



**Ronald H. Brown**  
**Secretary of Commerce**

***In Memoriam***

As we were preparing this publication for printing, Secretary Ronald H. Brown and 32 other Americans lost their lives when their plane crashed in Bosnia.

Secretary Brown understood that an intellectual property system was a key mechanism for bringing out the best of America. He never refused a request to support the Patent and Trademark Office, whether it meant getting the backing of the President and the Cabinet, the support of Congress, or the cooperation of leaders of foreign nations. The strength of our intellectual property protection and the patent and trademark system is an enduring legacy of his leadership.

# Setting The Course For Our Future

*A Patent and  
Trademark Office  
Review*

Fiscal Year 1995



U.S. Department of Commerce  
Ronald H. Brown, Secretary

U.S. Patent And Trademark Office  
Bruce A. Lehman, Assistant Secretary of Commerce  
and Commissioner of Patents and Trademarks

# Table of Contents

	Page
Message from the Commissioner .....	1
Executive Summary .....	2
<b>Our Mission, Our Business, Our Strategy .....</b>	<b>4</b>
Strategic framework .....	6
<b>Performance Measurement .....</b>	<b>7</b>
Cost Accountability .....	8
Fee Restructuring .....	8
Customer Services .....	8
Program Performance Evaluation .....	9
Government Performance and Results Act (GPRA) of 1993 .....	9
<b>Our Progress .....</b>	<b>11</b>
<i>Play a leadership role in intellectual property rights</i>	
<i>policy development .....</i>	<i>11</i>
Participate in International Cooperative Arrangements .....	11
Improve Intellectual Property Systems in	
the United States and Abroad .....	13
Cooperate with Other Government Agencies .....	15
<i>Provide our customers with the highest level of quality and service ...</i>	<i>17</i>
Customer Standards .....	17
Patent Protection .....	17
Applications .....	18
Issues .....	18
Figure 1. Patent Applications and Production: FY 1990-2002 ...	18
Pendency .....	18
Reexamination .....	19
Changes in Patent Law .....	19
Figure 2. Patent Applications by Month: FY 1995	
Early Publication of Patent Applications .....	20
Trademark Protection .....	20
Applications .....	20
Registrations .....	20
Pendency .....	21
Figure 3. Trademark Applications and Production: FY 1990-2002	21
Changes in Trademark Laws .....	21
Enhance Human Resources .....	23
Strategic Directions for Employee Programs .....	23
Leverage Information Technologies .....	26
Information Dissemination to the Public .....	26
Electronic Processing Among Employees .....	28
Patent Automation .....	28
Trademark Automation .....	28

**Click on  
blue type  
for linking  
to specific  
pages.**

**Click on  
blue type  
for linking  
to specific  
pages.**

Administrative/Production Automation	.29
Infrastructure	.29
Employ Better Processes	30
Patent Process Reengineering	.30
Trademark Process Reengineering	.30
Trademark Trial and Appeal Board Support Processes	.30
Resource Management Reengineering	.31
Acquisitions Business Process Reengineering	.31
Promote Awareness and Encourage Creativity	.33
The Patent and Trademark Museum	.33
Inventors' Expo	.33
Trademark Expo	.33
Project XL	.33
National Inventors' Hall of Fame	.33
<b>The Year Ahead</b>	<b>.34</b>
<b>Critical Areas for Financial and Management Improvement</b>	<b>.36</b>
Space	.36
Personnel Ceilings	.36
Redirection of PTO Funds	.36
Corporation Proposals	.37
Reengineering Projects	.37
<b>Financial Review</b>	<b>.39</b>
Limitations	.39
A Message from the Chief Financial Officer	.40
Financial Review	.41
Trends in Income and Expenses	.41
Changes in Principal Accounts	.44
Significant Actions, Accomplishments, and Results	.47
Statement of Financial Position	.49
Statement of Operations and Changes in Net Position	.50
Statement of Cash Flows (Indirect)	.51
Statement of Budgetary Resources and Actual Expenses	.52
Notes to the Financial Statements	.53
<b>Inspector General's Report</b>	<b>.61</b>
<b>Additional Information (Unaudited)</b>	<b>.75</b>
Organization Chart	.76
1995 Fee Collection by Category	.77
Statement of Financial Position by Program	.78
Statement of Operations and Changes in Net Position by Program	.79
Program/Operating Expenses by Program	.80
1996 Government Performance and Results Act Plan	.81
Litigation	.85

## Statistical Tables for Fiscal Year 1995

### Table

1. Summary of Patent Examining Activities	.87
2. Patent Applications Filed	.88
3. Summary of Pending Patent Applications	.88
4. Patents Pending Prior to Allowance	.89
5. Patents Issued	.89
6. Statutory Invention Registrations (SIRs) Published	.90
7. Reexamination	.90
8. Summary of Contested Patent Cases	.91
9. U.S. Government Agency Patents	.92
10. Patents Issued to Residents of the United States	.93
11. United States Patent Applications Filed by Residents of Foreign Countries	.94
12. Patent Applications Filed by Residents of the United States	.95
13. Patents Issued by the United States to Residents of Foreign Countries	.96
14. Patent Classification Activity	.97
15. Scientific and Technical Information Center Activity	.97
16. Summary of Trademark Examining Activities	.98
17. Trademark Applications Filed for Registration and Renewal and Trademark Affidavits Filed	.99
18. Summary of Pending Trademark Applications	.99
19. Summary of Contested Trademark Cases	.100
20. Trademarks Registered, Renewed, and Published Under Section 12 (c)	.100
21. Trademark Applications Filed by Residents of Foreign Countries	.101
22. Trademark Applications Filed by Residents of the United States	.103
23. Trademarks Registered by the United States to Residents of Foreign Countries	.104
24. Trademarks Registered to Residents of the United States	.105
25. Trademark Services Workload	.106
26. Patent Services Workload	.106
27. Actions on Petitions to the Commissioner of Patents and Trademarks	.107
28. Cases in Litigation	.108
29. Cases in Litigation in U.S. Court of Appeals	.109
30. Cases in Litigation, by Month	.109
Glossary	.110

**Click on  
blue type  
for linking  
to specific  
pages.**



# Message from the Commissioner

We rolled up our sleeves at the Patent and Trademark Office in fiscal year 1995, planning and preparing to set new processes in motion to improve our way of doing business.

And our business is booming. It has been a banner year for innovation around the world, as well as for the U.S. Patent and Trademark Office. Intellectual property protection has been strengthened, and awareness of our nation's creative genius has been heightened.

In fiscal year 1995, the PTO collected \$605 million in patent and trademark fees, an increase of nearly 11 percent over fiscal year 1994. While part of this increase can be attributed to the surge of patent application filings prior to the patent term change, this increase is still a significant sign that America is intellectually and economically strong. At the same time, the PTO's expenses rose by 8 percent to \$525 million. The bottom line totals for fiscal year 1995: assets of nearly \$467 million offset by liabilities of \$293 million.

Any success the PTO enjoys flows from the innovation of the PTO staff. Just as we promote innovation world-wide, we also encourage and reward innovative change within our organization. We are refining our efforts to maximize the technological strength of our workforce, increasing customer access to our information systems, examining our business processes to make them more efficient and profitable, and reaching out to spread the word about the social and economic impact of intellectual property protection.

Our efforts internationally are leading to a global harmonization of intellectual property protection and increased economic activity. The realization of the GATT/TRIPs agreement and the enactment of domestic intellectual property legislation is paving the way for additional negotiations that will continue to build America's strength worldwide.

Continuous improvement and innovative leadership are the keys to keeping the PTO in the forefront of intellectual property protection and customer service around the world. Seizing opportunities, tackling challenges, and promoting innovation will help us set a steady course into the new century.



