

Patent Public Advisory Committee Meeting

USPTO Fiscal Update



Tony Scardino
Chief Financial Officer
May 16, 2013



FY 2013 Resource Status

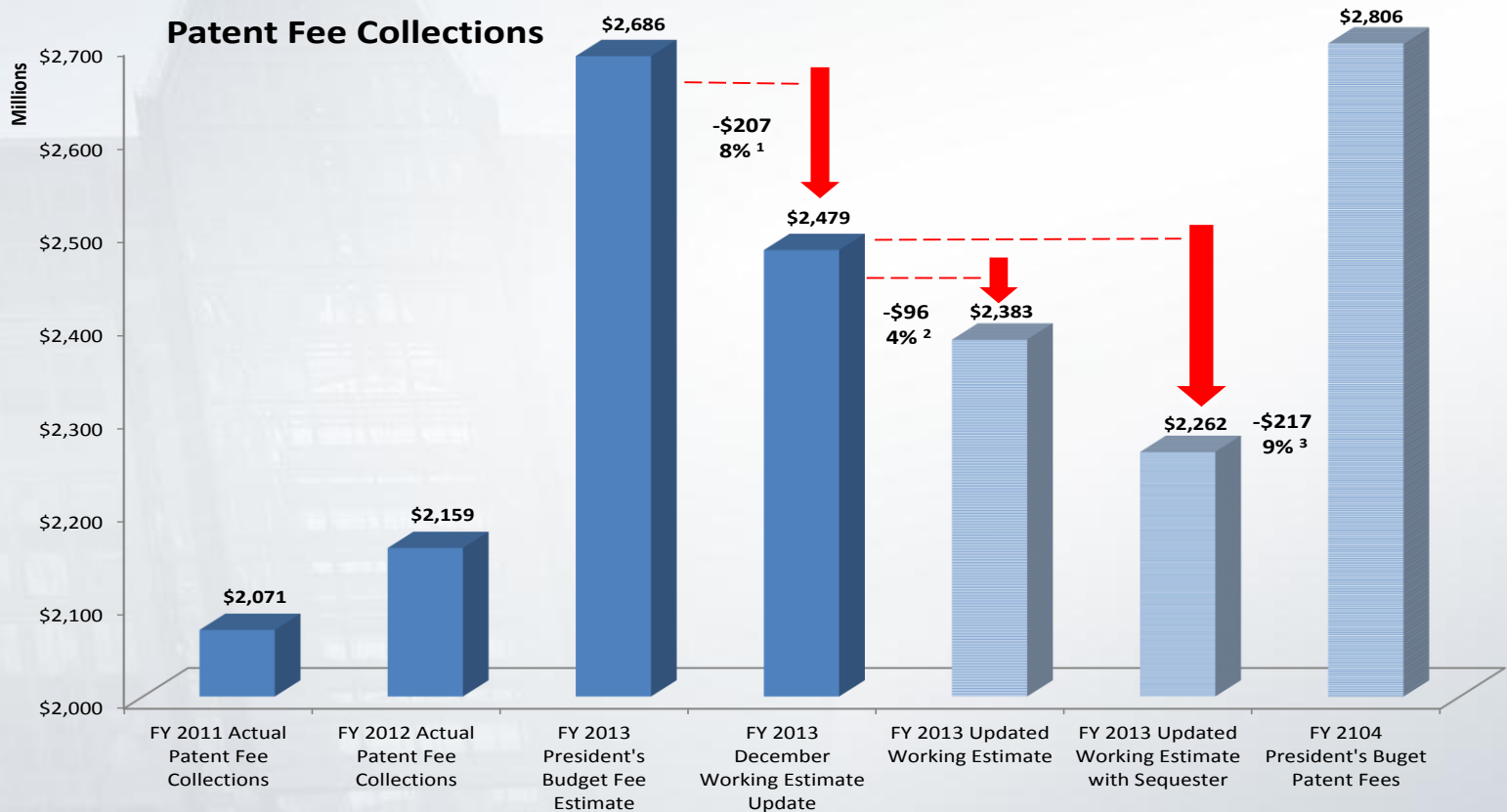
Since last PPAC meeting, fiscal status changed significantly

- ↪ The fee revenue “bubble” in advance of the fee rule came in lower than anticipated.
- ↪ Full-year fee estimates were revised downward in light of actual collections so far this year.
- ↪ USPTO must set aside a portion of fee revenue for the remainder of FY 2013 due to budget sequestration.
- ↪ Planned spending was adjusted at the start of the year to reflect revenue uncertainty; additional actions were taken during April in light of recent developments.



FY 2013 Resource Status

↪ Our revenue posture has shifted:



¹ Result of decisions to reduce certain proposed fee rates and adjust production capacity in response to public and stakeholder comments.

² Fee estimate revision based on recent applicant behavior and an assessment of the economy.

³ Fee estimate revision *plus* the expected sequester total. The annualized sequester percentage is 5% of fee collections.



FY 2013 Resource Status

- ⇒ Budget sequestration was implemented March 1, 2013
 - ⇒ As indicated previously, USPTO fees are not exempt.
 - ⇒ Sequestration is applied to actual fee collections through year-end at a 5.0% annualized rate.
 - ⇒ USPTO sequester was estimated at \$148M for planning purposes, but the final amount will be determined by the actual level of collections.



FY 2013 Resource Status

⇒ Programs and projects were thoroughly evaluated in late March and early April.

