



**Ronald H. Brown**  
**Secretary of Commerce**

***In Memoriam***

As we were preparing this publication for printing, Secretary Ronald H. Brown and 32 other Americans lost their lives when their plane crashed in Bosnia.

Secretary Brown understood that an intellectual property system was a key mechanism for bringing out the best of America. He never refused a request to support the Patent and Trademark Office, whether it meant getting the backing of the President and the Cabinet, the support of Congress, or the cooperation of leaders of foreign nations. The strength of our intellectual property protection and the patent and trademark system is an enduring legacy of his leadership.

# Setting The Course For Our Future

*A Patent and  
Trademark Office  
Review*

Fiscal Year 1995



U.S. Department of Commerce  
Ronald H. Brown, Secretary

U.S. Patent And Trademark Office  
Bruce A. Lehman, Assistant Secretary of Commerce  
and Commissioner of Patents and Trademarks

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# Message from the Commissioner

We rolled up our sleeves at the Patent and Trademark Office in fiscal year 1995, planning and preparing to set new processes in motion to improve our way of doing business.

And our business is booming. It has been a banner year for innovation around the world, as well as for the U.S. Patent and Trademark Office. Intellectual property protection has been strengthened, and awareness of our nation's creative genius has been heightened.

In fiscal year 1995, the PTO collected \$605 million in patent and trademark fees, an increase of nearly 11 percent over fiscal year 1994. While part of this increase can be attributed to the surge of patent application filings prior to the patent term change, this increase is still a significant sign that America is intellectually and economically strong. At the same time, the PTO's expenses rose by 8 percent to \$525 million. The bottom line totals for fiscal year 1995: assets of nearly \$467 million offset by liabilities of \$293 million.

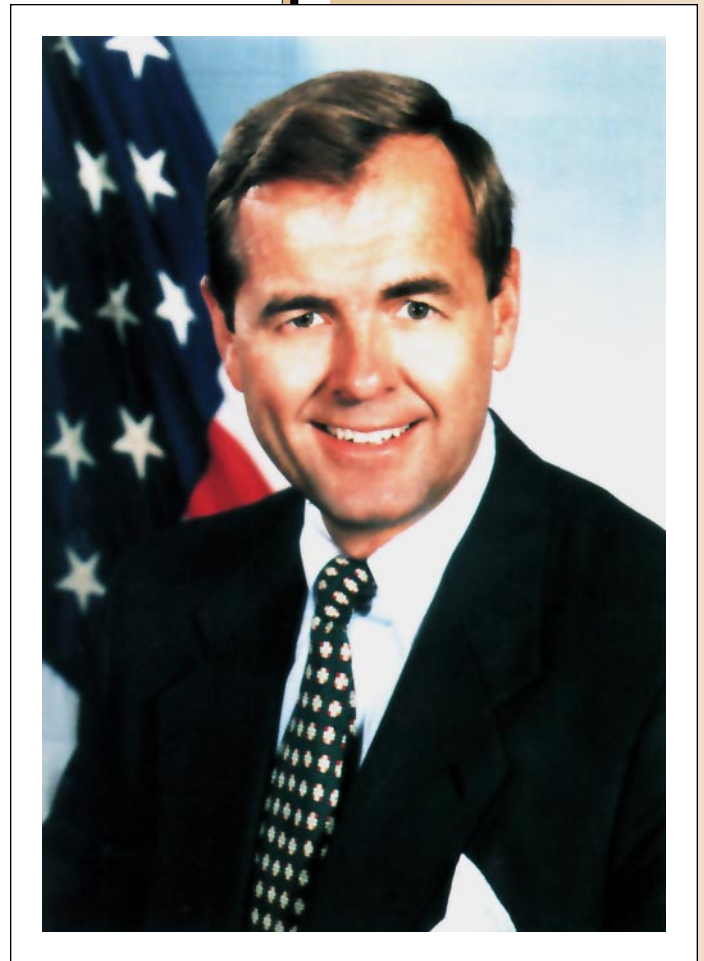
Any success the PTO enjoys flows from the innovation of the PTO staff. Just as we promote innovation world-wide, we also encourage and reward innovative change within our organization. We are refining our efforts to maximize the technological strength of our workforce, increasing customer access to our information systems, examining our business processes to make them more efficient and profitable, and reaching out to spread the word about the social and economic impact of intellectual property protection.

