United States Patent and Trademark Office
Washington, DC 20231

UNITED STATES
PATENT AND
TRADEMARK OFFICE

A New Organization for a New Millennium

Performance and Accountability Report Fiscal Year 2000

Contents

Foreword

The American intellectual property system has played a unique role in the history of our country's economy. Patents, trademarks, and copyrights have protected American creativity and ingenuity from our earliest agrarian roots, when the first patent was issued in 1790 for a method of making potash fertilizer, through today's state-of-the art and high-tech inventions.

The strength and vitality of America's high-technology economy depends directly on the availability of effective mechanisms to protect new ideas and investments in innovation. The strong impact of intellectual property protection on the American economy and global trade prompted designation of the United States Patent and Trademark Office (USPTO) as a High Impact Agency. The continued growth and increase in applications for patents and trademark registrations underscore the ingenuity of U.S. inventors and entrepreneurs. Since 1790, when Congress enacted the first patent law, the USPTO has been at the cutting edge of our Nation's technological progress and achievement. It is a history of which we are very proud.

Restructured in March Restructured in March 2000 as a Performance-Based Organization, the USPTO administers the patent and trademark laws, providing systematic protection to inventors and businesses for their inventions and corporate and product identification, and encourages innovation and the scientific and technical advancement of American industry through the preservation, classification, and dissemination of patent information. In addition to the examination of applications for patent grants and trademark registrations, the USPTO provides technical advice and information to other executive branch agencies on intellectual property matters and the trade-related aspects of intellectual property rights.

For more than 200 years, those who depend on the protection of intellectual property have known that they could rely on the USPTO as the advocate and guardian of the rights of inventors, creators, and innovators. It is a heritage and a responsibility that we carry into the 21st century with pride and a sense of accomplishment.

The dynamic relationship between Government, commerce, and invention is reflected in the new corporate signature of the USPTO. The eagle and its positioning convey Governmental protection and promotion of creativity and the light bulb symbolizes innovation. The four stars represent support for intellectual property rights in America that spans four centuries from the colonial period to the present.

Commissioners Anne Chasser *(left)* and Nick Godici unveil the new USPTO logo at Community Day ceremonies on August 3, 2000.

Message from the Director

Q. Todd Dickinson

Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

Never before has the United States Patent and Trademark Office (USPTO) played such a central role in the economic prosperity of our Nation. Continuing our transformation from an agency viewed by some as a sleepy backwater bureaucracy into a key player in the new economy, the work we do is at the cutting edge of technology. Over and over again, the discoveries, inventions, and innovations we are called upon to examine and protect call for expertise that only the USPTO can provide.

Indeed, there were many exciting developments in the world of intellectual property this past year. Each presented a unique challenge as we worked hard to adapt to an increased workload, new technologies, and the realities of the global marketplace.

Biotechnology industries realized the mapping of the human genome, breakthrough advances in nanotechnology and combinatorial chemistry were seen, software industries witnessed the amazing growth of the Internet, and the rapid development of e-commerce created a dramatic surge in trademark applications. In fact, the first year of the 21st century firmly established what we had already suspected: ideas have truly become the coin of the realm, the currency of our accomplishments, and perhaps most importantly, an opportunity for our intellectual property system to demonstrate its flexibility, progressive nature, and strength.

Unquestionably, the USPTO answered this challenge.

Unquestionably, the USPTO answered this challenge. By maximizing our resources, pushing for enhanced automation, and pursuing global protection and cooperation, we have demonstrated that growth and technology are key factors in our continued success. We saw a rise in customer and employee satisfaction, increased patent and trademark filings, a reduction in pendency, a dramatic decrease in the backlog of interference cases, a successful resolution to our long-term space needs, and an increase in new workforce hires who are both highly skilled and representative of America's rich diversity.

A large measure of this success was due to important advances in intellectual property policy. Passage of the American Inventors Protection Act (AIPA) was an important step toward modernizing and harmonizing our patent system with the rest of the world. Working with Congress, independent inventors, and the private sector, we helped achieve the most significant reform of the patent system since 1952, resulting in a USPTO well equipped to respond to customer and employee needs. Our new status as a Performance-Based Organization also gives us the ability to operate more like a business, while maintaining our historic role as advocate and protector of inventors' rights.

Long ago, we recognized that full automation of our operations and keeping pace with new information technology was a necessity if we were to maintain our productivity and serve our customers. This past year saw the culmination of years of careful planning and investment with the electronic filing for patent and trademark applications, new and expanded search tools for our examiners, payment options over the Internet, and improved access to prior art.

Such hard-won achievements would mean little, of course, without an equally strong commitment to protecting intellectual property rights globally. Our international activities were unparalleled as we partnered with numerous national intellectual property offices and intergovernmental organizations. The resulting technical assistance programs, symposia, training exchanges, and educational outreach have given us the ability to effect real change in intellectual property rights enforcement in the global marketplace.

Our strategy in fiscal year 2000 was clear. Through a commitment to customer and employee satisfaction, a swift response to new policies and new technologies, and an abiding belief in the need for truly universal intellectual property protection, we have aimed to make the USPTO an important force in fueling the continued economic growth and prosperity in America. Undoubtedly, the future will present its own set of challenges and opportunities. It is never an easy task to manage the seemingly endless intangibles that demand instant response but, as the saying goes, "talent will win out." I am confident that in the years ahead, the USPTO will play an integral part in bringing even greater gifts to our Nation and to the world.

> ... the discoveries, inventions, and innovations we are called upon to examine and protect call for expertise that only the USPTO can provide.

Message from the Chief Financial Officer and Chief Administrative Officer

Clarence C. Crawford

Chief Financial Officer and Chief Administrative Officer

Fiscal year 2000 was a year of significant milestones and changes for the United States Patent and Trademark Office (USPTO) and a notable way to kick off the new millennium. Fee collections climbed to over $1 billion, legislation enacted in November 1999 designated our agency as a Performance-Based Organization (PBO), and we advanced towards our goal of relocating into consolidated office space.

As the Chief Financial Officer and Chief Administrative Officer (CFO/CAO) of this newly designated PBO, I am very excited about opportunities available for contributing to the USPTO's continued success. While the global economic environment is thriving and American industries are spending significant sums of money on research and development in efforts to nurture and maintain the strong economic growth, I will be challenged to transition our CFO/CAO organization to an operation similar to private-sector Chief Financial Officer organizations. I will also be working with the USPTO business-unit managers as they begin to adopt and implement private sector "best practices." While our mission, overall objectives, and stakeholders may differ from those of a private-sector organization, I will nonetheless actively guide the USPTO in meeting strategic planning goals, creating and growing value in our businesses, and improving our overall business performance. As our counterparts in the private sector strive to achieve higher profits and larger earnings per share, the USPTO will identify processes or activities that can be expanded, reduced, improved, or eliminated with the final objective of achieving the most efficient and cost-competitive services and products.

I will continue to make financial management an entity-wide priority and will create value by enhancing my role as the principal financial advisor for the USPTO. As evidenced by the unqualified audit opinions and positive internal control reports that we have received for the past eight years, our traditional roles of compliance and financial reporting are well established. Now we endeavor to move our CFO/CAO organization to a more analytical, consultative, and value-added role, as advisor and business partner with our Patent and Trademark operating units. This also means keeping pace with the technological changes and demands of a fast-moving, results-oriented marketplace. My first priority for our customer-based organization is to establish partnerships with our internal and external customers with increased emphasis on customer operations. Our CFO/CAO organization strives to set the standard and be the provider of choice. I intend for our organization to provide meaningful information to our program managers and senior-level decision-makers. The financial advice and services that we provide to our program managers must assist in sustaining and improving productivity, quality, service delivery, and e-initiatives, while maximizing the use of our budgetary resources.

Our greatest challenge in the coming fiscal years will be to balance our agency operations as a business within the limits of the Federal appropriation process. As a Federal agency, our success or failure ultimately hinges on whether we have sufficient budgetary resources to do the job demanded and entrusted by our customers. As a fully fee-funded agency, the fees we collect represent customer payments for our services. However, currently we do not have access to, or full use of, all the fees we collect. This has required us to forego information technology investments in order to focus on processing current workloads. This challenge requires a long-term solution—without one, the inability to access all of our fees could potentially affect our ability to carry out our mission in the long term

In this information age, many high-tech industries rely heavily on intellectual property protection for their inventions, and they expect expeditious resolution of their applications. Such a pattern is fully consistent with the theory of economic growth frequently expressed by Federal Reserve Chairman Alan Greenspan. He notes compelling evidence that technological innovation has driven the recent 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 are being applied, indicating that recent growth in productivity is not just a cyclical phenomenon or a statistical aberration, but a more deep-seated and still-developing shift in the economic landscape. Thus, it is imperative that we work to resolve the fee issue so that we can fully avail ourselves of the funds we need to meet current and future workloads, and seek opportunities for cost savings, reduction in examination time and pendency, and improvements in our operations.

In closing, I would like to thank the talented and dedicated employees who are ultimately responsible for our performance. A service organization such as ours is greatly dependent on positive, capable, and highly motivated individuals who recognize that customer service and satisfaction are the keys to our success.

Management Discussion and Analysis

USPTO at a Glance

Vision

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

Mission

The USPTO promotes industrial and technological progress in the United States and strengthens the 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.

Location

Main offices: Arlington, Virginia.

Other sites: Two storage facilities in Springfield and Alexandria, Virginia; leased storage in Boyers, Pennsylvania.

World Wide Web Address

http://www.uspto.gov

Workforce

6,128 full-time equivalent staff.

Constitutional and Statutory Authorities

The Constitution of the United States, Article 1, Section 8, Clause 8, gives Congress the power to "promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." Article 1, Section 8, Clause 3, gives Congress the power to "regulate commerce with foreign Nations, and among the several states, and with Indian tribes."

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

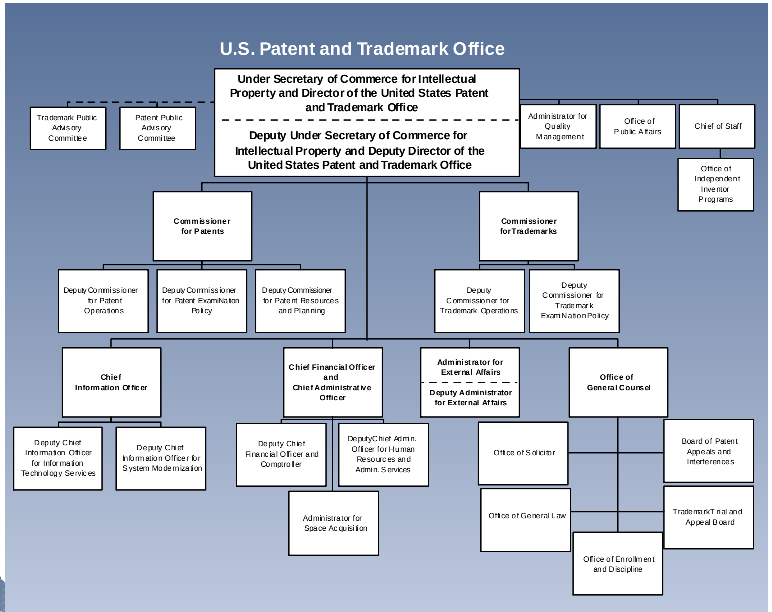
35 U.S.C. contains basic authorities for administering patent law, derived from the Act of July 19, 1952, and subsequent acts. Revenues from fees are available to

The USPTO staff occupies 18 buildings in the Crystal City neighborhood of Arlington, VA.

to the USPTO to the extent provided in appropriations acts.

The American Inventors Protection Act of 1999 (P.L. 106-113), was enacted on November 29, 1999, as part of H.Rept 106-479 on H.R. 3194, the Consolidated Appropriations Act for fiscal year 2000. The Act adjusted patent and trademark fees, required the USPTO to conduct a study of alternative fee structures, and provided a guarantee for patent terms against excessive delay in patent application processing. It provided for the publication of patent applications 18 months after filing, with certain exceptions, and broadened the circumstances under which a patent could be reexamined.

The Act also reestablished the USPTO as an agency within the Department of Commerce, created two Public Advisory Committees (one for patents and one for trademarks) to watch over the agency, and granted the USPTO flexibility in procurement and other administrative and managerial areas.



Members of the Patent Public Advisory Committee *(from left):* **Melvin T. White (NTEU), Roger L. May, Ronald J. Stern (POPA), Vernon A. Norviel, Andy Gibbs, Margaret Boulware, Patricia W. Ingraham, Nick Godici *(Commissioner for Patents),* Gerald A. Mossinghoff, Julie Watson (NTEU), Director Dickinson, Ronald E. Myrick.** *Not pictured:* **James L. Fergason and Katherine E. White**

Members of the Trademark Public Advisory Committee *(from left):* **Director Dickinson, Howard Friedman, Anne Chasser *(Commissioner for Trademarks)*, Griffith Price, David Stimson, Helen Korniewica, David Moyer, Miles Alexander, and Susan Lee.** *Not pictured:* **Virginia Cade, Joseph Nicholson, Lawrence Oresky, Lou Pirkey, and John Rose II.**

2000 Highlights

Fiscal year 2000 was a year of remarkable change, progress, and innovation for the United States Patent and Trademark Office (USPTO). The following highlights illustrate the many milestones reached and the new initiatives instituted:

USPTO Established as a Performance-Based Organization

The American Inventors Protection Act of 1999 (AIPA) was signed into law (P.L.106-113) on November 29, 1999. This legislation established the USPTO as a Performance-Based Organization (PBO) with the independent control over administrative and management functions. It also established the Patent and Trademark operations as separate business units within the agency.

Robert L. Mallett, Deputy Secretary of Commerce, and Director Dickinson cut the cake following ceremonies designating the USPTO as a Performance-Based Organization.

The new USPTO is headed by an Under Secretary of Commerce for Intellectual Property and Director of the USPTO who is appointed by the President with the advice and consent of the Senate. The Secretary of Commerce appoints a Commissioner for Patents and a Commissioner for Trademarks to serve as chief operating officers for their respective business units for five-year terms. The Secretary of Commerce enters into annual performance agreements with the Commissioners who are eligible for up to 50 percent bonuses based on their performance under those agreements.

The AIPA also made the most significant changes to the patent system since the 1952 Patent Act, including changes in the procedures available for reexamination of patents, establishment of a new timeliness standard, and publication of patent applications 18 months after filing. More details are included in the Patents section of this report.

New Public Advisory Committees Formed

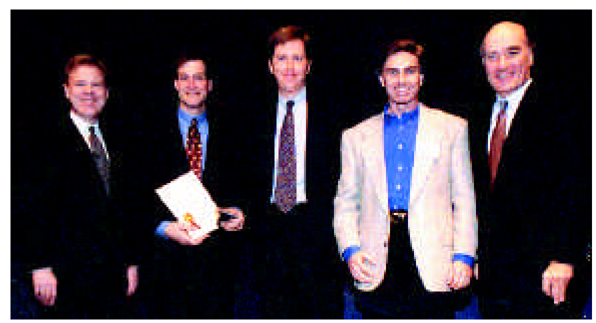
The AIPA legislation also created Public Advisory Committees for both Patents and Trademarks. In July 2000, the Secretary of Commerce appointed nine members, including three non-voting members representing each labor organization recognized by the USPTO, to each Committee to advise the Director on matters involving policies, goals, performance, budget, and user fees. The members represent the USPTO's diverse community of users, such as entrepreneurial businesses, inventors, universities, large U.S.-based corporations, and law firms. The first meeting of the Advisory Committees was a joint meeting in August 2000. The Committees are charged with preparing annual reports on their efforts within 60 days after each fiscal year end.

The Advisory Committees raised several issues of critical concern to them in their respective annual reports. Both Committees identified the uncertain availability of funding and how it is limiting the USPTO's ability to address critical problems arising from the proliferation of work above levels experienced in the past. The Committee members also believed planning and funding problems would be significantly ameliorated if the goal of having full access to user fees to fund the operations of the USPTO as a PBO had been realized. The Patent Advisory Committee unanimously passed a resolution strongly emphasizing the serious consequences of the budget shortfall and made it one of their priorities.

Additional issues raised by both Committees were electronic filing and quality. The Trademark Advisory Committee stated that the USPTO should take immediate steps to expedite the use of technology in fulfilling its mission by mandating electronic filing, to the extent allowed by law, and by replacing paper-based processes with processes designed to best leverage technology to conduct its business. Regarding quality, the Patent Advisory Committee stated that processing should be secondary to quality goals—quality needed to be the first priority.

Six Millionth Patent Granted

On December 10, 1999, 3Com Corporation received the six millionth patent at a special award ceremony hosted by the USPTO at the Herbert C. Hoover Auditorium. 3Com Corporation received this landmark patent for its innovative HotSync Technology, which allows users of hand-held devices based on the Palm Computing platform to synchronize their information with a computer at a single touch of a button. The HotSync technology provides for fast, easy backup of data and the ability to put the most up-to-date information from a desktop computer or server into the user's pocket or purse.



Director Dickinson joined Secretary Daley at the Commerce Department to present 3Com Corporation with the historic six millionth patent in special ceremonies *(from left)* Director Dickinson, Jeffrey C. Hawkins, 3Com co-inventor; Alan Kessler, President of Palm Computing; Michael Albanese, 3Com co-inventor; and Secretary Daley.

Customer Satisfaction Continued to Improve

Since publishing our first customer service standards in fiscal year 1994, we have continued to validate them using annual customer satisfaction surveys.

The fiscal year 2000 customer satisfaction survey results were encouraging as reflected by the following:

- Overall customer satisfaction with the Patents area improved by 12 percent since 1998, increasing from 52 percent to 64 percent. A larger number of respondents commented positively about the proactive and individualized service they received. Seventy-eight percent of respondents were satisfied with using the telephone for examination issues. Customers also recognized examiners' helpfulness regarding appropriate changes.
- Overall, 65 percent of Trademark customers were satisfied. Satisfaction with document accuracy (with the exception of filing receipts) remained strong,

and several aspects of customer service and examination quality showed high satisfaction ratings.

We are continuing to review customer satisfaction standards, and have outlined targets for improvements for Patents and Trademarks through new and on-going initiatives under way to address these issues.

E-Government Initiatives Implemented

The USPTO has adopted e-government as a performance goal that is enabling us to deal with ever-increasing requests for service while extending information to all our customers, regardless of location. Electronic filing and information systems also help us serve our customers by improving the quality of data that the USPTO captures and shares.

We have made many advances toward conducting business electronically. In fiscal year 2000, Patent and Trademark customers could file applications electronically, access status information related to their applications, and search the text and images of U.S. patents and trademarks online. Customers can also pay for products and services, and order and receive patent and trademark products electronically via the Internet.

In fiscal year 2000, the USPTO created Electronic Business Centers for both Patents and Trademarks on the USPTO Web site to provide a single source for customer information, electronic filing, and patent and trademark application forms, and to improve the content and searching of patent and trademark databases.

The USPTO completed the pilot program for its Electronic Patent Application Filing System (EFS) in September 2000, and made EFS available to the public on October 27, 2000. Via the Patent Electronic Business Center, customers can access software that assembles all application components, calculates fees, validates application content, and compresses, encrypts and transmits the filing to the USPTO.

In December 1999, we expanded our patent database to include every U.S. patent issued since 1790—a total of more than 6.5 million patents. Now the database includes full-page images for the 4,204,863 patents issued from 1790 through 1975, which are searchable by patent number and current patent classification. Patents issued from 1976 to the most recent issue week are searchable by full-text fields that include current classification data.

Mickey Mouse accepts the NIHF medal on behalf of his creator, Walt Disney, at the annual Induction Ceremony for new members. Congratulating Mickey and Peter Nolan (right), the representative from Walt Disney Company, are USPTO's Nick Godici and Tom Smith, President of the NIHF Foundation.

Partnership With the National Inventors Hall of Fame Supported

In 1973, the USPTO and the National Council of Intellectual Property Law Associations co-founded the National Inventors Hall of Fame (NIHF) to recognize the contributions of our Nation's inventors. In fiscal year 2000, Congress earmarked $3.7 million in the USPTO budget for joint projects with the NIHF, including the annual induction ceremony, Camp Invention for children of all ages, exhibits for the USPTO museum, and a television series pilot about inventors and

Alternative Fee Structure Studied

The AIPA required the USPTO to "conduct a study of alternative fee structures that could be adopted to encourage maximum participation by the inventor community in the United States." The USPTO asked the public to comment on a number of possible alternatives and to suggest others. The resulting public input allowed the USPTO to provide a preliminary response to Congress. However, the USPTO plans to continue studying the issues and make recommendations at a later date after further analysis is conducted.

Space Consolidation Moved Forward

On June 1, 2000, the General Services Administration (GSA) awarded a lease to LCOR Alexandria, L.L.C. (LCOR) for the USPTO space consolidation. As a result of the lease signing, construction of the new campus should begin in calendar year 2001 with occupancy of a new headquarters in Alexandria, Virginia, scheduled to begin in late fiscal year 2003 and concluded in fiscal year 2004. The new campus will unite the USPTO's employees, who now occupy 2,424,856 square feet in 18 buildings throughout Crystal City, Virginia, into consolidated office space.

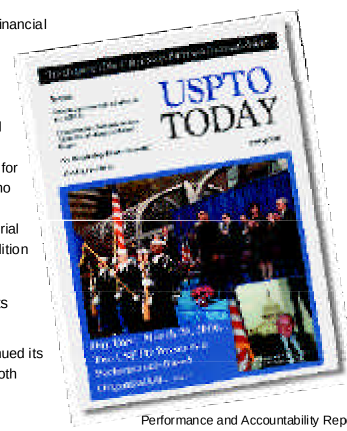
Unqualified Opinion Received on Fiscal Year 2000 Financial Statement Audit

The USPTO continued to make excellent financial management a priority in its daily operations. For the eighth consecutive year, the USPTO prepared financial statements in conformity with accounting principles generally accepted in the United States and the Office of Management and Budget form and content guidelines. Also, for the third year in a row, the auditors noted no matters involving internal control and its operation that were considered to be material weaknesses with only one reportable condition in fiscal year 1998.

Intellectual Property Leadership Efforts Continued to Expand

During fiscal year 2000, the USPTO continued its intellectual property leadership activities both abroad and at home. In the global arena, the United States was one of 43 member states of the World Intellectual Property Organization (WIPO) that signed the Patent Law Treaty (Treaty) at a WIPO Conference in Geneva in June 2000. It is covered in the Intellectual Property (IP) section and it will not enter into force until three years after ratification. Significant outcomes that will result from the Treaty are uniform filing requirements and formal procedures among the Treaty's member states to reduce the cost of securing patent protection in other Nations, and the major concession secured by the USPTO in the negotiations that reduces from 2010 to 2005 the year in which member states will be able to require electronic filing pursuant to the Treaty. The USPTO also continued to lead the effort to streamline international patent application processing under the Patent Cooperation Treaty (PCT) with a comprehensive proposal for PCT reform.

Finally, the USPTO continued to work with the Japanese and European Patent Offices to seek ways to benefit from advances in information technology and strengthen mutual understanding in search and examination. Many developing countries were also provided technical assistance by the USPTO to help them implement their obligations under the Trade Related Aspects of Intellectual Property Agreement (TRIPs).



Online Magazine Launched

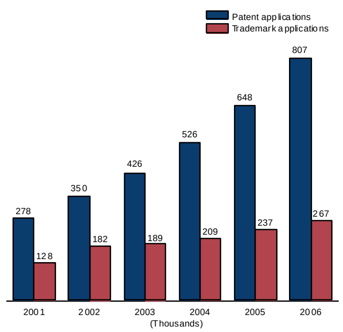
***USPTO Today*, an online magazine for the intellectual property community, made its debut in January 2000. Published monthly online and available in hardcopy quarterly, *USPTO Today* provides up-to-date news and in-depth coverage of issues of concern to our external customers. At the end of fiscal year 2000, the magazine had over 1,200 subscriptions for the printed version.**

Management Challenges

The USPTO is a growing organization at the forefront of the high-tech driven national economy and a leader in 21st century management principles. As a result, we face many challenges in fiscal year 2001, as follows:

- Diversion of the USPTO fee collections continues to be a major concern for us as demands for products and services, fueled by the high-tech economy, continue to escalate at double-digit levels. The USPTO relies solely on user fees for its operations and operates on cost-based accounting, so that the work performed relates directly to fees paid by customers.
- Our patent and trademark workloads are increasing at significant rates. In fiscal year 2001, we expect to receive 335,000 utility, plant, and reissue (UPR) patent applications (including 7,500 refilings), and 470,000 trademark application classes. This represents a12 percent increase in patent applications (excluding refilings) and a 25 percent increase in trademark applications over the filings received in fiscal year 2000.
- We cannot rely solely on hiring additional personnel to manage our increasing workloads. We must also make critical investments in information technology systems, and reengineered processes now if we are to manage future workloads. The diversion of fee collections away from the USPTO means that we had to forego these investments at the expense of processing current workloads. Continued diversion of fees will result in our continuing to make tradeoffs and concessions that focus on our current workloads at the expense of our future workload processing.
- Increased workload without the corresponding growths in technology and personnel has resulted in a growing inventory of unprocessed applications. This dynamic combined with diverting fees created an unfunded liability for unprocessed work because funds must be used to process applications without the benefit of corresponding incoming fee amounts. Ultimately, this may result in a liability that the taxpayers may be asked to assume. The chart to the right illustrates the projected patent and trademark unprocessed applications on hand at the beginning of each fiscal year from 2001 through 2006.
- The scope of intellectual property protection is continually evolving and the USPTO must be prepared to respond rapidly to changes resulting from court decisions, modern technologies, and new legislation. Past practice has shown that many of these changes have short implementation dates. As a result, the USPTO is saddled with the financial burden of funding these activities from mission work and within current funding levels without the benefit of full fee usage.
- The AIPA changed the patent system that affects our operations and expenditures. Because this work is new, we do not have sufficient historical information and experience to precisely assess the impact on our revenue stream and corresponding costs.
- The USPTO must make incremental investments in the next several fiscal years to prepare for our move to consolidated space beginning in late fiscal year 2003 and concluding in fiscal year 2004. Although the out-year savings are significant to the agency, the incremental costs are also significant and must be funded from mission work.

Inventory of Unprocessed Applications



Strategic Leadership, Planning, and Goals

Leadership

In fiscal year 2000, the USPTO became a PBO, as a result of the enactment of the AIPA. This legislation designated the USPTO as an agency of the United States within the Department of Commerce, receiving intellectual property policy direction from the Secretary of Commerce. At the same time, the new USPTO became responsible for decisions regarding the management and administration of its operations and gained independent control of major management functions.

Mary Lee, Administrator, Office of Quality Management

envisioned a three-pronged organizational structure for the USPTO: an intellectual property leadership component and two operational entities, Patents and Trademarks. Leadership and executive direction is provided by the Under Secretary and Director, who serves as the link with the Department of Commerce and the rest of the Administration on intellectual property policy issues. The Under Secretary and Director also serves as the Chief Executive Officer of the new USPTO. A Commissioner for Patents and a Commissioner for Trademarks serve as the chief operating officers for their respective organizations. The AIPA also created Public Advisory Committees—one for Patents and one for Trademarks —to advise the Director on agency policies, goals, performance, budget and user fees.

Planning and Goals

The Government Performance and Results Act of 1993 (GPRA) required agencies to develop and institutionalize processes to plan for and measure mission performance. The USPTO has developed a framework of strategic and performance goals and performance indicators that define service from our customers' perspective.

In fiscal year 2000, the USPTO updated its strategic plan and took a fresh look at its goals and initiatives. This new strategic plan for fiscal years 2001-2006 identifies two strategic goals and four performance goals that cut across our programs, encompass all of our activities, and address the universe of competing needs of the wide variety of the USPTO's stakeholders.

USPTO's Strategic and Performance Goals

Strategic Goal—Maintain and grow our domestic and international leadership roles in intellectual property rights policy.

Performance Goal:

- Strengthen intellectual property protection in the United States and abroad, making it more accessible, affordable, and enforceable

This goal relates to our Intellectual Property Leadership function, which provides executive direction to the USPTO and serves to champion intellectual property at home and abroad. By providing technical assistance to foreign country nationals, the United States can promote competitiveness in the global marketplace. This assistance also strengthens and safeguards our Nation's economic infrastructure by promoting and shaping intellectual property indirectly throughout the world. The USPTO provides seminars and technical training to officials in countries on reforming their intellectual property structures.

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

Performance Goals:

- Enhance the quality of products and services
- Transition to e-government
- Optimize processing time

This second strategic goal is the primary and overarching focus of the Commissioner for Patents, the Commissioner for Trademarks, and all supporting organizations within the USPTO. The two Commissioners have agreed to share common objectives which form the basis of their performance agreement with the Secretary and drive all operational planning, budgeting and management decisions. We must focus on managing incoming work while maintaining current operations, and at the same time, make investments in employees, processes, and technologies to help manage future workloads because trends indicate that our workload will continue to increase at higher-than-average rates.

Following are the specific business objectives of the three performance goals:

- *Enhance the quality of our products and services.* This goal has three aspects. First, investments in training and search tools are essential to increase the quality of our two major products—patents and trademarks. Second, the quality of our services and our daily interactions with our customers demands that we make investments in our outreach efforts to enhance customer satisfaction. Third, employee satisfaction requires that we make investments in innovative workplace initiatives, such as work-at-home programs, that will result ultimately in more satisfied customers.
- *Transition to e-government.* E-Government depends on Internet-based technology to improve Government services, reduce the growth of operational costs, enhance customer and citizen participation, and redefine Government processes. For the USPTO, this means building our services around customer choices, making e-services preferable. This move will make our services and information more accessible to all current and potential customers and make application processing more efficient.
- *Optimize processing time.* Managing workload and growth are among our long-standing priorities. They are even more important now because of the demand for intellectual property protection in our technology-driven economy. For patents, the AIPA legislation has provided a guarantee that ensures diligent applicants maximize their patents' term. Therefore, the USPTO must optimize processing time and avoid extending patent terms unnecessarily. In trademarks, a first Office action provides notice that permits the applicant to make business decisions regarding the use of the mark.