Bruce A. Lehman  
Assistant Secretary of Commerce  
and Commissioner of Patents and Trademarks



# Executive Summary

*The Patent and Trademark Office made significant progress in achieving its strategic goals, while facing the challenges of fiscal year 1995.*

- The PTO received 221,304 utility, plant, and reissue (UPR) patent applications, and examiners issued 102,579 UPR patents.
- The Office received 4,635 provisional patent application filings by the end of fiscal year 1995.
- The PTO received 175,307 federal trademark applications and registered 75,372 trademarks in all classes of goods and services.



**The Patent and Trademark Executive Committee**

(left to right, front row) Philip G. Hampton, Assistant Commissioner for Trademarks; Bradford R. Huther, Associate Commissioner and Chief Financial Officer; Edward R. Kazenske, Deputy Assistant Commissioner for Patents; (left to right, back row) Dennis Shaw, Chief Information Officer; Robert L. Stoll, Executive Assistant to the Commissioner; Nancy Linck, Solicitor; Commissioner Lehman; Lawrence J. Goffney, Jr., (Acting) Deputy Assistant Secretary of Commerce and Deputy Commissioner of Patents and Trademarks.

- Bills were introduced in the Congress during 1995, each proposing to change the status of the Patent and Trademark Office to a wholly owned government corporation.
- The PTO actively participated in international and legislative activities influencing the laws and agreements governing intellectual property rights.
- Major business process reengineering efforts continue to transform patent processing, trademark processing, and resource management in the PTO.
- In addition to conducting numerous customer focus sessions and surveys, the PTO adopted a comprehensive approach for defining and monitoring customer satisfaction.
- The PTO established its first business partnership with the Patent and

Trademark Depository Library in Sunnyvale, California, that expands customer access to on-line resources and enhances the patent and trademark examination process with video conferencing capabilities.

- Public relations activities were expanded with the establishment of the Patent and Trademark Museum, the opening of the new National Inventors' Hall of Fame in Akron, Ohio, and the Inventors' Expo at Walt Disney World in Orlando, Florida.



## FINANCIAL HIGHLIGHTS

### Financial Results

AS OF SEPTEMBER 30, AND FOR THE YEARS THEN ENDED:

(\$ IN MILLIONS)

	1995	1994	1993
Total Revenue	605.1	543.7	493.6*
Total Expenses	525.0	485.4	456.9*
Excess of Revenues over Expenses	80.1	58.3	36.7*
Total Assets	466.9	337.1	250.7
Total Liabilities	292.7	234.9	201.7
Net Position	174.2	102.2	49.0

### Financial Ratios

Fixed Asset Ratio	0.11	0.15	0.17
Revenue per FTE (in dollars)	\$120,866	\$109,247	\$100,925

## APPLICATION RECEIPTS AND PENDENCY

Patent - Utility, Plant & Reissue

(UPR) Application Receipts	221,304	186,123	174,553
Design Receipts	15,375	15,431	13,546
Patent Pendency (UPR) (in months)	19.2	19.0	19.5
Trademark Application Receipts	175,307	155,376	139,735
Trademark Pendency (in months to registration/abandonment)	16.7	16.3	14.4

\*unaudited

# Our Mission, Our Business, Our Strategy

## OUR MISSION

The United States Patent and Trademark Office (PTO) is a world-class organization promoting industrial and technological progress in the United States and strengthening the national economy by:

- Administering the laws relating to patents and trademarks;
- Advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection; and
- Advising the Secretary of Commerce, the President of the United States, and the Administration on the trade-related aspects of intellectual property.

## OUR BUSINESS

The business of the PTO is related to two statutory functions:

- processing patent applications and disseminating patent information, and
- registering trademarks and disseminating trademark information.

Patent law encourages technological advancement by providing incentives to inventors to disclose their technology and to investors to invest in that technology. Trademark law assists businesses in protecting the reputation of their goods and services, and safeguards consumers against confu-

sion and deception in the marketplace. Information dissemination promotes an understanding of intellectual property protection and facilitates the development and sharing of new technologies worldwide.

Unlike most other government agencies, the PTO is funded entirely by user fees. This has been true since the passage of the Omnibus Budget Reconciliation Act of 1990. With this type of funding comes the responsibility to provide users with efficient and cost-effective services and products that meet customer needs and expectations.

At the close of fiscal year 1995, the PTO occupied a combined total of 1,540,234 square feet of space in 15 buildings in Arlington, Virginia, and three storage facilities located in Boyers, Pennsylvania, and in Newington and Springfield, Virginia. In fiscal year 1995, the Office employed 5,007 full time equivalent (FTE) staff , who provide:



- U.S. inventors and entrepreneurs with the protection and encouragement they need to turn their inventive and creative ideas into tangible products,
- American innovators with protection for their inventions and businesses and entrepreneurs for their trademarks,
- leadership in intellectual property rights policy and trade issues, and
- the highest level of quality and customer service in all aspects of PTO operations.

*PTO programs are conducted under the following principal statutory authorities:*

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

*15 U.S.C. 1511 states that the Patent and Trademark Office is under the jurisdiction and supervision of the Department of Commerce.*

*35 U.S.C. contains basic authorities for administration of patent laws, derived from the Act of July 19, 1952, and subsequent enactments. Revenues from fees are available to the Commissioner to carry out, to the extent provided for in appropriations acts, the activities of the Office. The Patent and Trademark Office is authorized to charge international fees for activities undertaken pursuant to the Patent Cooperation Treaty. Deployment of automated search systems of the Office to the public is authorized.*

*44 U.S.C. 1337-1338 contains authority to print patents, trademarks, and other matters related to the business of the Office.*

*The PTO is proud that we began taking steps to institutionalize a strategic planning process in 1989, well before agencies were required to develop strategic plans, set performance goals and measures, report annually on actual performance, and evaluate programs and processes by the Government Performance and Results Act of 1993 (GPRA). These GPRA requirements are now being woven into all PTO processes, including planning, budgeting, program evaluation, and fiscal accountability.*