Our efforts internationally are leading to a global harmonization of intellectual property protection and increased economic activity. The realization of the GATT/TRIPs agreement and the enactment of domestic intellectual property legislation is paving the way for additional negotiations that will continue to build America's strength worldwide.

Continuous improvement and innovative leadership are the keys to keeping the PTO in the forefront of intellectual property protection and customer service around the world. Seizing opportunities, tackling challenges, and promoting innovation will help us set a steady course into the new century.



Bruce A. Lehman  
Assistant Secretary of Commerce  
and Commissioner of Patents and Trademarks



# Executive Summary

*The Patent and Trademark Office made significant progress in achieving its strategic goals, while facing the challenges of fiscal year 1995.*

- The PTO received 221,304 utility, plant, and reissue (UPR) patent applications, and examiners issued 102,579 UPR patents.
- The Office received 4,635 provisional patent application filings by the end of fiscal year 1995.
- The PTO received 175,307 federal trademark applications and registered 75,372 trademarks in all classes of goods and services.



**The Patent and Trademark Executive Committee**

(left to right, front row) Philip G. Hampton, Assistant Commissioner for Trademarks; Bradford R. Huther, Associate Commissioner and Chief Financial Officer; Edward R. Kazenske, Deputy Assistant Commissioner for Patents; (left to right, back row) Dennis Shaw, Chief Information Officer; Robert L. Stoll, Executive Assistant to the Commissioner; Nancy Linck, Solicitor; Commissioner Lehman; Lawrence J. Goffney, Jr., (Acting) Deputy Assistant Secretary of Commerce and Deputy Commissioner of Patents and Trademarks.

- Bills were introduced in the Congress during 1995, each proposing to change the status of the Patent and Trademark Office to a wholly owned government corporation.
- The PTO actively participated in international and legislative activities influencing the laws and agreements governing intellectual property rights.
- Major business process reengineering efforts continue to transform patent processing, trademark processing, and resource management in the PTO.
- In addition to conducting numerous customer focus sessions and surveys, the PTO adopted a comprehensive approach for defining and monitoring customer satisfaction.
- The PTO established its first business partnership with the Patent and

Trademark Depository Library in Sunnyvale, California, that expands customer access to on-line resources and enhances the patent and trademark examination process with video conferencing capabilities.

- Public relations activities were expanded with the establishment of the Patent and Trademark Museum, the opening of the new National Inventors' Hall of Fame in Akron, Ohio, and the Inventors' Expo at Walt Disney World in Orlando, Florida.



## FINANCIAL HIGHLIGHTS

### Financial Results

AS OF SEPTEMBER 30, AND FOR THE YEARS THEN ENDED:

(\$ IN MILLIONS)

	1995	1994	1993
Total Revenue	605.1	543.7	493.6*
Total Expenses	525.0	485.4	456.9*
Excess of Revenues over Expenses	80.1	58.3	36.7*
Total Assets	466.9	337.1	250.7
Total Liabilities	292.7	234.9	201.7
Net Position	174.2	102.2	49.0

### Financial Ratios

Fixed Asset Ratio	0.11	0.15	0.17
Revenue per FTE (in dollars)	\$120,866	\$109,247	\$100,925

## APPLICATION RECEIPTS AND PENDENCY

Patent - Utility, Plant & Reissue

(UPR) Application Receipts	221,304	186,123	174,553
Design Receipts	15,375	15,431	13,546
Patent Pendency (UPR) (in months)	19.2	19.0	19.5
Trademark Application Receipts	175,307	155,376	139,735
Trademark Pendency (in months to registration/abandonment)	16.7	16.3	14.4

\*unaudited

# Our Mission, Our Business, Our Strategy

## OUR MISSION

The United States Patent and Trademark Office (PTO) is a world-class organization promoting industrial and technological progress in the United States and strengthening the national economy by:

- Administering the laws relating to patents and trademarks;
- Advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection; and
- Advising the Secretary of Commerce, the President of the United States, and the Administration on the trade-related aspects of intellectual property.

