	-	1	8	Iceland	17	11	15	32	62
Bulgaria	4	7	30	46	47	India	115	104	126	129	186
Burundi	1	1	-	-	1	Indonesia	24	17	22	23	36
Cambodia	1	-	-	1	1	Iran	2	5	5	12	16
Cameroon	-	1	1	1	-	Ireland	133	117	175	165	264
Canada	3,187	2,917	3,562	3,168	4,396	Isle of Man	11	5	11	12	10
Cape Verde	-	-	-	1	-	Israel	248	218	233	240	392
Cayman Islands	81	53	86	129	146	Italy	967	899	1,542	1,693	2,281
Channel Islands	-	14	22	25	5	Jamaica	9	23	28	26	41
Chile	90	92	109	86	145	Japan	2,010	1,821	2,197	2,216	2,941
China (mainland)	358	364	697	1,020	1,601	Jordan	3	11	1	3	4
Colombia	59	85	91	79	114	Kazakhstan	-	-	2	-	1
Congo	-	2	-	1	-	Kenya	7	4	3	2	2
Cook Islands	6	1	-	1	3	Korea, Dem. Republic of	8	2	2	4	1
Costa Rica	7	17	18	16	24	Korea, Republic of	470	395	409	496	849
Cote D'Ivoire	1	1	1	-	-	Kuwait	3	1	-	1	3
Croatia	3	4	9	8	22	Latvia	2	2	6	10	17
Cuba	4	-	10	3	16	Lebanon	9	6	6	7	7
Cyprus	10	11	21	19	41	Liberia	13	5	2	4	8
Czechoslovakia	24	13	26	37	79	Liechtenstein	48	44	62	49	85
						Lithuania	2	3	-	7	7

TABLE 22
CONT.
TRADEMARKS REGISTERED TO RESIDENTS OF FOREIGN COUNTRIES
(FY 2004 - FY 2008)

Residence	2004	2005	2006	2007	2008	Residence	2004	2005	2006	2007	2008
Luxembourg	57	71	103	131	168	San Marino	-	4	1	3	4
Macao	-	-	3	1	-	Saudi Arabia	3	12	11	10	19
Macau	-	3	-	-	-	Scotland	18	12	10	8	30
Macedonia	1	-	-	1	6	Senegal	-	-	-	1	-
Malaysia	27	27	37	52	58	Serbia/Montenegro	-	-	3	2	-
Mali	-	-	-	1	-	Seychelles	21	9	1	5	11
Malta	9	5	6	3	12	Sierra Leone	-	-	1	-	-
Marshall Islands	3	1	1	2	3	Singapore	102	100	110	134	199
Mauritania	1	-	-	-	-	Slovakia	10	2	11	12	9
Mauritius	16	16	10	13	33	Slovenia	5	3	10	14	27
Mexico	396	433	544	589	952	South Africa	92	-	-	-	125
Micronesia	1	-	-	1	4	Russian Federation	46	37	132	118	168
Monaco	14	19	22	25	32	Spain	482	432	687	709	1,000
Mongolia	-	1	-	-	1	Sri Lanka	5	5	10	13	7
Morocco	1	2	2	1	3	Sudan	-	-	-	1	-
Mozambique	-	-	-	1	2	Swaziland	1	1	1	5	1
Namibia	1	-	-	1	-	Sweden	460	381	486	441	644
Nauru	-	-	1	-	2	Switzerland	1,078	932	1,427	1,345	1,953
N. Mariana Island	1	4	4	7	2	Syria	6	3	1	3	2
Netherlands	615	610	879	788	1,001	Taiwan	662	683	768	820	1,096
Netherlands Antilles	29	17	30	33	47	Tajikistan	-	-	-	-	1
Nepal	-	1	-	-	-	Thailand	62	52	65	57	82
New Zealand	165	136	228	194	333	Tonga	1	-	-	-	-
Nicaragua	4	2	4	2	7	Trinidad & Tobago	24	8	10	8	13
Nigeria	4	2	5	4	16	Tunisia	1	-	-	-	3
Niue	-	-	1	-	-	Turkey	48	57	127	169	206
Norway	84	71	90	142	192	Turks and Caicos Islands	-	-	1	1	5
Oman	-	2	-	1	-	Uganda	-	1	-	-	1
Pakistan	5	7	5	7	19	Ukraine	4	3	22	19	33
Panama	43	42	45	63	98	United Arab Emirates	10	12	14	21	27
Papua New Guinea	-	-	-	-	1	United Kingdom	2,234	1,777	2,384	2,246	3,136
Paraguay	-	3	5	-	6	Upper Volta	1	-	-	-	-
Peru	22	16	13	26	49	Uruguay	12	23	20	17	21
Philippines	23	16	34	27	42	Uzbekistan	-	1	-	1	-
Poland	31	36	62	60	104	Vanuatu	1	1	3	1	4
Portugal	60	48	70	89	147	Vatican City	-	-	-	-	1
Qatar	1	-	1	1	9	Venezuela	39	28	34	26	49
Republic Moldova	-	3	11	4	8	Vietnam	35	35	50	32	42
Romania	3	8	18	13	23	Western Samoa/Samoa	1	1	1	4	-
Saint Christ & Nevis	15	18	10	10	16	Yemen	-	-	-	-	2
St. Kitts & Nevis	-	-	3	4	-	Yugoslavia	1	-	-	-	2
Saint Lucia	-	1	2	2	4	Zimbabwe	-	-	-	-	2
Saint Vincent/Grenadines	-	4	4	-	1	Other ¹	12	15	11	3	40