## **OUR STRATEGY**

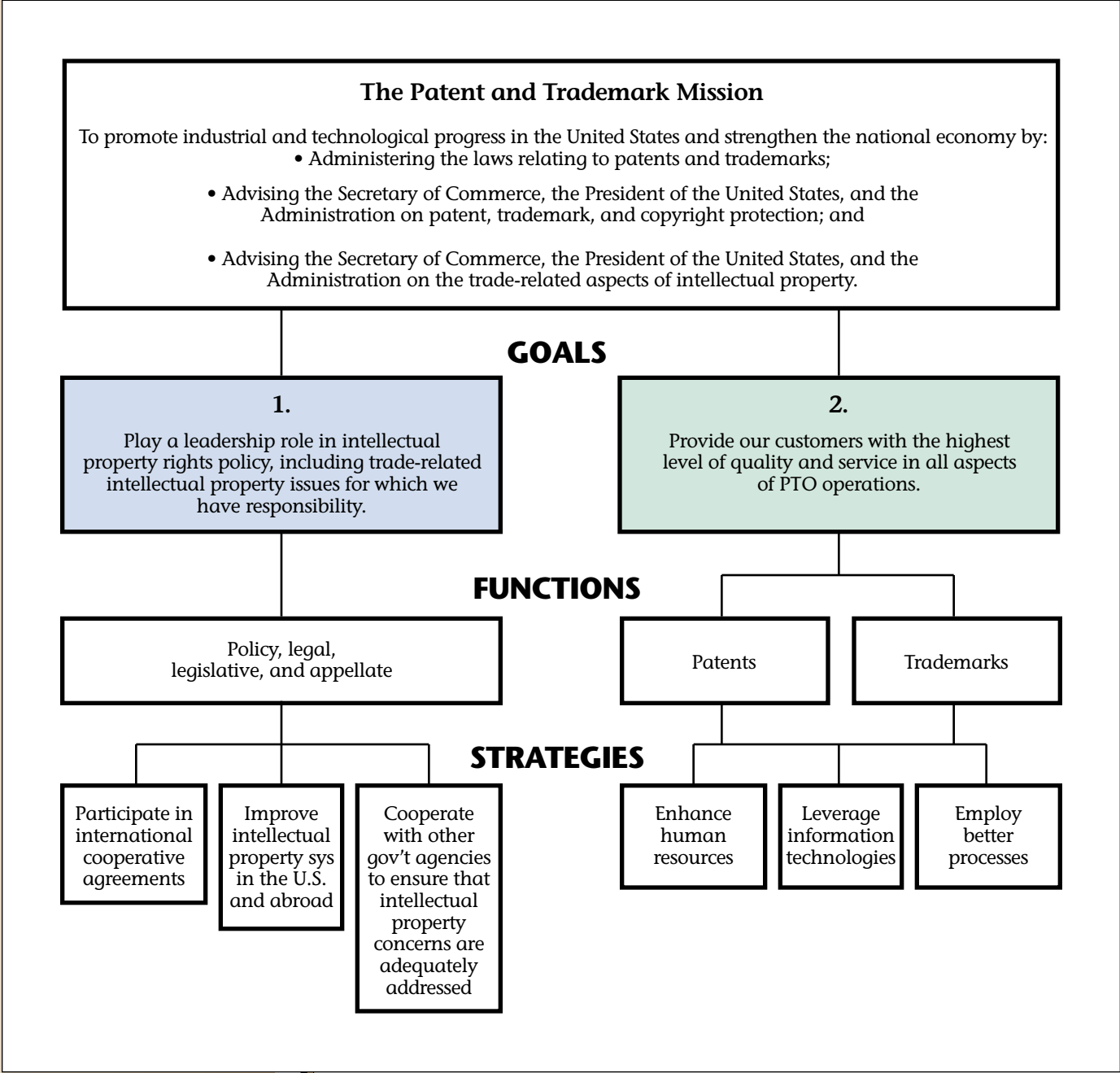
Intellectual property rights are a key element of America's success in the global marketplace. If U.S. businesses are to remain competitive, the effective protection of intellectual property rights must be guaranteed throughout the world.

The PTO's Strategic Plan for 1996 through 2000 reflects the Administration's focus on the role of intellectual property in a global and technology-based economy and includes many new strategies for accomplishing the two overall goals of the Office:

- To play a leadership role in intellectual property rights policy development.
- To provide our customers with the highest level of quality and service.

To ensure that our vision and strategy translate into reality, the Office developed the 1995-96 Operational Plan to help managers and employees understand their part in the new PTO. This plan links strategies to current processes, addressing policies that determine work processes and operational strategies, such as enhancing human resources, leveraging information technologies, and employing better processes.

The following strategic framework serves as a guide that will carry our organization into the next century.



By combining our strategic plan, which establishes future direction, and our operational plan, which guides the organization toward that direction, PTO managers and employees know how we can work together to promote industrial and technological progress and strengthen the national economy of the United States.

# Performance Measurement

During fiscal year 1995, the PTO has taken a number of steps to prepare for the implementation of the Government Performance and Results Act (GPRA). As a result of the PTO's aggressive participation as a pilot project, the Office has embraced the GPRA philosophy which promotes more effective planning, budgeting, program evaluation, and fiscal accountability.

As a part of the Department of Commerce (DOC), the PTO links its mission and strategic direction to those of the Department. DOC has identified five essential strategic themes to ensure and enhance economic opportunity for all Americans by working in partnership with businesses, communities, and workers:

- Export Growth
- Civilian Technology
- Sustainable Development
- Economic Development
- Economic Information and Analysis

The PTO supports the Civilian Technology theme and is supporting the Department's goal of providing tools that will enable United States firms and workers to build, trade, discover, compete, and prosper, by assisting in the advancement of the United States technological and information infrastructure by providing protection of intellectual property rights.<sup>1</sup> To fully support the Department's goals, the PTO has begun to take steps to integrate all performance metric activities occurring throughout the Office to construct a tangible gauge that reflects the progress and level of improvement the PTO has achieved throughout the year.

PTO's approach to results-oriented management is to address customer needs and educate employees in financial and program performance improvement. The newly established Office of the Comptroller and Deputy Chief Financial Officer engaged in a number of new initiatives to bring greater financial accountability and improved financial performance throughout the PTO. The Comptroller's vision is to create a resource and cost management system that will represent a strategic, comprehensive, and integrated approach to planning, budgeting and cost management.

In fiscal year 1995, over 150 senior and mid-level (staff and line) managers within the Office were trained (in-house) in GPRA and performance measurement. Development of the first draft of business-line (Patents, Trademarks, and Information Dissemination), macro-level outcome measures by the employees of the three business lines are scheduled to be completed the first quarter of fiscal year 1996.

<sup>1</sup> *Commerce Works!, The Strategic Statement of the U.S. Department of Commerce 1995-1996*, March 1995.

“

*In fiscal year 1995, over 150 senior and mid-level managers were trained in GPRA and performance measurement.*

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## **COST ACCOUNTABILITY**

Today, PTO has no uniform process to monitor the costs of operations within various program areas, and managerial reports are based on budget authority and obligations incurred during each fiscal year. In fiscal year 1995, a cross-functional team began developing a coding structure and methodology to accumulate cost data that can be used to determine unit costs, satisfy external requirements, and provide useful information for evaluating performance results and facilitating effective managerial decisions. Once the new process is in place, cost information generated will recognize the full cost of resources consumed in the delivery of goods and services to our customers.

## **FEE RESTRUCTURING**

Fee restructuring is another effort that will enhance our financial stability. The PTO has created a team charged with researching and developing a new

fee structure that is consistent with the PTO's long-term financial and policy goals. These goals include recovering sufficient revenues to meet PTO funding requirements, while also increasing the affordability and access of PTO products and services to our customers.

Through this effort, the PTO, with substantial input from its customers, will comprehensively research, evaluate, and propose fee changes for existing services and products as well as new services and products that are under development.



## **CUSTOMER SERVICES**

As we are redesigning cost management systems, customer service efforts are being woven into these processes to strengthen our commitment to improve program effectiveness, financial management, and return on customer investment. Customer service standards generated from customer service surveys and focus group sessions are elevated macro-level program performance measurements and included in annual performance plans to ensure we address customer needs. Redesigned cost management systems will support and promote a results-oriented and customer-focused business environment characterized by the effective and efficient utilization of resources in direct support of the PTO's mission and strategic direction.

## PROGRAM PERFORMANCE EVALUATION

Vital to all performance metric efforts at the PTO is the establishment of a performance evaluation system that supports efforts to improve program and financial performance within the Office. Research into automated data collection systems is being conducted to ensure that performance goals and indicators are capable of providing accurate program and financial results.

The development and evaluation of PTO's performance metrics is a continuous process. Through constant monitoring and evaluating, the Office ensures its level of performance continually improves and our services address customer needs as defined by those who fund us— our customers. A framework for, and analysis of, performance metrics is in the developmental stage.

## GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA) OF 1993

In August 1993, Congress enacted GPRA, which was designed to improve Federal program effectiveness and public accountability by promoting a new focus on results, quality, service, and customer satisfaction. GPRA has five requirements:

- strategic plans
- annual performance plans
- performance reports
- performance budgeting
- managerial flexibility and accountability

In January 1994, the Patent and Trademark Office (PTO) was selected to test various phases of GPRA in preparation for full government-wide implementation in the fall of 1997. Since its selection as a pilot project, the PTO has prepared and submitted three annual performance plans for fiscal years 1994, 1995, and 1996; a fiscal year 1994 performance report; and a nomination package to participate as a GPRA Managerial and Accountability Flexibility pilot project. The fiscal year 1996 annual performance plan (submitted in April 1995) was the final plan submitted under phase one of the GPRA pilot project. A copy of this plan, as published and submitted to the Office of Management and Budget, can be referenced on page 81.

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*The development and evaluation of PTO's performance metrics is a continuous process.*  
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# Our Progress

The Patent and Trademark Office has identified two goals for the agency. The first is to —

## 1. *Play a leadership role in intellectual property rights policy development.*

### **PARTICIPATE IN INTERNATIONAL COOPERATIVE ARRANGEMENTS**

The United States plays a pivotal role in intellectual property rights policy development both at home and abroad. In fiscal year 1995, the Patent and Trademark Office actively participated in efforts to improve international standards for the protection of intellectual property and to facilitate obtaining of intellectual property protection abroad.

#### **Agreement on the Trade-Related Aspects of Intellectual Property**

The terms of this agreement (TRIPs) entered into force on January 1, 1995, and the United States must fulfill all of the obligations of the Agreement by January 1, 1996. The intellectual property provisions of the Uruguay Round Agreements Act of 1994, enacted December 8, 1994, will bring the laws of the United States into compliance with those obligations.

The TRIPs Council is made up of representatives of the members of the World Trade Organization (WTO) and has responsibility for overseeing the implementation of the TRIPs obligations by the WTO Members. The Council met four times in 1995 to discuss a variety of procedural and institutional matters necessary for the smooth functioning of the Council.

#### **U.S. - China Accord on Intellectual Property Rights**

China's failure to enforce intellectual property rights adequately and effectively resulted in an investigation under the Special 301 provisions of the 1974 Trade Act. This investigation began on June 30, 1994, and culminated on February 26, 1995, with the United States and China reaching an accord on the protection of intellectual property rights and market access. Throughout the process, several officials from the PTO assisted the United States Trade Representative's Office (USTR) with the investigation and the negotiation of the agreement.

In fiscal year 1995, the United States and China held two quarterly consultations. These consultations covered a broad range of topics, including enforcement, structural changes to China's intellectual property enforcement system, and market access. The PTO will continue to participate in the consultations and work with Chinese officials to assist the Chinese in training judges, lawyers, students, government officials, and business people on intellectual property laws.

#### **The Trademark Law Treaty**

On October 27, 1994, the Trademark Law Treaty (TLT) was concluded at a Diplomatic Conference held under the auspices of the World Intellectual Property Organization (WIPO). The United States was one of the 35 countries signing the Treaty, which harmonizes procedural requirements regarding the establishment and maintenance of trademark rights.

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*The United States was one of the 35 countries signing the Trademark Law Treaty.*  
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During the Diplomatic Conference, the United States strongly opposed a proposal by the European Union to grant a vote to intergovernmental organizations in addition to the votes of their member States. The issue was resolved through a compromise under which the Treaty has no administrative Assembly and no voting provisions. Any amendment to the Treaty can be accomplished only in a diplomatic conference of the Parties, which can be called by the WIPO Governing Bodies.

U.S. trademark groups have expressed their interest in U.S. participation in this treaty. The PTO plans to work with the State Department to prepare the Administration's implementation legislation and request for Senate advice and consent to ratify the treaty.

### **Berne Protocol and New Instrument**

Governments around the world are carefully considering the implications of the Global Information Infrastructure (GII) on their national economies and their copyright systems. The PTO has taken the lead in this policy area by identifying the essential elements needed to update the Berne Convention for the Protection of Literary and Artistic Works, to provide improved protection for performers and producers of phonograms, and to work speedily toward reaching international agreement on them.

To that end, at the September 4-12, 1995, Meetings of the Committees of Experts on a Possible Protocol to the Berne Convention and a New Instrument for the Protection of Performers and Producers of Phonograms, the United States proposed that WIPO convene a Diplomatic Conference early in the second half of 1996. The United States urged that the two Committees continue to focus attention on the digital agenda and seek to quickly develop agreement on the needed "conventional" elements for the appropriate international agreement or agreements that would be adopted at such a Diplomatic Conference. The

Committee of Experts recommended an accelerated schedule, which was approved by the WIPO Governing Bodies, on September 29, 1995.

### **North American Free Trade Agreement**

In July 1995, the United States, Canada, Mexico and Chile met to discuss the accession of Chile to the North American Free Trade Agreement (NAFTA). The PTO, in conjunction with USTR and the Departments of State, Treasury, Agriculture, and Commerce, took an active role in formulating the U.S. proposals to bring the NAFTA into conformance with TRIPs and to provide, in certain circumstances, TRIPs-plus levels of protection. Negotiations to effect these changes are ongoing and progress is being made to ensure that the NAFTA continues to provide the highest level of protection for intellectual property.



## **IMPROVE INTELLECTUAL PROPERTY SYSTEMS IN THE UNITED STATES AND ABROAD**

Over the past decade, the Congress has made significant changes to the laws governing intellectual property rights. Based on the quantity and subject matter of the bills introduced during the first session of the 104th Congress, it is clear that the Congress intends to continue to introduce and consider legislative proposals which improve and refine domestic intellectual property laws. In fiscal year 1995, the PTO continued to work closely with the Senate and House Subcommittees on many of these legislative proposals.

### **Uruguay Round Agreements Act**

This Act was enacted on December 8, 1994, to bring the laws of the United States into compliance with the obligations of the TRIPs Agreement (page 11). See sections on patent and trademark law changes for specific provisions (pp.19 and 21).

### **Early Publication of Patent Applications Legislation**

On May 25, 1995, Mr. Moorhead, Chairman of the House Judiciary Subcommittee on Courts and Intellectual Property, introduced the "Patent Application Publication Act of 1995," H.R. 1733. The bill would amend Chapter 11 of Title 35, United States Code, to provide for early publication of patent applications, amend Chapter 14 of such title to provide provisional rights for the period of time between early publication and patent grant, and amend Chapter 10 of such title to provide a prior art effect for published applications. H.R. 1733 also includes provisions that address the patent term changes that went into effect on June 8, 1995.

On June 8, 1995, the Commissioner of Patents and Trademarks testified at a House Judiciary Subcommittee hearing that early publication of patent applications would provide American inventors with a prompt English-language publication of relatively current technology and would promote more efficient use of limited research and development resources by preventing duplication of research, signaling promising areas of research and indicating which fields of research are being pursued by others.

### **PTO Corporation Legislation**

On May 17, 1995, Mr. Moorhead, Chairman of the House Judiciary Subcommittee on Courts and Intellectual Property, introduced the "Patent and Trademark Office Corporation Act of 1995," H.R. 1659, which would convert the Patent and Trademark Office into a wholly owned government corporation, under the direction of a Chief Executive Officer appointed by the President with the advice and consent of the Senate. The bill would exempt the Patent and Trademark Office from the appropriation and apportionment process, from limitations on full-time employee equivalent ceiling, and from limitations on procurement of goods and services. On September 14, 1995, the PTO voiced its support for the concept of a PTO Corporation underlying H.R. 1659, but suggested changes based on the Administration's alternative bill.