## OUR BUSINESS

The business of the PTO is related to two statutory functions:

- processing patent applications and disseminating patent information, and
- registering trademarks and disseminating trademark information.

Patent law encourages technological advancement by providing incentives to inventors to disclose their technology and to investors to invest in that technology. Trademark law assists businesses in protecting the reputation of their goods and services, and safeguards consumers against confu-

sion and deception in the marketplace. Information dissemination promotes an understanding of intellectual property protection and facilitates the development and sharing of new technologies worldwide.

Unlike most other government agencies, the PTO is funded entirely by user fees. This has been true since the passage of the Omnibus Budget Reconciliation Act of 1990. With this type of funding comes the responsibility to provide users with efficient and cost-effective services and products that meet customer needs and expectations.

At the close of fiscal year 1995, the PTO occupied a combined total of 1,540,234 square feet of space in 15 buildings in Arlington, Virginia, and three storage facilities located in Boyers, Pennsylvania, and in Newington and Springfield, Virginia. In fiscal year 1995, the Office employed 5,007 full time equivalent (FTE) staff , who provide:



- U.S. inventors and entrepreneurs with the protection and encouragement they need to turn their inventive and creative ideas into tangible products,
- American innovators with protection for their inventions and businesses and entrepreneurs for their trademarks,
- leadership in intellectual property rights policy and trade issues, and
- the highest level of quality and customer service in all aspects of PTO operations.

*PTO programs are conducted under the following principal statutory authorities:*

*15 U.S.C. 1051-1127 contains provisions of the Trademark Act of 1946 that govern the administration of the trademark registration system of the Patent and Trademark Office.*

*15 U.S.C. 1511 states that the Patent and Trademark Office is under the jurisdiction and supervision of the Department of Commerce.*

*35 U.S.C. contains basic authorities for administration of patent laws, derived from the Act of July 19, 1952, and subsequent enactments. Revenues from fees are available to the Commissioner to carry out, to the extent provided for in appropriations acts, the activities of the Office. The Patent and Trademark Office is authorized to charge international fees for activities undertaken pursuant to the Patent Cooperation Treaty. Deployment of automated search systems of the Office to the public is authorized.*

*44 U.S.C. 1337-1338 contains authority to print patents, trademarks, and other matters related to the business of the Office.*

*The PTO is proud that we began taking steps to institutionalize a strategic planning process in 1989, well before agencies were required to develop strategic plans, set performance goals and measures, report annually on actual performance, and evaluate programs and processes by the Government Performance and Results Act of 1993 (GPRA). These GPRA requirements are now being woven into all PTO processes, including planning, budgeting, program evaluation, and fiscal accountability.*

