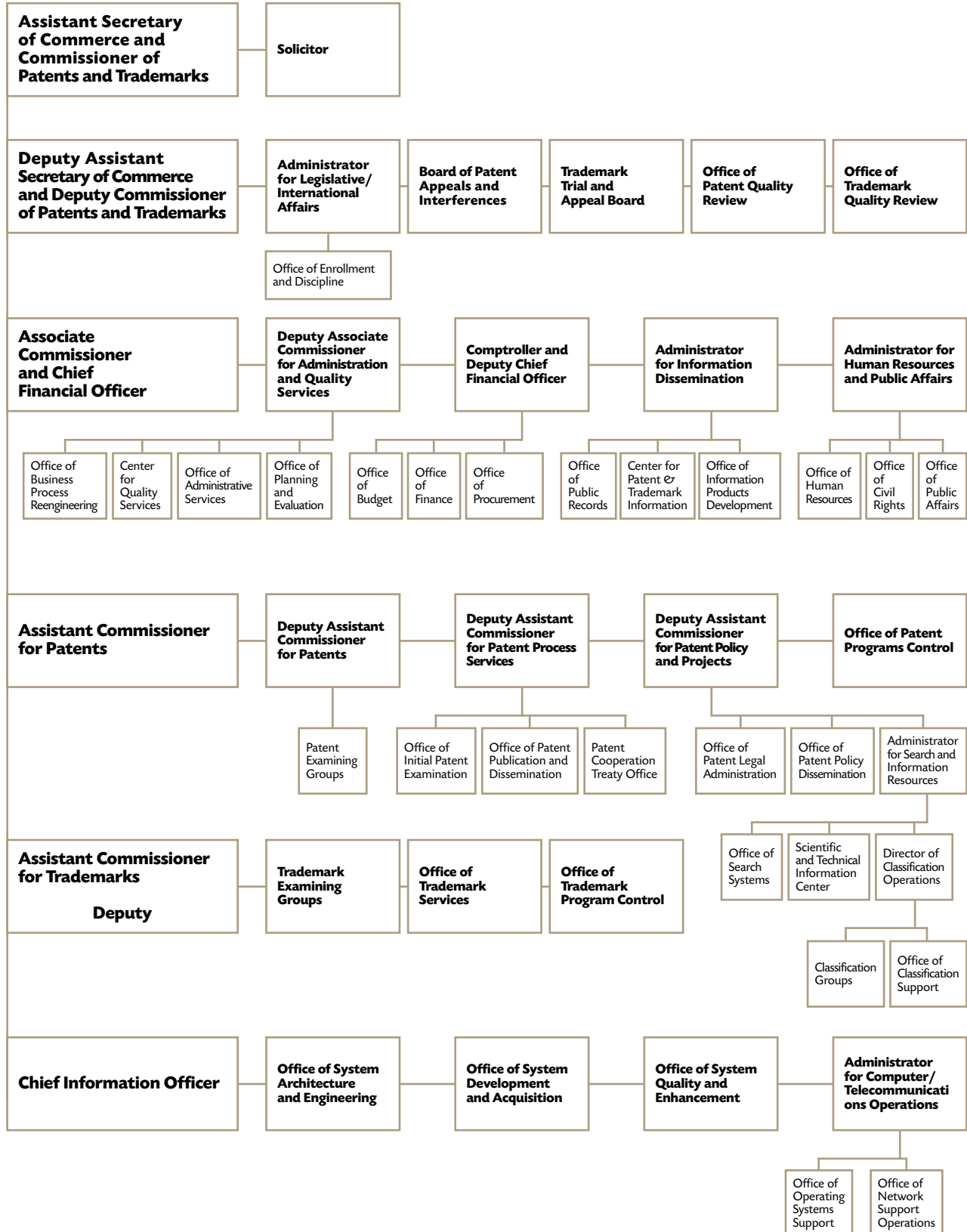
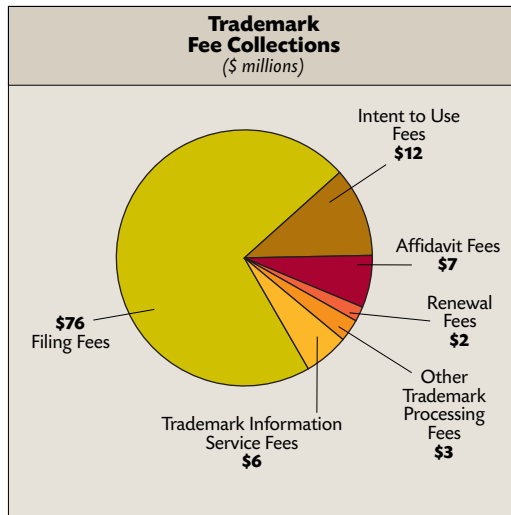
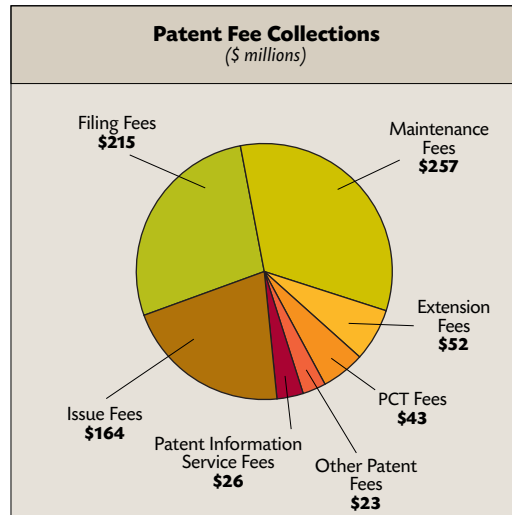
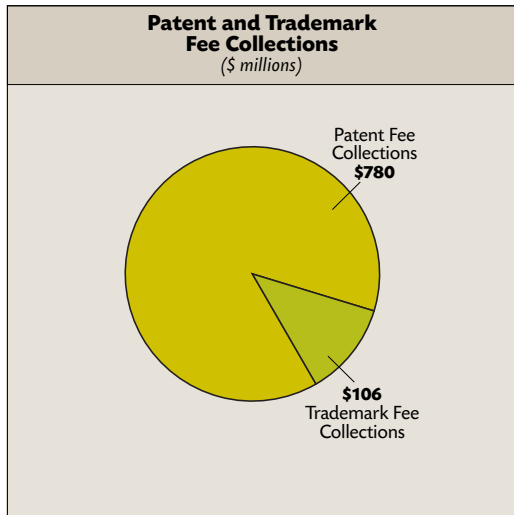


