OCFO - Financial Status of USPTO

May 7, 2010
FY 2010 Status

Authorized level of $1,887.0 million
Mid-year Budget Execution Review currently underway
Roughly 52% of available resources have been obligated

Current Plans:
- Patent Examiners – Hire 250 Experienced IP Professionals
- Support Units – Limited to 2010 Attrition Replacements
- Limited patent production OT funding
- Outsource PCT search
- Carryover roughly $85M in Trademark fees into FY 2011

Fee collection estimate $146 - $232 million above appropriation
### FY 2010 Fee Estimates and Assumptions

**For the Period Ending March 31, 2010**

<table>
<thead>
<tr>
<th>(Dollars in Millions)</th>
<th>FY 2009</th>
<th>FY 2010</th>
<th>FY 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of Estimate</td>
<td>September 2009</td>
<td>July 2009</td>
<td>December 2009</td>
</tr>
<tr>
<td><strong>Total USPTO Fee Collections</strong></td>
<td>$1,875</td>
<td>$2,003</td>
<td>$2,033</td>
</tr>
<tr>
<td>Projected Unavailable Fee Collections</td>
<td></td>
<td>$116</td>
<td>$146</td>
</tr>
<tr>
<td><strong>Total Patent Fee Collections</strong></td>
<td>$1,656</td>
<td>$1,785</td>
<td>$1,813</td>
</tr>
<tr>
<td><strong>Total Trademark Fee Collections</strong></td>
<td>$218</td>
<td>$218</td>
<td>$218</td>
</tr>
<tr>
<td>Major Patent Fee Collections:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance Fees</td>
<td>$547</td>
<td>$569</td>
<td>$660</td>
</tr>
<tr>
<td>Filing/Search/Examination Fees</td>
<td>$268</td>
<td>$247</td>
<td>$266</td>
</tr>
<tr>
<td>Issuance/Publication Fees</td>
<td>$202</td>
<td>$285</td>
<td>$320</td>
</tr>
<tr>
<td>PCT Fees</td>
<td>$118</td>
<td>$118</td>
<td>$119</td>
</tr>
<tr>
<td>Extensions of Time Fees</td>
<td>$131</td>
<td>$124</td>
<td>$128</td>
</tr>
<tr>
<td>RCE/Continuation Fees</td>
<td>$103</td>
<td>$120</td>
<td>$95</td>
</tr>
</tbody>
</table>

#### End-of-Year Projected Fee Collections Range
- **Low March 2010**
  - Total USPTO Fee Collections: $2,119
  - Projected Unavailable Fee Collections: $146
  - Total Patent Fee Collections: $1,894
  - Total Trademark Fee Collections: $220
- **High March 2010**
  - Total USPTO Fee Collections: $2,322
  - Projected Unavailable Fee Collections: $232
  - Total Patent Fee Collections: $2,110
  - Total Trademark Fee Collections: $225

#### President's Budget Request
- February 2010: Total USPTO Fee Collections: $2,119
  - Projected Unavailable Fee Collections: $232
  - Total Patent Fee Collections: $2,110
  - Total Trademark Fee Collections: $225

### Assumptions Used to Develop Fee Collection Estimates

- **CPI/Surcharge to Fee Rates:**
  - 5% increase to patent statutory fees was implemented at the beginning of the fiscal year.
  - No increase to patent statutory fee rates (based on annual CPI increase).
  - No increase to patent statutory fee rates (based on annual CPI increase).
  - No increase to patent statutory fee rates (based on annual CPI increase).
  - No increase to patent statutory fee rates (based on annual CPI increase).
  - 15% increase to patent statutory and RCE fee rates to provide interim funding.

- **Filing Growth Rates:**
  - Patent filings growth rate was -2% (460,924 filings) (including RCEs growth of 25% (138,449 filings)).
  - Trademark filings growth rate was -12% (352,051 filings).
  - Patent filings estimated to have no growth (RCEs growth rate of 13%). Trademark filings growth rate estimated at 1%.
  - Patent filings estimated to have no growth (RCEs decrease 7%). Trademark filings growth rate estimated at 1%.
  - Patent filings estimated to have no growth (RCEs decrease 4%). Trademark filings growth rate estimated at 1%.
  - Patent filings estimated to have no growth (RCEs decrease 8%). Trademark filings growth rate estimated at 1%.
  - Patent filings estimated growth rate -1% (RCEs decrease 6%). Patent filings reduced slightly to account for elasticity of demand due to fee increase. Trademark filings growth rate estimated at 5%.

- **Patent Issue:**
  - 163,345 issues.
  - 164,411 planned issues.
  - 181,000 planned issues.
  - 196,605 planned issues.
  - 206,014 planned issues.
  - 196,700 planned issues. Workloads reduced slightly to account for elasticity of demand due to fee increase.