Together, our four performance goals provide a critical link to accomplishing our two long-term strategic goals and ultimately allow us to accomplish our mission as mandated. Performance indicators were identified for each of the performance goals that help us assess whether or not our programs are achieving their intended outcomes. All of our performance indicators and the progress made in fiscal year 2000 are included in the GPRA Annual Performance Goals and Results section of this report.

Intellectual Property Leadership

As the largest intellectual property office in the world, the USPTO is at the forefront of developing and strengthening intellectual property protection, both at home and abroad. The Under Secretary and Director is the organization's standard-bearer of intellectual property (IP) rights protection in the global arena, advocating more efficient and cost-effective means of protecting the IP rights of U.S. nationals throughout the world. Through the Office and Legislative and International Affairs, the USPTO promotes the development of multilateral systems for the protection of IP rights; participates in the IP aspects of trade consultations and the conclusion of bilateral investment treaties and trade agreements; works closely with the Office of the U.S. Trade Representative and with industry in the annual review of IP protection and enforcement under Section 301 of the Trade Act of 1974; conducts IP rights enforcement training for developing countries; helps establish international standards and procedures to encourage foreign filing by U.S. nationals; and supports and promotes a valuable national resource—America's independent inventors and entrepreneurs.

Robert L. Stoll, Administrator for External Affairs

The following highlights from fiscal year 2000 illustrate our ongoing leadership in this area:

Domestic Activities

Several pieces of intellectual property (IP)-related legislation were considered during the second session of the 106th Congress:

- ***Intellectual Property Technical Amendments***—On September 19, 2000, the House passed H.R. 4870, the "Intellectual Property Technical Amendments Act of 2000." This bill would make clerical, technical, and minor substantive changes to the U.S. Code to clarify provisions of the AIPA. (It also provided that the title of the head of the USPTO revert to the traditional title of Commissioner.) This legislation was not enacted in the 106th Congress.
- ***The USPTO Reauthorization and Fees***—On May 9, 2000, the House Judiciary Committee approved H.R. 4034, the "United States Patent and Trademark Office Reauthorization Act." H.R. 4034 would permit the USPTO to access all of its fees without prior authorization in appropriation Acts. This legislation was not enacted in the 106th Congress.
- ***USPTO Appropriations***—The USPTO's fiscal year 2001 appropriation funds the agency at $1,039 million, consistent with the President's budget request. Of that $1,039 million, $784 million is to be derived from fiscal year 2001 fee income and $255 million will be carried over from fiscal years 1999 and 2000. Any fees received in excess of the $784 million will not be available for obligation during fiscal year 2001. Recent congressional action also resulted in a 0.22 percent across-the-board rescission which will translate into an approximately $2.3 million funding cut to the USPTO.

The USPTO also participated in the following domestic activities:

- ***The National Intellectual Property Law Enforcement Coordination Council (NIPLECC)***—The USPTO Director serves as co-chair of the NIPLECC, which was established in 1999 pursuant to P.L. 106-58 to coordinate domestic and international IP law enforcement among Federal and foreign entities. In its first year, the Council and staff members met on organizations within the USPTO. The two Commissioners have agreed to share common objectives which form the basis of their performance agreement with the Secretary and drive all operational planning, budgeting and management decisions. We must focus on managing incoming work while maintaining current operations, and at the same time, make investments in employees, processes, and technologies to help manage future workloads because trends indicate that our workload will continue to increase at higher-than-average rates.

Following are the specific business objectives of the three performance goals:

- *Enhance the quality of our products and services.* This goal has three aspects. First, investments in training and search tools are essential to increase the quality of our two major products—patents and trademarks. Second, the quality of our services and our daily interactions with our customers demands that we make investments in our outreach efforts to enhance customer satisfaction. Third, employee satisfaction requires that we make investments in innovative workplace initiatives, such as work-at-home programs, that will result ultimately in more satisfied customers.
- *Transition to e-government.* E-Government depends on Internet-based technology to improve Government services, reduce the growth of operational costs, enhance customer and citizen participation, and redefine Government processes. For the USPTO, this means building our services around customer choices, making e-services preferable. This move will make our services and information more accessible to all current and potential customers and make application processing more efficient.
- *Optimize processing time.* Managing workload and growth are among our long-standing priorities. They are even more important now because of the demand for intellectual property protection in our technology-driven economy. For patents, the AIPA legislation has provided a guarantee that ensures diligent applicants maximize their patents' term. Therefore, the USPTO must optimize processing time and avoid extending patent terms unnecessarily. In trademarks, a first Office action provides notice that permits the applicant to make business decisions regarding the use of the mark.

Together, our four performance goals provide a critical link to accomplishing our two long-term strategic goals and ultimately allow us to accomplish our mission as mandated. Performance indicators were identified for each of the performance goals that help us assess whether or not our programs are achieving their intended outcomes. All of our performance indicators and the progress made in fiscal year 2000 are included in the GPRA Annual Performance Goals and Results section of this report.

Intellectual Property Leadership

As the largest intellectual property office in the world, the USPTO is at the forefront of developing and strengthening intellectual property protection, both at home and abroad. The Under Secretary and Director is the organization's standard-bearer of intellectual property (IP) rights protection in the global arena, advocating more efficient and cost-effective means of protecting the IP rights of U.S. nationals throughout the world. Through the Office and Legislative and International Affairs, the USPTO promotes the development of multilateral systems for the protection of IP rights; participates in the IP aspects of trade consultations and the conclusion of bilateral investment treaties and trade agreements; works closely with the Office of the U.S. Trade Representative and with industry in the annual review of IP protection and enforcement under Section 301 of the Trade Act of 1974; conducts IP rights enforcement training for developing countries; helps establish international standards and procedures to encourage foreign filing by U.S. nationals; and supports and promotes a valuable national resource—America's independent inventors and entrepreneurs.

Robert L. Stoll, Administrator for External Affairs

The following highlights from fiscal year 2000 illustrate our ongoing leadership in this area:

Domestic Activities

Several pieces of intellectual property (IP)-related legislation were considered during the second session of the 106th Congress:

- ***Intellectual Property Technical Amendments***—On September 19, 2000, the House passed H.R. 4870, the "Intellectual Property Technical Amendments Act of 2000." This bill would make clerical, technical, and minor substantive changes to the U.S. Code to clarify provisions of the AIPA. (It also provided that the title of the head of the USPTO revert to the traditional title of Commissioner.) This legislation was not enacted in the 106th Congress.
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- ***The National Intellectual Property Law Enforcement Coordination Council (NIPLECC)***—The USPTO Director serves as co-chair of the NIPLECC, which was established in 1999 pursuant to P.L. 106-58 to coordinate domestic and international IP law enforcement among Federal and foreign entities. In its first year, the Council and staff members met on several occasions to shape the council's agenda. A *Federal Register* notice was published on June 5, 2000, requesting public comment on the issues to be addressed by the council and the nature of council-industry cooperation. To give the public an additional opportunity to help shape NIPLECC's future activities, a public meeting was held on November 27, 2000. Among others, representatives of the Business Software Alliance, the Recording Industry Association of America, the Pharmaceutical Researchers and Manufacturers of America, and the International Trademark Association, made presentations to the Council.

- ***State Sovereign Immunity***—The USPTO, in cooperation with American Intellectual Property Law Association (AIPLA) and the Intellectual Property Section of the American Bar Association, held a conference on March 31, 2000, to discuss the impact on the enforcement of federally protected IP rights of the Supreme Court's 1999 Florida Prepaid decisions concerning state sovereign immunity under the 11th Amendment. Participants included leading constitutional and intellectual property scholars, private industry, the United States Copyright Office of the Library of Congress, House and Senate staff, and the Solicitors-General of New York and Kansas. The USPTO Director testified on the issue before the House Judiciary Subcommittee on Courts and Intellectual Property on July 27, 2000.

International Activities

To protect, promote, and expand intellectual property rights domestically and abroad, the USPTO engaged in the following international activities:

- ***Patent Law Treaty (PLT)***—On June 2, 2000, a World Intellectual Property Organization (WIPO) Diplomatic Conference in Geneva successfully concluded with the signing of the Patent Law Treaty (PLT) by 43 WIPO member states, including the United States. The PLT, which will enter into force approximately three years after ratification by 10 member states, provides uniform filing requirements and formal procedures among the Treaty's member states to reduce the high costs of securing patent protection in other nations. The USPTO secured a major concession in the negotiations by reducing from 2010 to 2005 the time at which member states will be able to require electronic patent filing pursuant to the Treaty.

- **Patent Cooperation Treaty (PCT)**—In fiscal year 2000, the USPTO continued to lead the effort to streamline the processing of international applications under the Patent Cooperation Treaty. The USPTO put forward a comprehensive proposal for PCT reform based upon formal and informal discussions with other major patent offices, WIPO officials, and PCT users in the United States. In conjunction with adoption of the PLT, it would allow applicants to prepare a relatively simplified patent application in a single format, which would be accepted by all patent offices throughout the world as a national patent application or an international PCT application. At a meeting of the WIPO Governing Bodies in September-October 2000, the PCT Assembly approved a measure to international PCT application. At a meeting of the WIPO Governing Bodies in September-October 2000, the PCT Assembly approved a measure to establish a special body to consider the U.S. proposal. That body will consist of member States, International Searching and Preliminary Examining Authorities, and non-governmental organizations representing PCT users.

In September 2000, the USPTO hosted the "Symposium of the Americas: Protecting Intellectual Property in the Digital Age." The Symposium provided an opportunity for 40 high-ranking Government IP officials from 30 countries in the Western Hemisphere, as well as members of the business and IP communities, to formulate an agenda for cooperation in IP enforcement. Over the course of the two-day symposium, approximately 300 people from Western Hemisphere nations and elsewhere participated in the program.

- ***Trilateral Patent Cooperation***—The USPTO continued its work with the Japanese Patent Office (JPO) and the European Patent Office (EPO) to seek ways to benefit from advances in information technology, develop and share search tools, and to strengthen mutual understanding in search and examination techniques. At the June 2000 Trilateral Technical meeting in Tokyo, Japan, a comparative study on Business Method applications was finalized and approved by the JPO and the USPTO. The USPTO also put forward a proposal for reform of the International Patent Classification system to move toward eventual classification harmonization.

- ***Trade Related Aspects of Intellectual Property Agreement (TRIPs) Council***—Since TRIPs came into force in 1995, the World Trade Organization (WTO), WIPO, the United States, and other developed countries have provided technical assistance to help developing country members implement their IP obligations. Accordingly, the USPTO reviewed numerous draft laws in fiscal year 2000 for their consistency with the TRIPs Agreement provisions.

- ***Intellectual Property (IP) Enforcement Training***—The USPTO and WIPO co-sponsored three IP enforcement programs in fiscal year 2000 for Government officials from over 20 countries. The programs provided high-level Government and law enforcement officials with an in-depth review of TRIPs' substantive and enforcement provisions, and an understanding of how to create an effective IP enforcement system to protect IP rights in the Digital Era. The USPTO partnered with WIPO to cosponsor regional seminars focusing on Internet enforcement for countries in West Africa and Asia, and hosted a similar program for countries in the Western Hemisphere.

- ***Madrid Protocol***—On February 10, 2000, the Senate Judiciary Committee approved S. 671, the "Madrid Protocol Implementation Act." The bill is a similar version of the one passed by the House in 1999 and would implement the protocol related to the Madrid Agreement on the International Registration of Marks, adopted June 1989 and effective April 1996. The Protocol would permit U.S. trademark owners to file for registration in any number of member countries by filing a single standardized application, in English, with a single set of fees at the USPTO. The accession package for the Treaty is pending before the U.S. Senate. This legislation was not enacted in the 106th Congress and will be reintroduced in the 107th Congress.

- ***Audiovisual Performers Rights***—The USPTO and other U.S. Government agencies continued to work with the U.S. motion picture industry and performers' unions to lay the groundwork for an agreement to improve international protection for audiovisual performers' rights. The United States put forward a comprehensive proposal for a new Treaty on Audiovisual Performers Rights that aims to meet the needs of both performers and film producers in the marketplace. In preparation for a WIPO Diplomatic Conference on this issue in December 2000, the USPTO continues to work with industry and the unions to garner stronger support for the U.S. proposal.

- ***The Hague Agreement on Design Applications***—The USPTO began preparing a legislative implementation and ratification package for a new "Act of the Hague Agreement Concerning the International Registration of Industrial Designs," which was signed in July 1999 by the United States and 22 other countries. The new Geneva Act attempted to establish an international system for obtaining protection for industrial designs that is compatible with the existing diverse range of national laws. The new Act revised the current agreement in order to make the system simpler, less expensive, and more responsive to the creators of industrial design.

- ***Hague Convention on Jurisdiction and Foreign Judgments***—The USPTO continued to work with the

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

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

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

Patents

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

Nicholas P. Godici, Commissioner for Patents

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

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

American Inventors Protection Act

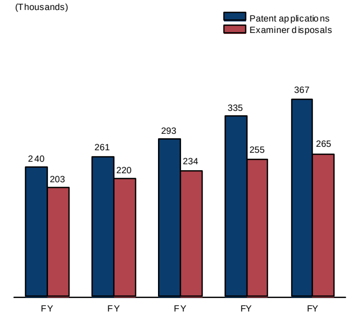
On November 29,1999, the AIPA was signed into law. It was the most significant change to the patent system since the 1952 Patent Act, and presented the USPTO with a number of challenges, as well as opportunities. The following are some of the key provisions of the Act that the USPTO began implementing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

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

Figure P-1

Patent Applications and Examiner Disposals: FY 1998-2002

(Thousands)



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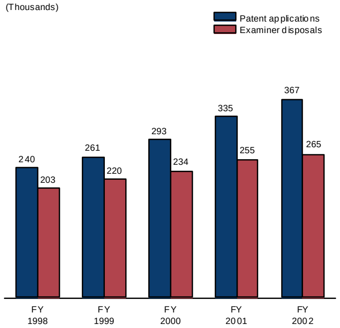


- Issue a first Office action on the merits of the claimed invention within 14 months from the filing date
- Respond to an applicant's reply to a rejection or appeal within four months of receipt by the Office
- Act on an application within four months of a decision of the Board of Patent Appeals and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

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

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

Patent Strategic Planning

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

- Reduce processing time to 12 months or less for all inventions
- Establish fully supported and integrated industry sectors
- Receive applications and publish patents electronically
- Exceed our customers' quality expectations through the competencies and empowerment of our employees
- Assess fees commensurate with resource utilization and customer efficiency

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

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

Goal: Enhance the Quality of Our Products

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

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

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

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

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

In addition, during fiscal year 2000, each TC hosted a technology fair that provided examiners the opportunity to attend a variety of technical training programs on specific topics related to their areas of examination. For example, 18 speakers gave enlightening presentations to examiners and technical support personnel in TC 1600 (Biotechnology and Organic Chemistry). In TC 1700 (Chemicals and Materials Engineering), speakers gave presentations to over 500 examiners on cutting-edge technology issues. TCs 3600 and 3700 (which examine primarily mechanical technologies) held a joint technology fair. These training programs have become annual events and benefit examiners while helping to establish a cooperative partnership between the USPTO and outside organizations.

Goal: Improve the Quality of Our Services

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

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

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

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

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

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

The Patent Business expanded customer service centers in the TCs and other areas to answer customer questions and resolve problems in a timely manner. We also gave customers direct access to their Patent Application Location and Monitoring (PALM) system information through the Patent Application and Information Retrieval (PAIR) system, so that they can check on the status of their patent applications at any time. Further, during fiscal year 2000, both TC 1700 and TC 2700 (Communications and Information Processing) initiated pilots to improve the processing and delivery of facsimile transmissions. The Patent Business believes these creative approaches have contributed to the overall increase in customer satisfaction. In addition, when the Electronic Filing System (EFS) is fully deployed in fiscal year 2001, timeliness and quality of filing receipts should improve significantly.

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

Goal: Optimize Processing Time

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

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

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

Figure P-2
Patent Customer Satisfaction:
FY 1998-2002

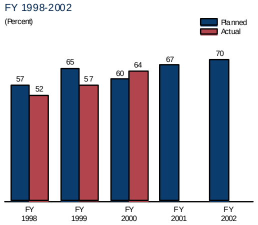
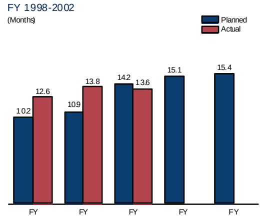


Figure P-
Patent Pendency to First Action:
FY 1998-2002



- Act on an application within 4 months of a decision of the Board of Patent Appeals and Interferences or the Federal courts
- Issue a patent within 4 months from the payment of the issue fee
- Issue a patent within 36 months from the filing date

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

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

The recruitment and retention of patent examiners continued to be a problem in fiscal year 2000, and the Patent Business has begun implementing initiatives to address this issue. However, despite a net decrease in examiner staffing (375 hired, 437 left: net loss of 62 examiners) and a 12.3 percent increase in UPR filings, the Patent Business increased the number of first Office actions by 10,779 (237,421, up from 226,642) and increased the number of balanced disposals by 12,784 (235,883, up from 223,099). Patents also kept the inventory of new cases over 14 months at 18.8 percent, only a small increase from 16.9 percent the previous year and well below the projection of 25 percent.

Goal: Enhance Our Employees' Well-Being

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

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

Partnership efforts to resolve issues between Patent unions and management increased dramatically during fiscal year 2000. The Patent Business established a Patent Auxiliary Council (PAC) on September 30, 1999, with the Patent Office Professional Association (POPA) representing patent examiners. The PAC held regular meetings to improve labor-management relations and facilitate partnerships. Some of the partnership agreements reached during fiscal year 2000 included: reengineering projects in two TCs, production goal changes for patent classifiers, furniture selection process for the space consolidation initiative, implementation of an arbitrator's decision on award eligibility, and implementation of a data system for patent classification. Partnership teams also began studying automation issues; retaining senior-level and retirement-began studying automation issues; retaining senior-level and retirement-eligible patent examiners, and moving them into training positions; establishing additional GS-15, Ph.D. positions; parking issues; and implementation of statutes associated with the AIPA.

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

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

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

Goal: Integrate Our Business into Electronic Government

Ron Hack, Acting Chief Information Officer

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

is focusing our e-government activities on reducing internal USPTO administrative costs and enhancing quality. The current paper-based, manual processes will not withstand the rigors of an electronic world, and we withstand the rigors of an electronic world, and we cannot process the growing workloads without the standardization and efficiencies that come with automation.

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

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

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

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

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

Patent Performance

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

The FY 2000 agreement was the first step towards the performance agreement required by law, and was based on resources allocated for fiscal year 2000. The Patent Business goals formed the foundation for the annual performance agreement required by law, and was based on resources allocated for fiscal year 2000. The Patent Business goals formed the foundation for the annual performance agreement between the Commissioner for Patents and the Secretary of Commerce, as required by the AIPA. The performance agreement outlined measurable organizational goals and objectives for the Patent Business based on the above goals and the performance measures included in the GPRA Annual Performance section of this report. Upon an evaluation by the Secretary of Commerce, and consistent with the AIPA, the Commissioner for Patents received a performance bonus of 25 percent of his annual rate of basic pay for his contribution toward the successful achievement of these goals and objectives.

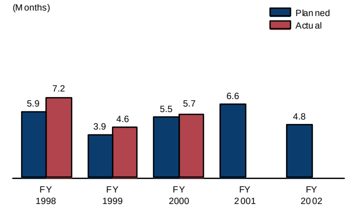
Trademarks

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

Figure T-1

Trademark Pendency to First Action: FY 1998- 2002

(Months)

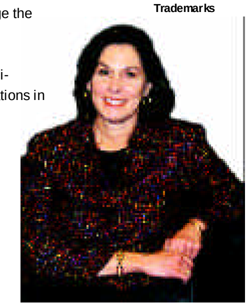


The magnitude of these increases helps to explain why trademark pendency to first Office action was 5.7 months, an increase of 1.1 months over fiscal year 1999. Although first Office action pendency was higher than the projected target of 4.5 months, overall pendency to registration decreased 1.6 months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

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

The Trademark Electronic Application System (e-TEAS) continued to generate an unprecedented level of electronic filings -- more than 64,700 filings including 74,900 classes for registration in its first two years of operation. In fiscal year 2000, electronic application filings more than doubled to 44,100 from 20,600 in fiscal year 1999.

Anne Chasser, Commissioner for Trademarks

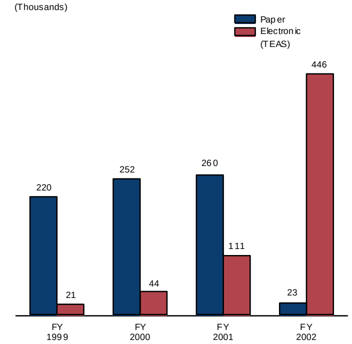


The acceptance of applications electronically is fundamental to the USPTO's ability to manage the significant increase in workload. In fiscal year 2000, e-TEAS was a semi-finalist in the 2000 Innovations in American Government Awards Program, sponsored by the Ford Foundation and the Kennedy School of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

Figure T-2

Paper vs. Electronic Trademark Application Filings: FY 1999-2002

(Thousands)



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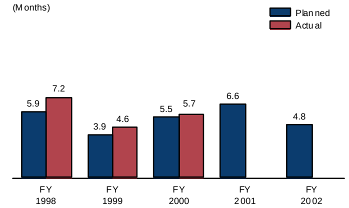

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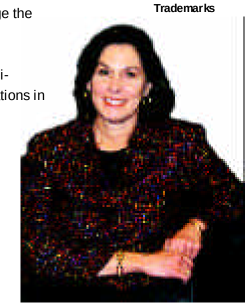

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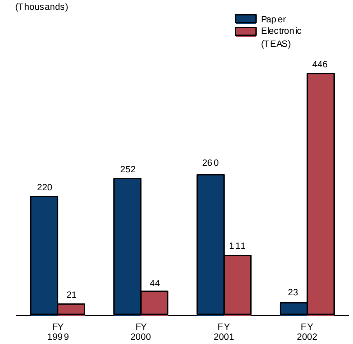


Jessie Marshall (right), an Administrator in Trademark Classification and Practice, works with Nita Truss on information destined for applicants.

testimony to the success of e-TEAS, and the USPTOs move to e-government.

Trademarks identified a number of strategies to direct the management of resources to achieve its goal of enhancing trademark protection through the registration of high quality and timely trademarks. As increases in application filings continue, we must change our business approach for serving our customers. Electronic filing and communications are providing the means to serve more customers with better quality results and fewer resources. The results of our customer surveys also made it clear that customers who file electronically are more satisfied than customers who file paper applications. All of our customers who file electronically said they were satisfied with the ease of access and use of the filing system and the time it took to receive a filing receipt with 94 percent satisfied with accuracy. Of the customers who filed paper applications, only 44 percent were satisfied with the accuracy of the filing receipt and 27 percent were satisfied with the time that it took to receive it.

Trademarks is adopting e-government to utilize information technology and the Internet as the single approach to serve its customers. By reducing or eliminating the number of processing activities in the production process, we have the greatest potential for performance improvement. Many of these separate processing activities are the result of a manual, paper-based process that is dependent on copying application papers, matching papers to files, and updating a database for all pending and registered files. As the number of pending files rises, the opportunity for processing delays, errors in capturing data, and missing papers and files increases. Trademarks' goal is to have all communications with our customers performed electronically by 2003. By achieving our e-government goal of providing and delivering information and services electronically, we will better manage our resources and facilitate quality and process improvements.

Trademarks has committed to achieving measurable organizational goals and objectives as follows:

Goal: Enhance the Quality of Our Products and Services

- Reduce the error rates in examined trademarks to less than 3 percent
- Provide clear written communications in all correspondence
- Improve the consistency of examination and reduce requirements
- Increase overall customer satisfaction rating by 3 percent each year
- Return phone calls within one business day
- Mail correct filing receipts in 14 days for paper-filed applications
- Mail correct filing receipts in one day for electronically filed applications
- Design and establish a customer complaint management system

In fiscal year 2000, we added the Trademark Electronic Business Center to the USPTO Web site. This addition created a convenient single source for locating trademark-related information by giving customers access to general information, as well as the same data that are used internally to process and examine applications. Data are available electronically in less time than it takes to provide access to the same information in paper. The Web site allows customers to:

- Search text and images of more than 2.9 million active, pending, and retired marks
- Search the locate status information for pending and registered marks
- Conduct a search of trademarks using the electronic search system
- Complete and file a trademark application electronically
- Complete and file intent-to-use and post registration forms electronically
- Download and complete a copy of a printed application form for mailing
- Check the status of pending applications

The addition of seven intent-to-use and post registration forms made it possible to file nearly all trademark applications electronically. Electronic filing substantially improves processing time by eliminating a number of processing steps, as well as improving the quality of the application and filing receipt data that are captured.

Goal: Minimize Processing Time

- Deliver examiner's first Office action within three months
- Determine registrability of trademarks within 13 months

Trademarks believes that reducing pendency while managing rising filings is crucial to our mission of meeting customers' needs and protecting business through the examination and registration of trademarks.

The vast majority of applications in fiscal year 2000 were filed on paper in a non-standard format. This type of application requires a number of separate processing steps to convert the application data into electronic format. Once these steps are completed, a filing receipt, which notifies applicants that initial requirements for a filing date have been met and assigns a serial number as a reference for future correspondence, can be generated and mailed.

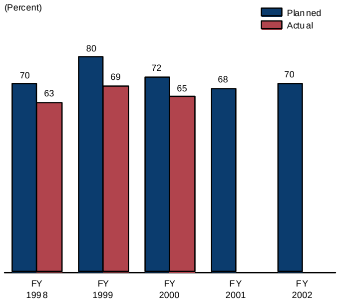
In the last half of fiscal year 2000, two changes were implemented that significantly reduced the time needed to process data from paper filed applications: contractors supplemented Government staff, and the process was streamlined. Contractors were hired on a term basis, and worked from electronic images and data that were produced by scanning paper using optical character recognition technology to review data for transfer to the Trademark Reporting and Monitoring (TRAM) system. The length of time from filing to mailing a filing receipt dropped from 107 days to nine days in a six-month period, a significant improvement considering that a backlog of some 60,000 files was eliminated. The mailing of filing receipts remained under the office goal of 14 days.

Fifteen percent of the applications filed for registration were filed electronically. The process for generating a filing receipt for applications that are filed electronically through e-TEAS is faster and more accurate. Applicants receive an electronic filing receipt that includes the full text of their application exactly as it was submitted upon filing or the same day. Data are received in an electronic format that permits expedited transfer to TRAM, improving access for everyone, reducing processing steps and improving the reliability and quality of the data that is transferred. Electronically filed applications are received and processed in an e-commerce law office that is designed to handle all processing and

Figure T-3

Trademark Customer Satisfaction:
FY 1998-2002

(Percent)



Note: Data for FY 2001-02 are projected.

that is designed to handle all processing and examination activities for applications filed through e-TEAS.

The anticipated increases in the number of applications received will create real challenges for meeting processing times. Increasing the number of applications filed electronically is central to our strategy for managing continued increases.

Goal: Enhance Employee Satisfaction

- Achieve employee satisfaction that ranks among the top Government agencies

As a service organization, Trademarks recognizes that our employees are our most valuable resource. In fiscal year 2000, we addressed this goal by extending training and development opportunities to our employees and expanding flexible work schedules and Work-at-Home programs. The results of the most recent employee survey confirm that our efforts have achieved significant increases in employee satisfaction. As compared to the 1998 employee satisfaction results, improvements were reported in 47 of 49 performance areas, of which 34 improved by 10 percent or more. Overall satisfaction was 59 percent, with 67 percent satisfied with their jobs in Trademarks, an increase of 18 percent for both measures.

Trademark managers also adopted a more centralized approach for developing and providing training to ensure that employees are properly trained for their current and future responsibilities. Trademarks is working to develop future leaders and managers by promoting participation in the Council for Excellence in Government Fellows Program. Six high-performing mid-level employees were selected to participate in this year-long program. This is the largest group ever sponsored by Trademarks for the program, which is designed to develop leaders who can learn from the success of others in the private and public sector. Trademark managers and union representatives also worked in partnership with the Council to address the strategies that are necessary to achieve our goals and create the changes that are needed for the future success of the organization.

Employees have greater choices for managing their time at work by selecting from three alternative work schedules in addition to the traditional five-day workweek. In fiscal year 2000, we expanded the Work-at-Home program to increased numbers of participating examiners and extended the same opportunity to other positions within the Trademark Business area.

Goal: Integrate Electronic Government into Business Practices

- Receive 95 percent of applications electronically by 2002
- Communicate electronically in all communications and correspondence with 50 percent of our customers

The USPTO adopted a business goal focused on moving from a paper-dependent system to an e-government operation that relies on using our investment in technology to increase access to the registration system and manage significant increases in filings. The Trademark Business intends to promote the e-government concept by creating a single approach for serving all its customers that relies on using information technology and the Internet.

Operational and process changes will be based on electronic filing and electronic communications.

In fiscal year 2000, Trademarks opened its first e-commerce law office for the examination and processing of electronically filed applications for trademark registration. The Trademark e-commerce law office is based on the initial success of e-TEAS and is consistent with the USPTO e-government strategy to do business electronically. The office combined the staff of two law offices that previously examined paper-filed applications that were initially received and processed by separate processing units, thus enhancing the delivery and opportunity for timely examination of applications.

The creation of this e-commerce law office demonstrated the opportunity for reducing the length of time it takes to register a mark. By filing and communicating electronically with the USPTO, it is possible for initial examination to occur in one-third less time, with response times decreasing dramatically as well. As the number of electronically filed applications increases, the USPTO will convert more law offices to e-commerce offices.