- Represents zero.

¹ Country of origin information not available.

TABLE 23

SUMMARY OF CONTESTED TRADEMARK CASES
(Within the USPTO, as of September 30, 2008)

Activity	Ex Parte	Cancellations	Use	Interference	Opposition	Total
Cases pending as of 9/30/07, total	2,732	1,847	102	-	7,683	12,364
Cases filed during FY 2008	3,837	1,648	44	-	6,748	12,277
Disposals during FY 2008, total	4,393	1,764	54	-	6,701	12,912
Before hearing	3,809	1,715	54	-	6,539	12,117
After hearing	584	49	-	-	162	795
Cases pending as of 9/30/08, total	2,176	1,731	92	-	7,730	11,729
Awaiting decision	37	5	-	-	18	60
In process before hearing ¹	2,139	1,726	92	-	7,712	11,669
Requests for extension of time to oppose FY 2008	-	-	-	-	-	21,465

- Represents zero.

¹ Includes suspended cases.

TABLE 24

**ACTIONS ON PETITIONS TO THE DIRECTOR OF THE
U.S. PATENT AND TRADEMARK OFFICE
(FY 2004 - FY 2008)**

Nature of Petition	2004	2005	2006	2007	2008
Patent matters					
Actions on patent petitions, total	46,568	44,361	41,271	51,420	51,774
Acceptance of:					
Late assignments	33	432	477	619	621
Late issue fees	1,441	938	1,195	1,787	1,819
Late priority papers	1,112	27	16	7	10
Access	-	10	5	12	12
Certificates of correction	30,406	27,763	23,129	28,715	26,878
Deferment of issue	40	21	13	20	21
Entity Status Change	1,621	1,289	963	1,389	1,263
Filing date	1,267	1,815	1,129	1,090	975
Maintenance fees	1,913	2,208	2,038	2,355	2,774
Revivals	4,400	5,190	6,075	8,279	10,339
Rule 47 (37 CFR 1.47)	1,519	2,055	1,492	1,864	1,837
Supervisory authority	69	131	163	137	183
Suspend rules	1,006	290	272	214	228
Withdrawal from issue	1,451	1,950	1,996	1,476	1,642
Withdrawals of holding of aband./pat. lapse	290	242	2,308	3,456	3,172
Late Claim for Priority	531	843	788	981	986
Withdraw as Attorney	-	-	3,030	5,246	6,164
Matters Not Provided For (37 CFR 1.182)	788	1,270	961	994	1,009
To Make Special	-	-	2,018	3,913	4,653
Patent Term Adjustment/Extension	369	684	687	608	476
Trademark matters					
Actions on trademark petitions, total	17,791	22,377	17,590	21,755	29,703
Affidavits of Use and extensions	-	-	-	1	16
Decision by examiner	23	10	19	24	31
Filing date restorations ¹	270	211	65	72	28
Grant application filing date	8	17	11	4	4
Inadvertently issued registrations	220	181	217	173	178
Interferences	-	1	2	-	2
Letters of Protest	765	811	722	735	876
Madrid Petitions	-	-	13	19	13
Make special	167	208	185	205	121
Miscellaneous	74	68	81	195	190
Oppositions and extensions	1	2	10	-	4
Record documents affecting title	-	-	15	4	3
Reinstatements ²	2,972	1,964	552	575	1,249
Restore jurisdiction to examiner	19	3	12	27	44
Review board decisions	5	8	6	13	5
Revive (reviewed on paper)	12,476	18,134	4,379	4,275	6,524
Revive (granted electronically) ³	-	-	10,689	14,850	19,654
Section 7 correction/amendment	16	20	30	29	11
Section 9 renewal	21	10	23	46	25
Section 8 or 15	86	73	112	3	45
Section 44(e) Amendment	622	629	436	488	646
Review Letter of Protest Decision	4	3	4	6	4
Waive fees/refunds	42	24	7	11	30
Petitions awaiting action as of 9/30					
Trademark petitions awaiting response	253	222	275	166	56
Trademark petitions awaiting action	2,179	379	177	117	95
Trademark pending filing date issues	1	7	22	2	0