## **OUR STRATEGY**

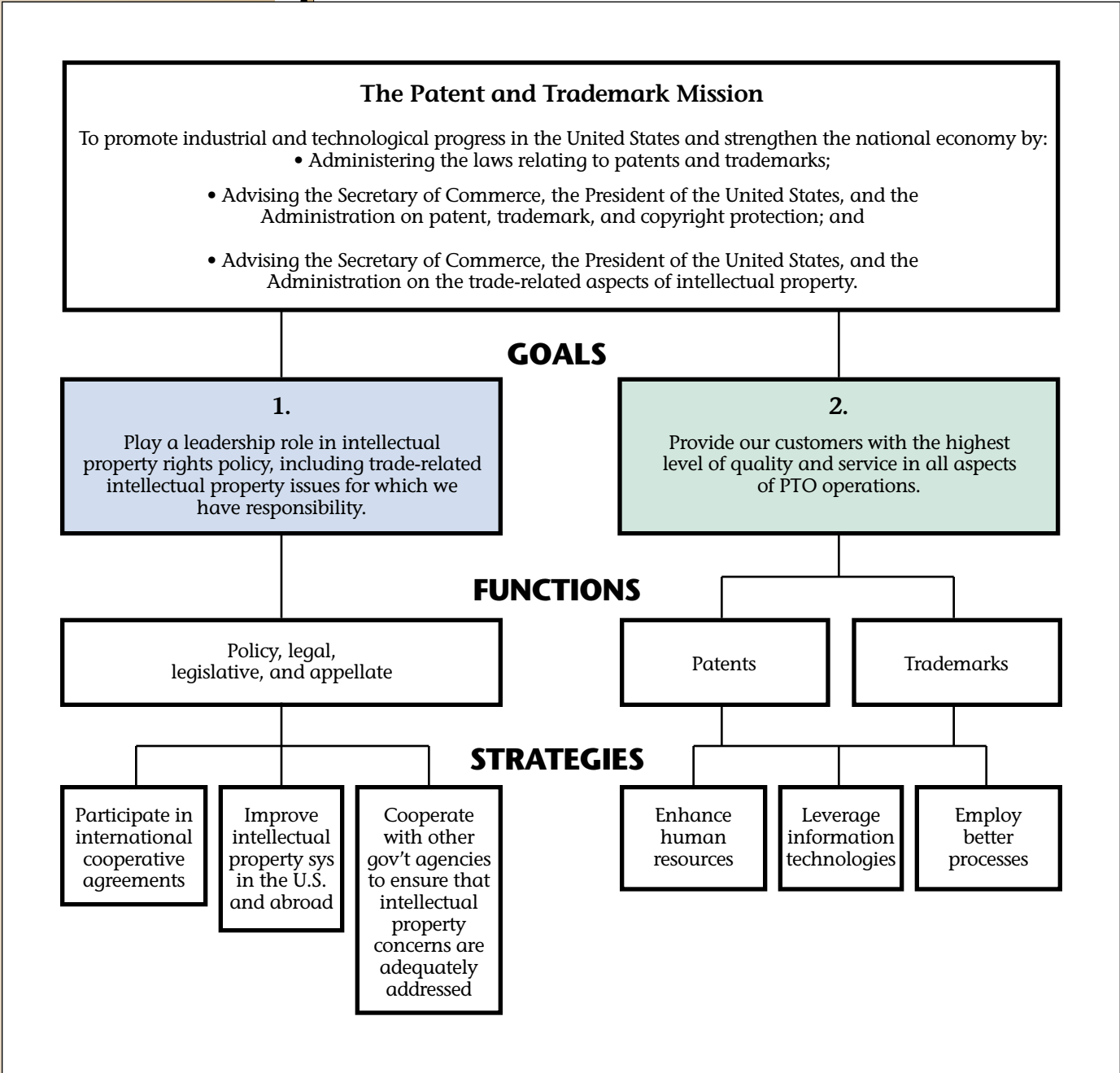
Intellectual property rights are a key element of America's success in the global marketplace. If U.S. businesses are to remain competitive, the effective protection of intellectual property rights must be guaranteed throughout the world.

The PTO's Strategic Plan for 1996 through 2000 reflects the Administration's focus on the role of intellectual property in a global and technology-based economy and includes many new strategies for accomplishing the two overall goals of the Office:

- To play a leadership role in intellectual property rights policy development.
- To provide our customers with the highest level of quality and service.

To ensure that our vision and strategy translate into reality, the Office developed the 1995-96 Operational Plan to help managers and employees understand their part in the new PTO. This plan links strategies to current processes, addressing policies that determine work processes and operational strategies, such as enhancing human resources, leveraging information technologies, and employing better processes.

The following strategic framework serves as a guide that will carry our organization into the next century.



By combining our strategic plan, which establishes future direction, and our operational plan, which guides the organization toward that direction, PTO managers and employees know how we can work together to promote industrial and technological progress and strengthen the national economy of the United States.

# Performance Measurement

During fiscal year 1995, the PTO has taken a number of steps to prepare for the implementation of the Government Performance and Results Act (GPRA). As a result of the PTO's aggressive participation as a pilot project, the Office has embraced the GPRA philosophy which promotes more effective planning, budgeting, program evaluation, and fiscal accountability.

As a part of the Department of Commerce (DOC), the PTO links its mission and strategic direction to those of the Department. DOC has identified five essential strategic themes to ensure and enhance economic opportunity for all Americans by working in partnership with businesses, communities, and workers:

- Export Growth
- Civilian Technology
- Sustainable Development
- Economic Development
- Economic Information and Analysis

The PTO supports the Civilian Technology theme and is supporting the Department's goal of providing tools that will enable United States firms and workers to build, trade, discover, compete, and prosper, by assisting in the advancement of the United States technological and information infrastructure by providing protection of intellectual property rights.<sup>1</sup> To fully support the Department's goals, the PTO has begun to take steps to integrate all performance metric activities occurring throughout the Office to construct a tangible gauge that reflects the progress and level of improvement the PTO has achieved throughout the year.

