

State Department on a convention concerning jurisdiction and enforcement of judgments proposed by the Hague Conference on Private International Law. The Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters seeks to create common rules of jurisdiction in international civil and commercial cases and provide for the international recognition and enforcement of the resulting judgments. The Hague Conference has scheduled a Diplomatic Conference to conclude negotiations on the proposed convention for June 2001.

- Wire the World**—The USPTO continued to promote the “Wire the World” project to enable WIPO member countries to take advantage of advances in information technology. WIPO’s newly formed Standing Committee on Information Technologies is working to develop and deploy a secure global information infrastructure, to establish a network of IP digital libraries, and to automate the PCT system and extend and deploy solutions based on this automated system in interested IP offices. It is expected that 64 Member State IP Offices will be connected to WIPONET during 2001. The first phase of deployment will include basic services such as e-mail, Internet connection, and discussion group capability.

The USPTO hosted the 15th Annual Visiting Scholars Program (VSP), for 16 officials from 14 countries on May 8-19, 2000. The program gave representatives from IP offices around the world a better understanding of the critical role IP protection plays in building strong, vibrant economies. It featured two weeks of classroom and hands-on study focusing on U.S. patent, trademark, and copyright law and examination issues, including special subjects, such as computer software patents, biotechnology, and semi-conductor arts. In addition, USPTO representatives made presentations on TRIPs Agreement obligations in the areas of patents, trademarks, copyrights, and enforcement. A second Visiting Scholars session was also conducted from October 30-November 9, 2000, with a similar program and schedule of presentations.



## Patents

The USPTO received 293,244 utility, plant, and reissue (UPR) applications in fiscal year 2000, a 12.3 percent increase over fiscal year 1999. The increased applications were primarily in the areas of telecommunications, information processing, and biotechnology. The USPTO also issued a record 165,504 UPR patents, a 15.2-percent increase over fiscal year 1999. For fiscal year 2001, UPR applications are expected to increase another 12 percent to approximately 327,500. Additionally, we anticipate 7,500 applications to be refiled as a result of AIPA legislation, for a total of 335,000 UPR applications, with the high technology areas again leading this growth. Among applications, 81.2 percent received a first Office action within 14 months or sooner. Pendency to first Office action finished at 13.6 months, better than the projected target of 14.2 months.



Nicholas P. Godici,  
Commissioner  
for Patents

Cooperation Treaty (PCT) also continued to increase. In fiscal year 2000, the USPTO received 36,671 international applications, an increase of 21.0 percent over the 30,305 international applications filed in fiscal year 1999.

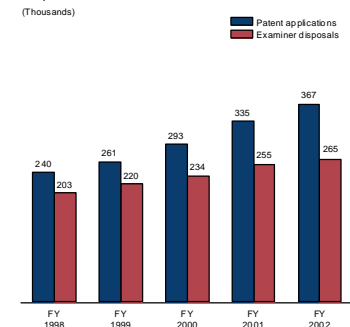
Also in fiscal year 2000, 16,713 Demands for International Preliminary Examination were filed, an increase of 18.1 percent over the 14,151 Demands filed in fiscal year 1999. Additionally, 23,628 U.S. National Stage applications were submitted, 18.5 percent more than the 19,941 National Stage applications submitted the previous year.

### American Inventors Protection Act

On November 29, 1999, the AIPA was signed into law. It was the most significant change to the patent system since the 1952 Patent Act, and presented the USPTO with a number of challenges, as well as opportunities. The following are some of the key provisions of the Act that the USPTO began implementing in fiscal year 2000 in its strategic planning and performance goals, and will continue to implement in fiscal year 2001.

