

Fiscal Year 2002 Corporate Plan



Department of Commerce

Submission of the President

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U. S. Patent and Trademark Office
Fiscal Year 2002
Corporate Plan

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United States Patent and Trademark Office Fiscal Year 2002 Budget Request

Fiscal Year 2002 Highlights

- As a fully fee-funded organization, the USPTO will collect a projected \$1,346 million in fees for fiscal year 2002. These fees are paid in fiscal year 2002 by patent and trademark applicants and owners.
- For fiscal year 2002, we expect to receive 907,800 patent and trademark applications. This is a 12 percent increase for patent applications and 20 percent for trademark applications over fiscal year 2001 budget estimates. We will grant 166,500 patents and register 127,000 trademarks.¹
- USPTO is requesting \$1,139 million to operate in fiscal year 2002. This operating amount is derived from \$857 million of the \$1,346 million received in fiscal year 2002 fee collections, coupled with \$282 million of prior years' fee collections. The remaining \$489 million of fiscal year 2002 fee collections is expected to be made available to the USPTO on October 1, 2002 for fiscal year 2003 operations.
- The fiscal year 2002 request of \$1,139 million is an increase of \$100 million above the fiscal year 2001 enacted budget. This amount will allow us to cover inflation and mandatory operating costs, fund legislative requirements mandated by the American Inventors' Protection Act of 1999, fund a quality initiative in the Patent business, and fund an initiative in the Trademark business to improve productivity.
- Our fiscal year 2002 request will allow us to hire to cover attritions in the Patent and Trademark businesses, maintain our current automated systems and information technology infrastructure, and make modest investments in e-Government to continue automation of the patent and trademark application filing processes. The processing timeframes for granting patents and registering trademarks, called pendency, will increase as shown in the following table and pending application backlogs will continue to grow at this requested funding level.

¹ The USPTO is seeing the effects of the recent economic downturn, particularly on a temporary reduction in the number of incoming trademark applications. However, it is still too early to determine if this downturn will require a reestimate of trademark filings and thus projected fee collections.

Fiscal Year 2002 Processing Timeframes

	FY 2001	FY 2002	FY 2006
Patent Pendency for First Office Action (months)	14.1	17.4	28.8
Patent Pendency for Issue/Abandonment (months)	26.2	26.7	38.6
Trademark Pendency for First Office Action (months)	6.6	8.0	5.7
Trademark Pendency for Final Action (months)	19.0	20.0	16.7

It is important to note that the processing timeframes for fiscal year 2006 assume that the USPTO will have full access to its fees beginning in fiscal year 2003 in order to make critical investments in personnel and automation needed to achieve these timeframes.

- Our fiscal year 2002 request also redirects resources to fund baseline operational requirements and expenses.
- The granting of intellectual property rights by the USPTO through patents and trademarks has the potential to subsequently contribute to fueling the economy by creating wealth, jobs, and tax revenue. This assertion is supported by Alan Greenspan, Federal Reserve Chairman, who has noted compelling evidence that the technological innovation has driven the upsurge in U.S. productivity (which is continuing despite the recent economic slowdown) and the resulting real growth of the economy over the past 10 years.

Fiscal Year 2002 Challenges

USPTO is a dynamic organization that is at the forefront of the high-tech driven national economy and a leader in 21st century management principles. However, we are facing the following challenges in fiscal year 2002:

- In fiscal year 2002, we project receiving 367,800 utility, plant and reissue (UPR) patent applications and 540,000 trademark application classes. Over the past decade, our patent and trademark workloads increased at significant rates. Over the first few months of fiscal year 2001, however, the economic slowdown has depressed the number of trademark filings received thus far, reducing anticipated fee income for this year. It is still too early in the fiscal year to determine if this downturn is a temporary aberration or will impact longer-term trademark projections affecting fiscal year 2002 and beyond. In contrast, patent applications continue to grow at a 12 percent rate over the previous year. The fiscal year 2002 workload estimates take into consideration current and projected economic indicators. (Information about underlying economic assumptions of our fiscal year 2002 patent and trademark applications workloads is included in Appendix E.)

- Because of double-digit growth in both patent and trademark application filings have exceeded budgeted resource levels, inventories of unprocessed work have rapidly increased. This creates a potential unfunded (and unprocessed) liability as a result of lack of full fee access as these applications must be processed without benefit of the corresponding incoming fee amounts. This may result in an unfunded liability that the taxpayers may ultimately be asked to assume.
- The solutions for managing a large inventory of pending applications cannot solely rely on the hiring of additional personnel. We must also make critical investments in information technology systems and redesigned processes if we are to manage future workloads. USPTO's Strategic Information Technology Plan includes information technology systems investment information and milestones that enable the USPTO to maintain current business production processing, meet the requirements of the American Inventors Protection Act (AIPA), and enhance the current business to promote electronic government.
- USPTO's fee collections have grown rapidly, due to greatly increased patent and trademark filings. The increase in fee collections mirrors the growth in importance of intellectual property. In recent years, USPTO's program level has been below its annual offsetting fee collections, making a portion of USPTO's fees unavailable to the agency. These unused fees have generally been carried over and spent in the following fiscal year. The President's Fiscal Year 2002 Budget proposes \$489 million in carryover balances of unreleased fees into fiscal year 2003. The following chart identifies the fee amounts that have not been appropriated for USPTO use from fiscal years 2000 to 2002:

USPTO Fee Collections - Available and Unavailable

	FY 2000 Actual	FY 2001 Enacted	FY 2002 Request
USPTO Fee Collections	\$1,006	\$1,152	\$1,346
Carryover From Prior Year	\$116	\$255	\$282
Subtotal: Available Resources	\$1,122	\$1,407	\$1,628
Unavailable	-\$234	-\$368	-\$489
Rescissions / Other	-\$3	\$0	\$0
Subtotal: Unavailable Resources	-\$237	-\$368	-\$489
Total Available Resources	\$885	\$1,039	\$1,139
Total Negative Budget Authority	-\$121	-\$113	-\$207

Fiscal Year 2002 Performance

Following are key workload estimates, performance indicators, and/or results for the Patent and Trademarks Businesses that will be achieved at the requested funding level. (See Appendices A-D on the Patent and Trademark Businesses, Intellectual Property Leadership and Corporate Support for additional fiscal year 2002 performance measures.) It is important to note that the performance measures identified for fiscal year 2003 to fiscal year 2006 assumes that the USPTO will receive full access to its fees in order to hire staff in critical areas and make performance-enhancing investments in automation to achieve these performance levels.

Workload/Performance Indicator	FY 2000 Actual	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Patents							
Utility, Plant and Reissue (UPR) Patent Applications Filed	293,244	328,400 ²	367,800	404,600	445,100	489,600	538,600
EOY Pending Applications Awaiting Examiner Action	256,520	367,900	511,500	670,500	848,260	1,060,700	1,293,600
UPR Disposals	234,344	226,700	223,500	225,700	248,500	269,400	279,700
Patents Granted	165,504	166,100	166,500	157,600	165,600	181,000	192,400
Pendency – First Action (months)	13.6	14.1	17.4	19.9	22.9	26.0	28.8
Patents – Issue/Abandonment (months)	25.0	26.2	26.7	30.0	32.5	35.5	38.6
Percent of applications received electronically	N/A	2	2	10	30	50	75
Percent of allowed applications with a material or significant defect	6.6	5.5	5.5	5.5	5.0	4.0	3.0
Percent of allowed applications where a significant question relating to quality of the examination process was raised	7.7	7.0	7.0	7.0	6.0	5.5	5.0
Percent of customers satisfied overall	64	67	64	67	70	75	80
Trademarks							
Applications Received – classes	375,428	450,000	540,000	621,000	714,000	821,000	944,000
EOY Pending Applications Awaiting Examiner Action	166,300	167,200	177,300	189,800	212,100	244,000	285,700

² Does not include 6,600 patent applications refiled as a result of the enactment of the American Inventors' Protection Act of 1999.

Workload/Performance Indicator	FY 2000 Actual	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Percent of applications received electronically	14.9	30	30	35	35	40	40
Statements of Use Filed	36,119	52,000	48,800	59,400	70,800	86,500	102,200
Registration Issued - certificates	106,383	106,000	106,000	110,000	159,000	204,100	245,300
Registration Issued - classes	127,794	127,000	127,000	130,000	201,000	252,000	314,000
First Action Pendency - months	5.7	6.6	8.0	7.6	6.3	6.0	5.7
Registration/Disposal Pendency - months	17.3	19.0	20.0	19.6	18.3	17.5	16.7
Percent error rate for errors that could affect the registrability of a mark	3.4	3.0	3.5	3.4	3.3	3.1	3.0
Percent of customers satisfied overall	65	60	60	65	65	70	70

Fiscal Year 2002 Budget Request

The USPTO budget request for fiscal year 2002 supports the workload and performance indicators identified above. As a performance-driven organization, the USPTO has two business lines—Patents and Trademarks. Likewise, we have two sources of revenue—patent fees and trademark fees. By using Activity-Based Costing, we are able to distribute all costs (expenses) to these two business lines. These costs include direct operating costs, as well as other USPTO operations, which directly or indirectly support the Patent and Trademark businesses.

This corporate plan meets the requirements of an Annual Performance Plan under the Government Performance and Results Act. The USPTO strategic framework is included as Appendix F.

The following tables present the USPTO's budget in five ways: (1) By major components; (2) By the three budget lines (i.e., Patents, Trademarks and Intellectual Property Leadership); (3) By the funding source (i.e., Patent or Trademark fees); (4) By the four major functions (i.e. Patents, Trademarks, Intellectual Property Leadership, Corporate Support - Information Technology, and Corporate Support - Resource Management); and (5) By the key business objectives.

Table 1
Fiscal Year 2002 Request By Major Component
(\$ in Thousands)

Item	FY 2001 Estimated Actual	FY 2002 Request	FY 2002 Planned Internal Adjustments	FY 2002 Planned Operating Level
Mandatory Requirements				
Compensation and Benefits	569,793	597,806	-6,336	591,470
Rent, Communications	76,218	77,538	0	77,538
Printing/Publication	55,683	56,432	0	56,432
Information Technology Contracts			0	
Systems Maintenance/Operations	123,218	150,214	-9,711	140,503
E-Commerce Development		0	+17,810	17,810
Operational Contracts (e.g., guard service, mail room, etc)	117,474	91,315	+16,900	108,215
Goods/Services from Other Government Agencies	1,045	1,075	+2,687	3,762
Space Consolidation Initiative	30,000	30,271	-14,271	16,000
Equipment	57,190	58,220	-10,247	47,973
Training	7,846	8,028	+584	8,612
Supplies and Materials	6,511	6,628	0	6,628
Other (e.g., advisory services, travel and transportation, insurance claims, etc)	<u>4,993</u>	<u>5,025</u>	<u>+2,584</u>	<u>7,609</u>
Subtotal	1,049,971	1,082,552	0	\$1,082,552
New Initiatives				
Quality Initiative - Special Pay for Patent Examiners	0	32,534	0	32,534
AI PA Legislative Mandates	0	17,715	0	17,715
Trademark Production Incentive Award	<u>0</u>	<u>6,200</u>	<u>0</u>	<u>6,200</u>
Subtotal	<u>0</u>	<u>56,449</u>	<u>0</u>	<u>\$56,449</u>
Total	\$1,049,971	\$1,139,001	\$0	\$1,139,001

Table 2
Patent, Trademark and Intellectual Property Leadership Obligation Distribution
(\$ in Thousands)

Funding Source	FY 2000 Actual		FY 2001 Estimated Actual		FY 2002 Base		Increase from FY 2002 Base		FY 2002 Full Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
Patent	5,136	738,775	6,144	882,693	5,629	909,916	0	50,249	5,629	960,165
Trademark	871	133,394	1,129	132,530	942	135,378	0	6,200	942	141,578
IP Leadership	121	23,075	176	34,748	178	37,258	0	0	178	37,258
Total	6,128	895,244	7,449	1,049,971	6,749	1,082,552	0	56,449	6,749	1,139,001

Table 3
Patent and Trademark Fee Obligation Distribution
(\$ in Thousands)

Funding Source	FY 2000 Actual		FY 2001 Estimated Actual		FY 2002 Base		Increase from FY 2002 Base		FY 2002 Full Request	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
Patent Fee-Funded	5,240	758,619	6,295	912,576	5,782	941,958	0	50,249	5,782	992,207
Trademark Fee-Funded	888	136,625	1,154	137,395	967	140,594	0	6,200	967	146,794
Total	6,128	895,244	7,449	1,049,971	6,749	1,082,552	0	56,449	6,749	1,139,001

Table 4
Fiscal Year 2002 Request By Major Function
(\$ in Thousands)

Business Area	FY 2001 Enacted		FY 2002 Request		Change	
	FTE	Dollars	FTE	Dollars	FTE³	Dollars
Patents	5,480	568,578	4,964	649,259	-516	80,681
Trademarks	982	70,180	795	80,280	-187	10,100
Intellectual Property Leadership	154	24,657	156	26,014	2	1,357
Corporate Support - Information Technology	547	197,631	547	202,735	0	5,104
Corporate Support - Resource Management	286	177,686	287	180,713	1	3,027
Total	7,449	1,038,732	6,749	1,139,001	-700	100,269

³ The USPTO is adjusting its Full-Time Equivalent's (FTE's) and Full-Time Positions (FTP's) in an effort to realign FTE to FTP in fiscal years 2001, 2002, and 2003 to actual needs. The adjustments are for unfilled positions that the USPTO does not now plan to hire and for which no funds have been directed to cover personnel compensation and benefits. It does not impact on any personnel currently employed in the USPTO. This adjustment represents our FTE's more accurately in relation to our planned and actual FTP's.