Trademark Performance

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

The fiscal year 2000 agreement was the first step towards the performance agreement required by law, and was based on resources allocated for fiscal year 2000. The Trademark Business goals formed the foundation for the annual performance agreement between the Commissioner for Trademarks and the Secretary of Commerce, as required by the AIPA. The performance agreement outlined measurable organizational goals and objectives for the Trademark Business based on the above goals and the performance measures included in the GPRA Annual Performance section of this report. Upon an evaluation by the Secretary of Commerce, and consistent with the AIPA, the Commissioner for Trademarks received a performance bonus of 20 percent of her annual rate of basic pay for her contribution toward the successful achievement of these goals and objectives.

Litigation

During FY 2000, there were a total of 65 ex parte appeals taken from decisions of the Board of Patent Appeals and Interferences (Board), the Trademark Trial and Appeal Board (TTAB), and 12 civil actions filed against the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (Director). There were 37 inter-partes appeals from USPTO Board decisions taken to the Court of Appeals for the Federal Circuit. Most of the opinions entered by the Federal Circuit and the district courts involving the USPTO were not precedential. This section highlights some of the significant precedential rulings of FY 2000.

Supreme Court - Product Design Not Inherently Distinctive

The United States participated as amicus curiae in *Wal-Mart Stores, Inc. v. Samara Bros*., 529 U.S. 205, 54 USPQ2d 1065 (2000). The Respondent, Samara Bros., a designer of children's clothing, filed suit in federal district court alleging that Wal-Mart's selling of a "knockoff" line of clothing constituted, inter alia, infringement of unregistered trade dress under § 43(a) of the Lanham Act. The jury found for Samara Bros. and the district court judge denied Wal-Mart's renewed motion for judgment as a matter of law. Wal-Mart argued that there was insufficient evidence to establish that Samara Bros.' clothing had acquired distinctiveness under § 43. The appeals court affirmed the district court and certiorari to the Supreme Court was granted. The Supreme Court held that a product design, like a color, could not be inherently distinctive, but that it could become distinctive if it developed secondary meaning. The Court reversed and remanded the case because in an action for infringement of an unregistered trade dress under the Lanham Act, Samara Bros. was required to show that its products' design had acquired secondary meaning.

Anticipation - Sufficiency of Board Opinion

In *In re Hyatt*, 211 F.3d 1367, 54 USPQ2d 1664 (Fed. Cir. 2000), the Federal Circuit affirmed the Board's decision rejecting four claims as anticipated by a prior art reference. The claimed invention related to curing the problem of defects in a display system. The Federal Circuit found the Board's decision, although not lengthy, sufficient for judicial review since it provided the Court with a basis for rejecting each of the four claims. The Court agreed with the Board that the prior art reference taught each claim limitation for all four claims. The Federal Circuit also noted that Hyatt was precluded from raising one argument because it was not raised in a timely manner before the Board.

Standard of Review

In *In re Gartside*, 203 F.3d 1305, 53 USPQ2d 1769 (Fed. Cir. 2000), the Federal Circuit held that the Board's factual findings relating to its determination that Gartside's claims were unpatentably obvious were supported by substantial evidence. This case is important in that it was the first case to unequivocally state that the Board's factual determinations will be upheld unless unsupported by substantial evidence.

Gartside's claims were directed to a cracking process that generated low molecular weight, purified hydrocarbons. Gartside copied claims of a patent to Forgac into his application in order to provoke an interference. During the interference, the Board determined that Gartside's claims were unpatentable as obvious over a previous patent issued to Gartside in view of other cracking prior art.

The Federal Circuit noted that the Supreme Court in *Dickinson v. Zurko*, 527 U.S. 150, 50 USPQ2d 1930 (1999), held that the Court must apply one of the standards set forth in the Administrative Procedure Act (APA) when reviewing the Board's decisions. After detailing the various standards available under the APA, the Federal Circuit decided that substantial evidence was the appropriate standard to apply. After reviewing the factual evidence before the Board, the Court determined that substantial evidence supported the Board's findings on obviousness. The Court held that all of the elements of Gartside's claims were indeed found in the prior art and that one of ordinary skill in the art would be motivated to

in the prior art and that one of ordinary skill in the art would be motivated to combine the references.

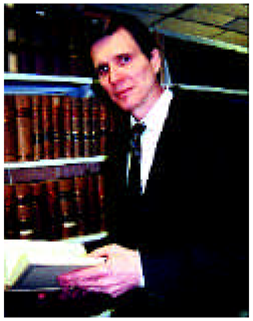
In addition, the Court found that the Board did not err in maintaining jurisdiction over the interference proceeding despite the withdrawal of the junior party. The Court relied on case law that requires the Board to decide all issues fairly raised and fully developed during the interference despite the fact that one party withdraws. Here, all of the facts concerning patentability had been adduced at the time the junior party withdrew and therefore the Board properly made the patentability determination of Gartside's claims. Furthermore, the Court found that by resolving both priority and patentability when these questions were fully presented settles not only the rights before the parties but also rights of concern to the public.

Trademark - Geographical Misdescriptive

In *In re Wada*, 194 F.3d 1297, 52 USPQ2d 1539 (Fed. Cir. 1999), the Federal Circuit affirmed the TTAB's refusal to register NEW YORK WAYS GALLERY for various kinds of leather bags, luggage, backpacks, etc., as primarily geographically deceptively misdescriptive. Wada argued that the primary significance of the mark is not geographic. Instead, Wada claimed that the mark evokes a gallery featuring New York "ways" or "styles." The Federal Circuit upheld the TTAB's findings that (a) the primary significance of the mark is geographical, (b) New York is well-known as a place where leather goods and handbags are designed and manufactured, and (c) Wada had failed to refute the goods/place association between New York and the identified goods. The Federal Circuit rejected Wada's argument that disclaiming the term NEW YORK should permit registration as a whole, noting that the public would still be likely to mistakenly believe that products bearing the mark are connected with New York. The Federal Circuit affirmed the TTAB's holding, based on the NAFTA amendments to the Lanham Act and the USPTO's policy stated in an Official Gazette notice, that geographically deceptively misdescriptive marks are no longer registrable under any circumstances, even with a disclaimer.

Trademark - Laudatory Mark Merely Descriptive

In *In re The Boston Beer Co*., 198 F.3d 1370, 53 USPQ2d 1056 (Fed. Cir. 1999), the Federal Circuit affirmed the TTAB's refusal to register the mark THE BEST BEER IN AMERICA on the principal register. In affirming the TTAB, the Federal Circuit held that registration on the principal register was properly refused on the grounds that (a) Boston Beer failed to show that the phrase has acquired secondary meaning, and (b) the phrase is so highly laudatory and descriptive of the qualities of its product that the slogan does not and could not function as a trademark to distinguish Boston Beer's goods and to serve as an indication of origin.



Albin Drost, General Counsel (Acting)

Performance Goals and Results

The USPTO has developed a framework of performance indicators that better defines service from the perspective of our customers. These performance indicators are related directly to the day-to-day management of the USPTO and are part of the Performance Agreements between the Secretary of Commerce and the Commissioner for Patents and the Commissioner for Trademarks. They are contained in our Corporate Plan where they are linked to our budget priorities and initiatives, and identified in the Balanced Scorecards we use to assist our operations in moving from ideas to action, achieving long-term goals, and obtaining feedback about strategy.

Fiscal Year 2000 Performance

In fiscal year 2000, the USPTO received more patent and trademark applications than planned, primarily because of the robust domestic economy. Despite increased workloads, the USPTO made significant progress toward meeting its fiscal year 2000 performance commitments. In Patents, despite a net decrease in staffing, number of first Office actions increased by almost 5 percent or 10,779 and the number of balanced disposals increased by almost 6 percent or 12,784. At the same time, Patents attained an average pendency time to issue/abandonment of 25.0 months.

Trademarks received 375,428 trademark classes for registration. Application filings increased 27 percent in each of the past two years. Increases of this magnitude help explain why trademark pendency to first Office action was 5.7 months, an increase of 1.1 months over the prior year. Although first Office action pendency was higher than the projected target, overall pendency to registration decreased by 1.6 months to 17.3 months. Reducing the time to issue registrations is a significant accomplishment given the level of new filings and inventory of pending applications. There were 106,383 trademark registrations issued including 127,794 classes—an increase of more than 21 percent over the number of registrations issued in fiscal year 1999.

We also expanded the patent and trademark data available to our customers via the Internet. Currently there are more than 49 million pages in the patent databases that comprise over 3.2 terabytes of science and technology information. In the trademark search database, there are more than 2.9 million marks, comprising over 14 gigabytes of information.

Evaluations

The USPTO used various types of evaluations to assess how well our programs and operations were working. Examples of these follow:

- ***Baldrige Assessment***—The USPTO conducted an annual self-assessment using the Baldrige criteria to project key requirements for delivering ever-improving value to customers while maximizing overall effectiveness and productivity of the delivering organization. The results of the review helped the USPTO identify key opportunities for improvement and prioritize the use of our scarce resources. As a result of the Baldrige Assessment, the USPTO:
  - Formalized a systematic strategic planning process and a performance management system that was used to establish linkages among organizational goals.
  - Initiated balanced scorecards in each organization to track performance from financial, customer, employee, and business results perspectives. Balanced scorecard results were monitored by the USPTO's Executive Committee whose members are held accountable for delivering results that are important to the success of the USPTO.
  - Enhanced the use of employee satisfaction survey results. Key drivers of employee satisfaction were identified, such as trust, respect, and communications. These drivers were addressed through specific initiatives, such as an Employee Communication Mailbox, elimination of sign in-out sheets, and expanded flexitime.
- ***Annual Customer Satisfaction Surveys***—The USPTO conducted internal and external customer surveys, customer service training for employees, and supported a wide variety of customer feedback activities. Customer input is needed to ensure that activities geared toward improving products and services are supportive of customer needs and expectations. This process is facilitated by obtaining customer feedback through focus groups, partnership meetings, technology fairs, workshops and publicity campaigns. The results of customer feedback were taken into consideration when planning future activities.
- ***Quality Reviews***—The USPTO conducted ongoing reviews on the quality of patent and trademark examination. The focus of the review for patent applications is threefold: identifying patentability errors, assessing adequacy of the field of search and proper classification, and assessing proper examination practice and procedures. For trademark applications, the review includes four areas: substantive statutory criteria for registrability, search for confusingly similar marks, proper examination practice and procedure, and proper application of judicial precedents. The information from these reviews helps the business units identify necessary training with the goal of enhancing overall product quality and improving the consistency of examination. The results of the reviews provide analysis in the form of reports to Patent and Trademark management. These reports serve as a tool for educating examiners and examining attorneys. In addition to reporting specific errors, the analysis provides information on recurring problems and trends.
- ***Management Control Reviews (MCRs)***—The USPTO conducted MCRs on the Patent Working Lab and the Trademark Work-at-Home program during the fiscal year. These reviews looked at ways to improve management controls within these programs. For example, the review of the Patent Working Lab enabled the patent business to learn several important lessons. Most importantly that the Technical Support Staff (TSS), as demonstrated by those employees in the Lab, can perform several tasks traditionally performed by examiners, thereby enabling patent examiners to focus more on the legal and technical aspects of the patent application.
- ***Computer Security Initiatives***—The USPTO undertook several actions to improve the integrity, availability, and confidentiality of automated information systems in accordance with the Computer Security Act of 1987. Installation and configuration of a dual-fold Intrusion Detection System that will monitor both external and internal intrusion attempts and redesigning our computer firewall to include multiple zones for various levels of security access are examples of two of these initiatives.

The Office of the Inspector General (OIG) also contributed to the USPTO's efforts to assure audit and evaluation coordination and coverage of USPTO goals. The OIG conducted the following types of audits and evaluations:

- ***Financial Statement Audit***—During the fiscal year 2000 financial statement audit, various tests and reviews of the primary accounting system and internal control were conducted as required by the Chief Financial Officers' Act. In their fiscal year 2000 internal control report, the auditors reported no matters involving internal control and its operation that were considered to be material deficiencies. The auditors issued an unqualified opinion on the USPTO's fiscal year 2000 financial statements.
- ***Program Evaluations***—Several reviews of this type were conducted by the OIG during the course of the fiscal year. For example, the OIG reviewed the USPTO's efforts to protect U.S. intellectual property rights overseas. Specifically, the review evaluated the USPTO's efforts regarding: international training and technical assistance, monitoring compliance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), and communication and coordination with other federal agencies involved in protecting intellectual rights. In general, the OIG found that the USPTO was highly respected for its expertise

expertise in international intellectual property protection issues applied through its training and analytical activities and its critical involvement in international agreement negotiation and the drafting of implementing legislation and regulation.

The following tables summarize the USPTO's performance goals, measures, and indicators for our Intellectual Property Leadership function, and our two business areas, Patents and Trademarks.

Intellectual Property Policy

The USPTO's intellectual property leadership function is instrumental in carrying out the USPTO's strategic goal of playing a leadership role in intellectual property rights policy. The USPTO endeavors to keep America competitive in the global marketplace by fostering and securing an unimpeded economic infrastructure by effective management and stewardship of intellectual property rights that contribute to sustainable economic opportunities.

Performance Goal: Strengthen intellectual property protection in the United States and abroad, making it more accessible, affordable, and enforceable.

	FY 1999 Actual	FY 2000 Target	FY 2000 Actual
Measure: Increase in technical assistance to developing countries moving to a market economy - Number of countries provided technical assistance.	93	96	126
Discussion: Target exceeded. The target for the number of developing countries receiving technical assistance was exceeded due to the increased level of requests for assistance received by the USPTO.			
Measure: Increase in technical assistance to developing countries moving to a market economy - Number of technical assistance activities completed.	99	102	106
Discussion: Target exceeded. The target for the number of technical activities completed was exceeded due to the increased level of requests for assistance received by the USPTO.			

Patent Business

The following performance measures were established to reflect the significant change to Patents as a result of the AIPA.

Performance Goal: Enhance the quality of products and services

	FY 1999 Actual	FY 2000 Target	FY 2000 Actual
Measure: Percent of allowed applications with a material or significant defect.	5.5	4.0	6.6
Discussion: Target not met. Based on the analysis of the data, we will be focusing on new employee training, improved search capability, and in-process review.			
Measure: Percent of allowed applications where a significant question relating to quality of the examination process was raised.	13.9	11	7.7
Discussion: Target exceeded.			
Measure: Percent customer satisfaction with setting forth positions clearly in written communications.	63	68	63
Discussion: Target not met. Based on analysis of the data, we will focus on providing additional training and in-process review.			
Measure: Percent customer satisfaction with results of the search of prior art.	64	69	61
Discussion: Target not met. Over 1800 new examiners were hired over the past three fiscal years. Additional resources will be devoted to train this large number of junior examiners. This will be accomplished by providing additional support to a small corps of senior examiners to mentor the junior workforce.			
Measure: Percent customers satisfied overall.	57	60	64
Discussion: Target exceeded (fiscal year 2000 target was revised from 70 percent to 60 percent based on Commissioner for Patents performance agreement with Secretary of Commerce). On the basis of the fiscal year 2000 Annual Customer Survey results, customer satisfaction with the patent process increased 8 percentage points compared to the previous year. We will continue focusing on quality improvement activities such as facilitating information sharing with employees, training, analysis of customer feedback, and improved examiner tools.			
Measure: Percent customers satisfied with returning phone calls in one day.	58	62	61
Discussion: Target not met. We will continue efforts to provide customer service training to all employees.			
Measure: Percent customer satisfaction with directing callers to the proper office or person.	63	69	69
Discussion: Target met.			
Measure: Average days to mail a filing receipt.	23	30	64
Discussion: Target not met. The increased workload, junior workforce, and in particular, the transition to an electronic system increased mail time. We anticipate a return to target in fiscal year 2001.			
Measure: Percent of filing receipts produced accurately.	73.3	80	80.5
Discussion: Target met.			
Measure: Percent employee satisfaction on survey question "How satisfied am I with my job."	*47	51	55
Discussion: Target exceeded. We made a concerted effort to improve employee satisfaction by implementing several quality of life issues. We identified and implemented issues which were important to our employees through employee satisfaction surveys and continuing dialogue with our employees.			
Measure: Rank in survey results of employee satisfaction in government.	N/A	N/A	N/A
Discussion: This is a new measure. The establishment of a target for this measure is dependent upon the analysis of the forthcoming OPM government-wide survey data.			

* Fiscal year 1998 survey.

Performance Goal: Transition to e-government

	FY 1999 Actual	FY 2000 Target	FY 2000 Actual
Measure: Percent annual business return on e-government initiatives.	N/A	N/A	N/A
Discussion: This measure will be tracked beginning in fiscal year 2001.			
Measure: Percent of patent applications filed electronically.	N/A	N/A	N/A
Discussion: This measure will be tracked beginning in fiscal year 2001.			
Measure: Percent of annual growth of external customers using the USPTO e-government systems.	N/A	N/A	N/A
Discussion: This measure will be tracked beginning in fiscal year 2001.			
Measure: Percent of employees relying on the USPTO e-government environment to perform their work.	N/A	N/A	N/A
Discussion: This measure will be tracked beginning in fiscal year 2001.			

Performance Goal: Optimize processing time

	FY 1999 Actual	FY 2000 Target	FY 2000 Actual
Measure: Average number of first Office actions and disposals (balanced disposals).	223,099	244,696	235,883
Discussion: Target not met. Budget constraints prevented hiring additional staff to meet this target. Review is currently under way to reengineer existing processes and improve efficiencies. Additional examiners will be hired if budget allocation improves.			
Measure: Number of patent disposals.	219,556	235,642	234,344
Discussion: Target not met. Budget constraints prevented hiring additional staff to meet this target, which is one of the two components of balanced disposals.			
Measure: Average pendency to first Office action (months).	13.8	14.2	13.6
Discussion: Target exceeded.			
Measure: Average pendency to issue/abandonment (months).	25.0	26.2	25.0
Discussion: Target exceeded.			
Measure: Percent applications receiving first Office actions within 14 months of filing while factoring in term reductions.	83.1	75	81.2
Discussion: Target exceeded. This is a new measure created to comply with the AIPA.			
Measure: Percent applications receiving actions after an applicant's amendment within four months.	97.4	99	98.3
Discussion: Target not met. This is a new measure created to comply with the AIPA. Cross-functional teams have been established to analyze data and implement corrective actions.			
Measure: Percent applications receiving actions after a Board decision within four months.	N/A	90	76.9
Discussion: Target not met. We are working on the process and relationship between the Patent Examining Corps and the Board of Patent Appeals and Interferences. This is a new measure created to comply with the AIPA.			
Measure: Percent applications granted within four months after issue fee payment.	N/A	85	89.1
Discussion: Target exceeded. This is a new measure created to comply with the AIPA.			
Measure: Percent patents granted that do not qualify for term extension for exceeding 36 months.	N/A	N/A	N/A
Discussion: This measure will be tracked beginning in fiscal year 2001.			

Fiscal Year 1999 Performance Measures

The Patent performance measures identified below are included in the USPTO's fiscal year 1999 Annual Performance Plan, but were replaced/dropped as performance measures for fiscal year 2000. Rationale for replacing/dropping the measure is identified in the Discussion section for each performance measure.

	FY 1999 Actual	FY 2000 Target	FY 2000 Actual
Measure: Number of inventions filed.	219,288	241,200	N/A
Discussion: This performance measure has been superseded by the AIPA. Existing resources were dedicated to tracking the new measures as required by AIPA rather than former measures. This measure will not be included in future reports.			
Measure: Number of UPR applications filed.	261,041	287,100	293,244
Discussion: Target not met. This is a workload measure that is tracked in the USPTO's annual corporate plan.			
Measure: Number of weighted applications disposed (per examiner FTE).	81.0	91.6	N/A
Discussion: This performance measure has been superseded by the AIPA. Existing resources were dedicated to tracking the new measures as required by AIPA rather than former measures. This measure will not be included in future reports.			
Measure: Workload cost indicator.	$2,494.20	$2,646.99	N/A
Discussion: This performance measure has been superseded by the AIPA. Existing resources were dedicated to tracking the new measures as required by AIPA rather than former measures. This measure will not be included in future reports.			
Measure: Number of patents (UPR) issued per year.	143,686	165,800	165,504
Discussion: Target not met. This is a workload measure that is tracked in the USPTO's annual corporate plan.			
Measure: Average cycle time of inventions processed (months).	12.9	10.2	N/A
Discussion: This performance measure has been superseded by the AIPA. Existing resources were dedicated to tracking the new measures as required by AIPA rather than former measures. This measure will not be included in future reports as a result of the transition to the AIPA legislative requirements.			
Measure: Percent of inventions achieving 12 months or less cycle time.	62	80	N/A
Discussion: This performance measure has been superseded by the AIPA. Existing resources were dedicated to tracking the new measures as required by AIPA rather than former measures. This measure will not be included in future reports.			
Measure: EOY pending applications awaiting examiner action.	220,700	277,500	256,520
Discussion: Target exceeded. This is a workload measure that is tracked in the USPTO's annual corporate plan.			

Trademark Business

The following performance measures were established to reflect the significant change to Trademarks as a result of the AIPA.

Performance Goal: Enhance the quality of products and services

	FY 1999 Actual	FY 2000 Target	FY 2000 Actual
Measure: Percent error rate for errors that could affect the registrability of a mark.	3.8	3.6	3.4
Discussion: Target met.			
Measure: Percent of customers reporting satisfaction with clear written communication.	77	80	77
Discussion: Target not met. Efforts are under way to simplify the content and provide clearer explanations regarding the response that is required from applicants to first Office actions.			
Measure: Percent of customers reporting satisfaction with correct information in the OG.	74	83	76
Discussion: Target not met. The process for proofing, editing, and printing the TM Official Gazette will change in fiscal year 2001 with the implementation of full electronic in-house publication that will provide better control over the quality of information that is published.			
Measure: Percent of customers satisfied overall.	69	72	65
Discussion: Target not met. Customer satisfaction efforts are focused on internal processing issues relating to timeliness and the handling of delays and mistakes, two problem areas that although improved in the last quarter, still require further attention and improvement.			
Measure: Percent of customers satisfied with the Office returning phone calls in one day.	59	62	53
Discussion: Target not met. Additional attention has been focused on directing all employees, especially examiners, to return phone and e-mail messages in one day.			
Measure: Percent of customers satisfied with the delivery of filing receipts. Correct filing receipts mailed in one day (electronic filings).	N/A	100	100
Discussion: Target met. The question was not asked in the 1999 customer survey.			
Measure: Percent of customers satisfied with the delivery of filing receipts. Correct filing receipts mailed in 14 days (paper filings).	33	35	27
Discussion: Target not met. Major improvements were made in the number of days to mail a filing receipt for a paper application in the last quarter of 2000. Backlogs of unprocessed work were eliminated, reducing time to mail a filing receipt from 107 to nine days.			
Measure: Rank in survey results of employee satisfaction as measured against other government agencies.	N/A	N/A	N/A
Discussion: This is a new measure. The establishment of a target for this measure is dependent upon the analysis of the forthcoming OPM government-wide survey data.			

Performance Goal: Integrate electronic government into business practices

	FY 1999 Actual	FY 2000 Target	FY 2000 Actual
Measure: Percent of trademark applications filed electronically.	8.3	30	14.9
Discussion: Target exceeded. Extensive efforts were made to promote the benefits of electronic filing, assist law firms in adopting the practice, and modify the design of the forms to meet customer demands.			
Measure: Percent customers communicating electronically in all aspects of correspondence.	N/A	N/A	N/A
Discussion: This is a new measure. Efforts are underway to develop measurements and goals.			

Performance Goal: Minimize processing time

	FY 1999 Actual	FY 2000 Target	FY 2000 Actual
Measure: Average time to examiner's first Office action (months).	4.6	4.5	5.7
Discussion: Target not met. In fiscal year 2000, the USPTO received 375,428 trademark classes for registration. Application filings increased 27 percent. Increases of this magnitude help explain why trademark pendency to first Office action was 5.7 months, an increase of 1.1 month over the prior year. Meeting the target remains a challenge. To the extent resources are available, hiring to meet increased workloads and investments in new ways of doing business and technology will be emphasized.			
Measure: Average time to disposal or registration (months).	18.9	18	17.3
Discussion: Target met. Overall pendency to registration decreased by 1.6 months to 17.3 months. Reducing the time to issue registrations is a significant accomplishment given the level of new filings and inventory of pending applications. The USPTO issued 106,383 trademark registrations including 127,794 classes, an increase of more than 21 percent over the number of registrations issued in 1999.			

Fiscal Year 1999 Performance Measures

The Trademark performance measures identified below were included in the USPTO's fiscal year 1999 Annual Performance Plan but were replaced/dropped as performance measures for fiscal year 2000. Rationale for replacing/dropping the measure is identified in the Discussion section for each performance measure.

	FY 1999 Actual	FY 2000 Target	FY 2000 Actual
Measure: Trademark applications filed - classes.	295,165	324,700	375,428
Discussion: Target exceeded. This is a workload measure that is tracked in the USPTO's annual corporate plan. This measure will no longer be reported.			
Measure: Trademark disposals per FTE (including Trademark contractors).	206	194	N/A
Discussion: This measure will no longer be reported. Existing resources were dedicated to tracking the new measures rather than former measures.			
Measure: Workload cost indicator.	$557.87	$495.95	N/A
Discussion: This measure will no longer be reported. Existing resources were dedicated to tracking the new measures rather than former measures.			

Financial Discussion and Analysis

American Inventors Protection Act (AIPA)

Any law that fundamentally restructures the USPTO and alters the nature of the agency's operations as the AIPA, will have far-reaching impacts in the financial management arena. The AIPA established Patents and Trademarks as separate operating units that demanded new financial reporting, budgetary tracking, and financial management tools to facilitate meeting missions and performance goals.

Becoming the largest and only second PBO in the Federal Government, the USPTO had many challenges and little precedent to follow in financial and budgetary arenas. We were challenged to operate as a business in a Federal system that is based on Federal budget appropriation laws, proscriptive regulations, and administration. As we rise to the challenge, our organization will be scrutinized for success or failure as a new kind of Federal Government agency.

Operating Our Business as a Performance-Based Organization

Our new PBO status gave us greater independence and managerial flexibility than ever before. With relief from some Federal procurement and management regulations, and the creation of two Public Advisory Committees to advise the USPTO Director on budgets, fees, policies, and performance, we began operating in a more businesslike manner. The Advisory Committees are drawn from a cross-section of our private sector customers, and will function very much like the board of directors of a large corporation, advising our Director on all aspects of USPTO operations. Although we have always been a results-driven organization, as a PBO, we are more committed to fiscal accountability by having clear objectives and specific measurable performance goals. We will also be judged ultimately by our results — the bonuses of both Patent and Trademark Commissioners are tied directly to meeting specific performance goals that have been established for their respective units.

Operating as a business, we understand that pendency time plays a large part in customer satisfaction, as well as in our financial stability because they affect how we match our costs to revenue and the amount of liability we carry as unearned revenue. We believe that our PBO status provides us with opportunities to help control pendency, enabling us to be more responsive to our customers and more financially sound. For example, various factors that affect pendency, such as personnel and information technology, can be managed better. Where we were once constrained by a hiring cap, the number of employees under the PBO structure is constrained only by our annual operating budget. Similarly, we are no longer subject to certain time-consuming Federal acquisition rules when buying products and services, such as information technology.

Other productivity factors that affect pendency, such as employee satisfaction and retention, will be positively influenced by our space consolidation project. The five new buildings linked in a campus-like setting will give the USPTO a unified and "corporate" presence which, in turn, facilitates program delivery and increases our ability to attract and retain high quality staff. Our financial management staff established policies and procedures to manage, account for, and specifically track moving and construction costs related to the space consolidation.

Increased application volumes also present future challenges in managing our operations. For fiscal year 2001, we anticipate a workload of approximately 335,000 patent applications and 470,000 trademark application classes. If these forecasts are realized, it means that patent applications will have increased by

more than 75 percent in the last five years — mirroring the growth in industrial research and development spending during the same period — and that trademark applications will have more than doubled in the last four years.

To control and manage the increasing volume and complexity of our workloads and meet our pendency reduction goals, we must conduct more of our business activities through electronic means. One of our key priorities this past fiscal year was to continue providing our customers with more efficient, user-friendly service by making a number of significant improvements in our automation and information technologies.

Ultimately, our success or failure as a PBO hinges on whether we have the resources to do the job our customers have paid and entrusted us to do. As previously mentioned, our PBO status did not give us direct control over our budgetary resources and fee collections—AIPA did not resolve our fee retention issue. An additional challenge in managing our growing business is the possibility that Congress will not allow the USPTO to access $367.7 million of our patent and trademark fee collections in fiscal year 2001, or 31.9 percent of our estimated fee collections. Budget restriction of this magnitude hinders our ability to reduce pendency and continue our automation and information technology efforts, which greatly impact current and future operations.

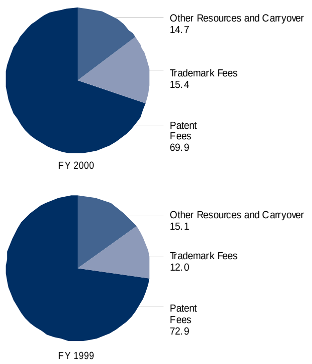
Budgetary Resources

Available budgetary resources totaled $907.7 million for fiscal year 2000, a 12.6 percent increase over the fiscal year 1999 total available budgetary resources of $805.8 million. The USPTO is a financially self-sufficient Federal Government agency that funds the cost of its operations from user fees rather than appropriations from taxes paid into the general fund of the U.S. Department of the Treasury. Our major fees are set by statute and activity-based cost accounting techniques are used to determine fee amounts necessary to recover the costs of business operations. As a Government agency, our goal is to realize budgetary resources provided through the collection of user fees that are equal to budgetary spending incurred to fill customer orders, as opposed to generating net income.