At the request of the Administration, H.R. 2533, "The United States Intellectual Property Organization Act of 1995," was introduced. This second bill would convert the Patent and Trademark Office into the United States Intellectual Property Organization, a unique agency in the Department of Commerce, directed by a Chief Executive Officer appointed by the Secretary of Commerce. The new organization would be subject to the patent and trademark policy direction of an Under Secretary of Commerce for Intellectual Property, also created by the bill, who would also advise the Secretary of

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Over the past decade, the Congress has made significant changes to the laws governing intellectual property rights.  
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Commerce, the United States Trade Representative and other government officials on intellectual property policy, including policy related to international intellectual property activities of the United States. The United States Intellectual Property Organization would be exempt from the general full-time employee equivalent ceiling and would, instead, be subject to a ceiling based upon projected increases in patent and trademark application filings.

### **Biotech Process Bills**

After years of effort to simplify the patent granting process regarding claims to processes that use or make patentable materials, Congress passed S. 1111, which was signed into law by the President on November 1, 1995, and became Public Law number 104-41. The new law amends Title 35, United States Code, to simplify and provide greater certainty for patent applicants in the determination of patentability of biotechnological processes that use or make patentable compositions of matter. This amendment closes a loophole in present patent law that has permitted competitors of someone owning a patented biotechnological material to use that material abroad and import resulting products, without incurring liability for patent infringement. By providing that biotechnological processes using or making patentable products are considered to be nonobvious for the purpose of determining patentability, this legislation ensures that the biotech industry is given the patent tools necessary to prevent unfair exploitation of its patented technology.

### **Other Legislation**

*Prior Domestic Commercial Use Act of 1995 (H.R. 2235)* would provide inventors who did not obtain patent protection with a limited defense against liability for patent infringement, if the invention in question is later patented by another. The PTO testified in support of the legislation.

*Patent Reexamination Legislation (H.R. 1732 and S. 1070)* would expand the right of third party-requesters to participate in reexamination proceedings, expand the basis and scope of reexamination, and limit the potential abuse of the reexamination process. The PTO testified in support of the legislation.

*The Medical Procedures Innovation and Affordability Act (H.R. 1127)* would, with some exceptions, exclude from patentability any technique, method, or process for performing a surgical or medical procedure, administering a surgical or medical therapy, or making a medical diagnosis. The PTO testified against the legislation.

*The Inventor Protection Act of 1995 (H.R. 2419)* would expand the activities of many States in providing specific protection to independent inventors on a national scale. The PTO testified in favor of the legislation.

*Madrid Protocol Implementing Legislation (H.R. 1270)* amends the Trademark Act of 1946 to implement the Protocol to the Madrid Agreement Concerning the International Registration of Marks, should the United States accede to the treaty. The PTO testified in support of the method of implementation but stated that it would not seek the advice and consent of the Senate to accede to the Treaty because of voting provisions.

*Federal Trademark Dilution Act of 1995 (H.R. 1295)* would provide injunctive relief against another person's unauthorized commercial use of a famous mark where such use dilutes the distinctive quality of the famous mark, except where the use is in the nature of comparative advertising or promotion, news reporting and news commentary, or a noncommercial use.

The PTO testified in support of the legislation. On January 16, 1996, the President signed H.R. 1295 and it became Public Law 104-98.

*Anti-Counterfeiting Consumer Protection Act of 1995 (S. 1136 and H.R. 2511)* amends several existing laws to provide stronger and more effective remedies against trademark and copyright counterfeiting. The PTO testified in support of the legislation.

*Digital Performance Rights in Sound Recordings Act (S. 227 and H.R. 1506)* would amend Title 17, United States Code, to provide copyright owners of sound recordings with the exclusive right to perform their sound recordings publicly by means of digital transmissions. On November 1, 1995, the President signed S. 227 and it became Public Law number 104-39.



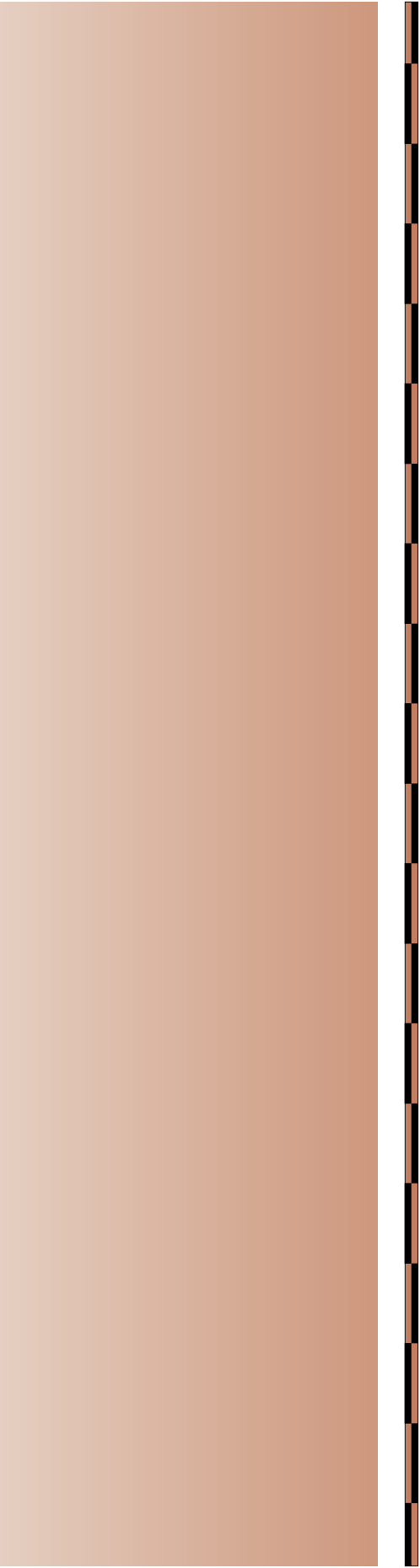
On September 5, 1995, Commissioner Lehman, chair of the Working Group on Intellectual Property Rights of the White House Information Infrastructure Task Force, released a report of the Working Group entitled *Intellectual Property and the National Information Infrastructure*. Bills implementing the White Paper's legislative recommendations were introduced in late September 1995 in the House of Representatives (H.R. 2441), and in the Senate (S. 1284).

*Copyright Term Extension Act of 1995 (H.R. 989 and S. 483)* would extend the term of copyright protection in all copyrighted works that have not fallen into the public domain by 20 years. The PTO testified in support of both bills.

## **COOPERATE WITH OTHER GOVERNMENT AGENCIES**

### **International Cooperation and Training**

In fiscal year 1995, the PTO continued and expanded its training and technical assistance programs. The Visiting Scholars Program hosted participants from over 30 foreign countries for two weeks of "hands-on" study about various aspects of the administration of industrial property law, patent and trademark examination, and the role of intellectual property protection as a tool



for economic development. The program provides an introduction to the basic elements of patent and trademark examination, including classification, search, office action creation, communication with applicants, and final application processing. This year's program was held from October through November 1995, and included participants from Bolivia, China, Guatemala, Indonesia, Jamaica, Mexico, Nicaragua, Panama, Russia, and Ukraine.

In addition, representatives of the PTO participated in training and technical assistance programs in many countries. These programs extend from providing legal advice on the drafting of laws to on-site lectures or training on a variety of intellectual property topics. In fiscal year 1995, the PTO conducted training programs in the Russian Federation, Estonia, Latvia, Lithuania, Bulgaria, Romania, Ukraine, Cyprus, throughout the Middle East and Latin America. The most significant of the Latin American programs took place in Mexico where the PTO continued the Agency for International Development-funded program of cooperation with the Mexican industrial office.

## **2. Provide our customers with the highest level of quality and service.**

The second goal identified in PTO's 1996-2000 Strategic Plan is to provide our customers with the highest level of quality and service in all of our operations.