- Represents zero.

¹ Trademark applications entitled to a particular filing date; based on clear evidence of Trademark organization error.

² Trademark applications restored to pendency; inadvertently abandoned by the Trademark organization.

³ The petition to revive numbers were not separated into two categories (paper versus electronic) in previous years.

TABLE 25

CASES IN LITIGATION
(Selected Courts of the United States, FY 2008)

	Patents	Trademarks	OED	Total
United States District Courts				
Civil actions pending as of 9/30/07, total	14	1	1	16
Filed during FY 2008	17	2	-	19
Disposals, total	17	2	-	19
Affirmed	4	1	-	5
Reversed	2	-	-	2
Remanded	2	1	-	3
Dismissed	8	-	-	8
Amicus/intervene	-	-	-	-
Transfer	1	-	-	1
Civil actions pending as of 9/30/08, total	14	1	1	16
United States Courts of Appeals¹				
Ex parte cases				
Cases pending as of 9/30/07	29	3	-	32
Cases filed during FY 2008	48	5	-	53
Disposals, total	41	4	-	45
Affirmed	21	2	-	23
Reversed	-	-	-	-
Remanded	2	-	-	2
Dismissed	13	2	-	15
Vacated	4	-	-	4
Transfer	1	-	-	1
Writs of mandamus:				
Granted	-	-	-	-
Granted-in-part	-	-	-	-
Denied	-	-	-	-
Dismissed	-	-	-	-
Total ex parte cases pending as of 9/30/08	36	4	-	40
Inter partes cases				
Cases pending as of 9/30/07	4	8	-	12
Cases filed during FY 2008	9	23	-	32
Disposals, total	7	13	-	20
Affirmed	3	6	-	9
Reversed	1	-	-	1
Remanded	-	2	-	2
Dismissed	3	5	-	8
Transferred	-	-	-	-
Total inter partes cases pending as of 9/30/08	6	18	-	24
Total United States Courts of Appeals cases pending as of 9/30/08	42	22	-	64
Supreme Court				
Ex parte cases				
Cases pending as of 9/30/07	1	-	-	1
Cases filed during FY 2008	2	-	1	3
Disposals, total	1	-	1	2
Cases pending as of 9/30/08, total	2	-	-	2
Notices of Suit filed in FY 2008	4,512	5,437	-	9,949

- Represents zero.

¹ Includes Federal Circuit and others.

TABLE 26

**PATENT CLASSIFICATION ACTIVITY
(FY 2004 - FY 2008)**

Activity	2004	2005	2006	2007	2008
Original patents professionally reclassified - completed projects	20,370	12,170	6,264	14,875	13,727
Subclasses established	552	496	498	1,466	1,037
Reclassified patents clerically processed, total	58,738	50,932	33,376	192,898	111,507
Original U.S. patents	20,555	16,572	9,740	4,991	25,903
Cross-reference U.S. patents	38,183	34,360	23,636	187,907	85,604