The USPTO's budgetary resources came from several sources. Patent fees represent approximately seven-tenths of total budgetary resources and any fluctuation experienced in patent fees or in the patent industry has a direct and significant impact on our budgetary resources. Trademark fees represent more than another tenth of budgetary resources with the balance from other sources, such as recoveries of prior year spending and miscellaneous collections under reimbursable agreements. Available fee collections totaled $773.6 million and $744.0 million; other resources totaled $15.1 million and $11.2 million; and amounts carried forward from prior years totaled $119.0 million and $50.6 million, for fiscal years 2000 and 1999, respectively.

Figure 1 depicts the sources of available budgetary resources prior to rescissions being deducted.

Figure 1.
Available Budgetary Resources: FY 2000 and 1999
(Percent)



Temporarily unavailable fee collections occur when the Congress does not allow the USPTO access to use all fees collected during the fiscal year, making the management of funds and pendency difficult. Sometimes our appropriation is very definitive, limiting our ability to operate as good business practices may dictate. In fiscal year 2000, limitations on our fees were as follows:

- Originally we were appropriated $755.0 million in current year fee collections;
- The next $229.0 million in fee collections were restricted until fiscal year 2001;
- Any fee collections beyond $984.0 million (the $755.0 million plus the $229.0 million) had to be reapportioned before we could use them. A reapportionment request for an additional $17.0 million was submitted and approved for fiscal year 2000;
- By fiscal year-end, we had collected another $4.6 million above the $17.0 million reapportioned to us. This amount was included in the $773.6 million in fees available as of September 30, 2000, but was later designated as temporarily unavailable until fiscal year 2002 or after.

Figure 2.
Patent Resource Requirements:
FY 1997-2000
(Millions of Dollars)

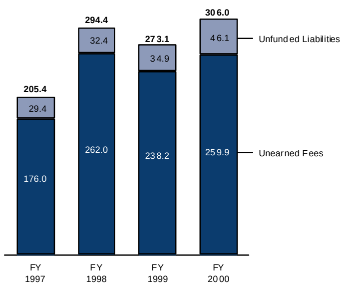
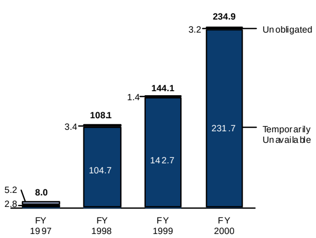


Figure 3.
Patent Resource Availability:
FY 1997-2000
(Millions of Dollars)



For fiscal year 1999, $142.7 million in fee collections were restricted until fiscal years 2000 and 2001.

Rescissions also reduced a sizeable portion of our fee resources. These amounts are withheld in the annual congressional appropriations process and diverted to other government programs. As a fee-funded agency, we do not pass these budget reductions on to customers as they are not related to the operation of the patent and trademark business. For example, the Congress rescinded $3.0 million and $72.0 million of USPTO fee funding in fiscal years 2000 and 1999, respectively. This was equivalent to taking away, over a two-year time period, the budgetary resources provided by approximately 133,000 patent filings or 231,000 trademark applications. Though the Congress removed these amounts from our funding permanently, we still were required to incur cost to process applications and conduct business as usual, using funds received from other applications.

Even if all other factors involving pendency were resolved, we could still not process all outstanding orders. Figures 2 and 4 show unfunded liabilities related to earned fee collections, as well as a liability for work to be performed on unearned fee collections. In an agency that sets its fees by the related service cost, unearned fee collections approximate the spending necessary to earn the collections.

Figure 4.
Trademark Resource Requirements:
FY 1997-2000
(Millions of Dollars)

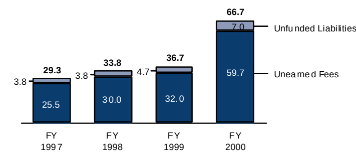
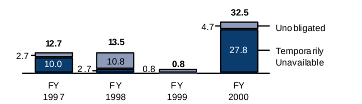


Figure 5.
Trademark Resource Availability:
FY 1997-2000
(Millions of Dollars)



We still could not have earned all fee collections and funded all outstanding liabilities in any given fiscal year, even if we had access to our temporarily unavailable resources. Figures 3 and 5 show available and unavailable resources that were not used as of the end of fiscal years 1997 through 2000.

Liquidity and Capital Resources

Figures 6 and 7 depict the USPTO's financial condition for the past four fiscal years. There has been a gradual increase in both assets and liabilities, indicating steady growth.

Figure 6.
Composition of USPTO Assets:
FY 1997-2000
(Millions of Dollars)

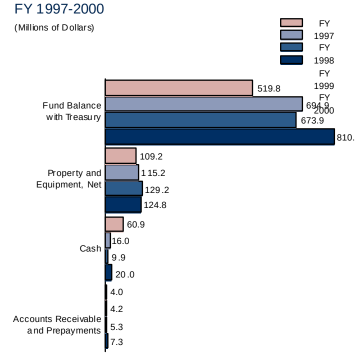
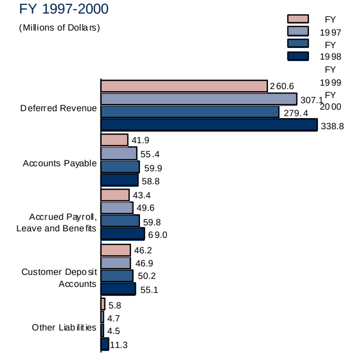


Figure 7.
Composition of USPTO Liabilities:
FY 1997-2000
(Millions of Dollars)



Current ratio measures the adequacy of our resources in terms of current assets per dollar of current liabilities. A current ratio greater than 1.0 normally indicates current assets are sufficient to cover current liabilities. At the USPTO, two important factors must be taken into consideration. First, the ratio does not reflect undelivered orders, which are obligations with no corresponding liability, causing the denominator to be understated. Second, the enactment of the Omnibus Budget and Reconciliation Act (OBRA) of 1990, as amended in 1993, established a surcharge on patent fees from fiscal year 1992 through fiscal year 1998. Although these fees were earned and collected, the Congress controlled their use and the amounts remain restricted until appropriated. The restricted surcharge cash of $233.5 million included in our current assets causes our numerator to be overstated. To demonstrate the effect of undelivered orders and the OBRA surcharge on our liquidity, the current ratio is also presented net of these amounts. This modified ratio shows that our current ratio is greater than 1.0 when only the surcharge is considered, but falls significantly below 1.0 when undelivered orders are factored in for each of the four years presented. This indicates that we did not have enough current assets to cover our current liabilities.

Financial Ratios	FY2000	FY1999	FY1998	FY1997
Current Ratio	1.66	1.60	1.62	1.55
Current Ratio, *Net of Surcharge*	1.17	1.01	1.05	1.14
Current Ratio, *Net of Surcharge and Undelivered Orders*	.85	.72	.68	.65

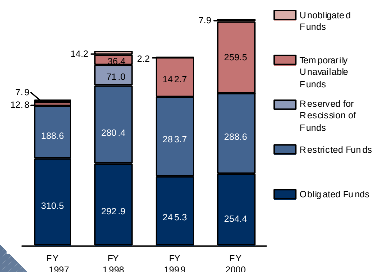
Financial Ratios	FY2000	FY1999	FY1998	FY1997
Total Assets Turnover	1.02	1.14	.99	1.09
Total Assets Turnover, *Net of Surcharge*	1.34	1.59	1.22	1.27

Total assets turnover measures operating efficiency in terms of total revenue per dollar of total assets. Higher turnover ratios reflect greater ability in using total assets to generate revenue. Over the past four years, our total assets turnover remained fairly flat, due mainly to the inclusion of surcharge amounts in the calculations. To demonstrate the OBRA surcharge's effect on financial performance, this financial ratio is also presented net of the OBRA surcharge.

Figure 8.

Fund Balance with Treasury: FY 1997-2000

(Millions of Dollars)



Cash and Fund Balance with Treasury was $830.4 million at September 30, 2000, a 21.4 percent increase from the fiscal year 1999 balance of $683.8 million (Figure 8). A detailed analysis of our cash flow activities can be found later in this discussion.

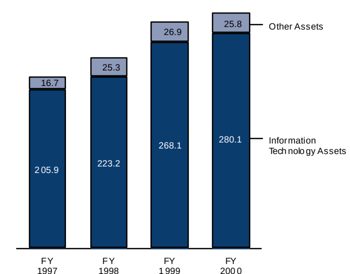
Our cash accounts and Fund Balance with Treasury do not represent funds available for spending. Of the total $830.4 million at September 30, 2000, $254.4 million is set aside for the payment of existing obligations, $233.5 million continues to be restricted as required by the OBRA, $20.0 million represents cash or checks in transit, and $55.1 million represents funds held on deposit in trust for customers. After considering these amounts, only $267.4 million remains to meet patent and trademark needs. This amount includes $259.5 million that is restricted for use until subsequent fiscal years, $0.2 million in unobligated funds that were not apportioned for use at the end of the fiscal year, and only $7.7 million, or 0.9 percent, available to meet fiscal year 2000 needs.

Property and equipment (P&E), net was $124.8 million at September 30, 2000, representing the original acquisition value of $305.9 million less accumulated depreciation of $181.1 million. Although the net book value decreased $4.4 million, or 3.4 percent, from the fiscal year 1999 net balance of $129.2 million, total acquisition value of P&E increased $10.9 million, or 3.7 percent, over the 1999 balance of $295.0 million (Figure 9). This increase reflects our sustained commitment to automation and information technology to improve business quality and efficiency and integrate E-Government practices into our business practices. During fiscal year 2000, we incurred only minimal costs related to the Y2K issue because no information technology problems occurred related to the event.

Figure 9.

Property and Equipment Acquisition Values: FY 1997-2000

(Millions of Dollars)



To continue as a Federal sector leader in today's fast-paced, high-tech economy, and manage pendency and the increases in volume and complexity of our workloads, it became necessary to conduct more of our business activities through electronic means. Over the last decade, we have invested almost $500 million to automate our patent and trademark business processes and have made significant strides towards providing an efficient, cost-effective, and paperless service to our customers.

In Patents, we continued to implement state-of-the-art information technology. This is evident in our information technology spending trends. In fiscal year 2000, we piloted the EFS for biotechnology patents. We also deployed PAIR, allowing applicants and their designated agents or attorneys to obtain up-to-the-minute information securely on their pending applications. Finally, we expanded our Patent and Full-Text and Image Database to more than 6.5 million U.S. patents dating back to 1790.

In Trademarks, we extended access to our customers by making additional systems available over the Internet. Customers accessed our trademark database to search for conflicting marks by using the Trademark Electronic Search System (TESS). Access to application and registration status, mark, ownership, and prosecution history information is available using the Trademark Application and Registration Retrieval (TARR) system. Also, the Trademark E-Commerce law office was launched in August 2000. The E-Commerce law office receives, processes, and examines electronically filed trademark applications for registration.

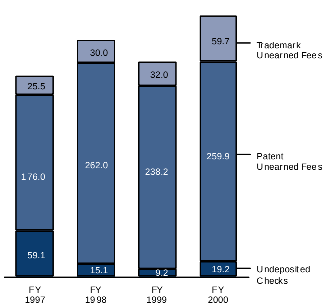
In addition to automating our patent and trademark production systems, we continued to make improvements in our financial management and resource management systems — to provide better customer service and to achieve our E-Government goals, reduce costs, attain greater processing efficiency, and improve customer service and to achieve our E-Government goals, reduce costs, attain greater processing efficiency, and improve accountability and data integrity. For instance, we upgraded our Revenue Accounting and Management (RAM) system to expand the financial transactions over the Internet and to provide our customers with added convenience and enhanced financial services. We began accepting credit card payments for all fees and services, such as the basic filing fee for a utility patent application, patent maintenance fees, trademark application for registration, and trademark application for renewal, to name a few. As more and more of our products and services became available over the Internet, the use of credit cards made it easier and more convenient for our customers to make required fee payments. This should be particularly helpful to our small business and small inventor customers.

Customers were also afforded the convenience of maintaining their deposit account over the Internet. They can replenish a deposit account using a credit card; view deposit account information including holder name, address, and current balance; request a deposit account statement; and add, change, or delete deposit account authorized users.

The RAM system upgrade was part of our long-term E-Government strategy to modernize financial management practices and procedures, provide increased options for paying required fees, and provide improved service to our customers. A next step in our strategy is to expand the E-Government payment methods to include transactions using an automated clearinghouse debit. This will give customers the ability to provide banking information and allow the USPTO to debit their account for approved charges.

Deferred revenue was $338.8 million at September 30, 2000, an increase of $59.4 million, or 21.3 percent over the fiscal year 1999 balance of $279.4 million (Figure 10). The USPTO defers the recognition of income for fees collected for services that have not been provided yet. Our deferred revenue liability includes undeposited checks as of the end of the fiscal year, unearned patent fees, and unearned trademark fees.

Figure 10.
Deferred Revenue: FY 1997-2000
(Millions of Dollars)



trend in undeposited checks reveals a return on investing additional resources in decreasing fee processing backlogs, the ability to maintain low undeposited checks balance is highly dependent on fee adjustments each fiscal year. The undeposited checks component of deferred revenue increased 108.7 percent from $9.2 million at the end of fiscal year 1999 to $19.2 million at the end of fiscal year 2000. This increase was attributable to the fee increase on October 1, 2000. When fees increase, customers traditionally file applications and pay maintenance fees in September to obtain "mail dates" prior to the fee increase set for October 1. This increased the workload volume and dollar value of transactions as of September 30. When the workload for September increases and processing times remain constant, undeposited checks will also increase. A historical trend analysis reveals that when a fee increase is anticipated, the September workload increases to more

Figure 11.
Patent Unearned Fees:
FY 1997-2000
(Millions of Dollars)

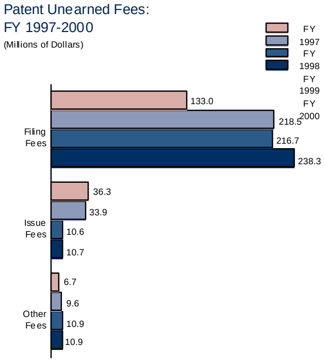
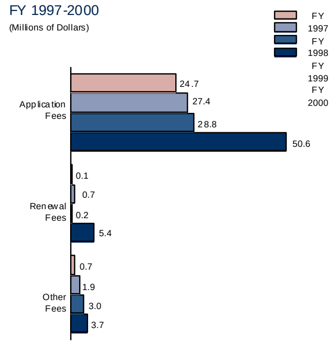


Figure 12.
Trademark Unearned Fees:
FY 1997-2000
(Millions of Dollars)



anticipated, the September workload increases to more than one-half over the monthly average fee processing workload. Patent fees decreased at the beginning of fiscal years 1999 and 2000, eliminating an increased September fee processing workload and allowing for less undeposited checks.

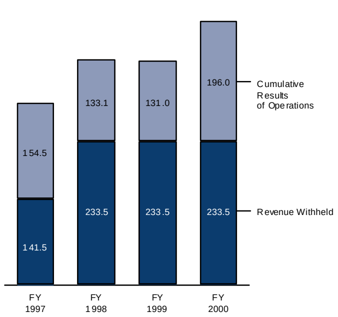
Unearned patent fees at the end of fiscal year 2000 increased $21.7 million, or 9.1 percent, over the prior year, due primarily to increased collections of filing fees and PCT – International Stage fees, as well as slight increases in cycle times (Figure 11).

Unearned trademark fees increased $27.7 million, or 86.6 percent, over the prior year, due primarily to sharp increases in the year-end backlog of pending trademark applications and trademark renewals. As of September 30, 2000, revenue was deferred for 157,753 pending applications as compared to the fiscal year 1999 backlog of 119,751 pending applications — a 31.7 percent increase in the backlog of pending applications. Concurrent with the higher backlog, the increased deferred revenue attributed to trademark applications was due to the increase in the application fee amount, from $245 to $325. Similarly, at fiscal year end, revenue was deferred for 13,354 pending trademark renewals as compared to the prior fiscal year end backlog of 730 pending renewals — a dramatic 1,729.3 percent increase in the backlog of renewals. The increased deferred revenue attributed to trademark renewals was also due to the increase in the renewal fee amount, from $300 to $400 and a change in the law that increases requirements for filing and therefore increases the workload (Figure 12).

Return on net position measures management performance and operating effectiveness in terms of results of operations per dollar of net

Financial Ratios (percent)	FY2000	FY1999	FY1998	FY1997
Return on Net Position	15	19	19	30
Return on Net Position, *Net of Surcharge*	33	53	-16	23

Figure 13.
Components of Net Position:
FY 1997-2000
(Millions of Dollars)



of net position. In a profit-motivated, private-sector business, higher returns typically reflect higher performance and effectiveness. For a government agency, this is not the case because we do not work towards achieving net income. Over the past four years, our return on net position decreased from 30 percent in 1997 to 15 percent for fiscal year 2000. To demonstrate the OBRA surcharge's significant effect on our operations, the return on net position is also presented net of the OBRA surcharge.

Net position was $429.5 million as of September 30, 2000, an increase of $65.0 million over the fiscal year 1999 total of $364.5 million (Figure 13).

Cumulative results of operations was $196.0 million as of September 30, 2000, comprising net P&E in the amount of $124.8 million and non-cash assets totaling $7.3 million, leaving the remaining interest in the cash and fund balance as $63.9 million.

The $63.9 million interest in cash and the fund balance is calculated on a financial accounting basis and does not reflect the impact of our obligations for $170.7 million in unpaid undelivered orders (goods and services ordered, but not yet received) less $1.5 million in receivables that provide budgetary resources. Therefore, after liquidating our unpaid undelivered orders and funded liabilities at September 30, 2000, future funding in the amount of $105.3 million will have to be earned, or surcharge revenue withheld will need to be appropriated, to liquidate unfunded liabilities at September 30, 2000.

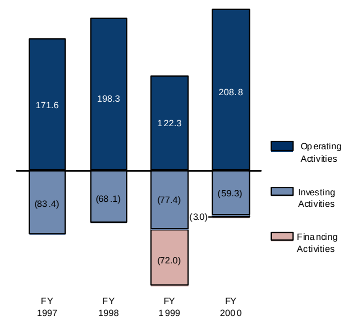
Revenue withheld was $233.5 million as of September 30, 2000, the same as the prior year balance. Revenue withheld is segregated as a portion of net position because the OBRA restricted its availability. Increasing amounts of our customer fees were withheld from fiscal year 1992 through fiscal year 1998. Initially, the surcharge amounts were small when compared with revenue, but the amounts increased over time. Annual amounts withheld ranged from $8.1 million in fiscal year 1992 to $92.0 million in fiscal year 1998, reaching a total withheld balance of $233.5 million at the end of fiscal year 1998.

Cash flow return on assets measures operating effectiveness in terms of cash generated from operations per dollar of total assets. Higher cash flow returns reflect greater operating performance. Our cash flow return on assets presented without the effects of the OBRA surcharge in the calculation indicates that our cash flow return has improved.

Financial Ratios (percent)	FY2000	FY1999	FY1998	FY1997
Cash Flow Return on Assets	22	15	24	25
Cash Flow Return on Assets, *Net of Surcharge*	29	21	18	21

Cash and Fund Balance with Treasury was $830.4 million as of September 30, 2000, a 21.4 percent increase over the fiscal year 1999 balance of $683.8 million. During fiscal year 2000, we generated a net of $208.8 million in cash from patent and trademark fees and other operating activities, an increase of $86.5 million, or 70.7 percent, from the $122.3 million generated during fiscal year 1999. A large portion of this net increase in operating cashflow is restricted for use until a future fiscal year since the related budgetary resources are temporarily unavailable. Therefore, we have operating cash inflows without corresponding cash outflows (Figure 14).

Figure 14.
USPTO Cash Flows: FY 1997-2000
(Millions of Dollars)



Of the $208.8 million generated from operating activities during fiscal year 2000, $59.3 million was invested in new property and equipment, principally automation and information technology. This amount represented a decrease of $18.1 million, or 23.4 percent, from the $77.4 million of net cash invested in property and equipment during fiscal year 1999. The large decrease was partly due to postponing furniture and equipment purchases until after the move to the new USTPO facility. Also, large amounts of software development in progress were placed in production recently. Once placed in production subsequent costs are classified as maintenance, which is not capitalizable. After funding fiscal year 2000 investments in automation and information technology, the net cash provided by our operating and investing activities was $149.5 million. However, $3.0 million in rescissions of funds left us with net cash provided of $146.5 million for the year. This represented an increase of 640.6 percent from the $27.1 million in cash used during fiscal year 1999.

Results of Operations

Financial Ratios	FY2000	FY1999	FY1998	FY1997
Operations Index	3.21	1.75	2.81	1.91
Operations Index, *Net of Surcharge*	3.21	1.75	-4.94	3.27

Operations index measures operating effectiveness in terms of cash generated from operations per dollar of results of operations. In a profit-motivated, private-sector business, a higher return typically reflects greater operating performance. For a Government agency, this index is not as crucial as we do not work towards achieving net income. Nonetheless, this index does show that over the past four years the results we achieved with our operating cashflow fluctuated due, largely, to changes in deferred revenue. As deferred revenue increased, operating cashflow increased without a corresponding increase in revenue.

We are one of the first Federal agencies to have implemented activity-based cost (ABC) accounting on an agency-wide basis. Progress with enterprise-wide ABC accounting allowed the USPTO to move from managing program costs at a USPTO-wide level to a business level. We used ABC to make informed decisions on the costs of conducting our activities and delivering our products and services. The cost for a particular program provided better information about specific operations. We compared trends in the USPTO-wide costs to trends in the program or business costs to determine unusual fluctuations.

The process of leveraging the ABC system to provide activity-based management (ABM) commenced in fiscal year 1999 and began manifesting itself during the past year. The incremental benefits that ABC/ABM provided enabled more effective management and accountability over costs. At the USPTO, our ABC/ABM principles were used to determine and adjust fees for full cost recovery. We also used ABC/ABM to analyze the cost of law changes, assess the impact of fee alternatives, compare revenues and costs for products and services, and promote continuous improvement and reengineering, among other items. Our ABC data helped us see the interconnectivity between quality, capacity, flexibility, and cost, and ABM helped us identify improvement opportunities and measure the realized benefits of performance initiatives.

Earned revenue totaled $956.5 million for the year ended September 30, 2000, a 5.2 percent increase over fiscal year 1999 earned revenue of $909.3 million. Our fee collections exceeded $1.0 billion for the first time ever, and for fiscal year 2001, we expect to generate between $1.1 and $1.2 billion in fee revenues. Our plans for fiscal year 2001 are to use these fee revenues to continue our many initiatives for providing greater productivity and improved level of service to our customers. In addition to continuing to upgrade our information technology and fully implementing the provisions of AIPA, our fiscal year 2001 budget request includes quality enhancement activities, such as the independent inventor's program, expanded training for patent and trademark examiners, and a continuation of the prominent quality management program.

Program costs totaled $911.3 million for the year ended September 30, 2000, a 5.7 percent increase over fiscal year 1999 program costs of $861.8 million. The higher rate of increase in program costs over earned revenue caused our net income from operations to decrease 4.8 percent from $47.5 million for fiscal year 1999 to $45.2 million for fiscal year 2000 (Figure 15).

As a service organization, our production was related directly to the personnel examining patent and trademark applications. Accordingly, personnel services and benefits costs traditionally represent over one-half of total costs. Any change or fluctuation in our staffing patterns directly affects the change in total program costs. Total personnel services and benefits costs increased 11.9 percent over the fiscal year 1999 amount of $438.1 million, to $490.1 million for fiscal year 2000. This change drove the 5.7 percent increase in total program cost (Figure 16).

Rent, communications, utilities, contractual services, maintenance, repairs and depreciation costs traditionally

Figure 15. Operating Trends: FY 1997-2000

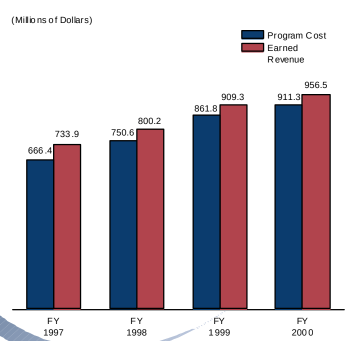
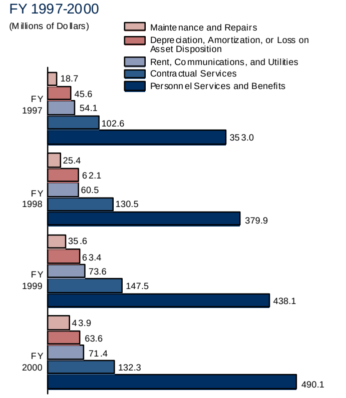


Figure 16.
Trends in Major Operating Expenses: FY 1997-2000



Rent, communications, utilities, contractual services, maintenance, repairs and depreciation costs traditionally comprise a third of total program costs each year. Maintenance and repair costs increased while contractual services decreased. As systems were implemented, many of our major information technology vendors transitioned from development type activities to maintenance support services.

Earned revenue for our patent business operations totaled $817.4 million for fiscal year 2000, a 1.5 percent increase over patent earned revenue of $805.0 million in fiscal year 1999. Fiscal year 2000 patent maintenance fees accounted for $267.7 million, or 32.8 percent of total patent fee revenue. Patent maintenance fees have traditionally been the largest category of patent fee income. Therefore, fluctuations in rates of renewal can significantly affect patent revenue. As indicated in this table, patent renewal rates are on the rise, further enhancing the notion that intellectual property protection is a highly coveted commodity in this Information Age. However, there can be no assurance that we will be able to sustain or improve on historic or current renewal rates in future years.

Patent Renewal Rates (percent)	FY2000	FY1999	FY1998	FY1997
First Stage (end of 3rd year after patent is issued)	84.3	83.1	81.8	80.3
Second Stage (end of 7th year after patent is issued)	59.4	57.9	56.6	55.8
Third Stage (end of 11th year after patent is issued)	38.8	37.7	36.1	35.4

Program cost for our patent business operations totaled $765.3 million for fiscal year 2000, a 6.2 percent increase over total patents program cost of $720.8 million in fiscal year 1999. The increase in Patent Office program cost was driven primarily by increases in personnel services and benefits, contractual services, and printing expenses. In fiscal year 2000, personnel services and benefits directly attributable to the patents program area were $373.9 million, an increase of 11.1 percent over the fiscal year 1999 total of $336.4 million. This increase was due primarily to a 4.9 percent increase in the general Federal pay schedule and the locality pay schedule. In addition, incentives such as overtime, recruitment bonuses, and special act awards were increased to become more competitive with private sector industries. In fiscal year 2000, outside contractual services relating to the patents program area were $51.0 million, an increase of 14.1 percent over the fiscal year 1999 total of $44.7 million. This increase was largely a result of increased use of contracted online services, such as text search software, by patent examiners. In fiscal year 2000, printing expenses relating to the patents program area were $47.8 million, an increase of 10.9 percent over the fiscal year 1999 total of $43.1 million. This increase was due to issuing approximately 14 percent more patents in fiscal year 2000 than fiscal year 1999.

Earned revenue for our trademark business operations totaled $139.1 million for fiscal year 2000, a 33.4 percent increase over trademark fee income of $104.3 million in fiscal year 1999. In addition to a 27 percent increase in trademark applications during fiscal year 2000, application fee amounts for registration and renewal increased by a third.

Program cost for our trademark business operations totaled $127.4 million for fiscal year 2000, a 1.3 percent increase over total trademarks program costs of $125.8 million in fiscal year 1999. In fiscal year 2000, personnel services and benefits directly attributable to the trademarks program area were $56.0 million, an increase of 16.7 percent over the fiscal year 1999 total of $48.0 million. As with Patents, this increase was primarily due to the increase in the general Federal pay schedule and locality pay, as well as increased hiring and retention incentives. In fiscal year 2000, contractual services relating to the trademarks program area were $9.0 million, a decrease of 3.2 percent from the fiscal year 1999 total of $9.3 million. Also, in fiscal year 2000, automation technology expense supporting the trademarks business line area was $22.6 million, a decrease of 14.1 percent from the fiscal year 1999 total of $26.3 million.

Program cost for our intellectual property leadership operations totaled $18.6 million for fiscal year 2000, a 22.4 percent increase from the fiscal year 1999 total of $15.2 million. In fiscal year 2000, personnel services and benefits relating to the intellectual property policy program area were $7.5 million, an increase of 15.4 percent over the fiscal year 1999 total of $6.5 million.

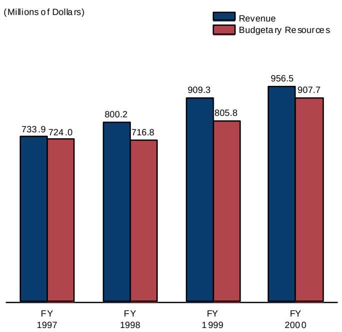
Linking Results of Operations to Budget Execution

Revenue less cost, or net cost, is not the same as budgetary resources less budgetary spending. Timing differences occur when proprietary accounting events and budgetary accounting events are not recognized simultaneously. Therefore, for a "business-like" Federal agency it is important to understand how the Statement of Net Cost and the Statement of Budgetary Resources relate to each other to comprehend true financial position.

Customer orders are a budgetary resource immediately, however they are recorded as revenue over the time period that the work is performed. Approximately $250.3 million of prior fiscal year fees were earned — recorded as revenue but not a budgetary resource—during fiscal year 2000. Approximately $299.7 million of new fiscal year 2000 fees were unearned—recorded as a budgetary resource but not revenue—at the end of fiscal year 2000. As pendency grows, the Statement of Budgetary Resources shows a more favorable financial position than the Statement of Net Cost. In this case, the Statement of Net Cost is a better indicator of financial position.

In addition to the timing difference of fee collection and work performance, budgetary resources are reduced but revenue is still recognized when the Congress rescinds or makes unavailable current year fee collections. Ultimately this is the most significant difference between budgetary resources and revenue, resulting in a less favorable financial position on the Statement of Budgetary Resources than the Statement of Net Cost. In this case, the Statement of Budgetary Resources is a better indicator of financial position (Figure 17).