U.S. Patent and Trademark Organizational Chart



FY 1999 Fee Collections by Category, Cash Basis



Registered 1933

Government Performance and Results Act (GPRA)

The PTO continues to move forward with implementation of the Government Performance and Results Act (GPRA), the primary legislative framework that requires Federal agencies to establish strategic goals, measure their performance, and report on how well they have met their goals.

The PTO has developed a strong performance measurement system that supports our mission

and strategy, enhances our focus on our customers, and provides the measures we need to help us continuously improve our products and services.

The following tables summarize the PTO's GPRA performance goals, measures, and indicators for each of its three major business areas (Patents, Trademarks, and Information Dissemination) as well as for the policy area.

Patent Business Area

The Patent business area established the following measures to track progress toward achieving its goals.

Performance Goal: Grant exclusive rights, for limited times, to inventors for their discoveries.	Baseline	FY 1999 Target	FY 1999 Actuals	FY 2000 Targets	FY 2001 Targets
Effectiveness Measures					
<i>Number of original inventions* filed</i>	158,427	218,000	219,228	241,200	270,100
<i>Number of UPR applications filed</i>	119,116	259,000	272,221	299,400	335,400
Customer Satisfaction Measure					
<i>Overall percentage of customer satisfaction</i>	50%	65%	57%	70%	75%
Employee Satisfaction Measure					
<i>Overall percentage of satisfaction from culture survey</i>	41%	—	—	75%	—
Productivity Measure					
<i>Number of weighted applications disposed (per examiner FTE)</i>	87.2	89.4	81.0	91.6	86.2
Efficiency Measure					
<i>Workload cost indicator—unit cost of weighted applications disposed</i>	\$2,497.58	\$2,496.03	\$2,494.20	\$2,646.99	\$2,761.59
Quantity Measures					
<i>Number of total applications (UPR) disposed per year (includes SIRs)</i>	180,196	221,000	219,556	235,600	256,400
<i>Number of UPR patents issued per year</i>	105,529	183,000	143,686	165,800	168,300
Quality of Output Measures—					
Quality of the Process					
<i>Cycle time of original inventions* processed (average months)</i>	14.6	10.9	12.9	10.2	10.0
<i>Percentage of original inventions* achieving 12-month or less cycle time</i>	47%	75%	62%	80%	85%

* Original inventions exclude Rule 60 and 62 continuations and requests for continuing prosecution under Rule 129.