PTO's approach to results-oriented management is to address customer needs and educate employees in financial and program performance improvement. The newly established Office of the Comptroller and Deputy Chief Financial Officer engaged in a number of new initiatives to bring greater financial accountability and improved financial performance throughout the PTO. The Comptroller's vision is to create a resource and cost management system that will represent a strategic, comprehensive, and integrated approach to planning, budgeting and cost management.

In fiscal year 1995, over 150 senior and mid-level (staff and line) managers within the Office were trained (in-house) in GPRA and performance measurement. Development of the first draft of business-line (Patents, Trademarks, and Information Dissemination), macro-level outcome measures by the employees of the three business lines are scheduled to be completed the first quarter of fiscal year 1996.

<sup>1</sup> *Commerce Works!, The Strategic Statement of the U.S. Department of Commerce 1995-1996*, March 1995.

“  
*In fiscal year 1995, over 150 senior and mid-level managers were trained in GPRA and performance measurement.*  
”

## **COST ACCOUNTABILITY**

Today, PTO has no uniform process to monitor the costs of operations within various program areas, and managerial reports are based on budget authority and obligations incurred during each fiscal year. In fiscal year 1995, a cross-functional team began developing a coding structure and methodology to accumulate cost data that can be used to determine unit costs, satisfy external requirements, and provide useful information for evaluating performance results and facilitating effective managerial decisions. Once the new process is in place, cost information generated will recognize the full cost of resources consumed in the delivery of goods and services to our customers.

## **FEE RESTRUCTURING**

Fee restructuring is another effort that will enhance our financial stability. The PTO has created a team charged with researching and developing a new

fee structure that is consistent with the PTO's long-term financial and policy goals. These goals include recovering sufficient revenues to meet PTO funding requirements, while also increasing the affordability and access of PTO products and services to our customers.

Through this effort, the PTO, with substantial input from its customers, will comprehensively research, evaluate, and propose fee changes for existing services and products as well as new services and products that are under development.



## **CUSTOMER SERVICES**

As we are redesigning cost management systems, customer service efforts are being woven into these processes to strengthen our commitment to improve program effectiveness, financial management, and return on customer investment. Customer service standards generated from customer service surveys and focus group sessions are elevated macro-level program performance measurements and included in annual performance plans to ensure we address customer needs. Redesigned cost management systems will support and promote a results-oriented and customer-focused business environment characterized by the effective and efficient utilization of resources in direct support of the PTO's mission and strategic direction.



## PROGRAM PERFORMANCE EVALUATION

Vital to all performance metric efforts at the PTO is the establishment of a performance evaluation system that supports efforts to improve program and financial performance within the Office. Research into automated data collection systems is being conducted to ensure that performance goals and indicators are capable of providing accurate program and financial results.

The development and evaluation of PTO's performance metrics is a continuous process. Through constant monitoring and evaluating, the Office ensures its level of performance continually improves and our services address customer needs as defined by those who fund us— our customers. A framework for, and analysis of, performance metrics is in the developmental stage.

## GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA) OF 1993

In August 1993, Congress enacted GPRA, which was designed to improve Federal program effectiveness and public accountability by promoting a new focus on results, quality, service, and customer satisfaction. GPRA has five requirements:

- strategic plans
- annual performance plans
- performance reports
- performance budgeting
- managerial flexibility and accountability

In January 1994, the Patent and Trademark Office (PTO) was selected to test various phases of GPRA in preparation for full government-wide implementation in the fall of 1997. Since its selection as a pilot project, the PTO has prepared and submitted three annual performance plans for fiscal years 1994, 1995, and 1996; a fiscal year 1994 performance report; and a nomination package to participate as a GPRA Managerial and Accountability Flexibility pilot project. The fiscal year 1996 annual performance plan (submitted in April 1995) was the final plan submitted under phase one of the GPRA pilot project. A copy of this plan, as published and submitted to the Office of Management and Budget, can be referenced on page 81.

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*The development and evaluation of PTO's performance metrics is a continuous process.*  
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