Table 5
Fiscal Year 2002 Proposed Incremental Increases
By Key Business Objective
(\$ in Thousands)

Key Business Objective	Fiscal Year 2002 Request	
	FTE	Dollars
Enhance the Quality of Products and Services <ul style="list-style-type: none"> • Special Pay for Patent Examiners - \$32,534 • AIPA Implementation - \$17,715 	0	50,249
Transition to Electronic Government	0	0
Optimize/Minimize Processing Time <ul style="list-style-type: none"> • Trademark Production Incentive Award - \$6,200 	0	6,200
Intellectual Property Leadership	0	0
Corporate Support	0	0
Total	0	56,449

UNITED STATES PATENT AND TRADEMARK OFFICE
 Salaries and Expenses
SUMMARY OF RESOURCE REQUIREMENTS
 (Dollar amounts in thousands)

	Full-Time Permanent Positions	FTE	Budget Authority	Direct Obligations
2001 Enacted Budget				
Total Obligations.....	7,684	7,449	\$0	\$1,038,932
Less: Reimbursable Obligations.....	0	0	0	(200)
2001 Conference Report Direct Obligations.....	7,684	7,449	\$0	\$1,038,732
Plus: 2002 Adjustments to base.....	(700)	(700)	0	43,820
2002 Base Request.....	6,984	6,749	\$0	\$1,082,552
Less or plus: 2002 Program Changes.....	0	0	0	56,649
2002 Estimate.....	6,984	6,749	\$0	\$1,139,201

UNITED STATES PATENT AND TRADEMARK OFFICE
 Salaries and Expenses
SUMMARY OF REQUIREMENTS BY BUSINESS AREAS
 (Dollar amounts in thousands)

Business Areas:	2000 Actual		2001 Currently Available		2002 Base		2002 President's Budget		Increase / (Decrease) From 2002 Base		
	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	
Patents.....	Pos./BA	5,300	744,500	6,350	872,969	5,823	909,916	5,823	960,165	0	50,249
	FTE/Obl.	5,136	738,299	6,144	882,397	5,629		5,629		0	
Trademarks.....	Pos./BA	954	134,541	1,155	130,063	981	135,378	981	141,578	0	6,200
	FTE/Obl.	871	133,308	1,129	132,510	942		942		0	
Subtotal Business Areas.....	Pos./BA	6,254	879,041	7,505	1,003,032	6,804	1,045,294	6,804	1,101,743	0	56,449
	FTE/Obl.	6,007	871,607	7,273	1,014,907	6,571		6,571		0	
Intellectual Property Leadership.....	Pos./BA	140	23,518	179	35,700	180	37,258	180	37,258	0	0
	FTE/Obl.	121	23,075	176	34,748	178		178		0	
Total Patent and Trademark Office.....	Pos./BA	6,394	902,559	7,684	1,038,732	6,984	1,082,552	6,984	1,139,001	0	56,449
	FTE/Obl.	6,128	894,682	7,449	1,049,655	6,749		6,749		0	
Less: Financing from Offsetting Collections.....	BA		1,006,056		1,151,587		1,082,552		1,345,894		263,342
	Obl.		902,605		1,038,732						
Less: Offsetting Collections (unavailable balances from PY).....	BA		116,000		254,889		0		277,744		277,744
	Obl.		0		0						
Less: Portion not Available for Obligation from PY (limitation on obligations)...	BA		0		0		0		4,556		4,556
	Obl.		0		0						
Less: Portion not Available for Obligation CY (limitation on obligations).....	BA		(233,556)		(367,744)		0		(489,193)		(489,193)
	Obl.		0		0				0		
Less: Prior Year Unobligated Balance Brought Forward.....	BA		3,039		0		0		0		0
	Obl.		(7,923)		7,923						
Less: Estimated Recoveries of Prior Year Obligations.....	BA		14,000		0		0		0		0
	Obl.		0		3,000						
Financing/(Rescission) from Direct Appropriated Funds.....	BA		(2,980)		0		0		0		0
	Obl.		0		0						
Plus: Prior Year Offsetting Collections.....	BA		116,000		254,889		0		282,300		282,300
	Obl.		0		0						
Total Appropriation.....	BA		113,020		254,889		0		282,300		282,300
	Obl.		0		0						
Plus/Less: Change in Offsetting Collections (unavailable balances).....	BA		(233,556)		(367,744)		0		(489,193)		(489,193)
	Obl.		0		0						
Total Budget Authority.....	BA		(120,536)		(112,855)		0		(206,893)		(206,893)

UNITED STATES PATENT AND TRADEMARK OFFICE
 Salaries and Expenses
SUMMARY OF REIMBURSABLE OBLIGATIONS
 (Dollar amounts in thousands)

		2000 Actual		2001 Currently Available		2002 Base		2002 President's Budget		Increase / (Decrease) From 2002 Base	
		FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Core Business Areas:											
Patents.....	BA	0	380	0	0	0	0	0	180	0	180
	Obl.	0	476	0	296						
Trademarks.....	BA	0	20	0	0	0	0	0	20	0	20
	Obl.	0	86	0	20						
Information Dissemination.....	BA	0	0	0	0	0	0	0	0	0	0
	Obl.	0	0	0	0						
Subtotal Core Business Areas.....	BA	0	400	0	0	0	0	0	200	0	200
	Obl.	0	562	0	316						
Policy.....	BA	0	0	0	0	0	0	0	0	0	0
	Obl.	0	0	0	0						
Total Patent and Trademark Office.....	BA	0	400	0	0	0	0	0	200	0	200
	Obl.	0	562	0	316						

UNITED STATES PATENT AND TRADEMARK OFFICE

Salaries and Expenses

SUMMARY OF FINANCING

(Dollar amounts in thousands)

	2000 Actual	2001 Currently Available	2002 Base Amount	2002 President's Budget	Increase/ (Decrease) From 2002 Base
Obligations:					
Total direct obligations.....	894,682	1,049,655	1,082,552	1,139,001	56,449
Total reimbursable obligations.....	562	316	0	200	200
Total obligations:.....	<u>\$895,244</u>	<u>\$1,049,971</u>	<u>\$1,082,552</u>	<u>\$1,139,201</u>	<u>\$56,649</u>
Financing:					
Offsetting collections from:					
Unavailable balances.....	0	(254,889)	0	0	0
Reimbursable obligations (Federal Reimb.).....	(562)	(316)	0	(200)	(200)
Non-Federal sources/User fee collections.....	<u>(902,605)</u>	<u>(1,151,587)</u>	<u>(1,082,552)</u>	<u>(1,345,894)</u>	<u>(263,342)</u>
Subtotal	(903,167)	(1,406,792)	(1,082,552)	(1,346,094)	(263,542)
Recoveries:					
Prior year obligations.....	0	(3,000)	0	0	0
Unobligated balance, start of year.....	0	(7,923)	0	0	0
Unobligated balance, end of year.....	7,923	0	0	0	0
Offsetting collections, rescission.....	(2,980)	0	0	0	0
Unavailable offsetting collections from PY-1.....	0	0	0	(4,556)	(4,556)
Unavailable offsetting collections from CY.....	0	0	0	(277,744)	(277,744)
Unavailable offsetting collections (limitations on obligations).....	0	367,744	0	489,193	489,193
Net Change.....	<u>4,943</u>	<u>356,821</u>	<u>0</u>	<u>206,893</u>	<u>206,893</u>
Financing/(Rescission) from direct appropriated funds.....	(2,980)	0	0	0	0
Prior year offsetting collections.....	116,000	254,889	0	282,300	282,300
Total appropriation.....	<u>113,020</u>	<u>254,889</u>	<u>0</u>	<u>282,300</u>	<u>282,300</u>

Patent Business

The mission of the Patents Business is to help customers get patents. We accomplish this mission by comparing the claimed subject matter of an inventor's application for a patent to a large body of existing technological information to determine whether or not the claimed invention is new, useful, and non-obvious. In the course of examining patent applications, examiners make determinations on patentability, prepare answers to briefs on applications appealed, make holdings of abandonments, recommend institution of interference proceedings to determine priority of inventorship, and act on other post-interference issues in accordance with the provisions of 35 U.S.C. and 37 C.F.R.

The Patent Business is comprised of the organizations reporting to the Commissioner for Patents, including Patent Operations (the Technology Centers), Patent Examination Policy, and Patent Resources and Planning. The Patent Business also includes other entities that directly or indirectly support the patent mission and are, therefore, determined by Activity-Based Costing (ABC) to be patent fee-funded. These entities include the Board of Patent Appeals and Interferences, Office of Patent Quality Review, Office of Enrollment and Discipline, Office of Independent Inventor Programs, Patent Public Advisory Committee, and the Chief Information Officer (for patent systems development and operation, and dissemination of patent information). Other USPTO organizations, such as the Chief Financial/Administrative Officer, External Affairs, General Counsel, Quality Management and Training, and Chief Information Officer also support the Patents Business indirectly and a proportionate share of their annual costs is funded by patent fees.

A United States patent confers on the owner of innovative technology the right to exclude others from importing, making, using, offering for sale or selling the patented invention in the United States in exchange for a full and complete disclosure of the invention. A patent represents a valuable asset and, as such, it attracts the necessary capital to establish, expand, and maintain U.S. industries and increase employment not only in the United States, but also around the world.

Patent Business Environment

Demand for Products and Services -- We have experienced a rapid growth in application filings in the last decade of the twentieth century. The first seven years of the past decade exhibited a moderate growth in patent application filings, a growth rate reasonably consistent with the real growth of the economy. However, the last three years have produced very much higher growth rates. The volume of patent applications took the first seven years to grow by a third, but only needed the most recent three years to expand by a third again. This budget request assumes that patent application filings will increase by 12 percent in fiscal year 2002 over our fiscal year 2001 budget estimate (excluding estimated refilings).

There are a number of factors influencing this growth rate. Many high-tech businesses, such as computer storage, telecommunications, software, e-business, pharmaceutical and biotechnology companies rely heavily on intellectual property for protection of their inventions, to remain competitive in a free market economy. Intellectual property systems have been strengthened worldwide and the knowledge-based frontiers seeking patent protection have expanded to new arenas including biogenetics, computer software, and business methods. Our rate of growth beyond fiscal year 2002 will still be at such a rate that it outstrips our ability to merely increase staff to meet the workload demands. To succeed will require Office investments in technology and systems, redesign of our business processes and practices, and increased emphasis and reliance on E-Government.

The American Inventor's Protection Act (AIPA) of 1999 - This is the most significant change to the patent system since the 1952 Patent Act. The AIPA changed the procedures available for reexamination of patents. It retained the existing ex parte reexamination procedure. In addition, it provided for an optional inter partes reexamination procedure that expanded third party participation rights by permitting the third party requester to comment on each patent owner response to an Office Action on the merits, as well as to appeal to the Board of Patent Appeals and Interferences, while prescribing specific estoppel provisions applicable to the third party requester.

A new concept also introduced by the AIPA was the "14-4-4-36" timeliness standard. This provided that issuance of a first Office Action on the merits of the claimed invention more than 14 months from the filing date, or issuance of a patent more than 36 months from the filing date, will result in a commensurate adjustment of patent term to the diligent applicant. Patent term also will be adjusted when a response to an applicant's reply to a rejection or appeal is not mailed within four months of receipt by the Office, when action is not taken on an application within four months of a decision of the Board of Patent Appeals and Interferences or the Federal Courts, or when a patent issues more than four months from the payment of the issue fee.

Finally, the AIPA provides 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 is of great benefit to the public since 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.

The impact of the AIPA on the Patent Business is profound. It puts demands on the Patent organization to process incoming work in a quality manner while guaranteeing even more stringent processing times and turnarounds. Under the "14-4-4-36" provisions, Patents must provide an adequate term of patent protection for inventors without punishing them for processing delays within the Office. The timely processing of patent applications has significant economic impacts. For example, for each additional month above the AIPA mandated standards that it takes to grant a patent on a pharmaceutical product, that manufacturer is able to obtain a commensurate adjustment of patent protection. There may be an additional burden on the public resulting from patent term extending beyond 20 years.

Further, the new early publication requirements create significant financial burdens on the Office because of the time lag between when the publication costs are incurred and when the publication fees are actually collected (i.e., at the time the application is allowed).

Workload Indicators

The following table shows key Patent workload indicators from fiscal years 1996 through 2002:

Patent Key Workload Indicators

Workload Indicator	FY 1996 Actual	FY 1997 Actual	FY 1998 Actual	FY 1999 Actual	FY 2000 Actual	FY 2001 Estimate	FY 2002 Request
Utility, Plant and Reissue (UPR) Patent Applications Filed	191,116	220,773	240,090	261,041	293,244	328,400 ¹	367,800
Percentage Increase of Applications Filed	...	16	9	9	12	12	12
PCT Chapter I Applications Filed	20,106	22,767	27,138	30,305	35,000	40,300	45,200
PCT Chapter II Applications Filed	9,194	11,577	13,570	14,151	16,800	19,900	22,000
UPR Disposals	180,196	196,688	203,227	219,556	234,344	226,700	223,500
Patents Granted	105,529	112,646	140,159	143,686	165,504	166,100	166,500
Average Pendency to First Office Action (months)	10.5	11.0	12.6	13.8	13.6	14.1	17.4
Average Pendency to Issue/Abandonment (months)	20.8	22.2	23.8	25.0	25.0	26.2	26.7
EOY pending applications awaiting examiner action	104,081	158,776	208,313	220,700	256,520	367,900	511,500

¹ An additional estimate of 6,600 refilings may occur in fiscal year 2001 due to the passage of the AIPA, resulting in 335,00 applications filed.

Fiscal Year 2002 Budget Request

The following chart identifies the distribution of Patent fee income to the patent processing operations and other USPTO organizations that directly or indirectly support the Patent Business, computed in accordance with our activity-based cost accounting model:

Fiscal Year 2002 Patent Budget
(\$ in Thousands)

Major Function	FY 2001 Estimated Actual		FY 2002 Base		FY 2002 Request		FY 2002 Change Compared to FY 2001 Estimated Actual	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
Patent Process	5,480	581,298	4,964	599,010	4,964	649,259	-516	67,961
Corporate Support - Resource Management	227	137,790	228	147,396	228	147,396	1	9,606
Corporate Support - Information Technology	437	163,605	437	163,510	437	163,510	0	-95
Total	6,144	882,693	5,629	909,916	5,629	960,165	-515	77,472

The Patent business requires a budget of \$960,165,000 and 5,629 FTE. This represents an increase of \$77,472,000 and a decrease of 515 FTE compared to the fiscal year 2001 estimated actual. This additional funding includes inflation for fixed operational costs. It also includes funds for a quality initiative to stem turnover and retain highly trained and skilled patent examiners and to implement AIPA, as described below.