Figure 17.
Revenue vs. Budgetary Resources:
FY 1997-2000
(Millions of Dollars)

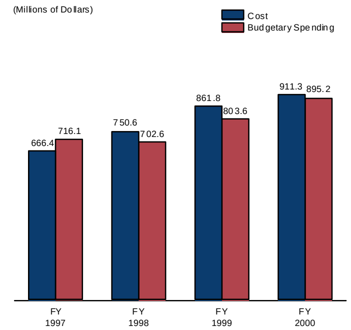


Budgetary spending occurs, without a corresponding cost, when resources have been obligated or set aside for a particular purpose but goods or services have not been received. The USPTO experienced an increase in these legally binding obligations of $9.3 million during fiscal year 2000 over the fiscal year 1999 amount as compared to a decrease of $58.3 million during fiscal year 1999 from the fiscal year 1998 amount. These fluctuations were largely a function of major contract closeouts and new contract awards. When obligations for goods and services that have not been received increase, the Statement of Budgetary Resources shows a less favorable financial position than the Statement of Net Cost. When these obligations decrease, the Statement of Budgetary Resources shows a more favorable financial position. In both cases, the Statement of Budgetary Resources is a better indicator of financial position.

Another difference exists in the accounting for property and equipment. Purchases are recorded as budgetary spending immediately, however, they are recorded as a cost over the period the property and equipment is amortized or depreciated. The USPTO purchased $59.3 million and $77.4 million during fiscal year 2000 and 1999, respectively, while $63.6 million and $63.4 million of the total asset value on hand as of September 30, 2000 and 1999, respectively, was amortized or depreciated. When amounts purchased exceed amounts amortized or depreciated, the Statement of Budgetary Resources shows a less favorable financial position than the Statement of Net Cost. When amounts purchased are less, the Statement of Budgetary Resources shows a more favorable financial position. In both cases, the Statement of Net Cost is a better indicator of financial position.

There are also situations when a cost has been recorded but budgetary spending has not occurred and these costs are considered unfunded. For example, annual leave is recorded as a cost when it is earned, however, budgetary spending is not recorded until the leave is used. Unfunded liabilities, other than deferred revenue, increased during fiscal year 2000 and 1999 by $13.5 million and $3.4 million, respectively. These unfunded liabilities cause the Statement of Budgetary Resources to show a more favorable financial position than the Statement of Net Cost. In this case, the Statement of Net Cost is a better indicator of financial position (Figure 18).

Figure 18.
Cost vs. Budgetary Spending:
FY 1997-2000
(Millions of Dollars)



Compliance With Legal and Regulatory Financial Requirements

This section provides information on the USPTO's compliance with the following legislative mandates:

- Federal Managers' Financial Integrity Act
- Inspector General Act Amendments
- Federal Financial Management Improvement Act
- Office of Management and Budget Financial Management Indicators
- Prompt Payment Act
- Civil Monetary Penalty Act
- Debt Collection Act
- Biennial Review of Fees

Federal Managers' Financial Integrity Act

> On the basis of USPTO's comprehensive management control program, I am pleased to certify, with reasonable assurance, that USPTO's systems of accounting and internal control are in compliance with the internal control objectives in OMB's Bulletin Number 98-08, as amended. I also believe these same systems of accounting and internal control provide reasonable assurance that the Agency is in compliance with the provisions of the Federal Managers' Financial Integrity Act.
>
> Q .Todd Dickinson
> *Under Secretary of Commerce for Intellectual Property and*
> *Director of the United States Patent and Trademark Office*

The Federal Managers' Financial Integrity Act (FMFIA) requires Federal agencies to annually provide a statement of assurance regarding management controls and financial systems.

The USPTO was pleased to assert that its fiscal year 2000 management controls and financial systems, taken as a whole, provided reasonable assurance that the objectives of *Sections 2 and 4 of the FMFIA* were achieved. These conclusions were based on the review and consideration of a wide variety of evaluations, internal analyses, reconciliations, reports, and other information, including DOC Office of Inspector General audits, and independent public accountant's opinion on our financial statements and reports on internal control and compliance with laws and regulations.

Inspector General Act Amendments

The Inspector General (IG) Act (as amended) requires semiannual reporting on IG audits and related activities as well as agency follow-up. It is required by Section 106 of the IG Act Amendments (P.L. 100-504). The report is required to provide (a) information on the overall progress on audit follow-up and internal management controls; (b) statistics for audit reports with disallowed costs; and (c) statistics on audit report with funds put to better use. The USPTO did not have audit reports with disallowed costs or funds put to better use.

The USPTO's follow-up actions on audit findings and recommendations are essential to improving the effectiveness and efficiency of our programs and operations. For fiscal year 2000, management completed action on one audit report containing two recommendations. In addition, action was taken to close 21 recommendations contained in three audit reports over one year old. These three audit reports still have five recommendations remaining open. Actions are under way to close these five recommendations during fiscal year 2001.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) requires Federal agencies to report on agency substantial compliance with Federal financial management system requirements, Federal accounting standards, and the U.S. Government Standard General Ledger. The USPTO complied substantially with the FFMIA for fiscal year 2000.

Financial Management Indicators

The Office of Management and Budget (OMB) prescribes the use of quantitative indicators to monitor improvements in financial management. This table shows the USPTO's performance during fiscal year 2000 against the performance targets established by the OMB.

Financial Performance Measure	Fiscal Year 2000 Target	Fiscal Year 2000 Performance
Percentage of Timely Vendor Payments	95%	99%
Percentage of Payroll by Electronic Transfer	90%	98%
Percentage of Treasury Agency Locations Fully Reconciled	95%	100%
Timely Posting of Interagency Charges	30 days	18 days
Timely Reports to Central Agencies	95%	100%
Average Processing Time for Travel Payments	15 days	9 days
Audit Opinion on Fiscal Year 2000 Financial Statements	Unqualified	Unqualified
Material Weaknesses Reported for Fiscal Year 2000	None	None

Prompt Payment Act

The Prompt Payment Act requires Federal agencies to report on their efforts to make timely payments to vendors, including interest penalties for late payments. In fiscal year 2000, we did not pay interest penalties on 99.3 percent of our 11,271 vendor invoices, representing payments of approximately $273.3 million. Of the 221 invoices that we did not process timely, we were required to pay interest penalties on 76 invoices, and were not required to pay interest penalties on 145 invoices, where the interest was calculated at less than $1. We paid only $7.28 for every million dollars disbursed in fiscal year 2000. Virtually all recurring payments were processed by electronic funds transfer (EFT) in accordance with the EFT provisions of the Debt Collection Improvement Act of 1996.

Civil Monetary Penalty Act

There were no Civil Monetary Penalties assessed by the USPTO during fiscal year 2000.

Civil Monetary Penalty Act

There were no Civil Monetary Penalties assessed by the USPTO during fiscal year 2000.

Debt Collection Act

The Debt Collection Act (Act) prescribes standards for the administrative collection, compromise, suspension, and termination of Federal agency collection actions, and referral to the proper agency for litigation. Although the Act has no material effect on the USPTO since we operate with minimal delinquent debt, we transferred any debt more that 180 days old to Treasury for cross servicing.

Biennial Review of Fees

The Chief Financial Officers Act of 1990 requires a biennial review of agency fees, rents, and other charges imposed for services and things of value it provides to specific beneficiaries as opposed to the American public in general. The objective of the reviews is to identify such activities and to begin charging fees, where permitted by law, and to periodically adjust existing fees to reflect current costs or market value so as to minimize general taxpayer subsidy of specialized services or things of value (such as rights or privileges) provided directly to identifiable non-Federal beneficiaries. The USPTO is a fully fee-funded agency without subsidy of general taxpayer revenue. We use activity-based cost accounting to evaluate the costs of activities and determine if fees are set appropriately. When necessary, fees are adjusted to be consistent with the program and with the legislative requirement to recover the full cost of the goods or services provided to the public.

Limitations

We have prepared our fiscal year 2000 financial statements in accordance with the requirements of the OMB Bulletin Number 97-01, as amended, *Form and Content of Agency Financial Statements*, and supplementary guidance provided by the DOC. OMB Bulletin Number 97-01, as amended, incorporates the concepts and standards contained in the Statements of Federal Financial Accounting Concepts (SFFAC) and the Statements of Federal Financial Accounting Standards (SFFAS) recommended by the Federal Accounting Standards Advisory Board (FASAB) and approved by the Secretary of the Treasury, the Director of the OMB, and the Comptroller General. On October 19, 1999, the American Institute of Certified Public Accountants Council designated the FASAB as the accounting standards-setting body for Federal Government entities. Therefore, the SFFAS constitute generally accepted accounting principles (GAAP) for the Federal Government. These concepts and standards have been set by FASAB to help Federal agencies comply with the requirements of the Chief Financial Officers Act of 1990 as amended by the Government Management and Reform Act of 1994. These two acts demand greater financial accountability from Federal agencies and require the integration of accounting, financial management, and cost accounting systems.

The financial statements that follow have been prepared in conformity with accounting principles generally accepted in the United States. Our financial statements consist of the Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, the Statement of Budgetary Resources, the Statement of Financing, and the Statement of Cash Flows. The following limitations apply to the preparation of the financial statements:

- The financial statements were prepared to report the USPTO's financial position, net cost of operations, budgetary resources, and cash flows pursuant to the requirements of 31 U.S.C. 3515 (b).
- While the statements are prepared from our books and records in accordance with the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.
- The statements should be read with the realization that the USPTO is a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

In addition, certain information contained in this discussion and analysis and in other parts of this report may be deemed forward-looking statements regarding events and financial trends that may affect our future operating results and financial positions. Such statements may be identified by words such as "estimate," "project," "plan," "intend," "believe," "expect," "anticipate," or variations or negatives thereof or by similar or comparable words or phrases. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. Such risks and uncertainties include, but are not limited to, the following: changes in U.S. or international intellectual property laws; changes in U.S. or global economic conditions; the availability, hiring and retention of qualified staff employees; management of patent and trademark growth; government regulations; disputes with labor organizations; and deployment of new technologies. We undertake no obligation to publicly update these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

Management Responsibilities

USPTO management is responsible for the fair presentation of information contained in the principal financial statements, in conformity with accounting principles generally accepted in the United States and the requirements of the OMB Bulletin Number 97-01, as amended, and supplementary guidance provided by the DOC. Management is also responsible for the fair presentation of the USPTO's performance measures in accordance with OMB requirements. The quality of the USPTO's internal control rests with management, as does the responsibility for identifying and complying with pertinent laws and regulations.

Principal Financial Statements and Related Notes

Consolidated Balance Sheets

As of September 30, 2000 and 1999
(In Thousands)

	2000	1999
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (note 2)	$ 810,381	$ 673,902
Accounts Receivable	2,405	1,545
Advances and Prepayments	2,785	753
Total Intragovernmental	815,571	676,200
Cash	19,968	9,912
Accounts Receivable, Net	398	626
Advances and Prepayments	1,754	2,338
Property and Equipment, Net (note 3)	124,851	129,180
Total Assets	$ 962,542	$ 818,256
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 3,575	$ 4,189
Accrued Payroll and Benefits	4,654	4,563
Accrued Postemployment Compensation	958	806
Customer Deposit Accounts (note 2)	3,218	2,784
Total Intragovernmental	12,405	12,342
Accounts Payable	55,210	55,728
Accrued Payroll and Benefits	39,018	33,255
Accrued Leave	25,280	21,981
Customer Deposit Accounts (note 2)	51,929	47,423
Deferred Revenue (note 5)	338,780	279,357
Actuarial Liability (note 6)	4,581	3,699
Capital Lease Liability (note 7)	5,793	-
Total Liabilities (note 4)	532,996	453,785
NET POSITION		
Cumulative Results of Operations	196,017	130,942
Revenue Withheld	233,529	233,529
Total Net Position	429,546	364,471
Total Liabilities and Net Position	$ 962,542	$ 818,256

- Represents zero.
The accompanying notes are an integral part of these financial statements.

Consolidating Statements of Net Cost

For the years ended September 30, 2000 and 1999

(In Thousands)

	2000				
	Patents	Trademarks	Intellectual Property Leadership	Total	1999 Total
PROGRAM					
Enhance Quality, Transition to E-Government, and Optimize Processing Time					
With the Public	$ 596,587	$ 99,361	$ -	$ 695,948	$ 650,400
Intragovernmental	168,671	28,092	-	196,763	196,194
Total Program Cost	765,258	127,453	-	892,711	846,594
Earned Revenue	(817,399)	(139,157)	-	(956,556)	(909,355)
Net Program Income	(52,141)	(11,704)	-	(63,845)	(62,761)
Strengthen Intellectual Property Protection					
With the Public	-	-	14,514	14,514	11,717
Intragovernmental	-	-	4,103	4,103	3,534
Total Program Cost	-	-	18,617	18,617	15,251
Net (Income)/Cost from Operations	$ (52,141)	$ (11,704)	$18,617	$ (45,228)	$ (47,510)
TOTAL ENTITY					
Total Program Cost (notes 9 and 10)	$ 765,258	$ 127,453	$18,617	$ 911,328	$ 861,845
Earned Revenue	(817,399)	(139,157)	-	(956,556)	(909,355)
Net (Income)/Cost from Operations	$ (52,141)	$ (11,704)	$18,617	$ (45,228)	$ (47,510)

- Represents zero.
The accompanying notes are an integral part of these financial statements.

Consolidating Statements of Changes in Net Position

For the years ended September 30, 2000 and 1999

(In Thousands)

	2000				
	Patents	Trademarks	Intellectual Property Leadership	Total	1999 Total
Net Income/(Cost) from Operations	$ 52,141	$ 11,704	$ (18,617)	$ 45,228	$ 47,510
Other Financing Sources:					
Imputed Financing (note 8)	19,440	2,999	388	22,827	22,432
Net Increase/(Decrease) in Cumulative Results of Operations	$ 71,581	$ 14,703	$ (18,229)	68,055	69,942
Non-Operating Change - Rescissions				(2,980)	(72,049)
Increase/(Decrease) in Net Position				65,075	(2,107)
Net Position, Beginning Balance				364,471	366,578
Net Position, Ending Balance				$429,546	$364,471

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Budgetary Resources

For the years ended September 30, 2000 and 1999

(In Thousands)

	2000	1999
BUDGETARY RESOURCES		
Budget Authority	$ -	$ (1,049)
Unobligated Balances - Beginning of Period	144,928	121,579
Spending Authority from Offsetting Collections	1,006,658	888,213
Adjustments (note 11)	(243,864)	(202,927)
Total Budgetary Resources	$ 907,722	$ 805,816
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred	$ 895,243	$ 803,571
Unobligated Balances - Available	7,716	2,245
Unobligated Balances - Not Available	4,763	-
Total Status of Budgetary Resources	$ 907,722	$ 805,816
OUTLAYS		
Obligations Incurred	$ 895,243	$ 803,571
Spending Authority from Offsetting Collections and Adjustments	(1,020,663)	(898,969)
Obligated Balance, Net - Beginning of Period	245,253	292,940
Obligated Balance, Net - End of Period	(254,352)	(245,253)
Total Net Collections	$ (134,519)	$ (47,711)

- Represents zero.
The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Financing

For the years ended September 30, 2000 and 1999

(In Thousands)

	2000	1999
OBLIGATIONS AND NONBUDGETARY RESOURCES		
Obligations Incurred	$ 895,243	$ 803,571
Spending Authority from Offsetting Collections and Adjustments	(1,020,663)	(898,969)
Financing Imputed for Cost Subsidies	22,827	22,432
Exchange Revenue Not in the Budget	-	(308)
Total Obligations, as Adjusted, and Nonbudgetary Resources	(102,593)	(73,274)
RESOURCES NOT FUNDING NET COST OF OPERATIONS		
Change in Amount of Goods, Services, and Benefits Ordered but Not yet Received or Provided	(9,272)	58,283
Costs Capitalized on the Balance Sheet	(59,317)	(77,440)
Financing Sources that Fund Costs of Prior Periods	8	(1,970)
Financing Sources that Fund Costs of Future Periods	299,649	68,716
Total Resources Not Funding Net Cost of Operations	231,068	47,589
NET COSTS NOT REQUIRING OR GENERATING RESOURCES		
Depreciation, Amortization, or Loss on Asset Dispositions	63,646	63,419
Revenue Not Generating Resources	(250,273)	(90,588)
Other Costs Not Requiring Resources	(746)	12
Total Net Costs Not Requiring or Generating Resources	(187,373)	(27,157)
Financing Sources yet to be Provided	13,670	5,332
Net Income from Operations	$ (45,228)	$ (47,510)

- Represents zero.
The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows (Indirect)

For the years ended September 30, 2000 and 1999

(In Thousands)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Cumulative Results of Operations	$ 68,055	$ 69,942
Adjustments Affecting Cash Flow:		
(Increase)/Decrease in Accounts Receivable	(632)	545
(Increase) in Advances and Prepayments	(1,448)	(1,621)
(Decrease)/Increase in Accounts Payable	(1,132)	4,576
Increase in Accrued Payroll and Benefits	5,854	8,576
Increase in Accrued Leave and Postemployment Compensation	3,451	1,518
Increase in Customer Deposit Accounts	4,940	3,286
Increase/(Decrease) in Deferred Revenue	59,423	(27,774)
Increase/(Decrease) in Actuarial Liability	882	(98)
Increase in Capital Lease Liability	5,793	-
Depreciation, Amortization, or Loss on Asset Dispositions	63,646	63,419
Total Adjustments	140,777	52,427
Net Cash Provided by Operating Activities	208,832	122,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(59,317)	(77,440)
Net Cash Used in Investing Activities	(59,317)	(77,440)
CASH FLOWS FROM FINANCING ACTIVITIES		
Rescissions	(2,980)	(72,049)
Net Cash Used in Financing Activities	(2,980)	(72,049)
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	$ 146,535	$ (27,120)
Fund Balance with Treasury and Cash, Beginning	$ 683,814	$ 710,934
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	146,535	(27,120)
Fund Balance with Treasury and Cash, Ending	$ 830,349	$ 683,814
Fund Balance with Treasury	$ 810,381	$ 673,902
Cash	19,968	9,912
Fund Balance with Treasury and Cash, Ending	$ 830,349	$ 683,814

- Represents zero.

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

As of and for the years ended September 30, 2000 and 1999

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity

The U.S. Patent and Trademark Office (USPTO) is an agency of the United States within the Department of Commerce (DOC). The USPTO administers the laws relevant to patents and trademarks and advises the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property.

These financial statements include the USPTO's three core business activities that promote the use of intellectual property rights as a means of achieving economic prosperity--processing patent applications, registering trademarks, and leading intellectual property protection initiatives. These activities not only give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, but also provide protection for their inventions and trademarks.

These financial statements report the accounts for salaries and expenses (13X1006), special fund receipts (revenue withheld) (135127), and customer deposits (13X6542), which are under the control of the USPTO. The federal budget classifies the USPTO under the Commerce and Housing Credit (370) budget function. The USPTO does not have custodial responsibility, nor does it have lending or borrowing authority. The USPTO does not transact business among its own operating units. Therefore, no intra-bureau eliminations are necessary.

Basis of Presentation

As required by the Chief Financial Officers Act of 1990 (CFO Act) and 31 U.S.C. § 3515 (b), the accompanying financial statements present the financial position, net cost of operations, budgetary resources, and cash flows for the core business activities of the USPTO. The books and records of the USPTO serve as the source of this information.

These financial statements were prepared in accordance with the guidelines specified by the Office of Management and Budget (OMB) in Bulletin Number 97-01, as amended, *Form and Content of Agency Financial Statements,* as well as the accounting policies of the USPTO. They may therefore differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the USPTO's budgetary resources.

Basis of Accounting

Transactions are recorded on the accrual basis of accounting as well as on a budgetary basis. Budgetary accounting allows for compliance with the requirements for, and controls over, the use of Federal funds. Accrual accounting allows for revenue to be recognized when earned and expenses to be recognized when goods or services are received, without regard to the receipt or payment of cash. The accompanying financial statements are presented on the accrual basis of accounting. The accounting principles and standards applied in preparing these financial statements are in accordance with (a) the Statements of Federal Financial Accounting Standards (SFFAS), promulgated by the Federal Accounting Standards Advisory Board, which constitute accounting principles generally accepted in the United States; (b) the accounting policies and practices summarized in this note; and (c) the following hierarchy of accounting principles:

- Individual standards agreed to by the Director of the OMB, the Comptroller General, and the Secretary of the Treasury and published by the OMB and the General Accounting Office.
- Interpretations related to the SFFASs issued by the OMB in accordance with the procedures outlined in OMB Circular

Consolidated Statement of Cash Flows (Indirect)

For the years ended September 30, 2000 and 1999

(In Thousands)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
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(Increase)/Decrease in Accounts Receivable	(632)	545
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- Interpretations related to the SFFASs issued by the OMB in accordance with the procedures outlined in OMB Circular

- Interpretations related to the SFFASs issued by the OMB in accordance with the procedures outlined in OMB Circular A-134, *Financial Accounting Principles and Standards.*
- Requirements contained in the OMB's Form and Content Bulletin in effect for the period covered by the financial statements.
- Accounting principles published by other authoritative standard-setting bodies and other authoritative sources (a) in the absence of other guidance in the first three parts of this hierarchy, and (b) if the use of such accounting principles improves the meaningfulness of the financial statements.

Budgets and Budgetary Accounting

Appropriated funds from general taxpayer revenue were gradually eliminated following the passage of the Omnibus Budget Reconciliation Act (OBRA) in 1990. The OBRA established revenue withholding on statutory patent fees. Subsequent legislation (a) removed the reference to a specific surcharge withholding of 69 percent, (b) required the USPTO to withhold and deposit exact amounts of revenue, and (c) extended the revenue withholding through the end of fiscal year 1998. This withheld revenue constitutes offsetting receipts, and was deposited into a restricted special fund receipt account at the U.S. Department of the Treasury (Treasury). The USPTO may use moneys from this account only as authorized by the Congress, and only as made available by the issuance of a Treasury warrant. Moneys not appropriated to the USPTO by the Congress are retained in the restricted receipt account at the Treasury. *The U.S. Patent and Trademark Reauthorization Act, Fiscal Year 1999* reset patent statutory fees without the OBRA surcharge. The USPTO has not collected or deposited any additional amounts in the restricted special fund receipt account during fiscal years 2000 and 1999. The special fund receipt account currently has no liabilities, and the entire fund balance will remain restricted until appropriated.

Fees other than the restricted revenue withholding are offsetting collections subject to an annual congressional limitation, and are available to the USPTO until expended. Funds authorized but not used in a given fiscal year are carried forward for use in future periods. Fees collected in excess of the annual congressional limitation are held for use in future periods as appropriated by Congress.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue and Other Financing Sources

The USPTO's fee rates are established by rule and law and, consequently, in some instances may not represent full cost or market price. Since fiscal year 1993, USPTO funding has been primarily through the collection of user fees. Fees that are remitted with initial applications and requests for other services are recorded as exchange revenue when received, with an adjustment at year-end to defer revenue for services that have not yet been performed. Amounts remitted by customers without a request for service are recorded as liabilities in customer deposit accounts until services are ordered.

The USPTO's share of the cost to the Federal Government for providing pension and other post-retirement benefits to eligible USPTO employees is recognized as an imputed financing source.

The USPTO also receives some financial gifts and gifts-in-kind from anonymous donors. All such transactions are included in the consolidated Gifts and Bequests Fund financial statements of the DOC. These gifts are not of significant value and are not reflected in the USPTO's financial statements. Most gifts-in-kind are used for official travel to further the attainment of the mission and objectives of the USPTO.

Entity/Non-Entity

Assets that an entity is authorized to use in its operations are termed entity assets, while assets that are held by an entity but are not available for the entity's use are termed non-entity assets. With the exception of a portion of Fund Balance with Treasury, all of the USPTO's assets are entity assets and are available to carry out the mission of the USPTO within existing budget constraints.

Fund Balance with Treasury

The Financial Management Service (FMS) of the Treasury maintains commercial bank accounts for the USPTO to deposit revenue collected. All moneys maintained in these accounts are transferred to the Federal Reserve Bank on the next business day following the day of deposit. In addition, certain customer deposits are wired directly to the Federal Reserve Bank. All banking activity is conducted in accordance with the directives issued by the FMS of the Treasury. All disbursements are processed by the Treasury.

Accounts Receivable

Intragovernmental accounts receivable represent amounts due from other Federal entities. As of September 30, 2000 and 1999, intragovernmental accounts receivable are $2,405 thousand and $1,545 thousand, respectively. The largest of these receivables in both fiscal years is a financing agreement between the USPTO and the DOC entered into during fiscal year 1995 to fund the Commerce Administrative Management System. Also, as of September 30, 2000, the General Services Administration (GSA) owed the USPTO for a rent overbilling.

Accounts receivable from the public represent a very small portion of the USPTO's assets as the USPTO requires payment prior to the provision of goods or services during the course of its core business activities. Public accounts receivable are comprised of amounts due from former employees for the reimbursement of education expenses and other benefits, as well as amounts due from the Patent and Trademark Depository Libraries.

The USPTO recorded a $12 thousand allowance for uncollectible amounts to reduce the gross amount of public accounts receivable to net realizable value as of September 30, 2000 and 1999.

Advances and Prepayments

On occasion, the USPTO prepays amounts in anticipation of receiving future benefits. Although a payment has been made, an expense is not recorded until goods have been received or services have been performed. The largest prepayment is with the National Inventors Hall of Fame, a non-profit organization, with whom the USPTO entered into memorandums of understanding during fiscal years 2000 and 1999 for various cooperative efforts. In addition, the USPTO maintains deposit accounts with the Government Printing Office and the DOC to facilitate transactions of a recurring nature. The USPTO also advances funds to personnel for travel costs and expenses these amounts after travel has occurred.

Cash

Most of the USPTO's cash balance consists of undeposited checks for fees that were not processed at the balance sheet date due to the lag time between receipt and initial review. All such undeposited cash amounts are considered to be cash to be cash equivalents. Cash is also held outside the Treasury to be used as imprest funds for small purchases, local travel, and emergency salary advances. As of September 30, 2000 and 1999, the cash balance includes undeposited checks of $19,953 thousand and $9,897 thousand, respectively. An imprest fund of $15 thousand was also held for each year.

Property and Equipment

The USPTO's capitalization policies are summarized below:

Classes of Property and Equipment	Capitalization Threshold for Individual Purchases	Capitalization Threshold for Bulk Purchases
ADP Equipment	$25 thousand or greater	$500 thousand or greater
Software	$25 thousand or greater	Not applicable
Software in Progress	$25 thousand or greater	Not applicable
Furniture	$25 thousand or greater	$50 thousand or greater
Equipment	$25 thousand or greater	$500 thousand or greater

Contractor costs for developing custom software are capitalized when incurred for the design, coding, and testing of the software. Software in Progress is not amortized until placed in service.

Property and equipment acquisitions that do not meet the capitalization criteria are expensed upon receipt. Fully depreciated assets purchased prior to October 1, 1996 may be written off against accumulated depreciation. The GSA leases from private concerns the buildings in which the USPTO operates. The GSA negotiates long-term leases and levies rent charges, paid by the USPTO, approximate to commercial rental rates. The lease arrangements with the GSA are considered operating leases.

Postemployment Compensation

Claims brought by employees of the USPTO for on-the-job injuries fall under the Federal Employees Compensation Act (FECA) administered by the U.S. Department of Labor (DOL). The DOL bills each agency annually as its claims are paid, but payment on these bills is deferred two years to allow for funding through the budget process. As of September 30, 2000, the USPTO recorded a $880 thousand liability for claims paid on its behalf during the benefit period July 1, 1998 through September 30, 2000. At September 30, 1999, the USPTO recorded a $789 thousand liability for claims paid on its behalf during the period July 1, 1997 through September 30, 1999.

Employees of the USPTO who lose their jobs through no fault of their own may receive unemployment compensation benefits under the unemployment insurance program administered by the DOL. The DOL bills each agency quarterly as its claims are paid. As of September 30, 2000, the USPTO recorded a $78 thousand liability for the quarters ended June and September for claims paid by the DOL on the USPTO's behalf. At September 30, 1999, the USPTO recorded a $17 thousand liability for the quarter ended September.

Annual, Sick, and Other Leave

Annual leave and compensatory time are accrued as earned, with the accrual being reduced as leave is taken. An adjustment is made each fiscal year to ensure that the balances in the accrued leave accounts reflect current pay rates. No portion of this liability has been obligated. To the extent current or prior year funding is not available to pay for leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as used.

Employee Retirement Systems and Benefits

Employees of the USPTO participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The FERS was established by the enactment of Public Law 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees who had five years of federal civilian service prior to 1984 and who are rehired after a break in service of more than one year may be able to elect to join the FERS and Social Security system or be placed in the CSRS offset retirement system.

The financial statements of the USPTO do not report CSRS or FERS assets or accumulated plan benefits that may be applicable to its employees. The reporting of such liabilities is the responsibility of the U.S. Office of Personnel Management. While the USPTO reports no liability for future payments to employees under these programs, the Federal Government is liable for future payments to employees through the various agencies administering these programs. The USPTO does not fund post-retirement benefits such as the Federal Employees Health Benefit (FEHB) Program and the Federal Employees Group Life Insurance (FEGLI) Program. The USPTO also is not required to fully fund the CSRS pension liabilities. The financial statements of the USPTO recognize an imputed financing source and corresponding expense that represents the USPTO's share of the cost to the Federal Government of providing pension, post-retirement health, and life insurance benefits to all eligible USPTO employees.

For both fiscal years 2000 and 1999, the USPTO made contributions equivalent to approximately 8.5 percent and 10.7 percent of the employee's basic pay for those employees covered by CSRS and FERS.