The AIPA provided that inventors must be compensated for certain USPTO processing delays and for delays in the prosecution of applications pending more than three years. Diligent applicants are guaranteed a minimum 17 year patent term under this provision. Accordingly, we have implemented the “14-4-4-36” timeliness standard. This standard provides commensurate restoration of a patent term to diligent applicants when the following requirements are not met by the USPTO:

Figure P-1  
Patent Applications and Examiner Disposals: FY 1998-2002



- Issue a first Office action on the merits of the claimed invention within 14 months from the filing date
- Respond to an applicant's reply to a rejection or appeal within four months of receipt by the Office
- Act on an application within four months of a decision of the Board of Patent Appeals and Interferences or the federal courts
- Issue a patent within four months from the payment of the issue fee
- Issue a patent within 36 months from the filing date

The AIPA also provided for the publication of patent applications 18 months after filing unless the applicant requests otherwise upon filing and certifies that the invention has not and will not be the subject of an application filed in a foreign country. Early publication of patent applications benefits the public, as it provides advance notice of upcoming technological trends. In addition, provisional rights are available to the patent applicants to obtain reasonable royalties if others make, use, sell, or import the invention during the period between early publication and grant of patent rights.

Finally, the AIPA established changes in the procedures available for the reexamination of patents. It retained the existing *ex parte* reexamination procedure. In addition, it provided for an optional *inter partes* reexamination procedure that expands third-party participation rights by permitting the third-party requester to comment on each patent owner response to a first Office action on the merits, as well as to appeal the Board of Patent Appeals and Interferences, while prescribing specific estoppel provision applicable to the third-party requester.

#### Patent Strategic Planning

In fiscal year 1997, the Patent Business launched its first strategic plan that included the following five over-arching goals:

- Reduce processing time to 12 months or less for all inventions
- Establish fully supported and integrated industry sectors

- Receive applications and publish patents electronically
- Exceed our customers' quality expectations through the competencies and empowerment of our employees
- Assess fees commensurate with resource utilization and customer efficiency

The Patent Business charted its course by these goals, setting targets to attain them, shaping budgets around them, and measuring progress toward achieving them.

That first plan served the Patent Business very well. However, the passage of the AIPA provided a new framework that mandated a change in strategic direction. During fiscal year 2000, the Patent Business reevaluated its strategy in terms of the AIPA, as well as changing external and internal environments, and developed a new framework to guide us as we enhance the quality of the products and services provided to our customers. The new plan, like the first, complemented and supported the USPTO's strategic and performance goals.

#### Goal: Enhance the Quality of Our Products

The Patent Business instituted programs to ensure the quality of our products, such as focus sessions with our customers on search procedures and clear written communications of the examiner's position. An in-process review program continued to be enhanced to add areas that need quality improvement within the Technology Centers (TCs).

In fiscal year 2000, the USPTO provided guidance concerning the statutory changes in the AIPA and trained affected employees. This included five initiatives to improve reexamination proceedings. Final supplemental examination guidelines for determining the applicability of 35 U.S.C. 112 (6) were published in the *Federal Register* on June 21, 2000, and in the *Official Gazette* on July 25, 2000. These guidelines gave examiners clear criteria to determine whether a claim limitation invokes 35 U.S.C. 112 (6). Publication of the final written description and utility guidelines is expected soon, along with training materials and examples for the examiners.



Community Day at the USPTO gives everyone a chance to celebrate cultural and workplace diversity. Many offices and organizations develop exhibits that illustrate the work that they are doing and Community Day organizers recognize the best of these exhibits. This year's first place winners were the staff from Technology Center 3600, who used miniature electric vehicles on a racetrack to exhibit some of the technology described in the patents they examined.

industry groups with expertise in this area; the establishment of a number of specific customer partnerships to discuss concerns and share ideas; and revised examination guidelines to provide consistency and examples of proper examination. In addition, Patents expanded search activities to include automated text searches and relevant non-patent literature (NPL) databases. Our initiatives also included expanded review of work in the Business Method area to include enhanced in-process and quality reviews. Due to the growing workload, a new TC was established to provide an increase in quality oversight and executive leadership in the Business Method area.

The Patent Business also disseminated several new rule packages and educated employees and customers in new practices prior to AIPA implementation. With the AIPA rule packages, patent employees traveled to 16 cities throughout the United States to train customers. Patents updated the Manual of Patent Examination Procedure (MPEP) to reflect the provisions of the new legislation and rules and posted it on the USPTO Web site for our customers.