Business Goals and Objectives

The Commissioner for Patents has established the following five goals.² Fiscal year 2002 resources and requested funds are committed to activities and initiatives that support these goals:

- Enhance the Quality of Our Products
- Improve the Quality of Our Services

² For budget presentation purposes, these five goals have been consolidated into three: Enhance the quality of our products and services, Transition to E-government, and Optimize processing time. These three goals have been endorsed by the legislatively-mandated Patent Public Advisory Committee.

- Optimize Our Processing Time
- Enhance Our Employees' Well-Being
- Integrate Our Business Practices into Electronic Government

Consistent with the USPTO Strategic Plan, following are the performance measures and outcomes upon which the budget request is based and which the USPTO will deliver in fiscal year 2002:

Enhance the Quality of Products and Services

Performance Results at the Fiscal Year 2002 Requested Level of Funding

Performance Measure	FY 2000 Actual	FY 2001 Target	FY 2002 Request
Percent of allowed applications with a material or significant defect	6.6	5.5	5.5
Percent of allowed applications where a significant question relating to quality of the examination process was raised	7.7	7.0	7.0
Percent customers satisfied overall	64	67	64
Rank in survey results of employee satisfaction in government	N/A	Top 40%	Top 40%

For fiscal year 2002, the USPTO is requesting \$32,534,000 for the full-year cost of a special pay program for patent professionals. In 2001, in response to recruitment and retention issues, the USPTO submitted a request to the Office of Personnel Management to increase the special salary rates for patent professional employees. While money alone will not necessarily cure all recruitment and retention issues, such salary adjustments allow the agency to be competitive in an era when competition for limited resources is particularly acute. From the USPTO's experience with establishing special salary rates for our complex biotechnology patent examiners, our ability to attract and retain scientists and engineers in this highly complex field of study is enhanced. As a result of implementing special salary pay rates, the USPTO has been able to attract and retain top quality talent without the loss of expertise in highly complex fields. Moreover, the quality of patent examination will improve by having a stable and more experienced workforce and the net result is a reduction in overall recruitment and retention costs. The special salary rate program allows the agency to at least compete with our civilian counterparts for the very limited pool of candidates seeking to work in the Federal Government.

Further, under a pending agreement with the patent examiners' union, in return for increased salary rates, U. S. paper search files will be reduced by 75 percent over three years.

For fiscal year 2002, the USPTO is requesting \$17,715,000 to implement the American Inventors Protection Act of 1999 (AIPA). These funds will be used to publish patent applications 18 months after filing unless the applicant requests otherwise upon filing and certifies that the invention has not and will not be subject of an application filed in a foreign country.

Transition to E-Government

Performance Results at the Fiscal Year 2002 Requested Level of Funding

Performance Measure	FY 2000 Actual	FY 2001 Target	FY 2002 Request
Percent annual business return on e-government initiatives	N/A	10	10
Percent of patent applications filed electronically	N/A	2	2
Percent of annual growth of external customers using USPTO e-government systems	N/A	10	5
Percent of employees relying on USPTO e-government environment to perform their work	N/A	10	10

Optimize Processing Time

Performance Results at the Fiscal Year 2002 Requested Level of Funding

Performance Measure	FY 2000 Actual	FY 2001 Target	FY 2002 Request
Percent applications receiving first office actions within 14 months of filing while factoring in term reductions	81.2	78	70
Percent applications receiving actions after an applicant's amendment within 4 months	98.3	98	98
Percent applications receiving actions after a Board decision within 4 months	76.9	84	84
Percent applications granted within 4 months after issue fee payment	89.1	87	87
Percent patents granted that do not qualify for term extension for exceeding 36 months	N/A	86	81

Trademark Business

The mission of the Trademarks Business is to apply the provisions of the Trademark Act of 1946 in the examination and registration of trademarks. Federal registration of a trademark on the principal register is *prima facie* evidence of the validity of the registration, ownership of the mark by the registrant, and the registrant's exclusive right to use the registered mark in commerce in connection with the goods or services listed in the registration. Federal registration is not required in order to use a mark in the United States. However, Federal registration of a mark permits enforcement of intellectual property rights in Federal courts for claims involving infringement, unfair competition, and counterfeiting, and also provides a basis for obtaining protection for the mark in other countries under various treaties. This valuable intellectual property right provides protection for the owner's business investment in goods and services sold under the registered mark.

The Trademark Business is comprised of the organizations reporting to the Commissioner for Trademarks, including Trademark Operations (i.e., the Law Offices and Trademark Services) and Trademark Examination Policy. The Trademark Business also includes other entities that directly or indirectly support the Trademark mission and are, therefore, determined by Activity-Based Costing (ABC) to be trademark fee-funded. These entities include the Trademark Trial and Appeal Board, Office of Trademark Quality Review, Trademark Public Advisory Committee, and Chief Information Officer (for trademark systems development and operation). Other USPTO organizations, such as the Chief Financial/Administrative Officer, External Affairs, General Counsel, Quality Management and Training, and Chief Information Officer also support Trademarks indirectly and a proportionate share of their annual costs is funded by trademark fees.

The core process of the Trademark Business is the examination of an application for trademark registration and ultimate issuance of certificates. In the course of examining an application, a Trademark attorney makes a determination on the registrability of a trademark, prepares actions on objectionable applications, approves a mark for publication in the *Official Gazette*, and in Intent-to-Use (ITU) cases approves the applicant's Statement of Use for registration following a second examination.

Trademark Business Environment

Demand for Trademark products and services experienced significant growth during the last decade. Given the continued strength of the economy and focus on e-business, we expect that trademark application filings will increase by 20 percent in fiscal year 2002 over the fiscal year 2001 budget estimate. Trademark applications began their current growth surge in 1993 and have averaged slightly more than 12 percent growth over the past decade. In 1999 and 2000, however, trademark application filings rose 27 percent annually, more than doubling the trend rate. The USPTO is seeing the effects of the recent economic downturn, particularly on a temporary reduction in the

number of incoming trademark applications. However, it is still too early to determine if this downturn is an aberration or indicative of longer term expectations which would also impact our fee collection projections.

Workload Indicators

Following are the key Trademark workload indicators from fiscal years 1996 through 2002:

Trademark Key Workload Indicators

Workload Indicator	FY1996 Actual	FY1997 Actual	FY1998 Actual	FY1999 Actual	FY2000 Actual	FY2001 Estimate	FY 2002 Request
Applications Received - classes	200,640	224,355	232,384	295,165	375,428	450,000	540,000
Percentage Increase of Applications Received	14	12	4	27	27	20	20
Statements of Use Filed	25,388	31,784	37,060	34,367	36,119	62,500	73,900
Registrations Issued - certificates	78,674	97,294	89,634	87,774	106,383	106,000	106,000
Registrations Issued - classes	91,339	112,509	106,279	104,324	127,794	127,000	127,000
First Action Pendency - months	5.9	6.4	7.2	4.6	5.7	6.6	8.0
Registration/Disposal Pendency - months	16.5	16.9	17.8	18.9	17.3	19.0	20.0

Fiscal Year 2002 Budget Request

The following chart identifies the distribution of Trademark fee income to the trademark processing operations and other USPTO organizations that directly or indirectly support the Trademark Business, computed in accordance with our activity-based cost accounting model:

Fiscal Year 2002 Trademark Budget
(\$ in Thousands)

Major Function	FY 2001 Estimated Actual		FY 2002 Base		FY 2002 Request		FY 2002 Change Compared To FY 2001 Estimated Actual	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE ⁶	Dollars
Trademark Process	982	73,281	795	74,080	795	80,280	-187	6,999
Corporate Support - Resource Management	49	26,031	49	27,578	49	27,578	0	1,547
Corporate Support - Information Technology	98	33,218	98	33,720	98	33,720	0	502
Total	1,129	132,530	942	135,378	942	141,578	-187	9,048

The Trademark business requires a budget of \$141,578,000 and 942 FTE. This represents an increase of \$9,048,000 and a decrease of 187 FTE compared to the fiscal year 2001 estimated actual. This additional funding includes inflation for fixed operational costs. It also includes funds to support the production incentive as described below.

⁶ The USPTO is adjusting its Full-Time Equivalent's (FTE's) and Full-Time Positions (FTP's) in an effort to realign FTE to FTP in fiscal years 2001, 2002, and 2003 to actual needs. The adjustments are for unfilled positions that the USPTO does not now plan to hire and for which no funds have been directed to cover personnel compensation and benefits. It does not impact on any personnel currently employed in the USPTO. This adjustment represents our FTE's more accurately in relation to our planned and actual FTP's.

Business Goals and Objectives

The Commissioner for Trademarks has established the following five goals:⁷ Fiscal year 2002 resources and requested funds are committed to activities and initiatives that support these goals:

- Enhance the Quality of Our Products
- Enhance the Quality of Our Services
- Minimize Processing Time
- Enhance Employee Satisfaction
- Integrate Electronic Government into Our Business Practices

Consistent with the USPTO Strategic Plan, following are the performance measures and outcomes upon which the budget request is based and which the USPTO will deliver in fiscal year 2002:

² For budget presentation purposes, these five goals have been consolidated into three: Enhance the quality of our products and services, Transition to E-government, and Minimize processing time. These three goals have been endorsed by the legislatively-mandated Trademark Public Advisory Committee.

Enhance the Quality of Products and Services

Performance Results at the Requested Level of Funding

Performance Measure	FY 2000 Actual	FY 2001 Target	FY 2002 Request
Percent error rate for errors that could affect the registrability of a mark.	3.4	3.0	3.5
Percentage of customers reporting satisfaction with: <ul style="list-style-type: none"> • Clear written communication • Correct information in the OG. 	77 76	77 77	77 77
Percentage of customers satisfied overall.	65	65	60
Percentage of customers satisfied with the Office returning phone calls in one day.	65	65	65
Percentage of customers satisfied with the delivery of filing receipts. Correct filing receipts mailed in:			
1 day - electronic filings	100	100	100
14 days - paper filings	27	85	65
Rank in survey results of employee satisfaction as measured against other government agencies.	N/A	Top 20%	Top 20%

Transition to E-Government

Performance Results at the Requested Level of Funding

Performance Measure	FY 2000 Actual	FY 2001 Target	FY 2002 Request
Percent of trademark applications filed electronically	14.9	30	30
Percent customers communicating electronically in all aspects of correspondence	N/A	30	30

Minimize Processing Time

Performance Results at the Requested Level of Funding

Performance Measure	FY 2000 Actual	FY 2001 Target	FY 2002 Request
Average time to examiner's first action (months)	5.7	6.6	8.0
Average time to disposal or registrations (months)	17.3	19.0	20.0

For fiscal year 2002, the USPTO is requesting \$6,200,000 for an Examiner Incentive Award. This performance incentive award is included in the agreement between the National Treasury Employees Union (NTEU) chapter 245 and the USPTO that was ratified in December 2000.

The addition of this productivity award program provides Trademark Examiners with the ability to increase their take-home pay while the USPTO reaps benefits in productivity and quality. With the productivity award, Trademark Examiners have the opportunity to earn up to \$20,000 in performance awards for taking 3,300 actions on trademark applications. Awards will be determined and paid twice yearly based on a scale that assigns award amounts of up to \$10,000 for examiners who produce up to 1,650 actions in a six-month period. Examiners must be rated outstanding in production and at least fully successful overall to be eligible for the award. Awards based on quality will continue to be paid on an annual performance appraisal cycle.

Intellectual Property Leadership

One of the chief missions of the USPTO is to strengthen intellectual property (IP) protection in the United States and abroad, making it more accessible, affordable, and enforceable. The role of the IP system in stimulating the American economy has become increasingly important. International negotiations, consultations, and information-sharing efforts led by USPTO leaders and international specialists are geared to secure, improve, and expand protection of U.S. intellectual property rights throughout the world. We work closely with other U.S. government agencies and foreign counterparts to create a consistent environment that is mutually beneficial to all parties and fosters economic development on a global scale.

The Under Secretary and Director champions intellectual property rights and forges a balance between the public's interest in intellectual property and each customer's interest in his/her patent and trademark. The Administrator for External Affairs, including the Office of Legislative and International Affairs (OLIA), serves as the principal adviser to the Under Secretary and Director on public policy matters related to IP protection. Duties include drafting legislative and policy proposals concerning IP matters, preparing supporting documentation to carry out the legislative programs and policies of the Under Secretary, and reviewing and analyzing other legislative proposals concerning IP matters. Policy specialists also engage in multilateral and bilateral negotiations to strengthen IP protection worldwide. On-going efforts include the development and maintenance of multilateral systems for the protection of IP rights, assistance in the establishment of bilateral agreements with other IP offices; participation in the IP aspects of trade consultations, patronage in the establishment of adequate systems in developing countries for the protection of IP rights, and development of international standards and procedures to make it easier for U.S. nationals to obtain rights in other countries and to facilitate access to the information contained in patent and trademark documents.

Another major component of Intellectual Property Leadership is centered around the quality of products and services provided by the USPTO. One facet is the validity of our end products – the issued patent and the registered trademark. Investments in training and search tools are essential to increase the quality of these two major products. A second perspective is the quality of our services and our daily interactions with our customers. To enhance our customer satisfaction, we make investments in outreach efforts. A third facet is employee satisfaction which ultimately results in more satisfied customers.

Fiscal Year 2002 Budget Request

The following chart identifies the distribution of fee income to the Intellectual Property Leadership processes and operations and other USPTO organizations that directly or indirectly provide support, as computed in accordance with our activity-based cost accounting model:

Fiscal Year 2002 IP Leadership Budget
(\$ in Thousands)

Major Function	FY 2001 Estimated Actual		FY 2002 Base		FY 2002 Request		FY 2002 Change Compared To FY 2001 Estimated Actual	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
IP Leadership	154	23,720	156	26,014	156	26,014	2	2,294
Corporate Support - Resource Management	10	5,525	10	5,739	10	5,739	0	214
Corporate Support - Information Technology	12	5,503	12	5,505	12	5,505	0	2
Total	176	34,748	178	37,258	178	37,258	2	2,510

The IP Leadership requires a budget of \$37,258,000 and 178 FTE. This represents an increase of \$2,510,000 and 2 FTE over the fiscal year 2001 estimated actual. This additional funding includes inflation for fixed operational costs.