TABLE 27

**SCIENTIFIC AND TECHNICAL INFORMATION CENTER ACTIVITY
(FY 2008)**

Activity	Quantity
Prior Art Search Services Provided:	
Automated Prior Art Searches Completed	34,266
Genetic Sequence Searches Completed	9,894
Number of Genetic Sequences Searched	37,543
CRF Submissions Processed	17,517
PLUS Searches Completed	58,890
Foreign Patent Searches Completed	6,778
Document Delivery Services Provided:	
Document Delivery/Interlibrary Loan Requests Processed	30,281
Copies of Foreign Patents Provided	12,803
Information Assistance and Automation Services:	
One-on-One Examiner Information Assistance	17,122
One-on-One Examiner Automation Assistance	23,001
Patents Employee Attendance at Automation Classes	64,470
Foreign Patents Assistance for Examiners and Public	4,419
Examiner Briefings on STIC Information Sources and Services	11,925
Translation Services Provided for Examiners:	
Written Translations of Documents	8,816
Number of Words Translated (Written)	24,079,362
Documents Orally Translated	4,710
Total Number of Examiner Service Contacts	342,435
Collection Usage and Growth:	
Print/Electronic (NPL) Collection Usage	1,511,173
Print Books/Subscriptions Purchased	74,228
Full Text Electronic Journal Titles Available	19,656
Full Text Electronic Book Titles Available	30,745
NPL Databases Available for Searching (est.)	1,544

TABLE 28**END OF YEAR PERSONNEL¹
(FY 2004 - FY 2008)**

Activity	2004	2005	2006	2007	2008
Business					
Patent Business Line	6,060	6,494	7,283	7,959	8,582
Trademark Business Line	756	869	906	954	936
Total USPTO	6,816	7,363	8,189	8,913	9,518
Examination Staff					
Patent Examiners					
UPR Examiners	3,681	4,177	4,779	5,376	5,955
Design Examiners	72	81	104	101	100
Total UPR and Design Examiners	3,753	4,258	4,883	5,477	6,055
Trademark Examining Attorneys	286	357	413	404	398

¹ Number of positions.

TABLE 29A TOP 50 TRADEMARK APPLICANTS (FY 2008)

Name of Applicant	Classes ¹
MATTEL, INC.	604
Johnson & Johnson	455
NOVARTIS AG	328
Glaxo Group Limited	313
Deutsche Telekom	269
IGT	266
ND Rights, LLC	263
Disney Enterprises, Inc.	256
The Procter & Gamble Company	253
Deutsche Telekom AG	248
Ultraconcurrent, Inc.	239
M/s. INX MEDIA PRIVATE LIMITED	237
Las Vegas Sands Corp.	229
LF, LLC	229
Siemens Aktiengesellschaft	213
TC Digital Games LLC	213
AMERICAN INTERNATIONAL GROUP, INC.	212
Lidl Stiftung & Co. KG	205
SimplyShe, Inc.	203
THOIP	200
Societe des Produits Nestle S.A.	184
VIACOM INTERNATIONAL INC.	171
HASBRO, INC.	169
AstraZeneca AB	166
Bath & Body Works Brand Management, Inc.	163
SmithKline Beecham Corporation	160
Mars, Incorporated	157
Bristol-Myers Squibb Company	156
Spin Master Ltd.	152
THE CARTOON NETWORK, INC.	149
Group Kaitu, LLC	148
Sears Brands, LLC	146
LOUIS DREYFUS TRADEMARKS B.V.	138
Target Brands, Inc.	138
A&E Television Networks	137
PEPSICO, INC.	137
Pfizer Inc.	133
Imagestone Inc.	127
Media Power, Inc.	126
True Value Company	124
Diageo North America, Inc.	123
Eli Lilly and Company	123
SAFEWAY INC.	122
L'Oreal	121
FunGameMedia GmbH	120
HerbalScience Group, LLC	118
QUALCOMM Incorporated	117
HEB grocery Company, LP	115
Unilever Supply Chain, Inc.	115
philosophy, inc.	114

¹ Applications with Additional Classes.