In addition, during fiscal year 2000, each TC hosted a technology fair that provided examiners the opportunity to attend a variety of technical training programs on specific topics related to their areas of examination. For example, 18

The Patent Business began a number of initiatives to address concerns in the Business Method patent area. These included: increased technical training for examiners, which was provided in cooperation with

speakers gave enlightening presentations to examiners and technical support personnel in TC 1600 (Biotechnology and Organic Chemistry). In TC 1700 (Chemicals and Materials Engineering), speakers gave presentations to over 500 examiners on cutting-edge technology issues. TCs 3600 and 3700 (which examine primarily mechanical technologies) held a joint technology fair. These training programs have become annual events and benefit examiners while helping to establish a cooperative partnership between the USPTO and outside organizations.

#### Goal: Improve the Quality of Our Services

Given that patent customers demand high quality products, the Patent Business made great strides to meet these expectations by increasing customer satisfaction by 14 percent from fiscal years 1996 to 2000. The customer survey results in fiscal year 2000 alone showed a 7 percent increase in overall customer satisfaction from fiscal year 1999.

The goal to improve the quality of our services is closely associated with our goal of enhancing the quality of our products. While satisfaction with the service provided to our customers is high, opportunities for improvement remain, such as:

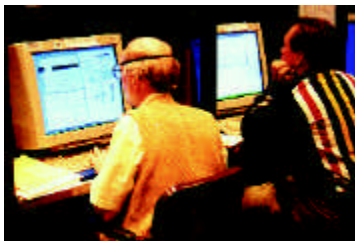
- Resolving problems
- Returning telephone calls within one business day
- Directing customers to the correct point of contact
- Timely mailing of correct filing receipts
- Promptly delivering taxes to examiners

In fiscal year 2000, we made progress in each of these areas. Since fiscal year 1999, customer satisfaction has increased by 6 percent for directing customers promptly to the proper office or person, and by 3 percent for returning telephone

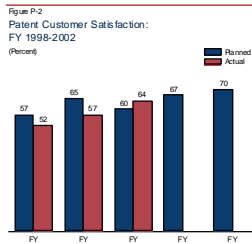
Online patent searches are available in the Public Search Room at USPTO headquarters and at the 88 Patent and Trademark Depository Libraries located in every state and Puerto Rico.

telephone calls within one business day. Overall, we improved in 21 of 27 performance areas when compared with fiscal year 1999 customer survey results.

The Patent Business expanded customer service centers in the TCs and other areas to answer customer questions and resolve problems in a timely manner. We also gave customers direct access to their Patent Application Location and Monitoring (PALM) system information through the Patent Application and Information Retrieval (PAIR) system, so that they can check on the status of their patent applications at any time. Further, during fiscal year 2000, both TC 1700 and TC 2700 (Communications and Information



Processing) initiated pilots to improve the processing and delivery of facsimile transmissions. The Patent Business believes these creative approaches have contributed to the overall increase in customer satisfaction. In addition, when the Electronic Filing System (EFS) is fully deployed in fiscal year 2001, timeliness and quality of filing receipts should improve



significantly.

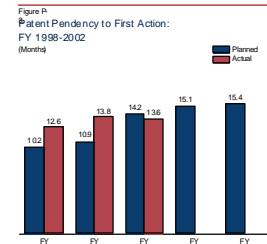
The Patent Business continued to broaden our outreach efforts and explore alternative services in order to meet or exceed our customers' needs. For example, we established partnership-working groups with patent customers in major industry sectors including Biotechnology, Chemical/Pharmaceutical, Communications and Information-Processing, Semiconductors, and Mechanical Engineering. These partnerships actively explored and evaluated alternatives to address specific process problems encountered by our customers in day-to-day operations.

**Goal: Optimize Processing Time**

The patent system is the foundation of America's innovative success. The balance of exclusivity for a limited time and the disclosure of innovation provide society with boundless opportunities. Therefore, the USPTO must maximize patent protection due the inventor, while avoiding undue extension of the patent term.