The USPTO has proposed appropriations language that would make \$5,000 in base funds available in fiscal year 2002 for official representational events and functions reasonably necessary to achieve its goal of promoting and improving systems to effectively promote intellectual property protection and enforcement. Planned hosted international conferences include the Trilateral (European Patent Office and Japanese Patent Office, Regional Conferences – Asia Pacific, Western Hemisphere and Africa), the Visiting Scholars Program, TRI Ps Enforcement training program, and country-specific training (i.e., Russia and Lithuania).

Performance Indicators

The following table shows key IP Leadership workload indicators from fiscal years 2000 through 2002:

Performance Results at the Requested Level of Funding

Performance Measure	FY 2000 Actual	FY 2001 Target	FY 2002 Request
Increase in technical assistance to developing countries and countries moving to a market economy: <ul style="list-style-type: none">• Number of technical assistance activities completed	106	105	125
Provide leadership role in enforcement of intellectual property rights: <ul style="list-style-type: none">• Number of activities completed	N/A	N/A	N/A

Corporate Support

The USPTO's corporate support functions provide the framework by which the two core business lines – Patents and Trademarks - carry out their mandates and meet their performance commitments. The corporate support functions are comprised of our enterprise-wide resource management functions and our enterprise-wide information technology functions. The resource management functions are under the direction of the Chief Financial Officer and Chief Administrative Officer, and include human resources, strategic planning, financial management, procurement, space and facilities management, security, and administrative services. The information technology infrastructure functions are under the direction of the Chief Information Officer.

Resource Management

Our corporate support functions enable our business areas to maximize the potential of human capital by enabling the recruitment and retention of patent and trademark examiners needed to process increasing number of applications filed each year, creating a labor management environment that is conducive to effective growth management, transitioning clerical and technical employees to knowledge work, enhancing diversity in the workplace, and responding to health and safety concerns.

The USPTO is entrusted with over \$1 billion of our customers' money each year. It is also our responsibility to make sure that our customers are paying a fair price for the products and services they receive. In this regard, it is our responsibility to use their money wisely and to be held accountable for achieving desired results through the appropriate use of these resources. To this end, we have invested in automated financial systems, activity-based costing, and performance budgeting. We also have expanded our use of the Internet for carrying out our procurement and financial responsibilities, and enhancing our asset management practices.

Our space consolidation project will continue to be a management challenge through this and several subsequent budget years. The USPTO continues to work on all aspects of this complex effort, including the relocation of approximately 7,000 people to the new space, the acquisition of furniture, and an exiting strategy that will minimize dual rent.

Information Technology – Enterprise Infrastructure

The USPTO is highly dependent on information technology to conduct its internal work, as well as make patent and trademark information available to the public. The USPTO information technology enterprise infrastructure encompasses all of the hardware, systems, database software, communications, and related support services that are integral to all business and corporate operations. At the USPTO, IT infrastructure includes the management of large and continually growing text and image databases, coupled with a requirement to process very large volumes of transactions to support application processing. We are continuing to focus our efforts on merging our current

infrastructure to a standards-based open system environment that will allow the addition of new products or infrastructure components or the replacement of existing ones as new technology enters the marketplace.

Fiscal Year 2002 Budget Request

The following chart identifies the distribution of fee income to the Resource Management and Information Technology Enterprise Infrastructure operations, as computed in accordance with our activity-based cost accounting model:

Fiscal Year 2002 Request
(\$ in Thousands)

Major Function	Fiscal Year 2001 Estimated Actual		FY 2002 Base		FY 2002 Request		FY 2002 Change Compared To FY 2001 Estimated Actual	
	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars
Resource Management	286	169,346	287	180,713	287	180,713	1	11,367
Information Technology	547	202,326	547	202,735	547	202,735	0	409
Total	833	371,672	834	383,448	834	383,448	1	11,776

The Corporate Support operations require a budget of \$383,448,000 and 834 FTE. This represents an increase of \$11,776,000 and 1 FTE over the fiscal year 2001 estimated actual. This additional funding includes inflation for fixed operational costs.

Economic Review and Outlook

The Slowdown in Growth

The U.S. economy began to slow late in 2000 and the slowdown is continuing into the spring of 2001. The slowdown, which was precipitated by an extended period of monetary restraint by the Federal Reserve, has been marked by deteriorating corporate profits and a steep decline in equity prices, particularly in the high-tech area. While the stock market decline certainly affects other economic variables, such as business and consumer spending, the condition of the economy in general should not be viewed as synonymous with the condition of this market. On the bright side, inflation and unemployment are near historically low levels, the Federal budget is balanced, and productivity gains remain robust. The current consensus forecast of private sector economists foresees a 2.0-2.5 percent rate of real GDP growth through fiscal year 2001, with an acceleration to 3.5 percent in fiscal year 2002, roughly the same as experienced in 2000. The unemployment rate should remain near the current 4.2 percent through fiscal year 2001, while inflation is expected to continue at a low and stable rate in the 2.3-2.6 percent range. Productivity seems capable of sustainment through expenditures on research and development and past business investment. With growth in the United States and abroad recovering through fiscal year 2002, the demand for USPTO products and services is expected to continue to expand as well. The following sections attempt to place the current situation in perspective.

Business Investment and Research & Development

During the past ten years, the focus of U.S. economic growth shifted from personal consumption to business investment. From 1991 until last year, the real growth rate of fixed business investment had been trending upward, exceeding nine percent in 2000, more than twice the rate of overall GDP growth. This year the rate of business investment is expected to drop below three percent, which is about a third of the 2000 rate.

To help understand this behavior, it is important to consider that today's business investment differs qualitatively from that of the recent past. Traditionally, fixed investment has been aimed primarily at increasing production of existing products -- new steel mills, new petroleum refineries, etc. Current business investment, however, targets production of new services and products and, especially, productivity increases of all kinds. Fixed investment now tends toward servers and networks rather than bricks and mortar, and these are exactly the types of products hit the hardest by the recent economic slowdown in high-technology industries.

On a more positive note, signs of business dynamism continue as industries are willing to fund ever-higher levels of research and development. Industry R&D expenditures ratcheted upward in 1996 to historically high levels, and the expectation is that this annual growth of about eight percent will continue through 2000.

Innovation, Productivity, and Economic Growth

Business investment and R&D trends in the recent past have strongly underwritten continuing innovation in technology and marketing. Such a pattern was fully consistent with the theory of economic growth frequently articulated by Federal Reserve Chairman Alan Greenspan. However, with the current economic slowdown, this theory is about to be tested.

Mr. Greenspan has noted compelling evidence that technological innovation is a key driving force behind the upsurge in U.S. productivity and the resulting real growth of the economy. In addition, there has been a perceptible quickening in the pace at which technological innovations were being applied, indicating that growth in productivity was not just a cyclical phenomenon or a statistical aberration, but a more deep-seated and still developing shift in the economic landscape.

The view has been supported by available data. An unusual feature of the economic expansion is that productivity growth accelerated as the expansion continued. During the 1997-99 period, output per hour grew 2.8 percent in private business or about 1 percentage point faster than during the 1990-96 period. Information processing equipment accounted for about a third of the growth in output per hour, while the Bureau of Labor Statistics (BLS) estimates that R&D spending contributed about another 10 percent. In 1999-2000, output per hour is expected to rise even faster, almost above 3 percent and the contribution of technology is likely to be greater than calculated for previous periods. However, contrary to what current R&D expenditures levels are suggesting for future levels of productivity, there are new forecasts for 2001 indicating the possibility that productivity levels may not be sustained. If this does materialize, it would be a sign that we are not experiencing the structural change noted by Chairman Greenspan.

When considering this view, it is also instructive to consider previous technological "revolutions." Most historians would single out four periods of technological advance in the United States: (1) the steam power age, with the greatest growth from the 1780s to the 1840s; (2) the railway age, with greatest growth from 1840s to 1890s; (3) the electricity age, with greatest growth from 1890s to 1920s; and (4) the information age, from the 1960s to the present. It is possible to compare these technological changes by rate of decline in the cost of the new technology and in its subsequent rate of adoption. The rate of price decline in each period is shown below, and with regard to adoption rate, steam power took 90 years to reach a 50 percent market penetration, electricity took 40 years, and computers just recently reached 50 percent after 30 years. However, the Internet has reached the 50 percent level in the United States after only seven years of commercial existence.

Productivity growth resulting from the introduction of electricity didn't begin until 1920, when it powered half of American industrial machinery. Some speculate that the productivity surge beginning in the mid-1990s was a result of computerization reaching a similar stage. If this rate of productivity growth were to be sustained for the next decade as IT and the internet transform business, GDP per capita would grow by around 3 percent per year, much faster than during the first industrial revolution's peak in the mid-19th century, when GDP per capita grew at an average of around 1.5 percent, or during the electrical age, when growth accelerated to just over 2 percent in the 1920s. While current forecasts do not support this scenario, it is too early to know the final outcome. The current information age technology revolution is clearly progressing more rapidly than similar periods of significant change in the past and has the potential to have greater economic impact.

Principal Technology	Time Period	Annual Price Change
Steam Power	1790-1850	-1.2 %
Rail Freight	1870-1913	-3 %
Electricity	1890-1920	-6 %
Computer Processing	1970-2000	-35 %

In summary, technological innovation has been the driving force behind the recent unprecedented economic expansion experienced by the United States over the past ten years. Expanding research and development efforts have supplemented the inherent creativity of the American inventor to produce innovation in all areas of life. This innovation drive pushed the economy to record levels of business investment and to gains in productivity. However, the economy has now entered a period of slow growth. We are now at a critical point, where a determination will be made whether or not we are in a "new economy," experiencing the structural change noted by Chairman Greenspan and others

Global Trends

The global economy is also starting to show signs of slowdown. Given the sluggish growth in the bellwether U.S. economy as spending on technology slows, and the disappointing economic news coming out of Australia, Canada and Japan, global economic growth is expected to be slower over the next few quarters. In particular, the outlook for the Japanese economy has turned gloomier. Japan has become more dependent upon exports because of weak domestic consumer demand, but exports have also weakened because of the overall global economic slowdown. However, economies in Europe are expected to stay relatively strong through 2001. The global outlook for 2002 may be more optimistic. Key economies including the United States and Japan are expected to strengthen and stimulate international trade. Consensus forecasts for 2001 and 2002 are presented in the table below.

Country	2001 GDP change	2002 GDP change
United States	+2.2%	+3.4%
Japan	+1.1%	+1.7%
Euro Area	+2.5%	+2.9%
U.K.	+2.5%	+2.8%

Intellectual Property Rights

America's thinkers and creators are at the heart of the technological-based economic growth seen in recent years and their efforts lead directly to the need for intellectual property protection. In considering recent demand for intellectual property protection, it is apparent that innovation is intimately involved on several fronts. On the application input side, economic growth greatly influences the level of demand for patenting services through expanded opportunities for innovation and through the enhanced attractiveness of investment in new commercial ventures. At the same time, the USPTO output plays a prime role in facilitating the technological innovation that causes the economic growth in the first place by solidifying intellectual property rights and by widely disseminating new scientific knowledge, and thus promoting knowledge "spillovers" – the accrual of technological change benefits to economic agents other than those undertaking the underlying research and development. Many economists believe the spillover benefits of innovation are much greater overall than the private benefits generated by the patented product or process itself. Many also believe that global commerce has magnified the spillover effect by expanding the opportunities to apply innovative ideas.

In addition, economists and others believe they have discerned a shift in the basic role of patents – a shift that can also be largely attributed to technological change. Traditionally, the economic value of individual patents has been derived from their ability to protect and shelter investment in new products and processes. Today, some believe that patents are becoming more valuable as components of

corporate portfolios assembled as bargaining tools in negotiations of various sorts with other organizations. For example, as new products and processes become more complex technologically and as innovation accumulates, producers must be able to negotiate economically viable licensing agreements with other patent holders. And as the rate of innovation increases and product cycle times diminish, the ability to negotiate these agreements very rapidly becomes critically important. Such agreements are more viable between and among organizations with patent portfolios similar in scope and value.

Thus, patents have become an increasingly important element of competition and, as a result, companies have apparently stepped up their rate of patenting in order to maintain competitive position. In essence, technological innovation has affected the economic role of patents as competitive assets, as well as their role in the incentivization of investment. This shift in role is evident in world-wide demand for patent protection. Globally, the demand for patent rights rose from 2,306,840 to 5,806,570 from 1994 to 1998, an annual average increase of about 25 percent. The number of first filings in 1997 was 634,230. For these first filings, one year later (1998) 5,141,337 subsequent filings were registered. Thus on average one invention for which a first patent right was sought, leads to 8.1 subsequent filings of an application for patent rights in other areas. Three years ago, the rate was at the level of 3.3. This increase in the proportion of subsequent filings shows the ongoing internationalization of patent rights.

The growth explosion for trademark applications in recent years was also is at least partially attributable to technological innovation. One probable manifestation is the shorter product cycle time attributable to rapid technological innovation, which generates greater numbers of new products per year. New products create the need for new identities, and this leads to new trademark applications. A recent Harvard Business Review article points out that despite conventional wisdom, branding is even more important for high-tech products than it is for traditional consumer goods. Another factor is the emergence of the global economy, spurred by communications technology undreamed of only a few years ago. While opening up new commercial opportunities, the global marketplace has raised the cost of product introduction and advertising and has engendered an urgent requirement to protect this investment (e.g., Internet domain names), both domestically and abroad. These requirements also directly generate additional trademark applications.

Unfortunately, it appears that these same factors might have introduced an unforeseen element of volatility into the demand for trademarks. Just as the growth spurt of fiscal years 1999 and 2000 mirrored the performance of the high-tech portion of the stock market, it now appears that trademark applications might be mirroring the downward slide of that same sector. Analyses have shown that fiscal year 1999 was driven in large part by Internet and computer service organizations and we believe that the same was true for fiscal year 2000 as well. This industry has been particularly hard hit by the current economic slowdown and trademark applications now appear to be falling to pre-1999 levels, although it is still too early in the fiscal year to project the final level with any certainty. Once this shakeout has run its course and the economy returns to moderate growth rates, trademark demand is expected to stabilize near its longer term growth path of between 10 and 15 percent.