### **CUSTOMER STANDARDS**

Our business depends on being responsive to customer expectations, and that has been our main focus the past year. Using focus groups comprising randomly selected customers, the PTO learned their concerns, needs, expectations, ideas for improvement, and their perspective for measuring success.

Customer feedback was specific to areas of operation, but overall expectations included:

- Prompt return of information, including filing receipts, status letters, and telephone inquiries,
- Better informed, more courteous staff,
- Improved search reviews, and
- Better communication of policy or rule changes.

Working groups of PTO employees used this information to establish Customer Service Standards for the patent, trademark, and information dissemination processes. Then, customers were surveyed to validate the importance of each standard and to determine their level of satisfaction with PTO performance for each standard. As an example, 57.2 percent of customers were satisfied with PTO's overall performance.

To ensure that these expectations are met, the PTO has adopted a comprehensive approach for defining and monitoring customer satisfaction. This approach includes the following concepts:

- Define quality services,
- Reflect customer service standards in all PTO plans,
- Ensure employees have what they need to do quality work,
- Improve/reengineer processes to increase customer satisfaction, and
- Measure success in satisfying customers.

This approach commits the PTO to the goal of providing quality patents, trademarks, and information services to its customers.

### **PATENT PROTECTION**

The processing of patents is one of our two core businesses. That business has experienced steady growth in the last decade and is expected to continue growing well into the next century. The PTO is improving the patent process using reengineering and quality techniques so our customers will be assured of the best possible service.

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*Customers were surveyed to validate the importance of each standard and determine their level of satisfaction*

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## Applications

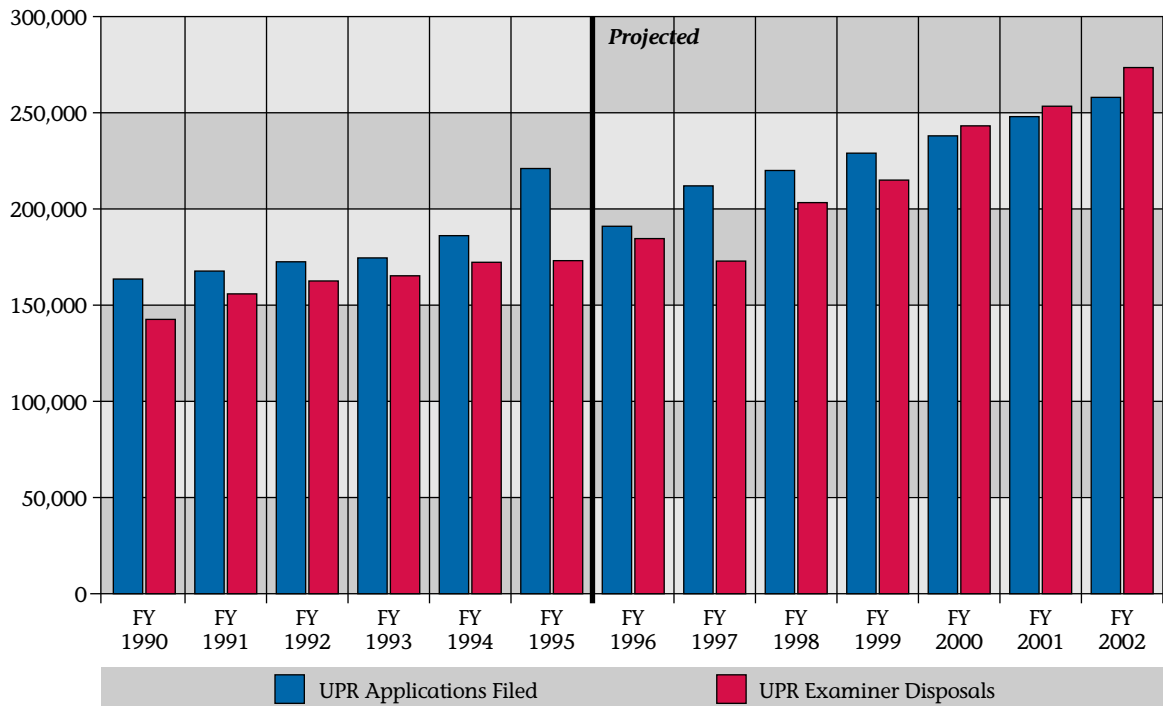
In fiscal year 1995, the PTO received the largest number of applications to date. Based on preliminary figures, we received 221,304 utility, plant and reissue (UPR) patent applications and 15,375 design applications.

The UPR patent application filings workload increased by 18.9 percent over the previous year— well above the PTO's historical average annual growth rate of 4 percent. This unusual increase was due to a surge of about 35,000 additional UPR application filings during the third quarter of fiscal year 1995, as applicants rushed to file their applications before the transition to the 20-year patent term on June 8, 1995.

## Issues

Patent examiners allowed a total of 114,241 patents in fiscal year 1995; this includes 11,662 design patents. This was an overall increase of 973 patents above the fiscal year 1994 level.

**Figure 1. Patent Applications and Production (Examiner Disposals):  
FY 1990–2002**



## Pendency

End-of-year average pendency time rose to 19.2 months, up from 19.0 months last fiscal year, reflecting the effect of personnel restrictions and an increase in application filings. Patent pendency was reduced or relatively consistent in areas of particular growth: computer technology pendency was 25.9 months in FY 1995, down from 26.5 months in FY 1994; in the biotechnology area, the pendency average was 21.2 months in FY 1995, slightly higher than the FY 1994 pendency of 20.8 months, but still lower than the FY 1993 pendency of 22.2 months.



Design pendency averaged 17.9 months in FY 1995, down from 21.2 months in FY 1994 and 25.5 months in FY 1993.

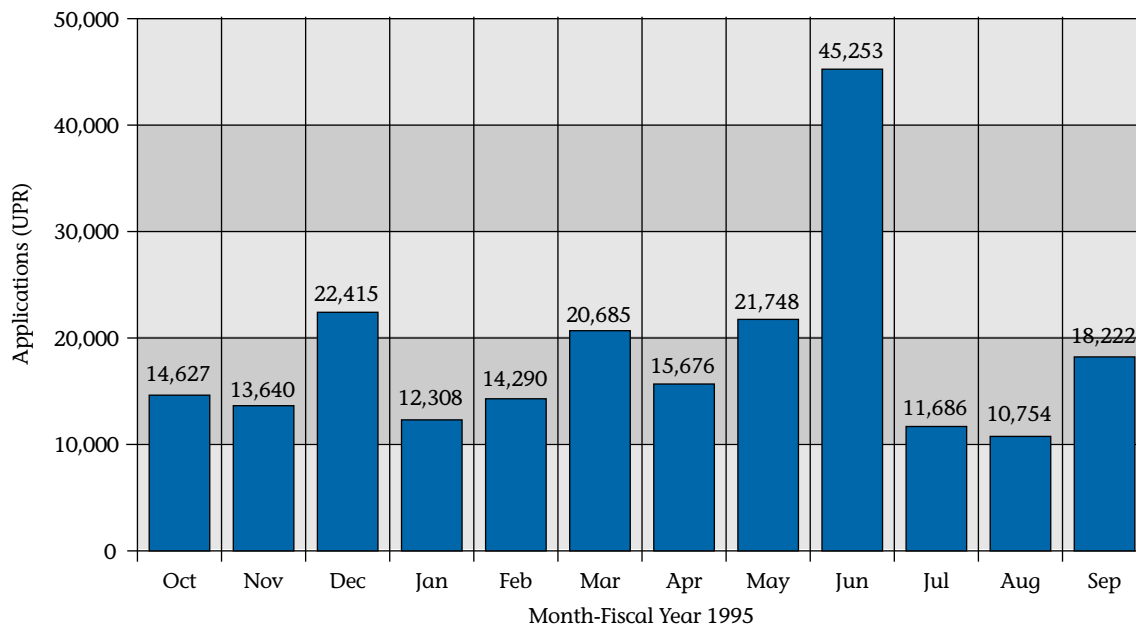
### Reexamination

The PTO received 392 reexamination requests in FY 1995. Of these, 100 were known to be in litigation. A substantial new question of patentability was found and reexamination ordered in 372 cases. The Office denied reexamination in 26 cases. Reexamination was completed and certificates issued in 281 cases. Of those completed, patentability of all patent claims was confirmed in 73 cases. Claims were modified or added and patentability was confirmed on some existing, modified, or added claims in 176 cases. All claims were canceled in 32 cases.