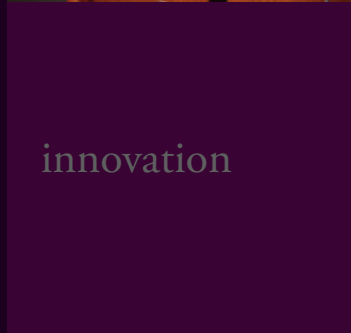
TABLE 29B TOP 50 TRADEMARK REGISTRANTS (FY 2008)

Name of Applicant	Registrations
MATTEL, INC.	635
Disney Enterprises, Inc.	316
The Procter & Gamble Company	189
AMERICAN INTERNATIONAL GROUP, INC.	182
Deutsche Telekom AG	150
Microsoft Corporation	136
NOVARTIS AG	131
Alexandria Real Estate Equities, Inc.	105
Mars, Incorporated	104
Johnson & Johnson	101
LAS VEGAS SANDS CORP.	100
L'Oreal	100
Kohler Co.	99
AOL LLC	97
IGT	97
Aristocrat Technologies Australia Pty Lt	92
HASBRO, INC.	85
Diageo North America, Inc.	83
philosophy, inc.	83
VIACOM INTERNATIONAL INC.	81
MeadWestvaco Corporation	80
L'Oreal USA Creative, Inc.	78
WMS GAMING INC.	78
GameLogic Inc.	74
Illinois Tool Works Inc.	74
Hunter Fan Company	73
Cargill, Incorporated	72
Wal-Mart Stores, Inc.	71
Bank of America Corporation	70
Homer TLC, Inc.	69
Abercrombie & Fitch Trading Co.	68
Jack Daniel's Properties, Inc.	67
Konami Gaming, Inc.	67
SAFEWAY INC.	66
Conair Corporation	65
Lancome Parfums et Beaute & Cie	65
WORLD WRESTLING ENTERTAINMENT, INC.	65
Sanofi-Aventis	64
American Express Marketing & Development	63
HBI BRANDED APPAREL ENTERPRISES, LLC	63
JAKKS Pacific, Inc.	62
Philip Morris USA Inc.	62
General Electric Company	61
Unilever Supply Chain, Inc.	60
Societe des Produits Nestle S.A.	58
Wrangler Apparel Corp.	57
Amorepacific Corporation	56
Spielo Manufacturing ULC	56
Halliburton Energy Services, Inc.	55
Twentieth Century Fox Film Corporation	55

Glossary of Acronyms and Abbreviation List



accountability



innovation



creativity



results



leadership



Glossary of Acronyms and Abbreviation List



AAO	Agency Administrative Order
ABC	Activity Based Cost
AIPA	American Inventors Protection Act
AIS	Automated Information System
ASEAN	Association of South East Asian Nations
BPAI	Board of Patent Appeals and Interferences
C&A	Certification and Accreditation
CAO	Chief Administrative Officer
CIPO	Canadian Intellectual Property Office
CPIC	Capital Planning and Investment Control
CS	Commercial Service
CSAM	Cyber Security Assessment and Management
CSRS	Civil Service Retirement System
CSSC	Competitive Sourcing Steering Committee
DEA	Delegated Examining Authority
DKPTO	Danish Patent and Trademark Office
DOC	Department of Commerce

DOL	Department of Labor	FMS	Financial Management Services
DOO	Departmental Organization Order	FTA	Free Trade Agreement
EAMS	Enterprise Asset Management System	FY	Fiscal Year
EEOC	Equal Employment Opportunity Commission	G8	Group of Eight Countries
EFS	Electronic Filing System	GAAP	Generally Accepted Accounting Principles
EFT	Electronic Funds Transfer	GAO	Government Accountability Office
ENS	Emergency Notification System	GIPA	Global Intellectual Property Academy
EPO	European Patent Office	GPRA	Government Performance and Results Act
eRF	eRed Folder	GSA	U.S. General Services Administration
EVM	Earned Value Management	HCSP	Human Capital Strategic Plan
FAIR	Federal Activities Inventory Reform	HR	Human Resources
FASAB	Federal Accounting Standards Advisory Board	IDP	Individual Development Plan
FAST	First Action System for Trademarks	IG	Inspector General
FCIP	Federal Career Intern Program	INTA	International Trademark Association
FECA	Federal Employees' Compensation Act	IP	Intellectual Property
FEGLI	Federal Employees Group Life Insurance	IPAU	IP Australia
FEHB	Federal Employees Health Benefit Program	IPIA	Improper Payments Information Act
FEIR	Foreign Examiner in Residence	IPR	Intellectual Property Rights
FERS	Federal Employees Retirement System	IT	Information Technology
FMIA	Federal Financial Management Improvement Act	ITA	Internal Trade Administration
FICA	Federal Insurance Contributions Act	JPO	Japanese Patent Office
FIRST	For Inspiration and Recognition of Science and Technology	KIPO	Korean Intellectual Property Office
FISMA	Federal Information Security Management Act	MBDA	Minority Business Development Agency
FMFIA	Federal Managers' Financial Integrity Act	MTS	Metric Tracking System