Annual Performance Plan

This fiscal year 2002 corporate plan is an integrated annual performance plan under the Government Performance and Results Act and budget request. This plan section sets forth our mission, vision, strategic goals, and performance goals. The fiscal year performance targets and the identified resources needed to meet our performance goals and targets are identified in the previous sections.

In the latter part of 1999, the American Inventors' Protection Act (AIPA) was enacted. Under the AIPA, the USPTO is an agency of the United States within the Department of Commerce and receives intellectual property policy direction from the Secretary of Commerce. At the same time, the new USPTO is responsible for decisions regarding the management and administration of its operations and has independent control of major management functions.

The USPTO supports Department of Commerce Goal 2 to "Provide Infrastructure for Innovation to Enhance American Competitiveness" and the objective to "Protect Intellectual Property." All forms of intellectual property protection – patents, trademarks, and copyrights – uphold the philosophy of rewarding individual effort as the best way of utilizing the talents of creators to advance public welfare. Intellectual property is a potent force in the competitive free enterprise system. By continuing to protect intellectual endeavors and encouraging technological progress, the USPTO seeks to preserve the United States technological edge which is a key to current and future competitiveness.

USPTO Vision

The USPTO leads the world in providing customer-valued intellectual property rights that spark innovation, create consumer confidence, and promote creativity.

USPTO Mission

The USPTO promotes industrial and technological progress in the United States and strengthens the national economy by:

- Administering the laws relating to patents and trademarks while ensuring the creation of valid prompt, and proper intellectual property rights; and
- Advising the Secretary of Commerce, the President of the United States, and the Administration on all domestic and global aspects of intellectual property.

USPTO Strategic Goals

Two overarching strategic goals guide the USPTO in meeting its mission:

- Maintain and grow our domestic and international leadership roles in intellectual property rights policy.

In today's increasingly global business environment, the current model of national and regional intellectual property law systems fails to meet the needs of U. S. inventors, entrepreneurs, and businesses. Therefore, one of the strategic goals of the USPTO is to strengthen intellectual property protection in the United States and abroad, making it more accessible, affordable and enforceable.

- Provide our customers with the highest level of quality and service in all aspects of USPTO operations.

This goal reflects our commitment to ensuring that quality is fully evident in all products, services and processes, that growth in workload is effectively managed, and that the USPTO transition to an E-government environment.

Evaluations

The USPTO establishes its performance goals and performance targets based on customer, stakeholder and employee input; and the results of performance evaluations, as described below:

Customer, Stakeholder and Employee Input

The USPTO has been a customer-driven organization since 1994, when we began holding focus sessions with customers to determine their needs and expectations. We began by developing customer service standards relating to our timeliness, accuracy, and responsiveness in delivering our products and services. We then began surveying customers to establish baselines, and subsequently to measure progress towards customer satisfaction with our business lines in general and with specific goals and objectives. We recently completed our fifth survey of patent and trademark customers.

In 1998/1999, we collaborated with the National Academy of Public Administration (NAPA) to define and measure end-outcomes of the United States patent and trademark systems. Independent inventors, patent and trademark practitioners, industry representatives, academicians, economists, USPTO senior executives and experts in performance measurement participated in this exercise. The results were published and distributed to the participants in early 2000.

We also are committed to incorporating employee input into our strategic and corporate planning processes. Employee satisfaction levels are one of the key components of a balanced family of performance measures on our balanced scorecards.

Program Evaluations

In fiscal year 2000, we continued to review and evaluate our management and financial controls systems to improve and validate our processes and systems. We also conducted the following evaluations:

- The Patent Working Lab - This Lab, which concluded its one-year operation in March 1999, enabled the Patent Business to learn several important lessons. Most importantly, our Technical Support Staff (TSS), as demonstrated by those employees in the Lab, found that they could perform several tasks traditionally performed by examiners. Not only did this provide our TSS additional 'up-skilling' opportunities to transition them to an automated environment, but it also enabled patent examiners to focus more on the legal and technical aspects of the application.

As a result of the success of this Lab, the Commissioner for Patents has implemented two pilots introducing new operating environments and procedures. These two pilots began in November 2000 and incorporated the best practices learned in the experimental Lab environment into larger groups of employees. The logistics and details of the program were developed, including the selection and training of over twenty TSS employees to learn and assume those traditionally examiner-performed tasks. In addition to shifting assigned tasks among employees, the pilots also are exploring the effects of collocating examiners and TSS employees to foster 'ownership' of the patent applications. Further, a single manager supervises both examiners and TSS employees, in contrast to the current practice of separate lines of oversight. This pilot will be evaluated on the basis of performance measures including customer and employee satisfaction levels, quality of products and services, and efficiencies in cost and processing times.

- The Trademark Work at Home - This program began with 18 trademark attorneys working from home three out of five days a week in March 1997. The pilot was concluded in March 1999. Based on the positive results of the program, measurements showed that participants in the pilot increased their productivity by increasing the number of hours worked on examinations. As a result, Trademarks expanded the program to include 57 examining attorneys working from home three days a week by the end of fiscal year 2000.
- We conducted various tests and reviews of the primary accounting system. In addition, the financial statement auditors completed an audit of USPTO's financial statements as of September 30, 1999, and have started the audit for the year ended September 30, 2000, as required by the Chief Financial Officers' Act. The auditors in their fiscal year 1999 internal control report noted no material deficiencies. The auditors issued an unqualified opinion on USPTO's fiscal year 1999 financial statements. As a result, we are able to

provide reasonable assurance that the primary accounting system complies with the principles and standards developed by the Comptroller General and implemented through guidelines issued by the Office of Management and Budget.

Inter-Agency Collaboration

In carrying out our mission, goals and objectives, we collaborate with many other Federal agencies, as follows:

Our Patent Business works closely with the Departments of Defense and Energy, and the National Aeronautics and Space Administration in handling patent applications having national security implications. We work with the Department of Health and Human Services in handling both AIDS-related and recombinant DNA information. We also work with the Food and Drug Administration with regard to patent term extensions for drug-related patents that have received regulatory review.

Our Trademark Business works with the Department of Treasury's U. S. Customs Service regarding counterfeit goods or services.

Our Office of Legislative and International Affairs collaborates with the Department of State, the Office of the United States Trade Representative (USTR), and the International Trade Administration in the formulation and negotiation of proposals for the protection of intellectual property, both at home and abroad. We also advise the USTR on unfair foreign trade practices for intellectual property (Section 301).

Exhibit 8

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
ADJUSTMENTS TO BASE
 (Dollar amounts in thousands)

	FTP	FTE	Amount
ADJUSTMENTS			
Full Time Permanent (FTP) and Full Time Equivalent (FTE) Adjustment	(700)	(700)	0
Subtotal, adjustments	(700)	(700)	0
OTHER COST CHANGES			
2001 Pay Raise			4,957
2002 Pay Raise			13,984
Full-year cost in 2002 for positions financed for part-year in 2001			6,287
Within-grade step increases			5,170
Changes in compensable day			2,094
Civil Service Retirement System (CSRS)			(924)
Federal Employees Retirement System (FERS)			1,162
Thrift Savings Plan			217
Federal Insurance Contribution Act (FICA) - OASDI			657
Health insurance			2,332
Travel			1
Rental payments to GSA			1,208
Printing and reproduction			659
Other Services:			
National Archives and Records Administration (NARA) storage costs			27
General Pricing Level Adjustment			5,989
Subtotal, other cost changes	0	0	43,820
TOTAL ADJUSTMENTS TO BASE	(700)	(700)	43,820

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
Adjustments	(700)	(700)	0
Full-Time Permanent Position (FTP) Adjustment and Full-Time Equivalent (FTE)..... (700)			
The PTO is adjusting the number of Full-Time Permanent Positions (FTP) and Full-Time Equivalent (FTE) in an effort to realign FTP and FTE in FY 2002. The adjustments are for unfunded and unfilled positions and do not impact on any personnel in the USPTO but does represent our FTP's and FTE's more accurately.			
2001 Pay Raise	0	0	4,957
Full Year of 2001 pay increase and related costs			
A pay raise of 3.81% is to be effective January 1, 2001.			
Total cost in 2002 of 2001 pay increase.....			17,618,000
Less amount funded in 2001.....			-12,661,000
Less amount absorbed.....			0
Amount requested in 2002 to provide full-year cost of 2001 pay increase.....			4,957,000
Less amount funded in 2001.....			0
Total, adjustment for 2001 pay increase.....			4,957,000

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
2002 Pay Raise	0	0	13,984
A general pay raise of 3.6% is assumed to be effective January 1, 2002.			
Total cost in 2002 of pay increase.....			13,984,000
Less amount absorbed in FY 2002.....			0
Amount requested for 2002 pay increase.....			13,984,000
Total, adjustment for 2002 pay increase.....			13,984,000
Full-year cost in 2002 of positions financed for part-year in 2001	0	0	6,287
An increase of \$6,287,287 is required to fund the full-year cost in 2002 of positions financed for part-year in 2001. The computation follows:			
Annual salary of new positions in 2001.....	0		33,926,861
2001 Pay Raise.....	0		1,292,613
Less 5 percent lapse.....	0		-1,760,974
Full-year cost of personnel compensation.....	0		33,458,500
Less personnel compensation in 2001.....	0		-28,623,249
Cost of personnel compensation in 2002.....	0		4,835,251
Adjustment for 2002 pay raise (.036 x .75 x \$4,835,251).....	0		130,552
Amount required for personnel compensation.....	0		4,965,803
Benefits.....	0		1,321,484
Total adjustment-to-base.....	0		6,287,287

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
Within-grade step increases	0	0	5,170
<p>An increase of \$5,169,545 is required to cover the cost of within-grade step increases. This estimate reflects the net cost of step increases including merit pay increases which will be earned in 2002.</p>			
Estimated number of within-grade step increases.....			3,467
Step increases not earned due to turnover (10.9% x 3,467).....			378
Average step above step 1 per separation.....			3
Average cost per within-grade step increase.....			1,869
Gross cost of scheduled step increase (\$1,869 x 3,467).....			6,479,823
Less savings due to separations (\$1,869 x 378 x 3).....			<u>-2,119,446</u>
Subtotal, personnel compensation.....			4,360,377
Benefits.....			<u>809,168</u>
Total adjustment-to-base.....			5,169,545
Change in compensable days	0	0	2,094
<p>The increased cost of one more compensable day in 2002 compared to 2001 is calculated by dividing the 2001 estimated personnel compensation (\$449,675,000) and applicable benefits (\$96,920,000) by 261 compensable days. The cost increase of one more compensable day is \$2,094,234.</p>			

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
Civil Service Retirement System (CSRS)	0	0	(924)
<p>The number of employees covered by the Civil Service Retirement System (CSRS) continues to drop as positions become vacant and are filled by employees who are covered by the Federal Employees Retirement System (FERS). The estimated percentage of payroll for employees covered by CSRS will drop from 20.9% in 2001 to 18.4% in 2002 for regular employees. The contribution rate of 8.51% remained the same from FY 2001 to FY 2002.</p>			
Regular:			
2002 \$434,316,000 x .184 x .0851.....			6,800,694
2001 \$434,316,000 x .209 x .0851.....			<u>-7,724,701</u>
Total adjustment-to-base.....			<u>-924,007</u>
Federal Employees Retirement System (FERS)	0	0	1,162
<p>The number of employees covered by FERS continues to rise as employees covered by CSRS leave and are replaced by employees covered by FERS. The estimated percentage of payroll for employees covered by FERS will rise from 79.1% in 2001 to 81.6% in 2002 for regular employees. The contribution rate of 10.7% will remain the same from FY 2001 to FY 2002 for regular employees.</p>			
Regular:			
2002 \$434,316,000 x .816 x .107.....			37,920,999
2001 \$434,316,000 x .791 x .107.....			<u>-36,759,203</u>
Total adjustment-to-base.....			<u>1,161,796</u>

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
Thrift Savings Plan (TSP)	0	0	217
<p>The cost of agency contributions to the Thrift Savings Plan will also rise as FERS participation increases. The contribution rate is expected to remain 2%.</p>			
Regular:			
2002 \$434,316,000 x .816 x .02.....			7,088,037
2001 \$434,316,000 x .791 x .02.....			-6,870,879
Total adjustment-to-base.....			217,158
Federal Insurance Contribution Act (FICA)	0	0	657
<p>As the percentage of payroll covered by FERS rises, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI will rise from \$78,450 in 2001 to \$82,800 in 2002. The OASDI tax rate will remain 6.2% in 2002.</p>			
Regular:			
2002 \$434,316,000 x .816 x .984 x .062.....			21,621,348
2001 \$434,316,000 x .791 x .986 x .062.....			-21,001,529
Subtotal.....			619,819
Other:			
2002 \$26,053,000 x .816 x .984 x .062.....			1,296,984
2001 \$26,053,000 x .791 x .986 x .062.....			-1,259,804
Subtotal.....			37,180
Total adjustment-to-base.....			656,999
Health Insurance	0	0	2,332
<p>Effective January 1999, PTO's contribution to Federal employees' health insurance premiums increased by 9.78%.</p>			

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
Applied against the 2001 estimate of \$23,845,000 the amount of increase is \$2,332,041.			
<u>Travel</u>	0	0	1
Effective September 2000, the General Services Administration raised the mileage rate from 31 cents to 32.5 cents a 4.8% increase. This percentage was applied to the 2001 estimate of \$12,000 to arrive at an increase of \$576.			
<u>Rental Payments to GSA</u>	0	0	1,208
GSA rates are projected to increase 2.0% in 2002. This percentage was applied to the 2001 estimate of \$60,418,000 to arrive at an increase of \$1,208,360.			