The AIPA sets clear timeframes for the processing and examination of a patent application, as follows:

- Issue a first Office action on the merits of the claimed invention within 14 months from the filing date
- Respond to an applicant's reply to a rejection or appeal within 4 months of receipt by the Office



- Act on an application within 4 months of a decision of the Board of Patent Appeals and Interferences or the Federal courts

- Issue a patent within 4 months from the payment of the issue fee

- Issue a patent within 36 months from the filing date

In fiscal year 2000, 81.2 percent of first Office actions for patent applications were issued within 14 months—exceeding our target of 75 percent. The Patent Examining Corps did very well in turnaround time on amendments, averaging 56.1 days. The percent of applications receiving an action within four months of an amendment finished at 98.3 percent, an improvement over last year's 97.4 percent. The percent of applications receiving an action within four months of a Board decision finished at 76.9 percent. The percent of allowed applications publishing within four months of issue fee payment finished at 89.1 percent, a tremendous improvement as compared with 67.0 percent at the start of the fiscal year.

The Patent Business also developed programs to decrease patent time to first Office action. Based on the AIPA, we began a comprehensive review and reorganization of our business practices. We established a Patent scorecard and measurement system to track the progress of these timeliness standards and formed a team dedicated to achieve these standards. We updated staffing needs and reorganized to enable adequate growth in electrical and Business Method technologies. Regarding time to first Office action, we completed studies to deal with improved capability to hire, train, and retain patent examiners to meet the rapid growth in business, and we also established targets within each TC to meet new case date goals and balance workloads.

The recruitment and retention of patent examiners continued to be a problem in fiscal year 2000, and the Patent Business has begun implementing initiatives to address this issue. However, despite a net decrease in examiner staffing (375 hired, 437 left: net loss of 62 examiners) and a 12.3 percent increase in UPR filings, the Patent Business increased the number of first Office actions by 10,779 (237,421, up from 226,642) and increased the number of balanced disposals

by 12,784 (235,883, up from 223,099). Patents also kept the inventory of new cases over 14 months at 18.8 percent, only a small increase from 16.9 percent the previous year and well below the projection of 25 percent.

**Goal: Enhance Our Employees' Well-Being**

The Patent Business believes our employees are our most valuable resource, and understands the importance of updating and expanding their skills, knowledge, and abilities. Employee ownership and accountability for providing high-quality customer service all characterize the Patent Business environment of the future. By providing opportunities for employees to expand their professional competencies and experience personal growth and development in their careers, the USPTO is developing a diverse and expert staff genuinely interested in, and capable of, supporting and helping our customers obtain patents. As employee satisfaction increases, the USPTO expects business performance and customer satisfaction to increase, as well.

The Patent Business made a tremendous gain in employee satisfaction in fiscal year 2000. An employee survey showed an increase of 8 percent in overall satisfaction from fiscal year 1998 results. In addition, there were increases in 46 of 49 performance areas, of which 29 items improved 10 percentage points or more when compared with fiscal year 1998 results.

Partnership efforts to resolve issues between Patent unions and management increased dramatically during fiscal year 2000. The Patent Business established a Patent Auxiliary Council (PAC) on September 30, 1999, with the Patent Office Professional Association (POPA) representing patent examiners. The PAC held regular meetings to improve labor-management relations and facilitate partnerships. Some of the partnership agreements reached during fiscal year 2000 include: reengineering projects in two TCs, production goal changes for patent classifiers, furniture selection process for the space consolidation initiative, implementation of an arbitrator's decision on award eligibility, and implementation of a data system for patent classification. Partnership teams also began studying automation issues; retaining senior-level and retirement-

began studying automation issues; retaining senior-level and retirement-eligible patent examiners, and moving them into training positions; establishing additional GS-15, Ph.D. positions; parking issues; and implementation of statutes associated with the AIPA.

The Patent Business devoted considerable time, energy, and resources to training employees in fiscal year 2000. Early in the year, we began a project to develop an integrated training process for Patents. A team with members from POPA, the National Treasury Employee Union (NTEU) Local 243, and USPTO management developed a workflow process for training employees, called the Patent Integrated Training Strategy. This strategy looked at the current and future needs of the business; included a workflow process that assessed the workforce's current knowledge, skills, and abilities (KSAs); built a curriculum to close the gap between future needs and current KSAs; and evaluated whether the training was effective in helping meet business needs. The result of this project was a workflow process that both union and management agreed should be followed to develop future training.