### Changes in Patent Law

Fiscal year 1995 saw four significant changes in U.S. patent law as a result of the Uruguay Round Agreements Act, which was enacted to implement changes resulting from the Agreement on Trade Related Aspects of Intellectual Property (TRIPs):

**Figure 2. Patent Applications (UPR) by Month: FY 1995**



**Patent term:** Section 154 of the patent law was amended to change the patent term from 17 years from date of patent grant to 20 years from the earliest effective application filing date. That 20-year term may be extended for a total of up to five years in the event of delays in the issuance of the patent due to interferences, national security considerations or successful appeals. Also, patents that were in force on June 8, 1995, or that resulted from applications filed prior to that date would have a term of the greater of 17 years from date of grant or 20 years from date of application.

**Provisional applications:** Sections 111 and 119, Title 35, U.S. Code, were amended to establish a new type of patent application called the provisional application. This simple, low-cost application allows inventors to easily and inexpensively (\$150/\$75 for small entities) establish an early filing date and defer examination costs for up to one year.

**Treatment of Inventive Activity:** Section 104 of the Title 35, United States Code, was amended to the requirement that patents be available without discrimination as to the place of invention. The law, prior to the Uruguay Round Agreements Act, specified that no evidence could be introduced by a party seeking to prove a date of invention if that evidence was based on activity that took place outside the United States. The Act removed this restriction.

**Definition of Infringing Activity:** Section 154 of Title 35, United States Code, was amended to provide patent holders with the rights to prevent others from making, using, offering for sale, selling, or importing a protected product invention, and also to prevent others from using a patent process and offering for sale, selling, and importing the product directly obtained from the process.

### **Early Publication of Patent Applications**

When legislation to implement early publication of patent applications was introduced in September 1994, the PTO began a reengineering effort to design a process that would allow the Office to implement early publication by January 1, 1996, if the legislation were enacted. During fiscal year 1995, employees from all areas of patent application processing were brought together to develop a Concept of Operations that is being used by the Chief Information Office to acquire the automated systems needed for early publication, by the Office of Human Resources to initiate any personnel changes (e.g., training) that will be required, and by any other office in the PTO that will be affected by this change to the patent system.

## **TRADEMARK PROTECTION**

The importance of trademarks has intensified as the economy has become more global and market competition has expanded. Our second core business—the processing of trademarks—has increased accordingly. In FY 1995, our trademark area began developing an innovative plan to reengineer the trademark process and streamline work procedures.

### **Applications**

In fiscal year 1995, the PTO received 175,307 trademark applications, an increase of more than 12 percent from last year's filing level of 155,376. The number of applications has continued to increase at higher than anticipated rates, approximately 10 percent annually, since the enactment of the Intent-To-Use legislation in 1989. Since fiscal year 1990, the trademark application workload has increased over 110 percent, while staffing levels for the trademark process have increased by only 60.1 percent during the same period of time.

### **Registrations**

The number of registrations issued in fiscal year 1995, including extra classes, was 75,372. This represents an increase of 9.5 percent from registrations issued in fiscal year 1994.

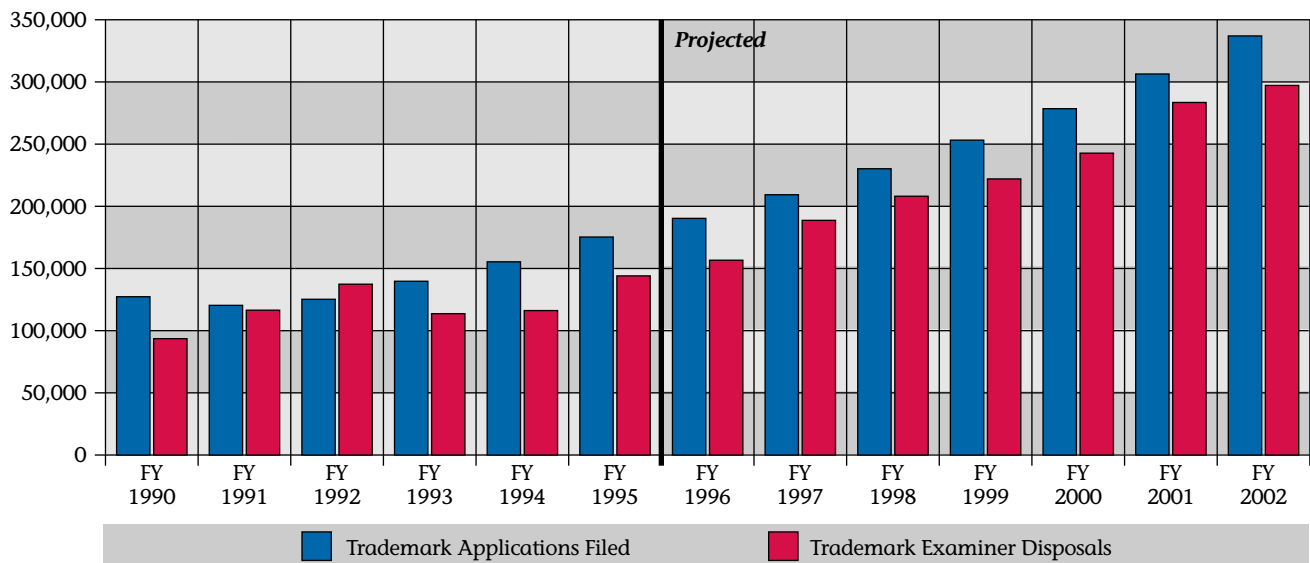
## Pendency

Trademark pendency in fiscal year 1995 was 5.3 months from filing to first action and 16.7 months to registration. The backlog resulting from the reorganization of trademark operations in the last quarter of 1994, combined with incoming workloads that have continually exceeded projections kept pendency at a level higher than planned.

Trademark examining attorneys completed 176,764 first actions on trademark applications in fiscal year 1995, which was 14 percent above the goal of 154,800 and 20 percent above the fiscal year 1994 first actions of 147,343. Businesses have stressed the importance of the first action as it allows them to make timely decisions on commercializing their product or service. First action pendency was above goal because overall filings were in excess of budgeted levels.

Total first examination disposals were 144,052, approximately 1 percent under the budgeted goal of 145,300. FY 1995 first examination disposals increased by 27,888 or 24 percent.

**Figure 3. Trademark Applications and Production (Examiner Disposals): FY 1990–2002**



As new work processes are implemented, efficiencies are realized, and the backlog of work moves through the system, pendency to registration/abandonment is expected to begin to return to goal levels beginning in fiscal year 1997.

## Changes in Trademark Law

The Uruguay Round Agreements Act contained two changes to Trademark Law:

**Trademark Abandonment:** Section 45 of the Trademark Act, 15 U.S. Code, Section 1127 was amended to change the definition of “Abandonment” to require evidence of nonuse for three consecutive years, rather than two, to establish prima facie abandonment.