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
GPO Printing	0	0	659
<p>GPO has provided an estimated rate increase of 1.5%. This percentage was applied as follows.</p>			
Other GPO Printing: The percentage was applied to the 2001 estimate of \$2,934,000 to arrive at an increase of \$44,010.....			44,010
Trademark GPO Printing: The percentage was applied to the 2001 estimate of \$1,646,000 to arrive at an increase of \$24,690.....			24,690
Patent GPO Printing: The percentage was applied to the 2001 estimate of \$39,347,000 to arrive at an increase of \$590,205.....			590,205
Total GPO Printing adjustments-to-base.....			658,905
National Archives and Records Administration (NARA) storage costs	0	0	27
<p>In FY 2000, NARA began billing agencies for records storage and maintenance costs. Record center holdings are expected to increase in FY 2002. The FY 2002 estimate for the PTO is \$27,000.</p>			

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
JUSTIFICATION OF ADJUSTMENTS TO BASE
 (Dollars in thousands)

	<u>FTP</u>	<u>FTE</u>	<u>Amount</u>
General Pricing Level Adjustment	0	0	5,989
This request applies OMB economic assumptions for 2001 to subobject classes where the prices that the Government pays are established through the market system. Factors are applied to transportation of things (\$8,226); rental payments to others (\$9,450); communications, utilities, miscellaneous charges (excluding postage and FTS) (\$102,960); other services (\$4,722,156); supplies and materials (\$117,198); and equipment (\$1,029,420).			
SubTotal, other changes	0	0	43,820
Total, adjustments-to-base	(700)	(700)	43,820

UNITED STATES PATENT AND TRADEMARK OFFICE
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class Title:	FY 2000 Actual	FY 2001 Currently Available	FY 2002 Adjust. To Base	FY 2002 Base	FY 2002 Budget Estimate	FY 2002 Increase (Decrease)
Full-Time Equivalent Employment:						
Full-Time Permanent.....	5,926	7,152	(700)	6,452	6,452	0
Other Than Full-Time Permanent.....	202	297	0	297	297	0
Total Full-Time Equivalent Employment.....	6,128	7,449	(700)	6,749	6,749	0
Authorized Positions:						
Full-Time Permanent.....	6,109	7,684	(700)	6,984	6,984	0
Other Than Full-Time Permanent.....	285	297	0	297	297	0
Total Authorized Positions.....	6,394	7,981	(700)	7,281	7,281	0

UNITED STATES PATENT AND TRADEMARK OFFICE
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 2000 Actual	FY 2001 Currently Available	FY 2002 Adjust. To Base	FY 2002 Base	FY 2002 Budget Estimate	FY 2002 Increase (Decrease)
	Personnel Compensation:						
11.1	Full-Time Permanent Compensation.....	358,946	439,470	26,795	458,342	490,323	31,981
11.3	Other Than Full-Time Permanent Compensation.....	5,816	5,538	279	5,817	5,817	0
11.5	Other Personnel Compensation.....	34,341	23,491	7	23,498	23,498	0
	Total Personnel Compensation.....	399,103	468,499	27,081	487,657	519,638	31,981
12.0	Personnel Benefits.....	89,722	101,294	8,855	110,149	116,902	6,753 /1
13.0	Benefits for Former Personnel.....	132	0	0	0	0	0
21.0	Travel and Transportation of Persons.....	5,592	2,928	1	2,929	2,929	0
22.0	Transportation of Things.....	537	457	8	465	465	0
23.1	Rental Payments to GSA.....	61,140	63,944	1,208	65,152	65,152	0
23.2	Rental Payments to Others.....	1,204	1,204	9	1,213	1,213	0
23.3	Communications, Utilities, and Misc. Charges.....	11,958	11,070	103	11,173	11,173	0
24.0	Printing and Reproduction.....	45,596	55,683	659	56,342	74,057	17,715
25.1	Advisory and Assistance Services.....	3,156	1,308	23	1,331	1,331	0
25.2	Other Services.....	206,000	248,538	4,425	249,647	249,647	0
25.3	Purchase of Goods and Services from Gov't Accounts.....	11,638	31,045	301	31,346	31,346	0
26.0	Supplies and Materials.....	8,062	6,511	117	6,628	6,628	0
31.0	Equipment.....	51,147	57,190	1,030	58,220	58,220	0
32.0	Lands and Structures.....	0	0	0	0	0	0
33.0	Investments and Loans.....	0	0	0	0	0	0
41.0	Grants, Subsidies and Contributions.....	0	0	0	0	0	0
42.0	Insurance Claims and Indemnities.....	257	300	0	300	300	0
43.0	Interest and Dividends.....	0	0	0	0	0	0
44.0	Refunds.....	0	0	0	0	0	0
	Total Direct Obligations.....	895,244	1,049,971	43,820	1,082,552	1,139,001	56,449
	Less: Financing from Offsetting Collections.....	1,006,660	1,151,587	43,820	1,082,552	1,345,894	56,449
	Less: Offsetting Collections (unavailable balances from prior year).....	116,000	254,889	0	0	282,300	0
	Less: Portion not Available for Obligation (limitation on obligations).....	(233,556)	(367,744)	0	0	(489,193)	(489,193)
	Less: Unobligated balance, EOY.....	(7,923)	0	0	0	0	0
	Less: Prior Year Unobligated Balance Brought Forward.....	3,039	7,923	0	0	0	0
	Less: Estimated Recoveries of Prior Year Obligations.....	14,004	3,316	0	0	0	0
	Financing/(Rescission) from Direct Appropriated Funds.....	(2,980)	0	0	0	0	489,193
	Plus: Prior Year Offsetting Collections.....	116,000	254,889	0	0	282,300	0
	Total Appropriation.....	113,020	254,889	0	0	282,300	489,193
	Plus: Change in Offsetting Collections (unavailable balances).....	(233,556)	(367,744)	0	0	(489,193)	(489,193)
	Total Budget Authority.....	(120,536)	(112,855)	0	0	(206,893)	0

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
 (Dollar amounts in thousands)

Object Class	Object Class Title:	FY 2000 Actual	FY 2001 Currently Available	FY 2002 Adjust. To Base	FY 2002 Base	FY 2002 Budget Estimate	FY 2002 Increase (Decrease)
11	Personnel Compensation:						
11.1	Full-Time Permanent Positions:						
	Executive Level.....	536	644	29	673	673	0
	Senior Executive Service.....	5,943	7,145	320	7,465	7,465	0
	General Schedule.....	344,252	421,805	25,952	439,834	471,815	31,981
	Wage Board.....	309	371	16	387	387	0
	Patent Appeals Examiners (P.L. 82-593).....	6,339	7,621	363	7,984	7,984	0
	Trademark Appeals Examiners (P.L. 98-622).....	1,567	1,884	115	1,999	1,999	0
	Total, Full-Time Permanent Positions.....	358,946	439,470	26,795	458,342	490,323	31,981
11.3	Positions Other Than Full-Time Permanent:						
	General Schedule.....	5,585	5,318	271	5,589	5,589	0
	Wage Board.....	188	179	4	183	183	0
	Intermittent.....	43	41	4	45	45	0
	Total, Positions Other Than FT Permanent.....	5,816	5,538	279	5,817	5,817	0
11.5	Other Personnel Compensation:						
	Overtime.....	19,160	13,106	6	13,112	13,112	0
	Night Differential - Premium Pay.....	21	14	1	15	15	0
	Awards.....	15,160	10,371	0	10,371	10,371	0
	Total, Other Personnel Compensation.....	34,341	23,491	7	23,498	23,498	0
11.9	Total Personnel Compensation.....	399,103	468,499	27,081	487,657	519,638	31,981

UNITED STATES PATENT AND TRADEMARK OFFICE
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 2000 Actual	FY 2001 Currently Available	FY 2002 Adjust. To Base	FY 2002 Base	FY 2002 Budget Estimate	FY 2002 Increase (Decrease)
12.0	Civilian Personnel Benefits:						
	Civil Service Retirement.....	7,978	10,785	(592)	10,193	10,193	0
	Federal Employee Retirement System (FERS).....	28,869	19,028	3,629	22,657	24,775	2,118
	Thrift Plan Contributions.....	10,675	14,431	679	15,110	16,522	1,412
	Federal Insurance Contributions Act (FICA).....	17,238	23,304	2,072	25,376	27,748	2,372
	Medicare.....	5,789	7,826	382	8,208	8,975	767
	Health Insurance.....	17,568	23,750	2,633	26,383	26,383	0
	Life Insurance.....	623	842	52	894	978	84
	Recruitment Allowance.....	642	868	0	868	868	0
	Employees Compensation Fund.....	340	460	0	460	460	0
	Total, Civilian Personnel Benefits.....	89,722	101,294	8,855	110,149	116,902	6,753
13.0	Benefits for Former Personnel.....	132	0	0	0	0	0
21.0	Travel and Transportation of Persons:						
	Transportation - Domestic.....	840	290	0	290	290	0
	Transportation - International.....	552	1,190	0	1,190	1,190	0
	Local Travel.....	3,926	1,353	0	1,353	1,353	0
	Relocation Travel.....	214	74	0	74	74	0
	Per Diem Allowances.....	0	0	0	0	0	0
	Rental Car Expenses.....	0	0	0	0	0	0
	Privately-Owned Automobiles.....	0	0	1	1	1	0
	Rental of GSA Vehicles.....	60	21	0	21	21	0
	Total, Travel and Transportation of Persons.....	5,592	2,928	1	2,929	2,929	0
22.0	Transportation of Things:						
	Freight-Out.....	22	19	0	19	19	0
	Freight-In.....	0	0	0	0	0	0
	Parcel Post.....	497	423	7	430	430	0
	Other.....	18	15	1	16	16	0
	Total, Transportation of Things.....	537	457	8	465	465	0

UNITED STATES PATENT AND TRADEMARK OFFICE
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 2000 Actual	FY 2001 Currently Available	FY 2002 Adjust. To Base	FY 2002 Base	FY 2002 Budget Estimate	FY 2002 Increase (Decrease)
23.1	Rental Payments to GSA.....	61,140	63,944	1,208	65,152	65,152	0
23.2	Rental Payments to Others.....	1,204	1,204	9	1,213	1,213	0
23.3	Communications, Utilities, and Misc. Charges:						
	Rental of ADP Equipment.....	81	75	10	85	85	0
	Rental of Office Copying Equipment.....	9	8	2	10	10	0
	Other Equipment Rental.....	53	49	7	56	56	0
	Federal Telecommunications Systems.....	1,348	1,248	0	1,248	1,248	0
	Other Telecommunications Systems.....	5,642	5,223	54	5,277	5,277	0
	Postal Services by USPS.....	3,219	2,980	0	2,980	2,980	0
	Utilities Services.....	1,606	1,487	30	1,517	1,517	0
	Total, Comm, Utilities, and Misc. Charges.....	11,958	11,070	103	11,173	11,173	0
24.0	Printing and Reproduction:						
	Patent Printing.....	36,243	49,458	590	50,048	67,763	17,715
	Trademark Printing.....	5,086	2,057	25	2,082	2,082	0
	General Printing.....	3,217	3,142	33	3,175	3,175	0
	Publications.....	328	320	3	323	323	0
	Internal Use Forms.....	101	99	2	101	101	0
	Other Printing.....	621	607	6	613	613	0
	Total, Printing and Reproduction.....	45,596	55,683	659	56,342	74,057	17,715

UNITED STATES PATENT AND TRADEMARK OFFICE
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 2000 Actual	FY 2001 Currently Available	FY 2002 Adjust. To Base	FY 2002 Base	FY 2002 Budget Estimate	FY 2002 Increase (Decrease)
25.1	Advisory and Assistance Services:						
	Management & Professional Support Services.....	3,156	1,308	23	1,331	1,331	0
	Studies, Analyses, & Evaluation.....	0	0	0	0	0	0
	Engineering & Technical Services.....	0	0	0	0	0	0
	Subtotal.....	3,156	1,308	23	1,331	1,331	0
25.2	Other Services:						
	Training:						
	University.....	3,071	3,599	68	3,667	3,667	0
	Other.....	3,624	4,247	114	4,361	4,361	0
	Maintenance of Equipment.....	36,438	42,705	253	42,958	42,958	0
	GSA Alterations and Repairs.....	1,463	1,715	40	1,755	1,755	0
	ADP Operations.....	61,260	71,796	1,149	72,945	72,945	0
	Telecommunications Services.....	15,011	17,593	88	17,681	17,681	0
	Guard Services.....	2,060	2,414	13	2,427	2,427	0
	CAMS Bureau Specific.....	0	0	0	0	0	0
	Other Contracts.....	83,073	104,469	2,700	103,853	103,853	0
	Subtotal.....	206,000	248,538	4,425	249,647	249,647	0
25.3	Purchase of Goods and Services from Gov't Accounts:						
	Office of Personnel Management Training.....	416	416	0	416	416	0
	GSA Services.....	0	20,222	271	20,493	20,493	0
	Executive Development and Leadership Training.....	0	165	3	168	168	0
	National Archives and Records Administration (NARA).....	0	410	27	437	437	0
	WCF Transfer to GA Security.....	0	0	0	0	0	0
	Payment to GA, WCF (CAMS Bureau Shared).....	10	1,385	0	1,385	1,385	0
	Payment to GA, WCF.....	11,212	8,447	0	8,447	8,447	0
	Subtotal.....	11,638	31,045	301	31,346	31,346	0

UNITED STATES PATENT AND TRADEMARK OFFICE
Salaries and Expenses
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

Object Class	Object Class Title:	FY 2000 Actual	FY 2001 Currently Available	FY 2002 Adjust. To Base	FY 2002 Base	FY 2002 Budget Estimate	FY 2002 Increase (Decrease)
26.0	Supplies and Materials:						
	Office Supplies.....	1,502	1,213	12	1,225	1,225	0
	ADP Supplies.....	596	481	19	500	500	0
	Microfilm Supplies.....	1,055	852	12	864	864	0
	Other Supplies.....	938	758	13	771	771	0
	Books and Periodicals.....	2,984	2,410	54	2,464	2,464	0
	Paper for Office Copying Equipment.....	987	797	7	804	804	0
	Total, Supplies and Materials.....	8,062	6,511	117	6,628	6,628	0
31.0	Equipment:						
	Office Machines and Equipment (Capitalized).....	48	54	0	54	54	0
	Office Machines and Equipment (Non-Capitalized).....	715	799	49	848	848	0
	APS Equipment (Capitalized).....	7,721	8,633	18	8,651	8,651	0
	APS Equipment (Non-Capitalized).....	0	0	4	4	4	0
	ADP Equipment (Capitalized).....	27,772	31,054	647	31,701	31,701	0
	ADP Equipment (Non-Capitalized).....	2,449	2,738	28	2,766	2,766	0
	ADP Software (Capitalized).....	8,187	9,154	131	9,285	9,285	0
	ADP Software (Non-Capitalized).....	0	0	0	0	0	0
	ADP Software (Expensed).....	878	982	11	993	993	0
	Furniture and Fixtures (Capitalized).....	1,338	1,496	75	1,571	1,571	0
	Furniture and Fixtures (Non-Capitalized).....	704	787	10	797	797	0
	Office Furniture and Equipment (Capitalized).....	0	0	46	46	46	0
	Office Furniture and Equipment (Non-Capitalized).....	1,335	1,493	11	1,504	1,504	0
	Total, Equipment.....	51,147	57,190	1,030	58,220	58,220	0
42.0	Insurance Claims and Indemnities.....	257	300	0	300	300	0
43.0	Interest and Dividends.....	0	0	0	0	0	0
	Total Direct Obligations.....	895,244	1,049,971	43,820	1,082,552	1,139,001	56,449