- **Patent Maintenance:**
  - 80% of patent issued 4 years prior renewed.
  - 76% of first stage renewals 4 years prior renewed and 69% of second stage patents renewed 4 years prior renewed.
  - 74% of patent issued 4 years prior will renew, 67% of first stage renewals 4 years prior will renew and 63% of second stage patents renewed 4 years prior will renew.
  - 83% of patent issued 4 years prior will renew, 79% of first stage renewals 4 years prior will renew and 72% of second stage patents renewed 4 years prior will renew.
  - 99% of patent issued 4 years prior will renew, 81% of first stage renewals 4 years prior will renew and 77% of second stage patents renewed 4 years prior will renew.
  - 88% of patent issued 4 years prior will renew, 81% of first stage renewals 4 years prior will renew and 77% of second stage patents renewed 4 years prior will renew. Workloads reduced slightly to account for elasticity of demand due to fee increase.
Notes

- The Initial Operating Plan fee collection totals is the FY 2010 Appropriated Collections total of $1,887 million, and is the FY 2010 estimate in the FY 2011 President's Budget submission.

- The Projected Unavailable Fee Collections are the difference between the End-of-Year Projected Fee Collections and the Initial Operating Plan (Appropriated Collections total).

- Projected fee collections are based on actual and anticipated demand for products and services and work processed throughout the year, including assumed efficiency gains.

- Historical with-in year and current trends are included in these estimates.

- UPR filings through March 230,292; a straight line projection would yield 466,230 filings by year end (1% growth). Historical trends of 3rd and 4th quarter behavior provide the low and high range estimates.

- RCE filings through March 69,764; a straight line projection would yield 140,628 filings by year end (0% growth). Work process assumptions and historical trends provide the low and high range estimates.

- Trademark filings through March 184,395; a straight line projection would yield 365,770 filings by year end (4% growth). Historical trends of 3rd and 4th quarter behavior provide the low and high range estimates.

- Issues through March 102,643; a straight line projection would yield 209,459 by year end. Historical trends of 3rd and 4th quarter behavior, and with work process assumptions provide the low and high range estimates.

- Renewal rates through March (projected for annual rates) are: 102%, 78% and 74%. 3rd and 4th quarter eligible renewals, and historical trends provide the low and high range estimates.
# FY 2010 Cost Allocations

For the Period Ending March 31, 2010

## Expense vs. Revenue Summary (Patent and Trademark Split)

<table>
<thead>
<tr>
<th>FY 2010 Q2</th>
<th>Patent Share</th>
<th>Trademark Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses by Organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patent</td>
<td>$ 636,332,539</td>
<td>100.0%</td>
</tr>
<tr>
<td>Trademark</td>
<td>$ 714,692</td>
<td>50.6%</td>
</tr>
<tr>
<td>U/Sec</td>
<td>$ 474,748</td>
<td>88.4%</td>
</tr>
<tr>
<td>Office of Public Affairs</td>
<td>$ 7,576,561</td>
<td>71.7%</td>
</tr>
<tr>
<td>External Affairs</td>
<td>$ 5,177,891</td>
<td>83.0%</td>
</tr>
<tr>
<td>Office of General Counsel</td>
<td>$ 46,060,795</td>
<td>89.3%</td>
</tr>
<tr>
<td>Rent</td>
<td>$ 2,271,732</td>
<td>88.7%</td>
</tr>
<tr>
<td>OCIO</td>
<td>$ 9,568,058</td>
<td>79.3%</td>
</tr>
<tr>
<td>OCFO</td>
<td>$ 10,950,418</td>
<td>78.8%</td>
</tr>
<tr>
<td>OCAO</td>
<td>$ 12,418,139</td>
<td>87.3%</td>
</tr>
<tr>
<td>Total Expense</td>
<td>$ 853,545,573</td>
<td>89.8%</td>
</tr>
<tr>
<td>Fee Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 903,558,499</td>
<td>89.0%</td>
</tr>
<tr>
<td>Variance - Costs vs Revenues</td>
<td>$ (50,012,926)</td>
<td></td>
</tr>
<tr>
<td>Direct ($)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 636,332,539</td>
<td>74.6%</td>
</tr>
<tr>
<td>Allocated Direct ($)</td>
<td>$ 85,847,849</td>
<td>10.1%</td>
</tr>
<tr>
<td>Allocated Indirect/Overhead ($)</td>
<td>$ 131,365,186</td>
<td>15.4%</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 853,545,573</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Note: Boards are included in Patent and Trademark costs.

Fee Revenue is Earned Revenue from the Statement of Net Cost.

1 Total Direct - EM Direct Costs

2 Allocated Indirect
FY 2011 Budget Highlights

President’s Budget submitted to Congress on February 1, 2010
Under Secretary testimony on March 25, 2010 highlighting:

- High Priorities - Patent pendency and quality goals
- Invest in Patent and Trademark information technology to improve performance and address stakeholder needs
- Establish a sustainable funding model to finance operations in support of strategic priorities and Administration goals
  - Interim Patent Fee Increase
  - Fee Setting Authority
  - Establish Operating Reserve
FY 2012 Budget Process

April - June
- Post the draft Strategic Plan for Comments
- Develop FY 2012 Budget initiatives and justifications for review
- TPAC provides feedback on FY 2012 Budget initiatives
- CFO briefs DoC on USPTO’s FY 2012 Budget Request to OMB

July - August
- Strategic Plan is finalized
- Draft FY 2012 Budget to DoC and TPAC for review
- DoC and TPAC’s feedback incorporated into budget document

September
- FY 2012 OMB Budget Request

November - December
- FY 2012 President’s Budget Request