All employees are eligible to contribute to a thrift savings plan. For those employees participating in the FERS, a thrift savings plan is automatically established, and the USPTO makes a mandatory 1 percent contribution to this plan. In addition, the USPTO makes matching contributions ranging from 1 to 4 percent for FERS-eligible employees who contribute to their thrift savings plans. No matching contributions are made to the thrift savings plans for employees participating in the CSRS. Employees participating in the FERS are covered under the Federal Insurance Contributions Act (FICA), for which the USPTO contributes a matching amount to the Social Security Administration.

For the years ended September 30, 2000 and 1999, respectively, the USPTO's retirement plan contributions for CSRS and FERS participants were $36,606 thousand and $32,544 thousand. The USPTO also contributed $23,350 thousand and $20,406 thousand for the years ended September 30, 2000 and 1999, respectively, to the Social Security Administration for FICA benefits.

Deferred Revenue

Deferred revenue represents fees that have been received by the USPTO for requested services that have not been substantially completed. Two types of deferred revenue are recorded. The first type results from checks received, with a request for service, that were not yet deposited due to the lag time between receipt and initial review. The second type of deferred revenue relates primarily to fees for applications that have been partially processed, and to collected issue fees for which the patent has not been issued.

Application fees that have undergone the initial processing phase but have not been reviewed by a patent examiner or trademark attorney are deferred, with revenue recognized only to the extent costs have been incurred in the initial processing phase. The balance of the application fee is considered unearned. Issue fees are earned over a ten-week processing cycle. Revenue is earned to the extent costs are incurred in the processing cycle, with the remaining issue fees considered unearned.

Comparative Data

Certain fiscal year 1999 financial statement and footnote amounts were reclassified to reflect the allocation of information dissemination costs to the Patent and Trademark business units. In addition, the USPTO updated its program goals as a result of the AIPA enactment and these new program goals are presented on the Statement of Net Cost. The activities related to the previous program goal—collection, analysis, and dissemination of statistical and technical information—have been included as a component of the new program—enhance quality, transition to E-Government, and optimize processing time. Also, the Intellectual Property Leadership business unit has been desegregated to have its own program—strengthen intellectual property protection.

In fiscal year 2000, on the Statement of Financing, the determination of the portion of the change in deferred revenue related to financing sources that fund costs of future periods versus the portion related to revenue not generating resources was improved. Certain fiscal year 1999 footnote amounts were reclassified to be consistent with fiscal year 2000 classifications.

NOTE 2. Fund Balance with Treasury

Non-entity funds consist of amounts held on deposit for the convenience of USPTO customers. Customers have the option of maintaining a deposit account at the USPTO to facilitate the order process. Customers can draw from their deposit account when they place an order and can replenish their deposit account as desired. Funds maintained in customer deposit accounts are not available for USPTO use until an order has been placed. Once an order has been placed, the funds are reclassified to entity funds.

As of September 30, 2000 and 1999, the Fund Balance with Treasury consisted of the following:

	(In Thousands)			
	2000			
	Unrestricted Funds	Restricted Funds	Total	1999 Total
Appropriated Funds (Obligated)	$ 254,352	$ -	$ 254,352	$ 245,253
Appropriated Funds (Unobligated)	267,353	-	267,353	144,913
Revenue Withheld	-	233,529	233,529	233,529
Subtotal Entity Funds	521,705	233,529	755,234	623,695
Intragovernmental Deposit Funds	-	3,218	3,218	2,784
Other Customer Deposit Funds	-	51,929	51,929	47,423
Subtotal Non-Entity Funds	-	55,147	55,147	50,207
Total Fund Balance with Treasury	$ 521,705	$ 288,676	$ 810,381	$ 673,902

- Represents zero.

NOTE 3. Property and Equipment

As of September 30, 2000, property and equipment consisted of the following:

			(In Thousands)		
Class of Fixed Asset	Depreciation/ Amortization Method	Service Life (Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
ADP Equipment	SL	3-7	$ 167,725	$ 117,619	$ 50,106
Software	SL	3-11	92,754	46,959	45,795
Software in Progress	-	-	19,588	-	19,588
Furniture	SL	5	17,064	9,620	7,444
Equipment	SL	3-5	8,768	6,850	1,918
Total			$ 305,899	$ 181,048	$ 124,851

- Represents zero.

As of September 30, 1999, property and equipment consisted of the following:

			(In Thousands)		
Class of Fixed Asset	Depreciation/ Amortization Method	Service Life (Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
ADP Equipment	SL	3-7	$ 166,991	$ 108,953	$ 58,038
Software	SL	3-11	70,428	42,919	27,509
Software in Progress	-	-	30,701	-	30,701
Furniture	SL	5	16,969	8,349	8,620
Equipment	SL	3-5	9,895	5,583	4,312
Total			$ 294,984	$ 165,804	$ 129,180

- Represents zero.

NOTE 4. Liabilities

The USPTO records as liabilities all amounts that are likely to be paid as the direct result of events that have already occurred. The USPTO considers liabilities covered by three types of resources: (a) realized budgetary resources, (b) unrealized budgetary resources, and (c) cash and Fund Balance with Treasury. Realized budgetary resources include obligated balances directly funding existing liabilities and unobligated balances appropriated for spending as of September 30, 2000. Unrealized budgetary resources represent fee collections in excess of amounts appropriated for current fiscal year spending that become available for spending in subsequent fiscal years. Although these resources are not yet realized due to a time constraint, they become available in future periods to cover liabilities existing as of the Balance Sheet date. A portion of cash and Fund Balance with Treasury cover liabilities that will never require the use of a budgetary resource. These liabilities consist of deposit accounts, refunds payable to customers for fee overpayments, undeposited collections and amounts collected by the USPTO on behalf of other organizations.

Due to the funding structure of the USPTO, budgetary resources do not cover a portion of unearned fees. The USPTO's fees that were withheld and deposited into a restricted special fund receipt account are not considered a resource until appropriated and made available by the issuance of a Treasury warrant, although the USPTO incurred costs to generate these fees. Therefore, budgetary resources from current operations that normally would be used to cover a portion of unearned fees have been used to cover prior year costs associated with restricted fees. In addition, the current patent fee structure sets low initial application fees following later with income from maintenance fees as a supplement to cover the full cost of the patent examination and issuance process. The combination of these funding circumstances requires the USPTO to obtain additional budgetary resources to cover its liability for unearned revenue.

As of September 30, 2000 and 1999, the following liabilities are covered by budgetary resources with the remainder not covered as follows:

	(In Thousands) 2000	1999
Liabilities Covered by Resources		
Intragovernmental		
Accounts Payable	$ 3,575	$ 4,189
Accrued Payroll and Benefits	4,654	4,563
Accrued Postemployment Compensation	78	17
Customer Deposit Accounts	3,218	2,784
Total Intragovernmental	11,525	11,553
Accounts Payable	55,210	55,728
Accrued Payroll and Benefits	39,018	33,255
Customer Deposit Accounts	51,929	47,423
Deferred Revenue	267,301	141,002
Capital Lease Liability	2,761	-
Total Liabilities Covered by Resources	427,744	288,961
Liabilities Not Covered by Resources		
Intragovernmental		
Accrued Postemployment Compensation	880	789
Total Intragovernmental	880	789
Accrued Leave	25,280	21,981
Deferred Revenue	71,479	138,355
Actuarial Liability	4,581	3,699
Capital Lease Liability	3,032	-
Total Liabilities Not Covered by Resources	105,252	164,824
Total Liabilities	$ 532,996	$ 453,785

- Represents zero.

NOTE 5. Deferred Revenue

As of September 30, 2000, deferred revenue consisted of the following:

	(In Thousands) Patents	Trademarks	Total
Unearned Fees	$ 259,848	$ 59,708	$ 319,556
Undeposited Checks	17,404	1,820	19,224
Total Deferred Revenue	$ 277,252	$ 61,528	$ 338,780

As of September 30, 1999, deferred revenue consisted of the following:

	(In Thousands) Patents	Trademarks	Total
Unearned Fees	$ 238,219	$ 31,961	$ 270,180
Undeposited Checks	7,847	1,330	9,177
Total Deferred Revenue	$ 246,066	$ 33,291	$ 279,357

NOTE 6. Actuarial Liability

The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job who have contracted a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under the FECA for the USPTO's employees are administered by the DOL and are ultimately paid by the USPTO.

The DOL estimated the future workers compensation liability by applying actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability estimates for FECA benefits include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims.

The DOL method of determining liability uses historical benefit payment patterns for a specific incurred period to predict the ultimate payments for that period. During fiscal year 2000, the DOL updated the FECA liability projection to include claims incurred but not reported and extended the duration of the model. Also, during fiscal year 2000, the DOL eliminated the use of mortality tables to reduce the life pension aspects of the model and make the FECA model more comparable to a private-sector casualty insurance model. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's economic assumptions for 10-year Treasury notes and bonds. Interest rate assumptions utilized for discounting were as indicated in this table.

Based on information provided by the DOL, the DOC determined that the estimated liability of the USPTO as of September 30, 2000 and 1999, was $4,581 thousand and $3,699 thousand, respectively.

2000	1999
6.15% in year 1, 6.28% in year 2, 6.30% in year 3, and thereafter	5.50% in year 1, 5.50% in year 2, 5.55% in year 3, 5.60% in year 4, and thereafter

NOTE 7. Leases

Capital Lease:

The USPTO capital lease was entered into during fiscal year 2000 and consists of ADP equipment with a lease term longer than one year, a fair market value of $25 thousand or more, a useful life of 2 years or more, and agreement terms equivalent to an installment purchase. The USPTO had no capital leases in fiscal year 1999.

	(In Thousands)
ADP Equipment	$ 12,473
Accumulated Amortization	(2,072)
Total	$ 10,401

Under existing commitments as of September 30, 2000, the capital lease term extends through fiscal year 2002. Future minimum lease payments are as indicated in this table.

	(In Thousands)
FY 2001	$ 3,000
FY 2002	3,197
Total Future Minimum Lease Payments	6,197
Less: Imputed Interest	404
Net Capital Lease Liability	$ 5,793
Liabilities Covered by Budgetary Resources	$ 2,761
Liabilities Not Covered by Budgetary Resources	3,032
Total	$ 5,793

Operating Leases:

The operating lease agreements negotiated by the GSA for the USPTO's office buildings expire at various dates between fiscal year 2000 and fiscal year 2023. During fiscal years 2000 and 1999, the USPTO paid $61,013 thousand and $60,099 thousand, respectively, to GSA for rent.

Under existing commitments as of September 30, 2000, the minimum lease payments through fiscal year 2005 are as indicated in this table.

	(In Thousands)
FY 2001	$ 55,012
FY 2002	39,382
FY 2003	36,372
FY 2004	86,315
FY 2005	61,944
Thereafter	973,568
Total Future Minimum Lease Payments	$ 1,252,593

NOTE 8. Imputed Financing

The USPTO recognizes an imputed financing source and corresponding expense to represent its share of the cost to the Federal Government of providing pension and post-retirement health and life insurance benefits (Pension/ORB) to all eligible USPTO employees.

As of September 30, 2000 and 1999, the components of the imputed financing sources and corresponding expenses are as follows:

	(In Thousands) 2000	1999
CSRS/FERS	$ 7,511	$ 7,840
FEHB	15,255	14,540
FEGLI	61	52
Total Pension/ORB	$ 22,827	$ 22,432

NOTE 9. Program or Operating Expenses

Program or operating expenses are accumulated by USPTO strategic goal and consists of both those costs that are directly charged to the business activities and those costs that are allocated to the business activities. The costs that are allocated to the business activities can be further distinguished by those costs that are centrally managed for efficiency, but can be directly controlled within the management structure of the business activities, and those costs that are indirect charges in support of the business activities that are controlled at a USPTO-wide level. The designation of the allocated costs between those directly allocated to the business activities and those considered indirect are displayed in Note 10.

Total program or operating expenses for the years ended September 30, 2000 and 1999 by expense category are as follows:

	(In Thousands) 2000			
	Direct	Allocated	Total	1999 Total
Personnel Services and Benefits	$ 437,382	$ 52,740	$ 490,122	$ 438,130
Unfunded Personnel Services and Benefits	25,423	3,696	29,119	27,487
Travel and Transportation	999	2,475	3,474	3,301
Rent, Communications, and Utilities	698	70,692	71,390	73,550
Printing and Reproduction	51,609	2,029	53,638	47,416
Contractual Services	61,055	71,217	132,272	147,512
Training	2,145	3,706	5,851	5,522
Maintenance and Repairs	6,055	37,802	43,857	35,641
Supplies and Materials	5,132	1,579	6,711	7,790
Equipment Not Capitalized	2,746	3,669	6,415	8,015
Insurance Claims and Indemnities	254	3	257	89
Other Services	233	4,343	4,576	3,973
Depreciation, Amortization, or Loss on Asset Disposition	46,397	17,249	63,646	63,419
Total Program or Operating Expenses	$ 640,128	$ 271,200	$ 911,328	$ 861,845

NOTE 10. Program or Operating Expenses by Category and Responsibility Segment

The program or operating expenses for the years ended September 30, 2000 and 1999 by expense category and responsibility segment is as follows:

	2000 (In Thousands)				1999
	Patents	Trademarks	Intellectual Property Leadership	Total	1999 Total
Direct Expenses					
Personnel Services and Benefits	$ 373,859	$ 56,026	$ 7,497	$ 437,382	$ 390,943
Unfunded Personnel Services and Benefits	21,334	3,755	334	25,423	24,650
Travel and Transportation	496	86	417	999	1,128
Rent, Communications, and Utilities	405	241	52	698	1,498
Printing and Reproduction	47,789	3,801	19	51,609	46,150
Contractual Services	50,998	9,034	1,023	61,055	55,315
Training	1,997	127	21	2,145	1,676
Maintenance and Repairs	5,249	737	69	6,055	4,269
Supplies and Materials	4,288	631	213	5,132	6,289
Equipment Not Capitalized	2,090	432	224	2,746	3,381
Insurance Claims and Indemnities	252	2	-	254	61
Other Services	159	61	13	233	372
Depreciation, Amortization, or Loss on Asset Disposition	38,448	6,668	1,281	46,397	45,597
Subtotal Direct Expenses	547,364	81,601	11,163	640,128	581,329
Allocated Expenses					
Rent	42,747	7,312	1,265	51,324	51,215
Telecommunications	8,253	1,694	188	10,135	13,908
Program Automation	46,730	11,264	844	58,838	75,138
Subtotal Allocated Expenses	97,730	20,270	2,297	120,297	140,261
Allocated Indirect Expenses					
Allocated Automation	45,327	11,346	1,639	58,312	52,142
Resource Management	74,837	14,236	3,518	92,591	88,113
Subtotal Allocated Indirect Expenses	120,164	25,582	5,157	150,903	140,255
Total Program or Operating Expenses	$ 765,258	$ 127,453	$ 18,617	$ 911,328	$ 861,845

- Represents zero.

NOTE 11. Adjustments to Budgetary Resources

For the years ended September 30, 2000 and 1999, the components of adjustments to budgetary resources are as follows:

	(In Thousands) 2000	1999
Recoveries of Prior Year Obligations	$ 14,005	$ 10,756
Temporarily Not Available Pursuant to Public Law	(254,889)	(142,683)
Enacted Rescissions	(2,980)	(71,000)
Total Adjustments	$ (243,864)	$ (202,927)

NOTE 12. Commitments and Contingencies

Commitments

In addition to the future lease commitments discussed in Note 7, the USPTO is obligated for the purchase of goods and services that had been ordered but not yet received at fiscal year-end. Total undelivered orders for all of the USPTO's activities were $175,231 thousand and $165,959 thousand as of September 30, 2000 and 1999, respectively. Of these amounts $170,695 thousand and $162,867 thousand were unpaid.

Contingencies

The USPTO is a party to various routine administrative proceedings, legal actions, and claims brought by or against it, including threatened or pending litigation involving labor relations claims, some of which may ultimately result in settlements or decisions against the Federal Government. Management expects that as of September 30, 2000 and 1999 it is reasonably possible that an adverse outcome will result. However, it is not possible to speculate as to a range of loss.

Judgment Fund

Certain legal matters to which the USPTO is named a party may be administered and in some instances litigated and paid by other Federal agencies. These primarily relate to tort claims and contract disputes. Generally, amounts paid in excess of $2.5 thousand for Federal Tort Claims Act settlements or awards pertaining to these litigations are funded from a special appropriation called the Judgment Fund. During fiscal years 2000 and 1999 there were no payments from the Judgment Fund on behalf of the USPTO. Although the ultimate disposition of any potential Judgment Fund proceedings cannot be determined, management does not expect that any liability or imputed costs that might ensue would be material to the USPTO's financial statements.

Required Supplemental Information

Required Supplemental Information

As of September 30, 2000

(In Thousands)

Intragovernmental Assets:

Trading Partner	Fund Balance with Treasury	Accounts Receivable	Prepayments
04-Government Printing Office	$ -	$ -	$ 2,153
13-Department of Commerce	-	1,548	622
17-Department of the Navy	-	8	-
20-Department of Treasury	810,381	-	-
47-General Services Administration	-	788	-
49-National Science Foundation	-	60	-
97-Defense Agencies	-	1	10
Total	$ 810,381	$ 2,405	$ 2,785

Intragovernmental Liabilities:

Trading Partner	Accounts Payable	Accrued Payroll and Benefits	Accrued Postemployment Compensation	Customer Deposit Accou
04-Government Printing Office	$ 2,481	$ -	$ -	$ -
12-Department of Agriculture	-	-	-	142
13-Department of Commerce	902	-	-	82
14-Department of Interior	-	-	-	16
15-Department of Justice	-	-	-	11
16-Department of Labor	-	-	958	-
17-Department of the Navy	-	-	-	624
18-United States Postal Service	-	-	-	4
20-Department of Treasury	2	1,367	-	-
21-Department of the Army	-	-	-	847
24-Office of Personnel Management	51	3,287	-	-
57-Department of the Air Force	-	-	-	15
64-Tennessee Valley Authority	-	-	-	2
68-Environmental Protection Agency	139	-	-	53
69-Department of Transportation	-	-	-	1
75-Health and Human Services	-	-	-	49
80-National Aeronautics and Space Administration	-	-	-	487
89-Department of Energy	-	-	-	842
96-United States Army Corps of Engineers	-	-	-	40
97-Defense Agencies	-	-	-	3
Total	$ 3,575	$ 4,654	$ 958	$ 3,218

Required Supplemental Information—Continued

For the year ended September 30, 2000

(In Thousands)

Intragovernmental Earned Revenue and Related Cost:

Trading Partner	Earned Revenue
12-Department of Agriculture	$ 226
13-Department of Commerce	91
14-Department of Interior	16
15-Department of Justice	7
17-Department of the Navy	1,333
18-United States Postal Service	40
20-Department of Treasury	1
21-Department of the Army	789
33-Smithsonian Institution	1
49-National Science Foundation	61
57-Department of the Air Force	251
64-Tennessee Valley Authority	17
68-Environmental Protection Agency	34
69-Department of Transportation	25
75-Health and Human Services	8
80-National Aeronautics and Space Administration	482
89-Department of Energy	1,046
90-Selective Service System	1
96-United States Army Corps of Engineers	57
Total	$ 4,486

Budget Functional Classification	Gross Cost to Generate Revenue
370-Commerce Housing Credit	$ 4,486
Total	$ 4,486

Intragovernmental Non-Exchange Revenue:

Trading Partner	Non-Exchange Revenue
24-Office of Personnel Management	$ 22,827
Total	$ 22,827

Independent Auditor's Reports

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Report of Independent Auditors

To the Office of Inspector General,
Department of Commerce, and
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

We have audited the consolidated balance sheets of the U.S. Patent and Trademark Office (USPTO), an Agency of the United States within the Department of Commerce as of September 30, 1999 and 2000, and the related consolidating statements of net cost and changes in net position and consolidated statements of budgetary resources, financing, and cash flows for the fiscal years then ended. These financial statements are the responsibility of the USPTO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit for the years ended September 30, 1999 and 2000 in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*. These standards and bulletin require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the USPTO as of September 30, 1999 and 2000, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were conducted for the purpose of expressing an opinion on the financial statements referred to in the first paragraph. The information in the Management Discussion and Analysis (MD&A), Supplemental Information, and Other Accompanying Information are not a required part of the USPTO's financial statements, but are considered supplementary information required by OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*, as amended. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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However, we were unable to assess the control risk relevant to USPTO's governmental transactions and balances with non-Department of Commerce trading partners, as required by OMB Bulletin 01-02, because these procedures were to be performed at the Department level. The Department of Commerce was unable to perform most of the reconciliations with its federal trading partners as required by the January 7, 2000 technical amendments to OMB Bulletin 97-01.

In accordance with *Government Auditing Standards*, we have also issued our reports as of and for the year ended September 30, 2000 dated December 29, 2000, on our consideration of the USPTO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Ernst + Young LLP

December 29, 2000

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Report of Independent Auditors on Internal Control

To the Office of Inspector General,
Department of Commerce, and
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

We have audited the financial statements of the U.S. Patent and Trademark Office (USPTO) as of and for the year ended September 30, 2000, and have issued our report thereon dated December 29, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the USPTO's internal control over financial reporting by obtaining an understanding of the USPTO's internal control, determined whether internal control had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 01-02. We did not test all internal control relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the USPTO's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements, losses or noncompliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

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In addition, with respect to internal control related to performance measures reported in the Management Discussion and Analysis (MD&A), we obtained an understanding of the design of internal control relating to the existence and completeness assertions and determined whether they have been placed in operation, as required by OMB Bulletin 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

Separate letters, dated December 4, 2000 and December 29, 2000, were provided to management which further discuss certain matters involving internal control in relation to our electronic data processing review and other matters that came to our attention, respectively, as a result of our audit.

This letter is intended solely for the information and use of the management of the USPTO, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

December 29, 2000

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Report of Independent Auditors on Compliance with Laws and Regulations

To the Office of Inspector General,
Department of Commerce, and
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

We have audited the financial statements of the U.S. Patent and Trademark Office (USPTO) as of and for the year ended September 30, 2000, and have issued our report thereon dated December 29, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the USPTO is responsible for complying with laws and regulations applicable to the USPTO. As part of obtaining reasonable assurance about whether the USPTO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the USPTO. We caution that noncompliance may occur and not be detected by the tests performed and that such testing may not be sufficient for other purposes.

The results of our tests disclosed no instances of noncompliance with the laws and regulations discussed in the preceding paragraph exclusive of FFMIA that are required to be reported under *Government Auditing Standards* or OMB Bulletin 01-02.

Under FFMIA, we are required to report whether the USPTO's financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which the USPTO's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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This report is intended solely for the information and use of the management of the USPTO, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

December 29, 2000

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Other Accompanying Information

Other Accompanying Information

For the year ended September 30, 2000
(In Thousands)

	Patents	Trademarks	Total
PROGRAM			
Enhance Quality, Transition to E-Government, and Optimize Processing Time			
With the Public	$ 596,587	$ 99,361	$ 695,948
Intragovernmental	168,671	28,092	196,763
Total Program Cost	765,258	127,453	892,711
Earned Revenue	(817,399)	(139,157)	(956,556)
Net Program Income	(52,141)	(11,704)	(63,845)
Strengthen Intellectual Property Protection			
With the Public	12,488	2,026	14,514
Intragovernmental	3,531	572	4,103
Total Program Cost	16,019	2,598	18,617
Net Income From Operations	$ (36,122)	$ (9,106)	$ (45,228)
TOTAL ENTITY			
Total Program Cost	$ 781,277	$ 130,051	$ 911,328
Earned Revenue	(817,399)	(139,157)	(956,556)
Net Income from Operations	$ (36,122)	$ (9,106)	$ (45,228)

The Nature of the Training Provided to USPTO Examiners

Achieving organizational excellence demands a high performing workforce that delivers high quality work products and provides customer service excellence. Training is a critical component in achieving consistently high quality products and services.

Patent examiners and Trademark examining attorneys received extensive legal, technical and automation training in fiscal year 2000. The USPTO has a comprehensive training program for new patent examiners and trademark examining attorneys, which has a well-established curriculum including initial legal training and training in examination practice and procedure. Additionally, in fiscal year 2000 the USPTO provided legal lectures on current issues such as the Utility Guidelines and Written Description Guidelines and training on new rules changes. Automation training is provided to all examiners on an as-needed just-in-time basis. Technology specific legal and technical training was conducted throughout the examining operations. This specific training either focused on practices particular to the technology or was developed to address training needs identified through performance measurement.

Patent Examiner Training

Procedural Training - mandatory for all first year examiners	Patent Examiner Initial Training (PEIT) Introduction to Practice and Procedures
Legal Training - mandatory for all first year examiners	Practice and Procedures Lectures covering the following topics: * Types of application and application requirements * "Novelty" requirements * "Non-Obviousness" requirements * "Utility" requirements * Restriction practice * Unity of invention * Double patenting * Allowance and issue * Appeals
Legal Training - Technology Center Focused	* "Novelty" requirements * Docket Management * Part of Application * USPTO Forms * After Final Practice * "Non-Obviousness" requirements * "Utility" requirements * Prior Art (special topics) * Restriction Practice * Response to Arguments * Double Patenting * Reexam/Reissue
Legal Training - Legal Lectures	Various topics offered each year
Legal Training - Legal Courses	* Patent Law * Evidence
Examiner Technical Training (Technology Center Focused	* Biotechnology * Chemical Engineering * Mechanical Engineering * Computer Software and Hardware * Optics, Semiconductor, Electrical Engineering * Communication Technology
Examiner Technical Training - In-house Technical Lectures	Examples: * Organic Chemistry Basic * Streaming Digital Video * Introduction to Cable, MPEG, Imaging * DVD Technology * Disk Drive operations * PRML Read Channels * Communications Basics * 3rd Generation Cellular * Display System * Flat Panel Display Lecture * Artificial Intelligence * Computer Architecture
Automation Training	Examples: * Introduction to Computer Skills * Keyboarding Skills * Windows™ NT Overview * Windows™ NT Hands On * Computer Housekeeping * Microsoft® Outlook * Microsoft® Excel * Microsoft® Word I, II, III, IV * Office Action Correspondence Subsystem * US Classes, International Patent Classification Codes and the Concordance Online * Search Strategy Development Overview * Automated Searching for Design Examiners * Automated Searching for Shoe Searcher * Chemical Searching for Non-Chemists * Introduction to Sequence Searching * Examiner's Automated Search Tool (EAST) - Search Strategy for Chemical, Mechanical, Electrical, and Biotechnology Arts * Web-Based Examiner Search Tool (WEST) - Search Strategy for Chemical, Mechanical, Electrical, and Biotechnology Arts * Search Strategy for the Biotechnology Arts * WEST for EAST Searchers/ EAST for WEST Searchers * Understanding and Locating Foreign Patents * Commercial Databases and Web Resources

Trademark Examining Attorney Training

Trademark Organization Training and Learning (TOTAL)	Practice and Procedures Lectures and Activities covering the following topics:
Legal Training - mandatory for all first year trademark examining attorneys.	* Trademark Law Overview * Refusals under Section 2(d) of Trademark Act (Likelihood of Confusion) * Refusals under Section 2(e)(1) of Trademark Act (Mere Descriptiveness/Deceptively Misdescriptive) * Trademark Manual of Examining Procedure * Refusals under Section 2(e)(2) of Trademark Act (Geographically Descriptive) * Refusals under Section 2(e)(3) of Trademark Act (Geographically Deceptively Misdescriptive) * Refusals under Section 2(e)(4) of Trademark Act (Primarily Merely Surname) * Intent to Use Procedural Requirements * Identification and Classification of Goods and Services Practice * Legal Letter Writing * Drawings, Specimens and Use-Based Refusals * Basis Requirements * Options Practice - Section 2(f) of Trademark Act and Supplemental Register * Disclaimer Requirements * Evidence Practice * Refusals under Sections 2(a), (b) and (c) of Trademark Act
Automation Training	* PTOnet System and Applications * X-Search Automated Trademark Search System

Fiscal Year 2000 USPTO Workload Tables

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Trademark Examining Attorney Training

Trademark Organization Training and Learning (TOTAL)	Practice and Procedures Lectures and Activities covering the following topics:
Legal Training - mandatory for all first year trademark examining attorneys.	* Trademark Law Overview * Refusals under Section 2(d) of Trademark Act (Likelihood of Confusion) * Refusals under Section 2(e)(1) of Trademark Act (Mere Descriptiveness/Deceptively Misdescriptive) * Trademark Manual of Examining Procedure * Refusals under Section 2(e)(2) of Trademark Act (Geographically Descriptive) * Refusals under Section 2(e)(3) of Trademark Act (Geographically Deceptively Misdescriptive) * Refusals under Section 2(e)(4) of Trademark Act (Primarily Merely Surname) * Intent to Use Procedural Requirements * Identification and Classification of Goods and Services Practice * Legal Letter Writing * Drawings, Specimens and Use-Based Refusals * Basis Requirements * Options Practice - Section 2(f) of Trademark Act and Supplemental Register * Disclaimer Requirements * Evidence Practice * Refusals under Sections 2(a), (b) and (c) of Trademark Act
Automation Training	* PTOnet System and Applications * X-Search Automated Trademark Search System

Fiscal Year 2000 USPTO Workload Tables

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Table 1.
Summary of Patent Examining Activities: 1996-2000

(As of September 30 of each fiscal year)

Patent examining activity	1996	1997	1998	1999	2000
Applications filed, total	206,276	237,045	256,666	278,268	311,807
Utility[1 2]	189,922	219,486	238,850	259,618	291,653
Reissue [2]	637	607	582	664	805
Plant [2]	557	680	658	759	786
Design	15,160	16,272	16,576	17,227	18,563
First actions:					
Design	15,465	15,038	16,836	18,050	17,856
Utility, plant, and reissue	179,391	193,635	192,849	226,642	237,421
PCT/Chapter 1	11,224	12,268	13,430	14,316	16,331
Patent application disposals, total	197,244	212,763	220,333	238,292	252,871
Allowed [3], total	135,321	148,802	158,259	171,685	182,888
Design	13,627	13,562	15,214	16,305	16,688
Utility, plant, and reissue	121,694	135,240	143,045	155,380	166,200
Abandoned, total	61,819	63,878	61,994	66,493	69,895
Design	3,461	2,511	1,892	2,431	1,839
Utility, plant, and reissue	58,358	61,367	60,102	64,062	68,056
Statutory invention registrations disposals, total	104	83	80	114	88
PCT/Chapter II examinations completed	8,403	11,582	12,223	12,886	15,471
Patents issued [4]	116,875	122,977	154,579	159,166	182,223
Utility	104,900	111,979	139,298	142,856	164,490
Reissue	291	267	284	437	561
Plant	338	400	577	393	453
Design	11,346	10,331	14,420	15,480	16,719
Allowed applications, issue fee not paid[5]	5,408	5,599	6,853	4,000	7,633
Pendency time of average patent application[6]	20.8	22.2	23.8	25.0	25.0
Reexamination requests	418	376	350	385	318
Reexamination certificates issued	298	334	317	243	276
PCT search reports prepared	11,078	12,048	12,859	14,116	15,896
PCT international application received by USPTO as receiving office	20,106	22,767	27,138	30,305	36,671
National requirements received by USPTO as receiving office	11,662	13,858	17,305	19,941	23,628
International preliminary examination reports	7,571	11,738	12,003	14,615	15,044
Patents renewed under P.L. 102-204[7]	408,944	138,695	135,462	156,414	206,255
Patents expired under P.L. 102-204[7]	60,392	54,485	41,063	52,289	47,958

[1] Utility patents include chemical, electrical and mechanical applications.
[2] Utility, plant, and reissue applications revised from 1996 - 2000 to reflect the latest actual counts in PALM.
[3] "Allowed Patent Applications" are applications awaiting issuance (i.e., publication) as patents.
[4] Excludes withdrawn numbers.
[5] 35 U.S.C. 151 (includes design applications).
[6] Average time (in months) between filing and issuance or abandonment of utility, plant and reissue applications. This average does not include design patents.
[7] The provisions of P.L. 102-204 regarding the renewal of patents superceded P.L. 96-517 and P.L. 97-247. FY 1999 column revised from FY 1999 report.