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
ADVISORY AND ASSISTANCE SERVICES
 (Dollar amounts in thousands)

	2000 <u>Actual</u>	2001 <u>Currently Available</u>	2002 <u>Estimate</u>
Management and Professional Support Services.....	\$3,156	\$1,308	\$1,331
Studies, Analyses and Evaluations.....	0	0	0
Engineering and Technical Services.....	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL.....	\$3,156	\$1,308	\$1,331
Memorandum (non-add) entry: Amounts included in the categories listed above for R&D activities.....	\$0	\$0	\$0

UNITED STATES PATENT AND TRADEMARK OFFICE
 Salaries and Expenses
PERIODICALS, PAMPHLETS AND AUDIOVISUAL PRODUCTS
 (Dollar amounts in thousands)

	<u>2000 Actual</u>	<u>2001 Currently Available</u>	<u>2002 Estimate</u>
Periodicals.....	\$75	\$83	\$85
Pamphlets.....	\$26	\$39	\$40
Audiovisuals.....	<u>\$15</u>	<u>\$22</u>	<u>\$22</u>
Total.....	\$116	\$144	\$147

Narrative Statement

Technical literature documents in the form of periodicals and pamphlets are essential in the patent and trademark examination process. The printing costs are reflected above. The requirement for technical literature documents is directly proportional to the workload and resultant production in patent and trademark activities. The use of audiovisuals is primarily for USPTO's National Inventors Day program.

DEPARTMENT OF COMMERCE
 United States Patent and Trademark Office
 Salaries and Expenses
AVERAGE GRADE AND SALARY

	2000 Actual	2001 Currently Available	2002 President's Budget
Average ES salary	\$114,940	\$124,816	\$129,310
Average GS grade	11.23	11.24	11.18
Average GS salary	\$54,634	\$56,039	\$69,105

**DEPARTMENT OF COMMERCE
Patent and Trademark Office
Report on Patent and Trademark Fees and Obligations**

The following report complies with the provisions of Public Law 99-607 which are set forth in Section 42 of title 35, United States Code. This law states:

Section 42 of title 35, United States Code:

Subsection (e) REPORT TO CONGRESS. -- The Secretary of Commerce shall, on the day on which the President submits the annual budget to the Congress, provide to the Committees on the Judiciary of the Senate and the House of Representatives --

- (1) a list of patent and trademark fee collections by the Patent and Trademark Office during fiscal year 2000;
- (2) a list of activities of the Patent and Trademark Office during the preceding fiscal year which were supported by patent fee expenditures, trademark fee expenditures, and appropriations;
- (3) budget plans for significant programs, projects, and activities of the Office, including out-year funding estimates;
- (4) any proposed disposition of surplus fees by the Office; and
- (5) such other information as the committees consider necessary.

This report consists of three tables, which are explained below:

Table 1 provides an overall summary of actual resources and obligations for patents and trademarks for fiscal year 2000.

Table 2 shows a listing of all patent and trademark fees collected during fiscal year 2000 by fee code.

Table 3 shows the obligations incurred by each Business Area and the amount of patent and trademark fees that were used to offset these obligations during fiscal year 2000.

Plans for significant program, projects and activities, along with out-year estimates and expected use of surplus fees are included in the body of the fiscal year 2001 Corporate Plan.

Table 1

**U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
FY 2000 Statement of Resources and Obligations
(Dollars in Thousands)**

<u>Description</u>	<u>Patent</u>	<u>Trademark</u>	<u>Total</u>
Resources:			
FY 2000 Offsetting Fee Collections	\$839,602	\$165,914	\$1,005,516
FY 1999 Unobligated Balance Forward	144,058	870	144,928
Recoveries of Prior Year Obligations	11,304	2,701	14,005
Federal Reimbursements	476	86	562
Public Expenditure Refunds Collected	541	0	541
Government Expenditure Refunds Collected	0	0	0
Less: Change in Public Receivables	40	0	40
Less: Current Year Funds Rescinded pursuant to P.L. 106-113	(2,554)	(426)	(2,980)
Less: Current Year Fees Not Available pursuant to P.L. 106-113	(231,636)	(27,809)	(259,445)
Total Resources	\$761,831	\$141,336	\$903,167
Obligations Incurred	\$758,619	\$136,625	\$895,244
FY 2000 Unobligated Balance	\$3,212	\$4,711	\$7,923

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 2000

Fee Code	Fee Title	FY 2000 Fee Rates	FY 2000 Planned Fee Income	FY 2000 Actual Fee Income	FY 2000 Variance From Plan
Statutory Patent Fees(Large Entity):					
101	Filing Original Patent Application	\$690.00	\$122,783,966	\$112,054,348	(\$10,729,618)
102	Independent Claims in Excess of 3	\$78.00	17,163,049	18,028,206	865,157
103	Total Claims in Excess of 20	\$18.00	19,835,627	23,146,054	3,310,427
104	Multiple Dependent Claims per Appln	\$260.00	2,307,591	2,246,540	(61,051)
106	Filing Design Patent Application	\$310.00	2,238,526	2,598,242	359,716
107	Filing Plant Patent Application	\$480.00	141,216	144,160	2,944
108	Filing Reissue Patent Application	\$690.00	234,688	337,731	103,043
109	Indep Claims in Excess of Orig Patent	\$78.00	71,786	122,826	51,040
110	Each Claim in Excess of 20 & Orig Pat	\$18.00	72,642	116,950	44,308
114	Provisional Application Filing Fees	\$150.00	5,111,873	6,597,602	1,485,729
115	First One Month Extension	\$110.00	5,657,145	5,491,640	(165,505)
116	Second One Month Extension	\$380.00	10,437,012	10,114,907	(322,105)
117	Third One Month Extension	\$870.00	31,654,559	26,970,979	(4,683,580)
118	Fourth One Month Extension	\$1,360.00	3,693,923	3,016,158	(677,765)
119	Notice of Appeal to Board of Appeals	\$300.00	4,013,691	3,560,660	(453,031)
120	Filing a Brief in Support of an Appeal	\$300.00	1,291,896	1,260,590	(31,306)
121	Filing a Request for an Oral Hearing	\$260.00	268,042	146,160	(121,882)
124	Initial Application for Interim Extension	\$420.00	2,314	1,260	(1,054)
125	Subsequent Application for Interim Extension	\$220.00	400	0	(400)
128	Extension for Response within Fifth Month	\$1,850.00	2,305,100	2,733,470	428,370
131	Continuing Patent Application - Utility Filing	\$690.00	24,108,652	17,390,535	(6,718,117)
132	Continuing Patent Application - Design Filing	\$310.00	392,851	67,600	(325,251)
133	Continuing Patent Application - Plant Filing	\$480.00	24,706	7,200	(17,506)
134	Continuing Patent Application - Reissue Filing	\$690.00	41,040	3,520	(37,520)
140	Reviving Abandoned Application	\$110.00	26,356	12,980	(13,376)
141	Reviving Unintent Abandoned Application	\$1,210.00	2,896,776	3,438,545	541,769
142	Issue of Original or Reissue Patent	\$1,210.00	146,423,685	139,546,200	(6,877,485)
143	Issue of Design Patent	\$430.00	2,484,557	3,126,140	641,583
144	Issue of Plant Patent	\$580.00	128,453	124,300	(4,153)
148	Statutory Disclaimers	\$110.00	995,500	1,133,220	137,720
183	First Stage Maintenance Fee	\$830.00	70,828,182	66,958,252	(3,869,930)
184	Second Stage Maintenance Fee	\$1,900.00	87,985,542	91,933,790	3,948,248
185	Third Stage Maintenance Fee	\$2,910.00	81,856,409	80,372,300	(1,484,109)

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 2000

Fee Code	Fee Title	FY 2000 Fee Rates	FY 2000 Planned Fee Income	FY 2000 Actual Fee Income	FY 2000 Variance From Plan
956	Nat'l Fee if USPTO is IPEA and ISA	\$670.00	612,266	401,580	(210,686)
958	Nat'l Fee if USPTO is ISA but not IPEA	\$690.00	229,771	106,150	(123,621)
960	Nat'l Fee if USPTO is Not IPEA or ISA	\$970.00	3,314,752	1,893,650	(1,421,102)
962	Claims not in Accordance with PCT Art.	\$96.00	30,757	31,234	477
964	Indep. Claims in Excess of 3	\$78.00	892,365	946,322	53,957
966	Each Claim in Excess of 20	\$18.00	1,330,933	1,416,784	85,851
968	Multiple Dependent Claims	\$260.00	604,183	771,750	167,567
970	Nat'l Fee for Filing with EPO Report	\$840.00	11,797,640	12,956,278	1,158,638
Subtotal, Statutory Patent Fees (Large Entity)		...	\$666,290,422	\$641,326,813	(\$24,963,609)
Statutory Patent Fees(Small Entity):					
201	Filing Original Patent Application	\$345.00	\$24,457,552	\$25,663,301	\$1,205,749
202	Independent Claims in Excess of 3	\$39.00	2,835,634	3,140,551	304,917
203	Total Claims in Excess of 20	\$9.00	3,989,228	4,861,065	871,837
204	Multiple Dependent Claims per Appln	\$130.00	340,037	358,150	18,113
206	Filing Design Patent Application	\$155.00	1,285,420	1,530,722	245,302
207	Filing Plant Patent Application	\$240.00	73,649	114,960	41,311
208	Filing Reissue Patent Application	\$345.00	46,284	77,410	31,126
209	Indep Claims in Excess of Orig Patent	\$39.00	12,503	18,566	6,063
210	Each Claim in Excess of 20 & Orig Pat	\$9.00	11,336	16,866	5,530
214	Provisional Application Filing Fees	\$75.00	2,088,341	2,484,855	396,514
215	First One Month Extension	\$55.00	1,113,278	1,030,550	(82,728)
216	Second One Month Extension	\$190.00	2,130,084	2,005,951	(124,133)
217	Third One Month Extension	\$435.00	6,958,638	6,176,528	(782,110)
218	Fourth One Month Extension	\$680.00	1,039,849	816,968	(222,881)
219	Notice of Appeal to Board of Appeals	\$150.00	649,569	535,745	(113,824)
220	Filing a Brief in Support of an Appeal	\$150.00	201,069	170,855	(30,214)
221	Filing a Request for an Oral Hearing	\$130.00	31,321	20,265	(11,056)
228	Extension for Response within Fifth Month	\$925.00	692,945	756,299	63,354
231	Continuing Patent Application - Utility Filing	\$345.00	4,800,430	2,143,395	(2,657,035)
232	Continuing Patent Application - Design Filing	\$155.00	224,978	13,950	(211,028)
233	Continuing Patent Application - Plant Filing	\$240.00	12,960	1,680	(11,280)
234	Continuing Patent Application - Reissue Filing	\$345.00	7,980	0	(7,980)

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 2000

Fee Code	Fee Title	FY 2000 Fee Rates	FY 2000 Planned Fee Income	FY 2000 Actual Fee Income	FY 2000 Variance From Plan
240	Reviving Abandoned Application	\$55.00	20,299	11,935	(8,364)
241	Reviving Unintent Abandoned Application	\$605.00	1,021,718	1,058,095	36,377
242	Issue of Original or Reissue Patent	\$605.00	28,942,522	26,258,100	(2,684,422)
243	Issue of Design Patent	\$215.00	1,588,431	1,841,080	252,649
244	Issue of Plant Patent	\$290.00	121,510	68,435	(53,075)
248	Statutory Disclaimers	\$55.00	220,488	242,770	22,282
283	First Stage Maintenance Fee	\$415.00	11,502,973	10,027,058	(1,475,915)
284	Second Stage Maintenance Fee	\$950.00	11,013,151	11,175,350	162,199
285	Third Stage Maintenance Fee	\$1,455.00	8,415,938	8,258,740	(157,198)
957	Nat'l Fee if USPTO is IPEA and ISA	\$335.00	78,702	115,100	36,398
959	Nat'l Fee if USPTO is ISA but not IPEA	\$345.00	48,944	49,765	821
961	Nat'l Fee if USPTO is Not IPEA or ISA	\$485.00	514,774	567,910	53,136
963	Claims not in Accordance with PCT Art.	\$48.00	8,700	9,602	902
965	Indep. Claims in Excess of 3	\$39.00	88,279	115,451	27,172
967	Each Claim in Excess of 20	\$9.00	148,282	229,724	81,442
969	Multiple Dependent Claims	\$130.00	61,151	83,095	21,944
971	Nat'l Fee for Filing with EPO Report	\$420.00	955,286	1,191,206	235,920
Subtotal, Statutory Patent Fees (Small Entity)		...	\$117,754,233	\$113,242,048	(\$4,512,185)
Total Statutory Patent Fees			\$784,044,655	\$754,568,861	(\$29,475,794)