NIST	National Institute of Standards and Technology	Pub.L.	Public Law
OBRA	Omnibus Budget Reconciliation Act	RAM	Revenue Accounting and Management System
OCFO	Office of Chief Financial Officer	SFFAC	Statements of Federal Financial Accounting Concepts
OCIO	Office of Chief Information Officer	SFFAS	Statements of Federal Financial Accounting Standards
OCS	Office of Corporate Services	SIPO	State Intellectual Property Office of the People's Republic of China
OGC	Office of General Counsel	SM	Service Mark
OHIM	Office for Harmonization in the Internal Market	SMEs	Small and Medium-sized Enterprises
OHR	Office of Human Resources	SOP	Standard Operating Procedure
OIG	Office of the Inspector General	STOP!	Strategy Targeting Organized Piracy!
OIPPE	Office of Intellectual Property Policy and Enforcement	TAC	Trademark Assistance Center
OMB	Office of Management and Budget	TEAS	Trademark Electronic Application System
OPM	Office of Personnel Management	TI	Transfer Inquiry
PALM	Patent Application Location and Monitoring	TRAM	Trademark Reporting and Application Monitoring
PAOs	Property Accountability Officers	TTAB	Trademark Trial and Appeal Board
PART	Program Assessment Rating Tool	U.S.	United States
PC	Property Custodians	U.S.C.	United States Code
PCT	Patent Cooperation Treaty	UK	United Kingdom
PDF	Portable Document Format	UK-IP0	United Kingdom Intellectual Property Office
PELP	Patent Examiner Laptop Program	USPTO	United States Patent and Trademark Office
PFW	Patent File Wrapper	USTR	United States Trade Representative
PMA	President's Management Agenda	WIPO	World Intellectual Property Organization
PPAC	Patent Public Advisory Committee	WTO	World Trade Organization
PPH	Patent Prosecution Highway		

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To send comments or get additional information about this report, please contact:

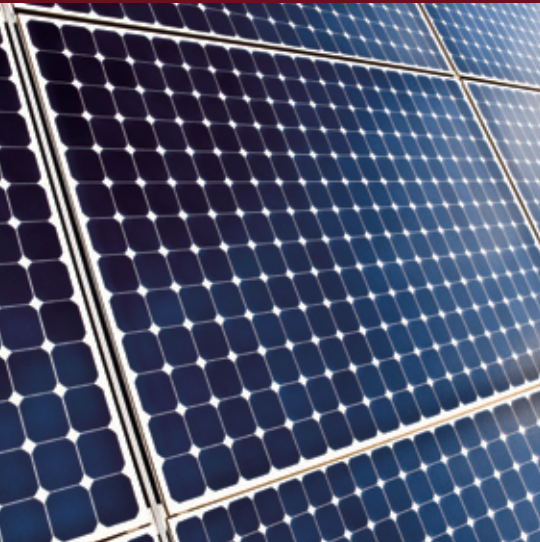
*Office of Corporate Planning
600 Dulany Street
Alexandria, VA 22314
2008PARmail@uspto.gov
Phone: 571-272-3333
Fax: 571-273-0127*



innovation



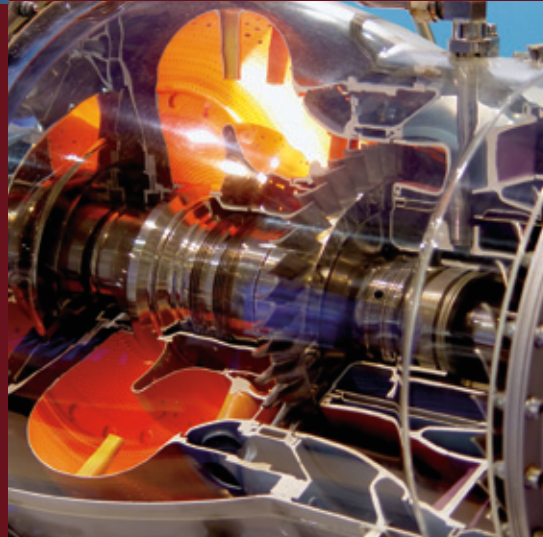
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