— Survey not performed in this year.

Trademark Business Area

The Trademark business area established the following performance measures to assess its progress in achieving its goals.

Performance Goal: Enhance trademark protection.	Baseline	FY 1999 Targets	FY 1999 Actuals	FY 2000 Targets	FY 2001 Targets
Effectiveness Measure					
<i>Trademark applications filed—classes</i>	200,640	256,000	295,165	324,700	363,700
Productivity Measure					
<i>Disposals per FTE (including contractors)</i>	221	217	206	194	215
Efficiency Measure					
<i>Workload cost indicator— unit cost per disposal</i>	\$385.20	\$450.85	\$557.87	\$495.95	\$472.36
Quality of Output Measures					
<i>Actual pendency to first action (months)</i>	5.9	3.9	4.6	3.0	3.0
<i>Actual pendency to disposal/registration (months)</i>	16.5	15.5	18.9	13.8	13.8
Customer Satisfaction Measure					
<i>Overall percentage of customer satisfaction</i>	64%	80%	69%	80%	80%
Employee Satisfaction Measure					
<i>Overall percentage of employee satisfaction</i>	42%	—	—	75%	—

— Survey not performed in this year.



Information Dissemination Business Area

The Information Dissemination business area is committed to evaluating the performance of all new and existing programs to improve PTO performance. All programs will be monitored continuously to assess their effectiveness.

Performance Goal:

Promote awareness of, and access to, patent and trademark information.

	Baseline	FY 1999 Targets	FY 1999 Actuals	FY 2000 Targets	FY 2001 Targets
Quality Measure					
<i>Timeliness—percentage of key products and services meeting schedules or cycle time standards</i>	63%	80%	64%	80%	80%
Efficiency Measure					
<i>Workload cost indicator—unit cost of key products</i>	\$8.97	\$8.66	\$14.19	\$8.90	\$10.86
Effectiveness Measures					
<i>Customer evaluation of ease of access to patent and trademark information, products, and services</i>	*	*	77%	*	90%
<i>Percentage of top 100 most populated areas served by PTDLs</i>	55%	58%	60%	61%	62%
Customer Satisfaction Measure					
<i>Overall percentage of customer satisfaction with key products and services</i>	*	*	75%	*	90%
Employee Satisfaction Measure					
<i>Overall percentage of employee satisfaction</i>	54%	—	—	65%	—

— Survey not performed in this year.

* IDO's customer satisfaction survey is planned to be conducted every two years. The baseline for this survey was based on a four-point scale. However, beginning in fiscal year 1999, it was decided to begin using a five-point scale. Therefore, comparisons between the baseline results and subsequent results cannot be made.



Registered 1975

Policy Area

The PTO’s policy area specialists are instrumental in carrying out the PTO’s strategic goal in playing a leadership role in intellectual property rights policy. The PTO’s policy area endeavors to keep America competitive in the global marketplace by fostering and securing a strong and unimpeded economic infrastructure by effective management and stewardship of intellectual property rights that contribute to sustainable economic opportunities.

Performance Goal:

Help protect, promote, and expand intellectual property rights systems throughout the United States and abroad.

	Baseline	FY 1999 Targets	FY 1999 Actuals	FY 2000 Targets	FY 2001 Targets
Effectiveness Measures					
Number of countries provided technical assistance	47	73	93	96	98
Number of technical assistance activities completed	59	90	99	102	104



Registered 1909

Litigation

During FY 1999, the number of ex parte appeals taken from decisions of the Board of Patent Appeals and Interferences (BPAI), the Trademark Trial and Appeal Board (TTAB), and the number of civil actions filed against the Commissioner of Patents and Trademarks totaled seventy-two. There were eighteen inter partes appeals from PTO Board decisions taken to the Federal Circuit in FY 1999. Most of the opinions entered by the Court of Appeals for the Federal Circuit and the district courts involving the PTO were not precedential. This section highlights some of the significant precedential rulings of FY 1999.