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 2000

Fee Code	Fee Title	FY 2000 Fee Rates	FY 2000 Planned Fee Income	FY 2000 Actual Fee Income	FY 2000 Variance From Plan
Non-Statutory Patent Processing Fees:					
105	Surcharge on Late Payment of Appln Fee	\$130.00	\$7,001,262	\$6,985,225	(\$16,037)
111	Application for Extension of Patent Term	\$1,120.00	62,574	51,520	(11,054)
112	SIR - Prior to Examiner Action	\$920.00	10,635	8,860	(1,775)
113	SIR - After Examiner Action	\$1,840.00	50,710	58,543	7,833
122	Petitions to the Commissioner	\$130.00	2,312,281	2,169,700	(142,581)
123	Petitions Related to Provisional Applns	\$50.00	37,647	35,250	(2,397)
126	Submission of Information Document	\$240.00	4,254,686	4,609,460	354,774
127	Surcharge for Filing Provisional Fee Late	\$50.00	49,753	119,000	69,247
138	Public Use Proceeding	\$1,510.00	5,587	4,530	(1,057)
139	Filing & Processing Non-English Appln	\$130.00	178,723	277,550	98,827
145	Cert of Correction, Applicant Mistake	\$100.00	628,895	702,300	73,405
146	Filing a Submission after Final Rejection	\$690.00	524,940	195,970	(328,970)
147	Filing Request for Reexamination	\$2,520.00	911,358	706,960	(204,398)
149	For Each Additional Invention to be Examined	\$690.00	7,661	2,750	(4,911)
150	PCT Transmittal Fee	\$240.00	8,079,919	8,633,020	553,101
151	PCT Search Fee - NO Corr US Appln	\$700.00	3,283,497	4,185,300	901,803
152	Supplemental Search	\$210.00	173,502	340,620	167,118
153	PCT Search Fee - Corr US Appln Filed	\$450.00	5,338,629	4,743,470	(595,159)
154	Surcharge for Filing National Fee Late	\$130.00	853,245	1,118,130	264,885
155	PCT - Late Payment Fee	\$0.00	1,117,983	(66,953)	(1,184,936)
156	English Translation After 20 Months	\$130.00	6,511,397	86,970	(6,424,427)
157	PCT - Designation Confirmation Fee	\$0.00	33,425	47,724	14,299
159	Overpayments - PCT	\$0.00	5,000	0	(5,000)
179	Request for Continued Examination	\$690.00	0	542,340	542,340
186	Maint Surcharge in Grace Period	\$130.00	702,640	620,560	(82,080)
187	Maint Surcharge - Unavoidable	\$700.00	79,800	27,485	(52,315)
188	Maint Surcharge - Unintentional	\$1,640.00	1,883,589	1,758,560	(125,029)
190	PCT - Pre Exam (USPTO is ISA)	\$490.00	6,978,850	6,708,100	(270,750)
191	PCT - Pre Exam (USPTO NOT ISA)	\$750.00	2,211,488	2,782,500	571,012
192	PCT - Pre-Exam Fee per Add'l Invention	\$140.00	71,931	120,820	48,889
193	PCT - Pre-Exam Fee per Add'l Invention	\$270.00	14,526	19,710	5,184

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 2000

Fee Code	Fee Title	FY 2000 Fee Rates	FY 2000 Planned Fee Income	FY 2000 Actual Fee Income	FY 2000 Variance From Plan
205	Surcharge on Late Payment of Appln Fee	\$65.00	1,243,767	1,277,380	33,613
227	Surcharge for Filing Provisional Fee Late	\$25.00	68,855	76,500	7,645
246	Filing a Submission after Final Rejection	\$345.00	153,775	67,260	(86,515)
249	For Each Additional Invention to be Examined	\$345.00	1,368	1,485	117
254	Surcharge for Filing National Fee Late	\$65.00	104,961	162,630	57,669
279	Request for Continued Examination	\$690.00	0	64,860	64,860
286	Maint Surcharge in Grace Period	\$65.00	361,889	404,820	42,931
Subtotal, Non-Statutory Patent Processing Fees		...	\$55,310,748	\$49,650,909	(\$5,659,839)
Non-Statutory Patent Service Fees:					
561	B/W Copy of Patent or Design	\$3.00	\$4,664,210	\$3,336,028	(\$1,328,182)
562	Patent Copy - Expedited Service	\$6.00	237,878	15,492	(222,386)
563	Patent Copy - Expedited Service via EOS	\$25.00	58,944	(200)	(59,144)
564	Color Copy of Plant Patent	\$15.00	27,770	8,553	(19,217)
565	Copy of Utility Patent With Color Drawings	\$25.00	1,250	950	(300)
566	Copy of Patent Appln as Filed	\$15.00	1,713,029	1,767,408	54,379
567	Cert Copy of Patent Appln - Expedited	\$30.00	853,588	1,163,640	310,052
568	Copy of Patent File & Contents	\$150.00	551,081	372,600	(178,481)
569	Copy of Office Records per Document	\$25.00	438,277	252,625	(185,652)
570	Patent Abstract of Title & Certificate	\$25.00	909,835	355,000	(554,835)
571	Annual Library Subscription	\$50.00	5,544	4,300	(1,244)
573	Status of Maintenance Fee Payment	\$10.00	5,163	5,330	167
574	Copy of Non-U.S. Document	\$25.00	137,625	28,050	(109,575)
575	Compare Copies with Original & Certify	\$25.00	78,048	54,600	(23,448)
576	Duplicate of Correct Filing Receipt	\$25.00	49,747	42,400	(7,347)
577	Filing a Disclosure Document	\$10.00	141,971	181,960	39,989
578	Annual Delivery Box Rental	\$50.00	8,099	10,300	2,201
579	International-Type Search Report	\$40.00	0	120	120
580	Self Service Copy Charge, per Page	\$0.25	6,050,070	5,023,909	(1,026,161)
581	Recording Each Patent Assignment	\$40.00	13,642,815	12,520,990	(1,121,825)
582	Recording Each Additional Patent Property	\$0.00	0	1	1
583	Publication in Official Gazette	\$25.00	1,509	1,400	(109)
584	Labor Charge for Services per Hour	\$40.00	142,050	101,240	(40,810)
585	Unspecified Other Services	\$0.00	89,768	83,515	(6,253)

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 2000

Fee Code	Fee Title	FY 2000 Fee Rates	FY 2000 Planned Fee Income	FY 2000 Actual Fee Income	FY 2000 Variance From Plan
586	Process and Retain Abandoned Application	\$130.00	25,285	43,550	18,265
587	Handling Fee for Appln Filed W/O Drawing	\$130.00	18,693	11,960	(6,733)
588	Terminal Charge - Automated Patent Search	\$40.00	246,191	3,457	(242,734)
590	Coupons - Patent or Design, Each	\$3.00	272,004	138,765	(133,239)
591	APS - Text Terminal Session Time -PTDL's	\$15.00	10,828	0	(10,828)
592	APS - CSIR Terminal Session Time	\$50.00	751,750	20,755	(730,995)
607	Establish or Reinstate Deposit Account	\$10.00	4,360	3,210	(1,150)
608	Service Charge on End Bal - \$1000 Min	\$25.00	107,463	103,075	(4,388)
609	Attorney Fee - Admission to Examination	\$40.00	128,954	176,200	47,246
610	Attorney Fee - Registration to Practice	\$100.00	211,177	196,800	(14,377)
611	Attorney Fee - Reinstatement to Practice	\$40.00	441	1,160	719
612	Attorney Fee - Cert of Good Standing	\$10.00	1,347	1,380	33
613	Attorney Fee - Cert of Standing, Framing	\$20.00	140	480	340
615	Pet for Review of Decision by E.O.D.	\$130.00	2,664	910	(1,754)
616	Regrading an Examination - A.M.	\$230.00	9,522	24,150	14,628
617	Processing Returned Checks	\$50.00	20,240	14,600	(5,640)
618	Computer Records, at Cost	\$0.00	1,300,000	784,410	(515,590)
619	Registration Examination Fee	\$310.00	1,284,029	1,215,220	(68,809)
620	Regrading an Examination - P.M.	\$230.00	9,676	15,870	6,194
...	Miscellaneous Patent Fees		3,413	7,296,024	7,296,024
Subtotal, Non-Statutory Patent Service Fees		...	\$34,216,448	\$35,382,187	\$1,169,152
Total Non-Statutory Patent Fees			\$89,527,196	\$85,033,096	(\$4,490,687)
Total Patent Fees			\$873,571,851	\$839,601,957	(\$33,966,481)

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 2000

Fee Code	Fee Title	FY 2000 Fee Rates	FY 2000 Planned Fee Income	FY 2000 Actual Fee Income	FY 2000 Variance From Plan
Trademark Processing Fees:					
361	Application for Registration	\$325.00	\$76,034,981	\$118,346,361	\$42,311,380
362	Amendment to Allege Use	\$100.00	705,457	896,655	191,198
363	Statement of Use	\$100.00	4,913,739	4,565,400	(348,339)
364	Extensions of Time (Intent to Use)	\$150.00	8,047,945	12,752,305	4,704,360
365	Application for Renewal	\$400.00	6,294,066	9,541,000	3,246,934
366	Surcharge for Late Renewal	\$100.00	209,839	138,000	(71,839)
367	Publication of Mark Under Sec 12c	\$100.00	1,000	2,200	1,200
368	Issuing New Certificate of Registration	\$100.00	191,560	29,600	(161,960)
369	Cert of Correction of Applicant Error	\$100.00	420	56,200	55,780
370	Filing Disclaimer to Registration	\$100.00	0	900	900
371	Filing Amendment to Registration	\$100.00	280	66,600	66,320
372	Filing Affidavit Under Section 8	\$100.00	4,789,078	4,838,000	48,922
373	Filing Affidavit Under Section 15	\$200.00	514,606	4,208,200	3,693,594
374	Filing Affidavit Under Section 8 & 15	\$200.00	35,818	555,600	519,782
375	Petitions to the Commissioner	\$100.00	172,379	656,700	484,321
376	Petition to Cancel	\$300.00	322,798	517,200	194,402
377	Notice of Opposition	\$300.00	1,007,556	1,845,300	837,744
378	Ex Parte Appeal to the TTAB	\$100.00	201,912	321,500	119,588
379	Divisional of Applications	\$100.00	132,192	125,600	(6,592)
380	Correcting Deficiency in Renewal Application	\$100.00	209,000	6,600	(202,400)
381	Filing Section 8 Affidavit During Grace Period	\$100.00	478,600	298,500	(180,100)
382	Correcting Deficiency in Section 8 Affidavit	\$100.00	478,600	13,400	(465,200)
Subtotal, Trademark Processing Fees		...	\$104,741,826	\$159,781,821	\$55,039,995

Table 2

U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report
FY 2000

Fee Code	Fee Title	FY 2000 Fee Rates	FY 2000 Planned Fee Income	FY 2000 Actual Fee Income	FY 2000 Variance From Plan
Trademark Service Fees:					
461	Printed Copy of Each Registered Mark	\$3.00	\$4,398	\$6,393	\$1,995
462	Trademark Copy - Expedited Service	\$6.00	1,650	402	(1,248)
463	TM Copy - Expedited Service via EOS	\$25.00	1,025	75	(950)
464	TM Copy with Title or Status - Reg Serv	\$15.00	234,565	95,790	(138,775)
465	TM Copy with Title or Status - Expedited	\$30.00	531,570	235,970	(295,600)
466	Cert Copy of TM Appln as Filed - Regular	\$15.00	213,010	425,895	212,885
467	Cert Copy of TM Appln as Filed - Exped	\$30.00	425,334	711,870	286,536
468	Cert Copy of TM File and Contents	\$50.00	42,754	42,550	(204)
469	Certified Copy of Trademark Document	\$25.00	15,400	10,950	(4,450)
470	Abstracts of Title, per Registration	\$25.00	35,950	35,800	(150)
475	Compare Copies with Original & Certify	\$25.00	16,775	18,925	2,150
480	Self Service Copy Charge, per Page	\$0.25	704,681	662,613	(42,068)
481	Recording TM Assignment Documents	\$40.00	998,220	1,028,960	30,740
482	Recording Each Additional Mark	\$25.00	3,117,933	2,698,475	(419,458)
484	Labor Charge for Services per Hour	\$40.00	46,592	43,920	(2,672)
485	Unspecified Other Trademark Services	\$0.00	44,014	110,196	66,182
488	Terminal Charge for Automated TM Search	\$40.00	100,120	819	(99,301)
490	Coupons - Trademarks, Each	\$3.00	5,223	0	(5,223)
650	Recordal Application Fee	\$20.00	1,028	2,430	1,402
651	Renewal Application Fee	\$20.00	0	20	20
652	Late Fee for Renewal Application	\$20.00	0	0	0
Subtotal, Trademark Service Fees		...	\$6,540,242	\$6,132,053	(\$408,189)
Total Trademark Fees			\$111,282,068	\$165,913,874	\$54,631,806

Table 2

**U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
Fee Income Report - Summary
FY 2000**

Fee Summary	FY 2000 Planned Fee Income	FY 2000 Actual Fee Income	FY 2000 Variance From Plan
Total Patent Fee Collections	\$878,568,430	\$839,601,957	(\$38,966,474)
Total Trademark Fee Collections	122,431,570	165,913,874	43,482,304
Total Patent and Trademark Fees	\$1,001,000,000	\$1,005,515,831	\$4,515,831

**Reconciliation of FY 2000 Fee Variance from Plan to
Fees Not Available Pursuant to P.L. 106-113:**

FY 2000 Variance from Plan	\$4,515,831
Less: Change in Public Receivables	39,741
Fees Not Available Pursuant to P.L. 106-113:	\$4,555,572

Table 3

**U.S. DEPARTMENT OF COMMERCE
Patent and Trademark Office
FY 2000 Resources and Obligations
By Business Area
(Dollars in Thousands)**

Business Area	Total Resources Available	Actual Obligations Incurred From:			Percent Of Total Obligations	FY 2000 Unobligated Balance
		Offsetting Patent Fees	Offsetting Trademark Fees	Total Actual Obligations		
Business Area:						
Patents	\$741,987	\$738,775	\$0	\$738,775	82.5%	\$3,212
Trademarks	142,660	0	133,394	133,394	14.9%	9,266
IP Leadership	23,075	19,844	3,231	23,075	2.6%	0
Total Patent and Trademark Office	\$907,722	\$758,619	\$136,625	\$895,244	100.0%	\$12,478
Percent Financing from Patent vs Trademark Fees		84.7%	15.3%	100.0%		