Table 2.
Patent Applications Filed: 1981-2000

(As of September 30 of each fiscal year)

Year	Utility[1,2]	Design	Plant[2]	Reissue[2]	Total
1981	106,828	7,197	147	538	114,710
1982	116,052	8,069	193	486	124,800
1983	96,847	8,256	231	370	105,704
1984	109,010	8,446	248	281	117,985
1985	115,893	9,504	244	290	125,931
1986	120,988	9,792	291	332	131,403
1987	125,677	10,766	364	366	137,173
1988	136,253	11,114	377	439	148,183
1989	150,418	11,975	418	495	163,306
1990	162,708	11,140	395	468	174,711
1991	166,765	10,368	414	536	178,083
1992	171,623	12,907	335	581	185,446
1993	173,619	13,546	362	572	188,099
1994	185,087	15,431	430	606	201,554
1995	220,141	15,375	516	647	236,679
1996	189,922	15,160	557	637	206,276
1997	219,486	16,272	680	607	237,045
1998	238,850	16,576	658	582	256,666
1999	259,618	17,227	759	664	278,268
2000	291,653	18,563	786	805	311,807

[1] Chemical, electrical, and mechanical applications.
[2] Utility, plant and reissue applications revised from 1996 - 2000 to reflect the latest actual counts in PALM.

Table 3.
Patents Pending Prior to Allowance: 1981-2000[1]

(As of September 30 of each fiscal year)

Year	Awaiting action by examiner	Total applications pending[2]	Year	Awaiting action by examiner	Total applications pending[2]	Year	Awaiting action by examiner	Total applications pending[2]
1981	71,033	181,727	1988	75,678	215,280	1995	124,275	298,522
1982	87,659	216,509	1989	92,377	222,755	1996	139,943	303,720
1983	102,532	223,101	1990	104,179	244,964	1997	112,430	275,295
1984	90,687	219,567	1991	104,086	254,507	1998	224,446	379,484
1985	90,648	215,512	1992	112,201	269,596	1999	243,207	414,837
1986	80,547	207,774	1993	99,904	244,646			
1987	65,010	209,911	1994	107,824	261,249	**2000**	308,056	485,129

[1] Includes patents pending at end of period indicated, and includes utility, reissue, plant, and design applications. Does not include allowed applications.
[2] Applications under examination, including those in preexamination processing.

Table 4.
Patent Pendency and Cycle Time Statistics: 2000

(As of September 30)

Utility, plant & reissue (UPR) applications	Number of applica- tions	Average pendency (in months)
Total	233,560	25.0
Issued	165,504	25.9
Abandoned	68,056	21.6
Applications in process	520,076	17.0

	UPR pendency statistics by technology center (in months)		
	To issue	Aban- doned	In process
Total UPR pendency	25.9	21.6	17.0
Biotechnology, Organic Chemistry & Designs	30.3	25.1	21.3
Chemical and Material Engineering	27.5	25.3	17.1
Transportation, Construction & Agriculture	25.4	20.8	15.1
Mechanical Engineering, Manufacturing & Products	23.9	18.9	15.2
Communications and Information Processing	34.1	27.9	17.9
Physics, Optics, System Components & Electrical Engineering	25.6	22.2	15.1

	Total UPR pendency by technology center (in months)	
	From inven- tion's original filing date	From most recent filing date[1]
Total UPR pendency	27.0	25.0
Biotechnology, Organic Chemistry & Designs	31.8	26.2
Chemical and Material Engineering	27.1	25.8
Transportation, Construction & Agriculture	24.5	23.8
Mechanical Engineering, Manufacturing & Products	23.1	21.8
Communications and Information Processing	33.0	31.3
Physics, Optics, System Components & Electrical Engineering	25.7	23.9

	Cycle time by technology center (in months)	
	PTO time	Time attributable to applicants
Total UPR pendency	17.0	10.0
Biotechnology, Organic Chemistry & Designs	16.9	14.9
Chemical and Material Engineering	16.8	10.3
Transportation, Construction & Agriculture	15.5	9.0
Mechanical Engineering, Manufacturing & Products	14.6	8.5
Communications and Information Processing	22.1	10.9
Physics, Optics, System Components & Electrical Engineering	16.8	8.9

[1] "Pendency from original filing date" and "pendency from most recent filing date" differ in that the former is composed of continuing applications descending from the original or parent invention. Pendency is calculated based on the most recent filing date, while cycle time is based on the original filing date.

Table 5.
Summary of Pending Patent Applications: 2000
(As of September 30)

Stage of processing	Utility, plant, and reissue applica-tions	Design applica-tions	Total patent applica-tions
Pending patent applications, total	549,012	22,659	571,671
In preexamination processing, total	72,918	4,023	76,941
Under examination, total	398,196	9,992	408,188
Undocketed	29,981	430	30,411
Awaiting first action by examiner	194,109	6,595	200,704
Rejected, awaiting response by applicant	123,854	2,450	126,304
Amended, awaiting action by examiner	32,890	386	33,276
In interference	1,630	20	1,650
On appeal, and other[1]	15,732	111	15,843
In postexamination processing, total	77,898	8,644	86,542
Awaiting issue fee	38,580	4,302	42,882
Awaiting printing[2]	36,064	4,342	40,406
D-10s (secret cases in condition for allowance)	3,254	-	3,254

- Represents zero.
[1]Includes cases on appeal and undergoing petitions.
[2]Includes withdrawn cases.

Table 6.
Patents Issued: 1981-2000
(As of September 30 of each fiscal year)

Year	Utility[1]	Design	Plant	Reissue	Total
1981	66,617	3,882	168	343	71,010
1982	59,449	5,299	120	284	65,152
1983	54,744	4,401	219	351	59,715
1984	66,753	4,935	174	287	72,149
1985	69,667	5,058	277	300	75,302
1986	71,301	5,202	227	263	76,993
1987	82,141	6,158	240	254	88,793
1988	77,317	5,740	283	244	83,584
1989	95,831	5,844	728	309	102,712
1990	88,974	7,176	295	282	96,727
1991	91,822	9,386	318	334	101,860
1992	99,405	9,612	336	375	109,728
1993	96,676	9,946	408	302	107,332
1994	101,270	11,138	513	347	113,268
1995	101,895	11,662	390	294	114,241
1996	104,900	11,346	338	291	116,875
1997	111,979	10,331	400	267	122,977
1998	139,298	14,420	577	284	154,579
1999	142,856	15,480	437	393	159,166
2000	164,490	16,719	453	561	182,223

[1]Includes chemical, electrical, and mechanical applications.

Table 7.
Patent Applications Filed by Residents of the United States: 2000[1]

(As of September 30)

State/territory	2000	State/territory	2000	State/territory	2000
Total	175,705	Kentucky	903	Oklahoma	925
		Louisiana	895	Oregon	3,176
Alabama	782	Maine	274	Pennsylvania	6,543
Alaska	105	Maryland	2,989	Rhode Island	533
Arizona	3,088	Massachusetts	7,723	South Carolina	1,108
Arkansas	324	Michigan	6,358	South Dakota	166
California	40,377	Minnesota	5,152	Tennessee	1,537
Colorado	3,736	Mississippi	309	Texas	11,960
Connecticut	3,642	Missouri	1,636	Utah	1,490
Delaware	793	Montana	273	Vermont	676
District of Columbia	194	Nebraska	451	Virginia	2,506
Florida	5,500	Nevada	844	Washington	4,682
Georgia	3,040	New Hampshire	1,177	West Virginia	277
Hawaii	166	New Jersey	7,729	Wisconsin	3,526
Idaho	2,723	New Mexico	622	Wyoming	117
Illinois	7,307	New York	12,397	Puerto Rico	31
Indiana	2,663	North Carolina	3,860	Virgin Islands	7
Iowa	1,287	North Dakota	124	U.S. Pacific Islands[2]	3
Kansas	809	Ohio	6,186	United States[3]	4

[1]Data include utility, design, plant, and reissue applications.
[2]Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.
[3]No state indicated in database.

Table 8.
Patents Issued to Residents of the United States: 2000[1]

(As of September 30)

State/territory	2000	State/territory	2000	State/territory	2000
Total	100,548	Kentucky	540	Oklahoma	629
		Louisiana	557	Oregon	1,526
Alabama	432	Maine	161	Pennsylvania	4,227
Alaska	72	Maryland	1,628	Rhode Island	390
Arizona	1,707	Massachusetts	4,065	South Carolina	681
Arkansas	245	Michigan	4,261	South Dakota	102
California	20,401	Minnesota	3,129	Tennessee	1,010
Colorado	2,147	Mississippi	227	Texas	7,129
Connecticut	2,161	Missouri	1,036	Utah	825
Delaware	459	Montana	146	Vermont	426
District of Columbia	56	Nebraska	309	Virginia	1,290
Florida	3,217	Nevada	385	Washington	2,143
Georgia	1,567	New Hampshire	711	West Virginia	160
Hawaii	99	New Jersey	4,526	Wisconsin	2,157
Idaho	1,608	New Mexico	377	Wyoming	77
Illinois	4,580	New York	7,385	Puerto Rico	34
Indiana	1,781	North Carolina	2,218	Virgin Islands	3
Iowa	738	North Dakota	98	U.S. Pacific Islands[2]	3
Kansas	511	Ohio	4,193	United States[3]	3

[1]Data include utility, design, plant, and reissue patents.
[2]Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.
[3]No state indicated in database.

Table 9.

United States Patent Applications Filed by Residents of Foreign Countries: 1996-2000

(As of September 30 of each fiscal year)

Residence	1996	1997	1998	1999	2000
Total	89,940	102,248	110,461	125,423	136,102
Albania	-	2	1	-	-
Algeria	-	-	-	-	1
Andorra	1	155	2	1	-
Anguilla	-	2	-	1	-
Antigua & Barbuda	1	1	1	-	-
Argentina	75	81	121	102	138
Armenia	-	1	1	[2]1	1
Aruba	2	-	-	-	-
Australia	1,090	1,270	1,450	1,507	1,887
Austria	532	590	665	871	887
Azerbaijan	2	1	2	1	1
Bahamas	8	12	21	14	17
Bahrain	1	-	1	2	1
Barbados	1	1	1	3	7
Belarus	6	6	3	6	11
Belgium	900	974	1,034	1,207	1,338
Belize	1	1	1	-	-
Benelux Convention	-	1	-	-	-
Bermuda	4	2	5	7	15
Bolivia	1	1	2	2	-
Bosnia & Herzegovina	1	-	1	1	1
Botswana	-	-	1	-	-
Brazil	136	157	167	206	240
British Virgin Islands	5	3	2	2	3
Bulgaria	15	10	15	2	23
Canada	4,893	4,972	5,975	7,006	7,146
Cayman Islands	15	4	2	7	4
Chile	24	13	18	14	28
China (Hong Kong)	467	448	457	757	837
China (People's Republic)	256	215	289	271	437
Columbia	11	9	14	21	24
Cook Islands	-	-	-	-	-
Costa Rica	3	14	20	8	29
Cote D'Ivorie	-	-	-	1	-
Croatia	14	20	18	15	18
Cuba	5	2	4	5	14
Cyprus	-	4	-	4	2
Czech Republic	22	22	39	37	58
Czechoslovakia	14	14	22	15	-
Denmark	567	724	776	938	941
Djibouti	-	1	-	-	-
Dominica	2	-	-	1	2
Dominican Republic	1	4	3	-	4
Ecuador	1	8	2	5	6
Egypt	5	8	8	19	21
El Salvador	1	1	1	1	2
EPO	-	28	-	-	-
Estonia	1	1	1	7	7

Residence	1996	1997	1998	1999	2000
Ethiopia	-	1	-	-	-
Falkland Islands	1	-	-	-	-
Fiji	2	-	1	2	-
Finland	797	946	910	1,309	1,475
French Polynesia	-	-	-	-	2
France	4,678	5,093	5,414	6,398	6,859
French Guiana	1	-	-	-	-
Gabon	-	-	-	-	-
Georgia	6	16	6	2	1
Germany	11,515	12,908	13,799	17,446	17,858
Ghana	1	4	-	1	-
Greece	22	21	47	47	45
Guadeloupe	-	1	-	-	-
Guatemala	2	5	3	2	1
Guinea	-	-	1	-	-
Haiti	-	1	-	-	2
Honduras	3	5	5	6	1
Hungary	63	42	69	115	116
Iceland	8	13	28	30	39
India	105	135	182	263	389
Indonesia	22	10	7	26	15
Iran	14	16	16	2	1
Iraq	-	1	-	-	-
Ireland	119	130	197	264	339
Israel	1,081	1,220	1,499	1,938	2,477
Italy	2,152	2,472	2,449	2,835	3,031
Jamaica	2	1	4	4	2
Japan	39,810	44,318	46,569	47,413	54,365
Jordan	6	1	5	5	-
Kazakhstan	-	1	1	10	2
Kenya	2	5	1	8	1
Korea, Dem. Republic of	19	67	63	-	-
Korea, Republic of	3,932	4,957	5,625	5,634	5,882
Kuwait	3	19	13	12	10
Kyrgyzstan	-	-	-	1	-
Laos	1	-	-	-	-
Latavia	2	1	5	2	2
Lebanon	3	2	3	5	4
Lesotho	-	1	-	-	-
Liechtenstein	20	21	15	26	26
Lithuania	-	4	2	3	4
Luxembourg	36	63	49	51	65
Macau	-	1	-	2	-
Madagascar	-	-	-	1	-
Macedonia	-	-	-	-	3
Malaysia	43	61	58	74	94
Maldives	-	1	-	-	-
Mali	5	1	1	-	-
Malta	3	-	2	-	1
Marshall Islands	1	-	-	-	-

Table 9. (Cont'd)

United States Patent Applications Filed by Residents of Foreign Countries: 1996-2000

(As of September 30 of each fiscal year)

Residence	1996	1997	1998	1999	2000
Mauritius	-	-	1	-	-
Mexico	116	146	152	172	180
Moldova	1	-	1	-	1
Monaco	13	11	13	14	26
Mongolia	3	-	-	-	-
Montserrat	-	-	-	-	-
Morocco	5	1	3	1	5
Myanmar	1	-	1	-	-
Namibia	-	2	-	1	-
Nauru	-	1	1	-	-
Nepal	-	-	-	-	-
Netherlands	1,594	1,978	1,914	2,158	2,446
Netherlands Antilles	1	-	3	1	-
New Caledonia	1	1	2	-	-
New Zealand	191	218	204	249	296
Nicaragua	-	1	-	-	-
Niger	-	1	1	-	-
Nigeria	3	1	3	1	5
Norway	244	312	341	399	465
Pakistan	1	8	3	2	6
Palau	-	-	-	1	-
Panama	8	2	4	8	4
Paraguay	1	1	1	-	2
Peru	4	5	3	8	6
Philippines	10	42	21	28	32
Poland	21	29	16	27	35
Portugal	13	12	17	29	22
Romania	9	13	9	5	10
Russian Federation	236	242	271	360	384
Saint Kitts & Nevis	-	-	-	2	2
Saudi Arabia	17	23	24	17	24
Senegal	1	1	1	-	-
Seychelles	3	1	2	-	-
Sierra Leone	1	2	-	-	-
Singapore	157	244	315	444	680
Slovakia	2	3	10	5	10
Slovenia	21	24	26	20	27
Solomon Islands	2	-	-	-	-
South Africa	189	197	215	243	199
Soviet Union	10	2	1	-	-
Spain	369	458	442	481	595
Sri Lanka	1	2	3	13	8
Suriname	1	-	2	-	1
Swaziland	24	14	17	-	-
Sweden	1,439	2,062	2,390	2,770	2,840
Switzerland	1,639	1,782	1,897	2,245	2,318
Syria Arab Rep	-	1	-	5	3
Taiwan	5,108	6,349	7,627	11,392	10,380
Tanzania	-	1	-	-	1
Thailand	25	32	34	61	91
Trinidad & Tobago	2	1	2	1	8
Tunisia	-	-	-	1	-
Turkey	6	2	26	35	27
Turks and Caicos Islands	-	-	-	-	2
Uganda	-	1	1	4	-
Ukraine	16	26	31	20	23
United Arab Emirates	1	5	6	7	6
United Kingdom	4,804	5,589	6,072	7,128	7,613
Uruguay	3	2	5	4	2
Uzbekistan	-	-	3	4	3
Vatican City	1	-	-	-	-
Venezuela	39	35	43	44	42
Vietnam	1	2	1	1	1
Yemen	1	-	1	-	-
Yugoslavia	4	7	6	[2]6	7
Zaire	-	-	-	-	-
Zimbabwe	-	-	3	1	1
Other[3]	13	5	75	-	-

- Represents zero.

[1]Data include utility, design, plant, and reissue applications. Country listings include possessions and territories of that country unless listed separately in the table.

[2]Revised from FY 1999 Report.

[3]Country of origin information not available.

Table 10.

Patents Issued by the United States to Residents of Foreign Countries: 1996-2000[1]

(As of September 30 of each fiscal year)

Residence	1996	1997	1998	1999	2000
Total	50,159	53,682	68,796	70,047	81,675
Albania	-	-	-	-	1
Algeria	-	-	-	[2]1	-
Andorra	1	-	2	1	-
Anguilla	-	-	1	-	-
Antigua & Barbuda	4	-	-	-	1
Argentina	28	41	41	45	65
Armenia	-	-	-	-	1
Aruba	-	2	-	-	2
Australia	534	592	754	795	885
Austria	370	391	413	443	544
Azerbaijan	2	-	-	1	1
Bahamas	4	5	13	12	13
Bahrain[2]		1	-	-	3
Barbados	-	-	-	1	-
Belarus	2	4	7	5	4
Belgium	482	559	713	667	807
Bermuda	3	1	1	2	-
Bolivia	1	-	1	-	3
Brazil	65	72	79	87	122
British Virgin Islands	-	-	3	2	1
Bulgaria	1	4	2	5	2
Canada	2,444	2,803	3,302	3,498	4,060
Cayman Islands	2	5	6	4	6
Chile	4	4	16	12	15
China (Hong Kong)	237	255	361	[2]395	540
China (Mainland)	51	59	87	[2]86	143
Colombia	7	8	7	4	6
Cook Islands	1	-	-	-	-
Costa Rica	10	7	2	10	12
Croatia	4	8	10	17	11
Cuba	-	4	4	4	1
Cyprus	1	2	-	-	1
Czech Republic	3	13	15	18	42
Czechoslovakia	13	9	8	7	8
Denmark	326	362	533	551	536
Dominica	-	-	-	-	1
Dominican Republic	-	-	-	3	2
Ecuador	-	-	7	4	-
Egypt	4	2	1	1	6
El Salvador[2]	1	1	1	-	-
Estonia	2	-	-	1	2
Faroe Islands	-	-	-	-	-
Finland	408	482	576	665	679
France	2,972	3,121	3,823	3,802	4,392
French Guiana	1	-	-	-	-
Georgia	-	1	-	-	1
Germany	6,898	7,180	9,304	9,113	10,978
Ghana	-	-	-	1	-
Gibralter	-	-	-	-	1
Greece	13	14	17	21	22
Guadeloupe	-	-	-	-	-
Guatemala	2	1	2	2	2
Guinea	-	-	-	-	1
Haiti	-	1	-	1	-
Honduras	1	1	1	5	1
Hungary	46	32	46	38	41
Iceland	3	4	6	10	15
India	37	43	80	109	123
Indonesia	2	12	9	4	15
Iran	-	-	1	1	-
Ireland	84	77	74	104	128
Israel	475	573	760	748	856
Italy	1,338	1,422	1,754	1,595	1,915
Jamaica	-	1	1	1	2
Japan	22,979	24,314	30,490	30,425	34,563
Jordan	-	5	2	2	-
Kazakhstan	-	-	2	1	4
Kenya	2	1	1	2	1
Korea, Dem. Republic of	-	-	-	-	-
Korea, Republic of	1,428	1,828	3,052	3,477	3,699
Kuwait	2	1	4	12	11
Latvia	-	-	1	2	2
Lebanon	-	1	1	3	3
Liechtenstein	15	10	16	15	19
Lithuania	-	2	1	4	2
Luxembourg	35	28	47	46	48
Macau	2	-	-	-	-
Madagascar	-	-	-	-	1
Malaysia	21	26	38	27	51
Malta	-	1	2	-	2
Marshall Islands	-	-	-	1	-
Mauritius	1	-	-	-	1
Mexico	45	48	83	79	107
Moldova, Republic	-	-	-	[2]3	-
Monaco	5	7	9	12	14
Morocco	1	-	2	1	2
Myanmar	-	-	-	1	-
Namibia	-	-	-	-	1
Netherlands	882	878	1,282	1,322	1,484
Netherlands Antilles	-	-	1	1	2
New Caledonia	-	-	1	-	-
New Zealand	71	95	135	140	149
Nicaragua	-	-	-	1	-
Nigeria	-	2	1	1	2
Norfolk Island	-	-	-	1	-
Norway	142	156	217	224	266
Pakistan	1	1	1	1	4
Panama	1	1	-	-	3
Paraguay	-	-	-	1	-
Peru	5	2	1	5	4
Philippines	1	15	25	16	17
Poland	12	15	16	21	9
Portugal	3	6	9	11	10
Paulau	-	-	-	-	1
Qatar	-	-	-	-	1

Table 10. (Cont'd)
Patents Issued by the United States to Residents of Foreign Countries: 1996-2000[1]
(As of September 30 of each fiscal year)

Residence	1996	1997	1998	1999	2000
Romania	6	1	-	5	4
Russian Federation	111	113	175	174	192
Saint Kitts & Nevis	1	-	2	-	1
Saint Vincent/ The Grenadines	-	-	-	-	-
San Marino	-	-	-	1	-
Saudi Arabia	11	16	12	12	21
Singapore	87	111	122	134	220
Slovakia	1	2	2	6	3
Slovenia	11	9	15	13	18
South Africa	112	112	126	115	145
Soviet Union	14	7	6	2	3
Spain	177	176	285	262	321
Sri Lanka	2	1	2	1	2
Suriname	-	-	-	1	1
Sweden	904	996	1,258	1,368	1,805
Switzerland	1,141	1,176	1,339	1,310	1,516
Syrian Arab Rep	-	-	-	1	4

Residence	1996	1997	1998	1999	2000
Taiwan	2,300	2,490	3,543	4,105	5,578
Thailand	8	16	14	23	36
Trinidad & Tobago	2	-	3	1	-
Tunisia	-	-	1	-	-
Turkey	2	5	3	2	5
Turks and Caicos Islands	-	1	1	-	1
Uganda	-	-	-	-	-
Ukraine	14	11	15	16	13
United Arab Emirates	1	1	1	-	3
United Kingdom	2,668	2,787	3,548	3,686	4,241
Uruguay	2	4	3	4	-
Uzbekistan	2	-	1	-	3
Venezuela	31	20	30	40	31
Vietnam	-	-	-	1	1
Yemen	-	-	-	-	-
Yugoslavia	9	4	5	3	4
Zaire	-	1	-	-	-
Zimbabwe	1	-	-	1	1

- Represents zero.
[1]Data include utility, design, plant, and reissue patents. Country listings include possessions and territories of that country unless separately listed in the table.
[2]Revised from FY 1999 Report.

Table 11.
Statutory Invention Registrations (SIRs) Published: 1996-2000

(As of September 30 of each fiscal year)

Assignee	1996	1997	1998	1999	2000
Total	104	83	68	53	58
Air Force	6	5	4	1	-
Army	16	5	-	4	2
Energy	2	-	1	1	1
Navy	9	11	6	8	5
USA[1]	5	5	1	2	-
Other Than U.S. Government	66	57	56	37	50

- Represents zero.
[1]United States of America—no agency indicated in database.

Table 12.
U.S. Government Agency Patents: 1991-2000[1]

(As of September 30 of each fiscal year)

Agency	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
Total	1,137	1,185	1,153	1,225	1,135	921	923	1,013	955	976	10,623
Agriculture	52	48	57	38	44	48	39	68	79	57	**530**
Air Force	126	138	126	130	104	101	78	81	83	79	**1,046**
Army	129	172	147	194	163	138	169	160	146	151	**1,569**
Commerce	15	17	21	28	35	22	21	16	20	19	**214**
Energy	218	218	193	201	146	60	70	69	48	51	**1,274**
EPA	5	4	7	5	4	7	9	2	4	6	**53**
FCC	-	-	-	-	-	-	-	-	1	-	**1**
HEW/HHS	46	67	88	99	96	110	144	148	153	119	**1,070**
Interior	14	23	9	10	13	20	6	3	6	5	**109**
Library of Congress	-	-	-	-	1	1	-	-	-	-	**2**
NASA	124	166	155	148	157	102	92	104	87	98	**1,233**
Navy	384	314	333	360	352	299	279	347	306	369	**3,343**
NSA	3	3	5	6	4	3	1	3	7	16	**51**
Postal Service	1	-	-	-	1	1	1	-	-	-	**4**
State Department	-	-	-	-	1	-	-	-	-	-	**1**
Transportation	2	-	2	1	-	-	-	3	1	3	**12**
Treasury	-	-	-	-	-	-	1	-	-	-	**1**
TVA	8	5	1	2	5	4	4	2	6	2	**39**
USA[2]	10	10	9	3	9	5	9	7	8	1	**71**

- Represents zero.
[1]Data in this table represent utility patents assigned to agencies at the time of patent issue.
[2]United States of America — no agency indicated in database.

Table 13.
Reexamination 1996-2000
(As of September 30 of each fiscal year)

Activity	1996	1997	1998	1999	2000
Requests filed, total	418	376	350	385	318
By patent owner	194	157	168	173	137
By third party	223	215	178	181	172
Commissioner ordered	1	4	4	31	9
Determinations on requests, total	414	391	348	367	338
Requests granted:					
By examiner	386	357	315	327	320
By petition	8	4	2	1	2
Requests denied	20	30	31	39	16
Requests known to have related litigation	89	65	66	62	80
Filings by discipline, total	418	376	350	385	318
Chemical	127	123	120	138	96
Electrical	127	100	94	107	103
Mechanical	164	153	136	140	119

Table 14.
Summary of Contested Patent Cases: 2000
(Within the Patent and Trademark Office, as of September 30 of each fiscal year)

Item	Total
EX PARTE CASES	
Appeals [1]:	
Cases pending as of 9/30/99	8,344
Cases filed during FY 00	2,982
Disposals during FY 00	
Decided, total	5,004
Affirmed	1,459
Affirmed-in-part	518
Reversed	1,946
Dismissed/withdrawn	165
Remanded	916
Cases pending as of 9/30/00	6,322
REHEARINGS	
Cases pending as of 9/30/00	23
INTER PARTES CASES	
Inter partes cases, FY 00, total	464
Cases pending as of 9/30/99	328
Cases declared or reinstituted during FY 00	136
Cases terminated during FY 00	178
Cases pending as of 9/30/00	286

[1] Jurisdiction of an appeal passes to the Board of Patent Appeals and Interferences after the examiner has written the answer and after the time for filing a reply brief to the answer has passed.