Supreme Court—Standard of Review

The Supreme Court issued its decision in *Dickinson v. Zurko*, 119 S.Ct. 1816, 50 USPQ2d 1930 (1999), clarifying the appropriate standard of review to be applied to PTO findings of fact. Since 1984, the Federal Circuit consistently applied the “clearly erroneous” standard of review when reviewing fact-findings of the Board. This is the standard usually applied when an appellate court reviews fact-findings of a district court judge. In *Zurko*, the Commissioner argued that the Federal Circuit should apply the less stringent standard of review provided in the Administrative Procedure Act (APA); that is, the “arbitrary, capricious, abuse of discretion” or “substantial evidence” standard. The APA standard is generally applied when a court reviews agency fact-findings. The Supreme Court reversed the Federal Circuit, agreeing with the Commissioner that the APA standard of review must be applied to PTO decisions. The Supreme Court remanded the case to the Federal Circuit for reconsideration under the appropriate APA standard of review. The PTO is currently re-briefing the case before the Federal Circuit.

Obviousness—Motivation to Combine

In *In re Dance*, 160 F.3d 1339, 48 USPQ2d 1635 (Fed. Cir. 1998), the Federal Circuit rejected the argument that the simplicity of a prior art reference weighed against a conclusion of obviousness of a more complicated claimed invention. The court affirmed the PTO’s decision rejecting claims directed to a catheter for removing obstructions in blood vessels as obvious in view of two prior art references, one of which stressed simplicity of its device. The applicant argued that this emphasis on simplicity taught away from a combination of references that would result in the more complicated claimed device. On appeal, the Federal Circuit noted that the test of whether it would have been obvious to select specific teachings and combine them must be met by identifying some suggestion, teaching, or motivation in the prior art. However, although statements limiting the function or capability of a prior art device require consideration, simplicity of the prior art is rarely a characteristic that weighs against obviousness of a more complicated device with added function.

In *In re Dembiczak*, 175 F.3d 994, 50 USPQ2d 1614 (Fed. Cir. 1999), the Federal Circuit addressed the need for a specific finding of motivation to combine references to support an obviousness rejection. The court reversed the Board’s rejections of claims as obvious under 35 U.S.C. § 103 and for double patenting. The claims were directed to what has become known as a pumpkin trash/leaf bag (i.e., a large trash bag made of orange plastic decorated with lines and facial that, when the bag is filled with trash or leaves, it resembles a Halloween-style pumpkin or jack-o’-lantern). The prior art included conventional plastic leaf trash bags and two arts and crafts books describing jack-o’-lanterns made out of small paper bags or crepe paper. Even though the Board described in detail the similarities between the prior art and the claimed invention, the court found lack

of motivation to combine the references, noting that the Board failed to particularly identify any suggestion, teaching, or motivation to combine the children’s art references with the conventional trash or lawn bags. Because such findings cannot be supplemented on appeal, the rejection was reversed, and the case was remanded to the PTO.

Obviousness-Type Double Patenting

In the same pumpkin bag case discussed above, *In re Dembiczak*, 175 F.3d 994, 50 USPQ2d 1614 (Fed. Cir. 1999), the Federal Circuit also reversed the PTO’s rejection of the pending utility application claims to the pumpkin trash/leaf bag under obviousness-type double patenting over two design patents by the same applicant for jack-o’-lantern trash/leaf bags. The court stated that in some very rare cases, obviousness-type double patenting may be found between design and utility patents. However, such a rejection is appropriate only if the claims of the two patents cross-read, such that the subject matter of the claims of the patent sought to be invalidated would have been obvious from the subject matter of the claims of the other patent, and vice versa. In *Dembiczak*’s case, the court held that the design patents were not obvious variants of the pending utility claims, because the utility claims did not disclose the specific designs in the design patents.

Enablement and Claim Interpretation

In *In re Cortright*, 165 F.3d 1353, 49 USPQ2d 1464 (Fed. Cir. 1999), the Federal Circuit addressed the issue of the “reasonableness” of PTO’s claim interpretation in light of the use of identical terms in other patents. The court affirmed-in-part, reversed-in-part, and remanded a decision of the Board rejecting claims as not enabled, under 35 U.S.C. § 112, ¶ 1. The appealed claims were directed to a method of treating baldness by applying Bag Balm® ointment—a commercially available salve used to soften cow

udders—to the scalp. Specifically, claim 1 recited a method of restoring hair growth, and claim 15 recited a method of treating baldness by offsetting the effects of lower levels of a male hormone being supplied to the scalp hair follicles. The specification disclosed three de minimus examples where rubbing Bag Balm® ointment into the bald scalp allegedly restored “fuzz” to the top of the head. The court reversed the rejection of claim 1, holding that the Board’s interpretation of the term “restore” as requiring a return to the original state or a full head of hair was too broad. In reaching this conclusion, the Federal Circuit relied on definitions of the term “restore” as used in other issued patents directed to treatments for baldness which did not require restoration of a full head of hair. The court affirmed the rejection of claim 15, however, since no showing had been made that the claimed active ingredient affected the hormone level as claimed.