⇒ Measures were taken to reduce or eliminate all lower priority activities.

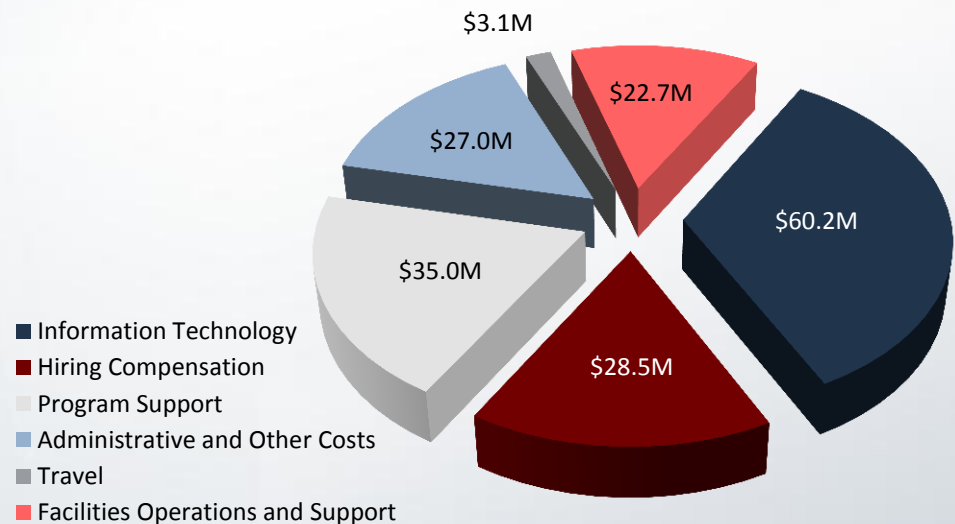
⇒ Information technology modernization has been scaled back significantly.

⇒ Remaining travel and training has been virtually eliminated.

⇒ Hiring of most support personnel has been stopped for the time being.

⇒ Limited examiner hiring has been evaluated and will be considered if fee revenue strengthens toward the end of Q3.

April Reductions (\$176.5M)

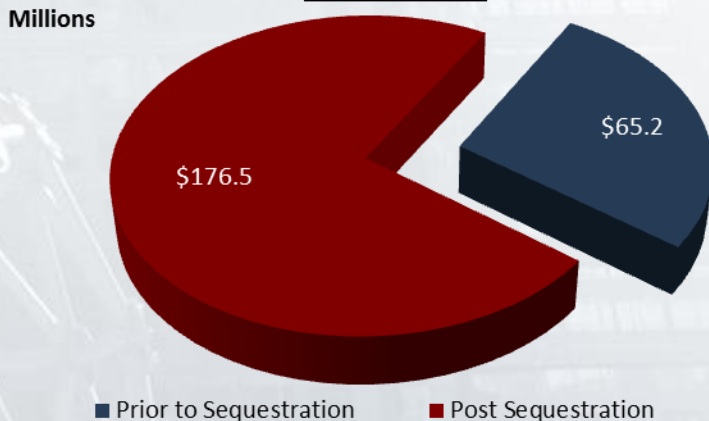




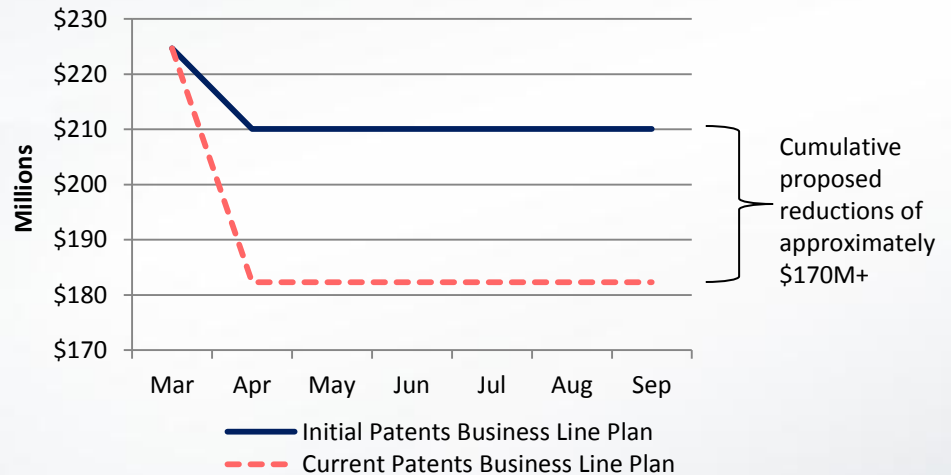
FY 2013 Resource Status

↪ April spending reviews yielded year-end spending reductions totaling approximately \$170M directly related to the Patents business line.

Year-to-Date Adjustments (\$241.7M)



Average Projected Spending by Month



↪ Coupled with budget savings identified earlier in the fiscal year, spending has been adjusted by about \$240M.



FY 2013 Resource Status

Way forward for the remainder of FY 2013:

- ↪ **Track revenue closely.** Revenue is currently tracking near updated estimates, but variability still remains.
- ↪ **Vigilance on spending.** Work to avoid further spending reductions, but be prepared to do so if necessary.
- ↪ **Await for opportunities.** If revenue comes in at a healthy level, consider modest spending actions.
- ↪ **Plan for FY 2014.** Rework plans for FY 2014 in light of recent developments.