Table 15.
Summary of Trademark Examining Activities: 1996-2000
(As of September 30 of each fiscal year)

Item	1996	1997	1998	1999	2000
Applications for registration:					
Applications including additional classes	200,640	224,355	232,384	295,165	375,428
Applications filed	170,783	188,080	193,034	240,308	296,490
Disposal of trademark applications:					
Registrations including additional classes	91,339	112,509	106,279	104,324	127,794
Abandonments including additional classes	49,189	64,409	71,838	77,184	101,099
Trademark first actions including additional classes	198,160	226,651	238,191	338,937	352,325
Applications approved for publication including additional classes	127,481	149,721	145,209	181,366	203,251
Certificates of registration issued: [1]					
1946 Act principal register	56,022	60,416	56,730	57,046	73,888
Principal register:					
ITU-Statements of Use register	19,683	33,131	29,287	26,810	27,170
1946 Act supplemental register	2,969	3,747	3,617	3,918	5,325
Total certificates of registration	78,674	97,294	89,634	87,774	106,383
Renewal of registration: [2]					
Section 9 applications filed	7,543	6,720	7,413	7,944	24,435
Section 8 applications filed[3]	NA	NA	NA	NA	24,099
Registrations renewed	7,346	7,389	6,504	6,280	8,821
Affidavits, Sec. 8/15:					
Affidavits filed	22,169	20,781	33,231	33,104	28,920
Affidavits disposed	33,661	24,533	26,199	29,119	28,894
Amendments to Allege Use filed	6,232	7,292	6,955	3,554	8,971
Statements of Use filed	25,388	31,784	37,060	34,367	36,119
Notices of Allowance issued	71,117	80,693	78,072	82,940	120,177
Total active certificates of registration	784,667	839,071	901,805	931,273	1,020,126
Pendency—average months:					
Between filing and examiner's first action	5.9	6.4	7.2	4.6	5.7
Between filing, registration (Use Applications) abandonments, and NOAs	16.5	16.9	17.8	18.9	17.3
Between filing and issuing a NOA (Intent to Use applications)	15.9	16.3	17.8	18.9	16.0

- Represents zero.
NA Not available.

[1] With the exception of certificates of registration, renewal of registration, affidavits filed under Section 8/15 and 12(c), the workload count includes extra classes.
[2] Renewal of registration is required beginnging 10 years following registration concurrent with 20-year renewals coming due.
[3] Section 8 affidavit is required for filing a renewal beginning October 30, 1999, (FY 2000) with the implementation of the Trademark Law Treaty.

Table 16.
Trademark Applications Filed for Registration and Renewal and Trademark Affidavits Filed: 1981-2000

(As of September 30 of each fiscal year)

Year	For registration	For renewal	Section 8 affidavit	Section 12(c) affidavit
1981	55,152	5,693	17,071	40
1982	73,621	5,760	15,068	55
1983	51,014	5,438	12,544	46
1984	61,480	5,926	13,519	5
1985	64,677	5,275	8,823	29
1986	69,253	5,660	8,519	19
1987	70,002	5,871	16,644	34
1988	76,813	6,763	18,316	23
1989	83,169	6,127	17,986	104
1990	127,294	6,602	20,636	5
1991	120,365	5,634	25,763	1
1992	125,237	6,355	20,982	25
1993	139,735	7,173	21,999	5
1994	155,376	7,004	20,850	4
1995	175,307	7,346	23,497	-
1996	200,640	7,543	22,169	6
1997	224,355	6,720	20,781	2
1998	232,384	7,413	33,231	-
1999	295,165	7,944	33,104	-
2000	375,428	[1]**24,435**	28,894	-

- Represents zero.
[1]Concurrent 10- and 20-year renewal of registration.

Table 17.
Summary of Pending Trademark Applications: 2000

(As of September 30)

Stage of processing	Applications	Classes
Pending applications, total	520,053	677,403
In preexamination processing	117,702	146,064
Under examination, total	317,154	422,118
Applications under initial examination	160,415	214,828
Amended, awaiting action by Examiner	148,374	200,278
Awaiting first action by Examiner	12,041	14,550
ITU applications pending Use	115,648	150,358
Applications under second examination	7,216	9,088
Administrative processing of Statements of Use	1,465	1,753
Undergoing second examination	985	1,202
Amended, awaiting action by Examiner	4,766	6,133
Other pending applications [1]	**33,875**	47,844
In postexamination processing (Includes all applications in all phases of publication and issue and registration)	85,197	109,221

[1]Includes applications pending before the Trademark Trial and Appeal Board and suspended cases.

Table 18.
Trademarks Registered, Renewed, and Published Under Section 12(c): 1981-2000[1]

(As of September 30 of each fiscal year)

Year	Certificates of registration issued	Renewed	Published under 12(c)	Registrations (including classes)
1981	31,306	5,884	77	-
1982	39,025	6,070	71	-
1983	41,179	5,695	74	-
1984	45,475	5,678	22	-
1985	63,122	5,177	27	-
1986	48,971	5,550	29	-
1987	47,522	4,415	24	-
1988	46,704	5,884	29	-
1989	51,802	9,209	84	-
1990	56,515	7,122	19	-
1991	43,152	6,416	19	-
1992	62,067	5,733	13	-
1993	74,349	6,182	21	86,122
1994	59,797	6,136	11	68,853
1995	65,662	6,785	4	75,372
1996	78,674	7,346	11	91,339
1997	97,294	7,389	11	112,509
1998	89,634	6,504	8	106,279
1999	87,774	6,280	3	104,324
2000	106,383	8,821	15	127,794

\- Represents zero.
[1] Includes withdrawn numbers.

Table 19.
Trademark Applications Filed by Residents of the United States: 2000

(As of September 30)

State/territory	2000	State/territory	2000	State/territory	2000
Total	309,393	Kentucky	1,684	Oklahoma	1,375
		Louisiana	1,344	Oregon	3,229
Alabama	1,526	Maine	812	Pennsylvania	9,591
Alaska	217	Maryland	5,902	Rhode Island	1,012
Arizona	5,100	Massachusetts	11,291	South Carolina	1,673
Arkansas	719	Michigan	6,240	South Dakota	303
California	70,434	Minnesota	5,978	Tennessee	3,616
Colorado	6,760	Mississippi	502	Texas	17,192
Connecticut	5,945	Missouri	4,323	Utah	3,190
Delaware	3,622	Montana	400	Vermont	591
District of Columbia	3,058	Nebraska	1,111	Virginia	8,577
Florida	15,987	Nevada	2,837	Washington	6,894
Georgia	7,482	New Hampshire	1,308	West Virginia	238
Hawaii	727	New Jersey	11,453	Wisconsin	3,455
Idaho	705	New Mexico	763	Wyoming	316
Illinois	14,548	New York	34,014	Puerto Rico	325
Indiana	2,865	North Carolina	5,014	Virgin Islands	42
Iowa	1,391	North Dakota	219	U.S. Pacific Islands[1]	-
Kansas	1,766	Ohio	8,726	United States[2]	1

- Represents zero.
[1] Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.
[2] No state indicated in database, includes APO filings.

Table 20.
Trademarks Registered to Residents of the United States: 2000[1]

(As of September 30)

State/territory	2000	State/territory	2000	State/territory	2000
Total	91,007	Kentucky	433	Oklahoma	496
		Louisiana	340	Oregon	761
Alabama	342	Maine	229	Pennsylvania	2,430
Alaska	66	Maryland	1,102	Rhode Island	266
Arizona	884	Massachusetts	2,092	South Carolina	392
Arkansas	197	Michigan	1,779	South Dakota	83
California	10,103	Minnesota	1,862	Tennessee	885
Colorado	1,318	Mississippi	125	Texas	3,209
Connecticut	939	Missouri	1,272	Utah	786
Delaware	18,812	Montana	105	Vermont	238
District of Columbia	727	Nebraska	297	Virginia	1,307
Florida	3,351	Nevada	1,266	Washington	1,524
Georgia	1,751	New Hampshire	278	West Virginia	66
Hawaii	151	New Jersey	2,168	Wisconsin	1,269
Idaho	167	New Mexico	195	Wyoming	104
Illinois	3,203	New York	6,046	Puerto Rico	38
Indiana	1,027	North Carolina	1,297	Virgin Islands	96
Iowa	569	North Dakota	58	U.S. Pacific Islands[2]	-
Kansas	383	Ohio	2,432	United States[3]	9,691

- Represents zero.

[1] When a trademark is registered, the trademark database is corrected to indicate the home state of the entity registering the trademark.

[2] Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

[3] No state indicated in database.

Table 21.

Trademark Applications Filed by Residents of Foreign Countries: 1996-2000

(As of September 30 for each fiscal year)

Residence	1996	1997	1998	1999	2000
Total	26,303	33,080	36,249	44,549	67,035
Algeria	-	-	-	-	1
Andorra	1	7	5	7	3
Angola	-	-	-	1	3
Anguilla	9	4	5	4	14
Antigua & Barbuda	-	7	-	6	15
Argentina	106	98	126	142	326
Armenia	-	-	-	3	9
Aruba	12	5	4	7	5
Australia	663	922	1,018	1,423	2,321
Austria	192	226	343	500	632
Bahamas	86	67	95	101	148
Bahrain	3	2	-	4	-
Barbados	23	35	14	88	89
Belarus	-	1	3	-	5
Belgium	269	278	321	409	619
Belize	2	1	4	8	9
Benelux Convention	26	13	-	-	8
Bermuda	81	186	97	148	321
Bolivia	-	1	1	1	6
Botswana	-	-	-	-	-
Brazil	157	191	209	211	357
British Virgin Islands	92	159	235	232	696
Brunei	-	1	15	-	-
Bulgaria	10	2	4	13	5
Burundi	-	-	2	-	2
Cambodia	-	1	7	7	6
Cameroon	-	-	3	-	-
Canada	5,180	6,063	6,499	7,889	9,844
Cayman Islands	37	65	64	50	265
Central African Republic	-	-	-	-	-
Channel Islands	53	75	42	-	110
Chile	43	58	58	101	132
China (mainland)	128	308	331	301	438
Christmas Island	-	2	-	-	4
Colombia	40	72	57	79	183
Comoros	-	-	1	-	3
Cook Islands	4	3	3	-	1
Costa Rica	18	26	21	11	25
Croatia	1	1	11	2	9
Cuba	17	5	2	-	1
Cyprus	9	9	28	31	71
Czechoslovakia	39	38	26	30	50
Denmark	281	260	348	382	604
Djibouti	-	-	3	-	-
Dominica	9	8	5	-	2
Dominican Republic	53	59	59	65	62
Ecuador	20	25	28	19	22
Egypt	2	1	5	2	10
El Salvador	2	7	12	9	25
EPO	1	-	1	1	-
Estonia	-	1	-	7	5
Ethiopia	-	-	-	-	1
Faroe Islands	-	-	-	-	-
Fiji	1	3	3	3	1
Finland	186	181	219	340	473
France	2,081	2,483	3,095	3,695	4,860
French Polynesia	-	2	3	2	8
French South/Antarctic	-	-	1	-	-
Gabon	-	1	-	-	-
Georgia	-	-	11	7	7
Germany	3,124	4,080	4,519	6,307	10,218
Ghana	-	1	2	5	-
Gibraltar	8	-	6	48	31
Greece	28	16	22	30	92
Greenland	2	-	-	-	3
Grenada	1	-	2	1	3
Guadeloupe	3	-	4	-	-
Guatemala	3	7	7	18	14
Guinea	-	-	-	1	-
Guyana	5	3	-	2	2
Hague	-	3	-	-	-
Haiti	-	4	5	3	-
Honduras	-	7	15	3	3
Hong Kong	456	437	478	625	1,097
Hungary	27	15	11	21	31
Iceland	8	8	24	26	50
India	69	93	78	123	252
Indonesia	38	37	29	23	31
Iran	65	77	-	-	-
Ireland	139	252	223	386	560
Isle of Man	12	108	41	28	38
Israel	257	333	431	621	1,033
Italy	1,251	1,557	1,562	1,868	2,548
Jamaica	34	10	40	33	51
Japan	2,153	2,845	2,883	3,028	4,273
Jordan	3	4	2	28	7
Kazakhstan	-	1	-	-	-
Kenya	1	3	2	-	5
Korea, Dem. Republic of	8	10	1	5	4
Korea, Republic of	371	419	436	498	943
Kuwait	2	4	2	8	7
Latvia	-	7	2	3	3
Laos	-	1	-	-	-
Lebanon	1	1	2	14	4
Liberia	-	3	2	2	3
Liechtenstein	70	47	100	110	149
Lithuania	1	-	-	-	2
Luxembourg	93	120	113	137	198
Macau	2	4	7	2	-
Macedonia	4	2	-	1	-
Malaysia	22	49	46	42	94
Mali	-	-	-	-	-
Malta	-	3	3	1	26
Marshall Islands	-	-	1	-	-
Martinique	-	6	-	-	1
Mauritania	-	-	1	-	2
Mauritius	-	-	1	18	61

Table 21. (Cont'd)

Trademark Applications Filed by Residents of Foreign Countries: 1996-2000

(As of September 30 for each fiscal year)

Residence	1996	1997	1998	1999	2000	Residence	1996	1997	1998	1999	2000
Mayotte	-	-	-	1	-	Seychelles	5	1	1	11	1
Mexico	566	669	677	852	809	Sierra Leone	4	-	-	-	-
Micronesia	-	-	1	-	1	Singapore	110	203	161	186	419
Moldova	-	-	-	-	1	Slovakia	3	2	8	-	-
Monaco	53	39	87	104	70	Slovenia	7	15	9	10	18
Mongolia	-	3	-	-	3	Solomon Islands	-	-	-	-	-
Morocco	-	1	2	7	2	Somalia	-	-	-	-	-
Myanmar	5	3	-	-	-	South Africa	84	144	142	169	263
N. Mariana Island	2	1	-	2	-	Russian Federation	35	52	46	110	135
Nauru	2	-	-	-	-	Spain	426	658	690	694	1,149
Navassa Island	-	-	-	-	-	Sri Lanka	3	6	8	3	28
Nepal	-	-	1	-	-	Sudan	1	-	-	-	-
Netherlands	904	1,062	1,207	1,472	2,220	Suriname	-	-	-	1	-
Netherlands Antilles	30	77	39	97	92	Swaziland	-	1	33	5	7
New Caledonia	-	-	-	4	-	Sweden	575	798	961	1,213	1,722
New Hebrides	-	-	2	-	-	Switzerland	1,155	1,566	1,674	2,032	3,385
New Zealand	163	162	218	314	324	Taiwan	563	724	774	961	1,283
Newfoundland	-	-	-	2	1	Tajikistan	-	-	1	-	-
Nicaragua	1	5	4	2	3	Tanzania	-	-	2	-	-
Nigeria	1	1	-	-	9	Thailand	43	34	38	88	82
Norway	97	133	240	226	317	Tokelau	1	2	-	-	-
Oman	-	-	-	-	4	Tonga	-	-	1	-	-
Pakistan	1	5	2	10	6	Trinidad & Tobago	4	10	9	8	8
Panama	16	30	28	46	20	Tunisia	1	7	-	1	4
Papua New Guinea	-	-	-	-	-	Turkey	19	43	61	46	61
Paraguay	3	2	1	4	4	Turks and Caicos Islands	9	10	2	6	12
Peru	14	6	7	10	20	Uganda	12	1	-	-	-
Philippines	11	27	17	19	15	Ukraine	2	-	2	1	6
Pitcairn Islands	3	-	-	-	-	United Arab Emirates	14	13	6	19	19
Poland	22	20	24	26	41	United Kingdom	2,926	3,784	4,265	5,056	9,367
Portugal	35	57	57	95	110	Uruguay	11	2	16	22	34
Qatar	1	-	-	1	1	Uzbekistan	1	-	-	-	-
Reunion	-	3	-	-	2	Vanautu	-	-	-	3	21
Romania	-	7	3	9	2	Venezuela	40	57	53	50	116
St. Kitts & Nevis	-	-	1	-	-	Vietnam	5	1	7	5	14
						Yemen	-	2	-	-	-
Saint Lucia	-	-	-	-	-						
Saint Pierre/Mique	2	2	-	-	-	Yugoslavia	2	9	1	-	-
Saint Vincent/Grenadines	-	-	-	12	1	Yukon Territory	-	-	-	1	-
Samoa	3	2	-	2	1	Zaire	1	-	-	-	-
San Marino	-	1	4	-	-	Zambia	-	-	-	1	-
Saudi Arabia	15	5	21	10	29	Zimbabwe	1	8	-	3	1
Scotland	92	64	82	105	51	Other[1]	-	-	3	2	66

- Represents zero.

[1]Country of Origin information not available or not indicated in database, includes ARIPO filings.

Table 22.
Trademarks Registered to Residents of Foreign Countries: 1996-2000

(As of September 30 of each fiscal year)

Residence	1996	1997	1998	1999	2000
Total	9,536	11,460	11,655	11,419	15,376
Algeria	-	-	-	1	1
Andorra	-	-	-	1	1
Anguilla	1	-	4	2	2
Antigua & Barbuda	3	6	6	2	5
Argentina	29	46	57	36	43
Australia	199	289	343	312	368
Austria	72	93	75	101	170
Azerbaijan	-	-	1	-	-
Bahamas	11	14	32	21	36
Bahrain	-	-	-	1	1
Bangladesh	-	-	-	[2]-	-
Barbados	8	4	6	11	9
Belarus	-	-	1	-	1
Belgium	96	80	97	120	135
Belize	1	1	-	1	-
Benelux Convention	-	-	-	2	2
Bermuda	27	40	38	43	35
Bolivia	-	-	-	[2]1	3
Bosnia & Herzegovina	-	-	1	-	-
Brazil	53	61	59	66	59
British Virgin Islands	33	35	42	64	-
Bulgaria	-	2	-	2	2
Cambodia	1	-	-	-	2
Canada	1,722	2,059	2,161	2,052	2,460
Cayman Islands	18	27	30	37	29
Central African Rep.	-	-	-	1	-
Channel Islands	4	7	8	14	10
Chile	18	14	33	39	24
China (mainland)	60	81	101	132	182
Colombia	28	37	27	32	21
Comoros	-	-	-	1	-
Cook Islands	1	5	2	1	-
Costa Rica	12	10	7	11	16
Croatia	-	-	1	1	-
Cuba	7	6	10	7	3
Cyprus	4	2	4	4	7
Czechoslovakia	6	2	12	5	13
Denmark	78	105	138	105	178
Dominica	-	1	-	-	-
Dominican Republic	11	16	14	18	19
Ecuador	7	8	4	12	16
Egypt	1	2	2	2	1
El Salvador	5	6	4	3	5
Faroe Islands	-	-	1	-	2
Fiji	1	1	1	1	1
Finland	82	106	71	62	111
France	907	966	942	943	1,402
French Polynesia	2	-	-	2	-
Georgia	-	-	1	1	7
Germany	1,004	1,268	1,325	1,393	2,255
Ghana	2	2	-	-	-
Gibraltar	2	5	2	1	7
Greece	18	9	15	6	13

Residence	1996	1997	1998	1999	2000
Greenland	1	-	-	-	-
Grenada	-	1	-	-	-
Guatemala	2	3	7	7	5
Guyana	4	-	-	1	2
Hague	1	-	-	-	-
Haiti	1	1	2	1	1
Honduras	4	-	2	1	2
Hong Kong	168	163	169	146	194
Hungary	9	5	8	5	6
Iceland	3	3	4	6	7
India	32	30	49	54	48
Indonesia	13	7	15	16	12
Iran	5	5	2	8	8
Ireland	43	51	83	69	76
Isle of Man	1	4	6	13	7
Israel	132	151	170	129	167
Italy	517	771	638	644	900
Jamaica	7	16	14	16	23
Japan	841	1,017	937	1,034	1,173
Jordan	1	1	2	2	-
Kenya	2	1	2	2	2
Kiribati	-	-	-	-	-
Korea, Dem. Republic of	2	2	1	-	1
Korea, Republic of	183	172	132	159	222
Kuwait	1	-	3	3	1
Latvia	-	-	6	4	-
Lebanon	4	3	5	2	4
Liberia	4	2	5	3	17
Libya	-	-	-	-	-
Liechtenstein	20	35	23	21	-
Lithuania	-	-	-	2	-
Luxembourg	9	26	34	20	86
Macau	1	-	1	1	-
Malaysia	5	6	19	10	18
Malta	-	-	-	1	1
Marshall Islands	-	-	1	-	-
Mauritius	2	-	-	3	-
Mexico	183	220	276	257	316
Moldova	-	-	1	-	-
Monaco	9	13	19	9	18
Morocco	-	5	-	1	4
Myanmar	-	-	-	1	-
N. Mariana Island	-	-	-	1	-
Netherlands	303	362	300	342	489
Netherlands Antilles	19	15	15	6	25
New Zealand	43	61	44	68	88
Nicaragua	2	2	1	2	1
Nigeria	7	-	2	2	11
Norway	48	44	41	53	112
Oman	-	1	-	-	-
Pakistan	6	6	1	1	2
Panama	23	26	24	24	34
Papua New Guinea	3	-	-	-	-
Paraguay	-	2	-	2	2

Table 22. (Cont'd)

Trademarks Registered to Residents of Foreign Countries: 1996-2000

(As of September 30 of each fiscal year)

Residence	1996	1997	1998	1999	2000
Peru	6	8	12	7	-
Philippines	4	13	10	13	10
Poland	20	7	9	7	14
Portugal	18	27	25	27	37
Romania	1	3	1	1	-
St. Kitts & Nevis	2	1	-	-	3
Saint Lucia	1	-	-	-	-
San Marino	1	-	-	-	3
Saudi Arabia	6	4	2	8	-
Scotland	3	3	1	1	5
Senegal	-	1	1	-	-
Sierra Leone	-	1	-	-	-
Singapore	45	60	49	34	44
Slovakia	-	-	1	3	2
Slovenia	-	-	8	3	4
South Africa	35	36	54	41	43
Russian Federation	1	2	8	14	37
Spain	200	222	279	280	263
Spratly Islands	3	5	-	-	-
Sri Lanka	3	6	3	4	5
Swaziland	-	-	-	1	-
Sweden	228	239	238	208	263
Switzerland	460	495	492	445	838
Syria	1	-	-	-	-
Taiwan	285	342	367	299	450
Thailand	9	12	20	15	24
Trinidad & Tobago	7	12	7	6	7
Tunisia	-	-	1	1	-
Turkey	4	9	12	13	7
Turks and Caicos Islands	3	2	2	11	6
United Arab Emirates	2	2	6	4	5
United Kingdom	957	1,248	1,264	1,108	1,531
Uruguay	4	12	2	1	1
Vanuatu	-	-	1	-	-
Vatican City	-	1	-	1	-
Venezuela	20	29	19	24	16
Vietnam	2	1	2	4	6
Western Samoa	-	-	-	-	-
Yemen	-	-	2	-	-
Yugoslavia	3	1	1	3	-
Zimbabwe	1	-	-	-	-
Other[1]	3	7	14	7	10

- Represents zero.

[1]Country of origin information not available.

[2]Revised from FY 1999 report.

Table 23.
Summary of Contested Trademark Cases: 2000
(Within the Patent and Trademark Office, as of September 30)

Activity	Ex parte	Cancel- lations	Use	Interfer- ence	Opposi- tion	Total
Cases pending as of 9/30/99, total	4,459	2,213	77	-	6,145	12,894
Cases filed during FY 2000	2,662	1,560	26	-	5,013	9,261
Disposals during FY 2000, total	5,156	1,312	14	-	3,898	10,380
Before hearing	4,662	1,291	14	-	3,767	9,734
After hearing	494	21	-	-	131	646
Cases pending as of 9/30/00, total	1,965	2,461	89	-	7,260	11,775
Awaiting decision	210	11	-	-	26	247
In process before hearing[1]	1,755	2,450	89	-	7,234	11,528
Requests for extension of time to oppose						32,210

- Represents zero.

[1] Includes suspended cases.

Table 24.
Action on Petitions to the Commissioner of Patents and Trademarks: 1996-2000
(As of September 30 for each fiscal year)

Nature of petition	1996	1997	1998	1999	2000
PATENT MATTERS					
Actions on patent petitions, total	[1]**33,489**	34,556	33,353	[1]**30,586**	32,498
Acceptance of:					
Amendments filed after payment of issue fee	52	71	35	19	15
Late assignments	59	245	691	69	106
Late issue fees	878	685	-	-	-
Late priority papers	66	65	62	46	77
Access	9	17	16	9	24
Certificates of correction	15,564	16,691	16,044	17,583	14,111
Deferment of issue	26	24	22	52	68
Filing date	2,302	1,442	926	529	744
Interference	1	-	-	3	-
Make special:					
Infringement/manufacture	28	1	4	-	-
Other	1,234	1,179	1,328	1,502	1,574
Miscellaneous	2,639	4,554	2,690	920	2,323
Maintenance fees	822	970	976	1,474	1,698
Public use	5	9	-	-	5
Reexamination proceedings	62	42	39	17	-
Restriction	88	54	73	75	73
Revivals	3,315	2,826	3,466	4,158	5,084
Rule 47 (37 CFR 1.47)	530	407	419	407	849
Supervisory authority	967	551	2,491	66	75
Suspend rules	727	838	724	861	942
Withdrawal of attorney	786	669	870	-	1,401
Withdrawal from issue	680	761	385	862	1,212
Change of inventorship	778	323	127	80	147
Withdrawals of holding of aband./pat. lapse	1,871	2,132	1,965	1,854	1,970
TRADEMARK MATTERS					
Actions on trademark petitions, total	3,019	4,657	4,479	5,863	6,858
Affidavits of use and extensions	80	128	192	168	31
Decision by examiner	12	12	7	3	6
Filing date restoration[2]	397	1,408	634	1,402	1,311
Grant application filing date	51	61	55	656	66
Inadvertently issued registrations	214	237	197	253	233
Interferences	1	1	1	-	2
Make special	116	104	124	160	157
Miscellaneous	10	28	170	76	40
Oppositions and extensions	20	15	9	30	-
Record documents affecting title	1	4	2	2	-
Reinstatements[3]	1,175	1,501	1,307	1,501	2,130
Restore jurisdiction to examiner	46	1	3	10	3
Review board decisions	15	21	3	40	6
Revive	762	977	1,552	1,262	2,673
Section 7 correction/amendment	7	10	5	14	-
Section 9 renewal	1	7	4	6	3
Section 8 or 15	36	70	32	17	61
Section 44(e) amendment*	-	-	-	131	102
Review letter of protest decision*	-	-	-	5	3
Waive fees/refunds	75	72	182	127	31
PETITIONS AWAITING ACTION AS OF 9/30					
Patent matters	872	3,779	2,589	2,389	1,458
Trademark petitions awaiting response	25	56	74	22	158
Trademark petitions awaiting action	180	560	69	651	3,199
Trademark pending filing date issues*	-	-	-	-	189

- Represents zero. *Not reported in previous year.
[1]Correction to FY 1999 report. [2]Trademark applications entitled to a particular filing date; based on clear evidence of office error. [3]Trademark applications restored to pendency; inadvertently abandoned by the office.

Table 25.
Cases in Litigation: 2000

(Selected Courts of the United States, as of September 30)

Item	Patents	Trademarks	Total
UNITED STATES DISTRICT COURTS			
Civil actions pending as of 9/30/99, total	14	3	17
Filed during FY 2000	8	4	12
Disposals, total	5	2	7
Affirmed	1	-	1
Dismissed	4	2	6
Civil actions pending as of 9/30/00, total	17	5	22
UNITED STATES COURTS OF APPEALS[1]			
Ex parte cases:			
Cases pending as of 9/30/99	19	3	22
Cases filed during FY 2000	48	17	65
Disposals, total	35	9	44
Affirmed	15	4	19
Reversed	3	-	3
Remanded	3	-	3
Dismissed	13	3	16
Transfer	-	1	1
Writs of mandamus:			
Denied	1	1	2
Ex parte cases pending as of 9/30/00	32	11	43
Inter partes cases:			
Cases pending as of 9/30/99	52	113	165
Cases filed during FY 2000	12	25	37
Disposals, total	2	11	13
Affirmed	1	3	4
Remanded	1	4	5
Dismissed	-	4	4
Inter partes cases pending as of 9/30/00	62	127	189
Cases pending as of 9/30/00, total	94	138	232
SUPREME COURT			
Ex parte cases:			
Cases pending as of 9/30/99	-	-	-
Cases filed during FY 2000	3	1	4
Disposals, total	2	1	3
Cases pending as of 9/30/00, total	1	-	1
Other jurisdictions, FY 2000, total	2,036	2,528	4,564

- Represents zero.

[1]Includes Federal Circuit and others.

Table 26.
Patent Classification Activity: 1996-2000

(As of September 30 for each fiscal year)

Activity	1996	1997	1998	1999	2000
Original patents professionally reclassified—completed projects	125,296	114,895	100,474	82,944	53,437
Subclasses established	5,091	6,789	3,569	2,433	1,869
Reclassified patents clerically processed, total	499,101	417,866	393,985	193,309	128,362
Original U.S. patents	122,706	141,518	119,425	62,584	49,231
Cross-reference U.S. patents	245,412	234,370	189,957	97,615	70,302
Foreign patents	130,983	41,978	84,603	33,110	8,829

Table 27.
Scientific and Technical Information Center Activity: 2000
(As of September 30)

Activity	2000
Prior art search services provided:	
Automated prior art searches completed	13,586
Online and manual foreign patent searches completed	3,325
Genetic sequence searches completed	8,464
Number of genetic sequences searched	63,136
CRF submissions processed	12,709
PLUS searches completed	4,298
Document delivery services provided:	
Document delivery/interlibrary loan requests processed	46,902
Documents provided using electronic tools	3,339
Copies of foreign patents provided	9,021
Copies purchased by the public	2,100
Copies provided to PTO staff	6,921
Foreign patents provided using electronic tools	4,043
Information assistance and automation services:	
One-on-one examiner assistance	10,070
Foreign patents assistance for examiners and public	6,585
Examiner briefings	3,394
Web pages created	175
Translation services provided for examiners:	
Written translations of documents	4,063
Number of words translated (written)	16,069,244
Documents orally translated	7,533
Collection usage and growth:	
Print/electronic NPL collection usage	110,216
Print books/subscriptions purchased	4,576
Print/microform foreign patents added to collections	186,652
Full text electronic journal titles available	6,384
Full text electronic book titles available	4,914
NPL databases available for searching (est.)	1,000
Foreign patent databases/web sites accessed	65