The Patent Business achieved another milestone in fiscal year 2000: the implementation of the results of the Patent Working Lab, a critical reengineering pilot that concluded its one-year operation in March 1999. We learned several lessons from this pilot. Most importantly, our Technical Support Staff (TSS), as demonstrated by those employees in the Lab, were able to perform several tasks traditionally performed by examiners. This pilot provided our TSS additional "up-skilling" opportunities to help them move to an automated environment and enabled patent examiners to focus wholly on the legal and technical aspects of the application.

The Patent Working Lab successes allowed the Patent Business to expand the experience to two additional pilot programs. With union and

management agreement, the pilots began in November 2000. These two pilots incorporate the best practices learned in the experimental Lab environment into larger groups of employees working in TCs 1600 and 3700. More than 20 employees are learning to assume many tasks traditionally performed by examiners. Along with shifting assigned tasks among employees, the pilots will also explore the effects of bringing examiners and TSS employees together to foster "ownership" of the patent applications. Further, one manager will supervise both examiners and TSS employees, in contrast to the current practice of separate lines of oversight. These pilots support our strategic direction and our continuing reassessment and streamlining operational processes to improve processing times and reduce costs. The pilots will be evaluated on the basis of established performance measures, including customer and employee satisfaction levels, quality of products and services, and efficiencies in cost and processing times. Our plan is to refine these processes and implement them business wide.

**Goal: Integrate Our Business into Electronic Government**

The Patent Business must move aggressively to conduct business in an e-government environment. Customers expect the USPTO to use the most current information technology to improve our business quality and efficiency. Patent Business automation initiatives must be predicated on defined improvements in business processes.

is focusing our e-government activities on reducing internal USPTO administrative costs and enhancing quality. The current paper-based, manual processes will not withstand the rigors of an electronic world, and we

Ron Hack,  
Acting Chief  
Information  
Officer



withstand the rigors of an electronic world, and we cannot process the growing workloads without the standardization and efficiencies that come with automation.

During fiscal year 2000, the USPTO reached significant milestones toward an e-government environment. The EFS pilot program was implemented for filing new utility applications electronically over the Internet. The first filing under the pilot program occurred on December 13, 1999. In October 2000, one year ahead of the original schedule, the EFS was implemented to full production. Customers using the EFS can assemble applications, calculate fees, validate content, and encrypt applications for electronic submission via the Internet. We also implemented an EFS Marketing Plan, along with instructional videos and related materials, to promote awareness and encourage the widest possible customer use of EFS.

In February 2000, Patents launched the PCT Operations Workflow and Electronic Review (POWER) system. This first phase of the system enabled PCT operations to produce electronic international applications for review and routing for Chapter 1 processing. Patents also continued to add new customers to the PAIR system. This system allows patent applicants to access and maintain their application information through the Internet. At the end of fiscal year 2000, there were more than 1,600 users of PAIR.

The Patent Business made enhancements to the Examiner's Automated Search Tool (EAST) to improve functionality and reliability, and to ease the transition from the traditional paper-based search tools. EAST provides faster image flip rates, faster printing, better memory management, high-speed document printing, improved stability, better document navigation, and more reliable image retrieval. Enhancements to the search engine significantly improved system performance and error handling. In August 2000, the first major upgrade to EAST was installed to provide a number of examiner-requested enhancements. We also made enhancements to the Web-based Examiner Search Tool (WEST) in January 2000 to provide immediate and dramatic improvement to some of the most difficult types of searches.

Finally, Patents implemented enhancements to the Office Action Creation System (OACS), an automated system to assist examiners in writing Office correspondence. These included updates to form paragraph contents needed to institute a policy mandate and to remedy certain software deficiencies, user requested enhancements that updated form paragraph contents and menus, and program updates to reflect recent legislation.