Anticipation

In *In re Robertson*, 169 F.3d 743, 49 USPQ2d 1949 (Fed. Cir. 1999), the Federal Circuit reversed a decision by the Board rejecting a claim reciting three elements as anticipated by a prior art reference having two elements performing a similar function. Specifically, the claim was directed to a disposable diaper with an improved mechanical fastening system having three mechanical fastening elements: a closure member, a landing member, and a disposal means. The closure and landing members engaged to keep the diaper on the baby during wear. After use, the closure member engaged the disposal means to secure the diaper in a closed configuration for disposal. Although the preferred embodiment disclosed three separate fastening elements, the specification expressly stated that the closure and disposal fastening elements could be the same, so long as they were

complementary and engaged each other. The prior art disposable diaper disclosed two mechanical fastening elements that performed both a closure function and a disposal function. On appeal, the majority of the Federal Circuit panel construed the claim at issue to require three separate fastening means. Therefore, because the prior art did not disclose a separate third fastening element, either expressly or inherently, the court found no anticipation.

Trademarks

In *In re International Flavors*, 183 F.3d 1361, 51 USPQ2d 1513 (Fed. Cir. 1999), the Federal Circuit upheld the TTAB's refusal to register a "phantom" trademark. A "phantom" trademark has an integral portion of the mark that is generally represented by a blank or dashed line acting as a placeholder for a generic term or symbol that changes, depending on the use of the mark. *International Flavors* sought to register "LIVING XXXX FLAVORS," "LIVING XXXX FLAVOR," and "LIVING XXXX," where the "XXXX" served to denote a specific herb, fruit, plant, or vegetable. The phantom marks would provide protection for such marks as "LIVING STRAWBERRY FLAVOR" and "LIVING CILANTRO FLAVOR." Thus, the applications sought to obtain registration of a potentially unlimited number of marks. The Federal Circuit agreed with the Commissioner that under the Lanham Act and applicable regulations, a trademark application may seek to register only a single mark. The court further noted that phantom marks with missing elements fail to provide meaningful constructive notice to the public because they encompass too many combinations to make a thorough and effective search possible. The court therefore affirmed the TTAB's holding that *International Flavors'* attempt to register multiple marks in this manner was in violation of the one-mark-per-application requirement of the Lanham Act.

In *In re Wada*, 194 F.3d 1297, 52 USPQ2d 1539 (Fed. Cir. 1999), the Federal Circuit upheld the PTO's policy of refusing to register geographically misdescriptive marks, even with a disclaimer of the geographic term. Specifically, in an intent-to-use

application, the TTAB sustained a refusal to register the mark "NEW YORK WAYS GALLERY" for goods including leather bags, luggage, backpacks, wallets, tote bags, and the like. The refusal was based on geographic misdescriptiveness, under 15 U.S.C. 1052(e)(3), because no connection was found between the applicant's goods and the city or state of New York. On appeal, the Federal Circuit upheld the TTAB's findings that the mark was geographically misdescriptive and that the evidence established a goods/place association. The court also held that disclaimer of the term "NEW YORK" did not permit registration of the mark as a whole. The court noted that prior to the implementation of the NAFTA amendments to the Lanham Act, marks that were primarily geographically deceptively misdescriptive could be registered if they acquired secondary meaning or if the owner of the mark disclaimed the primarily geographically deceptively misdescriptive term. However, the court upheld the PTO's determination that, with the incorporation of the NAFTA amendments, primarily geographically deceptively misdescriptive marks were precluded from registration under all circumstances.

Attorney Discipline

In *Lipman v. Dickinson*, 174 F.3d 1363, 50 USPQ2d 1490 (Fed. Cir. 1999), the Federal Circuit affirmed a decision of the District Court for the District of Columbia, sustaining the Commissioner's decision to publicly reprimand a practitioner. Specifically, after a full evidentiary hearing before an administrative law judge, the Commissioner ordered a public reprimand of a patent practitioner who knowingly relied on four affidavits that had been disavowed by the affiants in a motion before the PTO. The district court granted summary judgment in favor of the Commissioner, upholding the sanction. The Federal Circuit found that there was substantial evidence to support the finding of a violation of disciplinary rules requiring a duty of candor to the PTO. The court also clarified that a showing of intent in disciplinary cases does not require direct evidence, but may be inferred based on circumstantial evidence.