As illustrated by our progress in fiscal year 2000, the e-government environment is providing greater opportunities to improve the way the Patent Business preserves and increases its corporate knowledge. Patent employees will always be the heart of the Patent Business, but by effectively utilizing information technology, their experience and expertise will be a concrete resource for the public and our customers, as well as future generations of employees. Electronic management of this knowledge resource will enable Patent Business employees to more effectively share and refine their analytical efforts and achieve processing efficiencies and improvements in quality and timeliness.

**Patent Performance**

As mentioned in the previous section, American Inventors Protection Act, Title VI, Subtitle G, the Patent and Trademark Office Efficiency Act, established the USPTO as a PBO on March 29, 2000. The legislation allows appointment of a Commissioner for Patents as the Chief Operating Officer for Patents, and a Commissioner for Trademarks as the Chief Operating Officer for Trademarks. It also requires that an annual performance agreement be established between the Commissioners and the Secretary of Commerce. The agreement outlines measurable organizational goals and objectives for the PBO. The Commissioners may be rewarded a bonus, based upon an evaluation of their performance as defined in the agreement, up to 50 percent of their base salary.

The FY 2000 agreement was the first step towards the performance agreement required by law, and was based on resources allocated for fiscal year 2000. The Patent Business goals formed the foundation for the annual

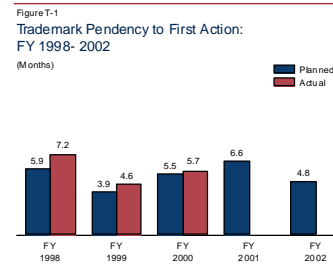
performance agreement required by law, and was based on resources allocated for fiscal year 2000. The Patent Business goals formed the foundation for the annual performance agreement between the Commissioner for Patents and the Secretary of Commerce, as required by the AIPA. The performance agreement outlined measurable organizational goals and objectives for the Patent Business based on the above goals and the performance measures included in the

GPRA Annual Performance section of this report. Upon an evaluation by the Secretary of Commerce, and consistent with the AIPA, the Commissioner for Patents received a performance bonus of 25 percent of his annual rate of basic pay for his contribution toward the successful achievement of these goals and objectives.



## Trademarks

In fiscal year 2000, the USPTO received 296,490 trademark applications, including 375,428 classes for registration—an increase of 27.2 percent over fiscal year 1999 actual filings. Fiscal year 2000 was the second year in a row that applications increased by 27 percent.



The magnitude of these increases helps to explain why trademark pendency to first Office action was 5.7 months, an increase of 1.1 months over fiscal year 1999. Although first Office action pendency was higher than the projected target of 4.5 months, overall pendency to registration decreased 1.6 months to 17.3 months. Reducing the time to issue registrations is a significant accomplishment given the level of new filings and inventory of pending applications.

The USPTO issued 106,383 trademark registrations, including 127,794 classes—an increase of more than 21 percent over the number of registrations issued in fiscal year 1999. Despite this level of effort, the USPTO ended the fiscal year with more than 520,000 pending applications on hand, including 677,000 classes—a significant increase over last year in the number of applications under examination.

The Trademark Electronic Application System (e-TEAS) continued to generate an unprecedented level of electronic filings -- more than 64,700 filings including 74,900 classes for registration in its first two years of operation. In fiscal year 2000, electronic application

filings more than doubled to 44,100 from 20,600 in fiscal year 1999.

The acceptance of applications electronically is fundamental to the USPTO's ability to manage the significant increase in workload. In fiscal year 2000, e-TEAS was a semi-finalist in the 2000 Innovations in American Government Awards Program, sponsored by the Ford Foundation and the Kennedy School of Government at Harvard University. It was also a winner of the 2000 Government Technology Leadership Award

sponsored by the Government Technology Leadership Institute and *Government Executive* magazine. Recognition in both of these national competitions is

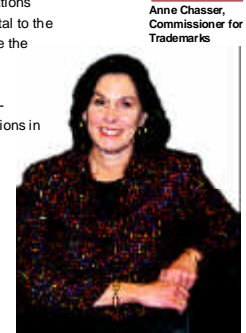


Figure T-2  
Paper vs. Electronic Trademark  
Application Filings: FY 1999-2002  
(Thousands)