***Geographical Indications for Wines and Spirits:*** Section 2(a) of the Trademark Act, 15 U.S. Code Section 1052(a) was amended to include an absolute prohibition against the registration of terms of geographical indication for wines and spirits, when they do not come from the place named and the first use is on or after one year after January 1, 1995.



## ENHANCE HUMAN RESOURCES

The enhancement of human resources helps the PTO provide quality patent, trademark, and information services.

### Strategic Directions for Employee Programs

Five objectives have been established to carry out PTO's human resource strategic directions and create an integrated approach to human resource and diversity management:

**Recruitment.** We are committed to a diverse work force where differences are valued. This means creating an inclusive organization where the most talented individuals are recruited and empowered to serve customers and achieve our goals. In FY 1995, we began expanding our recruitment efforts to attract science and engineering applicants from colleges and universities with high minority and female enrollments.

Significant accomplishments included use of the Micro Assisted-computer Rating System (MARS), to facilitate the hiring of 281 patent examiners in FY 1995. We also expanded outreach efforts to enhance diversity recruitment by establishing long-term relationships and projects with the University of New Mexico, the Hispanic Association of Colleges and Universities (HACU), and the Lakota Native Americans. These efforts resulted in 21 potential permanent hires for PTO from targeted underrepresented groups.

**Career management.** To meet the challenges of changing technology and increasingly complex workloads, the Office has established educational programs that enable employees to learn the skills they need to effectively manage their careers and develop their potential for success.

Our newest educational program, PTO University is an after-hours evening college curriculum that helps our workforce improve current skills and learn new skills to improve their advancement opportunities. PTO University has a wide variety of programs that allow employees to earn career studies certificates, associate degrees, bachelor degrees, or graduate certificates in selected work-related subjects.

In FY 1995, we worked with Northern Virginia Community College, and established a Career Studies Certificate in business information technology and three Associate degree programs in legal studies, business administration, and office automation. Marymount University joined the team and we began offering PTO students on-site courses toward a Bachelor's degree in business. At the graduate level, both supervisors and employees participated in the graduate certificate in management information systems at George Washington University. Approximately 680 students participated in the PTOU programs.

PTO University has been identified as an "exemplary government development program" by the Federal Training Officers Institute.

The Office of Patents significantly expanded their training ability in FY 1995 by creating two state-of-the-art training facilities: the Patent Academy, which trains all new patent examiners, and the Technical Support Institute, which provides training for the technical support of the patent process.

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Both facilities have the latest audio-visual and computerized training equipment with additional space for larger and more frequent programs.

In addition, the Patent Academy began designing a Juris Masters Program to enhance patent examiners' analytical and legal skills, knowledge, and abilities. This program is scheduled to become effective spring of 1996.

The Quality Skills Center (QSC) supports performance, production, and quality initiatives through the development of an internal pool of high quality employees. In FY 1995, a MicroComputer Proficiency program was introduced, and over 100 students enrolled and successfully completed the program. With the emphasis on reengineering, the QSC curriculum is being expanded to include additional courses to increase office automation and computer skills, technical reengineering, and analytical skills.

The Examiner Education Program encourages direct industrial experience for patent examiners through on-site visits to industry and technology demonstration sites. The program enables patent examiners to obtain "real world" insight into new developments in technology and use that understanding in their work at the PTO.

Law School Tuition Assistance is provided to patent examiners who attend law school.

**Quality of Work Life.** To create a balance between work and the personal lives of employees, we are promoting a culture of trust and flexibility. Today's workforce comprises more single-parent families, more dual-career couples, and more women than ever before. We are developing creative solutions to alleviate problems that affect all employees, such as transportation, work schedules, and leave for medical emergencies, and enhance our ability to attract and retain employees in critical occupations.

The PTO has several ways that allow employees to tailor their working hours to fit personal schedules:

- Flexitime allows employees to tailor their arrival and departure times around a set of core hours.
- Alternative Work Schedule permits employees to work an additional hour each day and earn one day off per pay period.
- Part-time opportunities were expanded for trademark attorneys and patent examiners to help them include time for education or family care.
- Flexiplace has been approved for testing in our Trademark operation as part of the National Performance Review's Reinvention Lab. This flexiplace pilot will allow a group of volunteer trademark attorneys to perform a substantial part of their duties at home. If this pilot is successful, it may be extended to other areas of PTO.

In fiscal year 1995, through its Partnership Council, the PTO approved the establishment of an on-site Fitness Center and began construction. The Center will be a non-profit entity supported by employee fees. We are now exploring the feasibility of establishing child care, elder care, and additional health and fitness programs.

PTO continues to sponsor observances that focus on the racial and ethnic cultures of employees and the community. These events improve awareness

of our diverse backgrounds and promote communication within the organization. In the past, we have focused on individual groups, but with the help of our Diversity Council, we are beginning to move to multicultural observances, expanding our definition of diversity and cultural identification. Future observances will stress our partnership with schools, college, community, and national organizations and enhance our "corporate partner" image.

Along with performance-based awards that are linked to appraisals, the PTO also has an active special awards program that includes:

- The On-the-Spot Award Program that allows managers to immediately recognize employees who have made exceptional contributions to a one-time project. With a minimum of paperwork and expense, employees can receive personal items that range from radios to luggage to movie tickets.
- The Support Employee of the Quarter recognizes five support staff members each quarter who have been nominated by their coworkers for exceptional service. Winners receive a monetary award and become eligible for the Support Employee of the Year Award.

As a result of their efforts, the Human Resources Strategic Diversity Team received the All-Star Team recognition from the International Personnel Management Association.

**Communications.** Good internal communication encourages better communication with customers. The Pulse, the monthly employee newsletter, is mailed to each employee's home with information about current activities and policies. New services, personnel appointments, and other notices are distributed in our FYI series. Along with these traditional methods of communication, the Office expanded its use of groupware technology through PTONet. Employees have access to all notices, electronic mail, and various software programs. Video teleconferencing and electronic bulletin boards help us expand the timely delivery of information throughout the organization.

In fiscal year 1995, the PTO began a project to create a communications environment that ties every employee into a true network of horizontal and vertical links. The project is exploring techniques that range from computer-based information sharing, such as forums, to advanced video-based technologies. The team leading this effort is studying successful organizations that use employee communications to help develop a strong sense of a common cause, shape and test new initiatives, and use information as a key strategic asset. This effort seeks to create an environment where we can learn from customers, stakeholders, partners, and each other. Knowledge building, new ideas, and the sharing of information in the target environment will contribute to the Office's abilities to maintain constant flexibility and adaptability to change.



**Community Service.** We also are using our resources in communities to improve education, health, and personal empowerment and establish the PTO as a corporate citizen and progressive employer. These programs include Project XL, Partnership in Education, and the Lakota Project, a Native American community project in South Dakota.

## LEVERAGE INFORMATION TECHNOLOGIES

Information is one of the PTO's most valuable resources. As we move forward into the "information age," the PTO is taking advantage of advances in information technologies to enhance its core activities and improve how we do business.

Whether employees are examining patent or trademark applications, disseminating information to the public, or performing duties that support these functions, the PTO is using information technologies to ensure the quality, accuracy and efficiency of these efforts. The Office is focusing on a strategic direction to develop an information technology environment for both the PTO and the public where patent and trademark information is created once, managed effectively, used often, and evolves over time.

The PTO has developed its FY 1996 through FY 2001 *Strategic Information Technology Plan and Executive Overview*. These planning documents succinctly present the PTO's information technology goals, objectives, and strategic vision. They also document the major information technology activities planned through FY 2001. The executive overview, and the accompanying Strategic Information Technology Plan, are

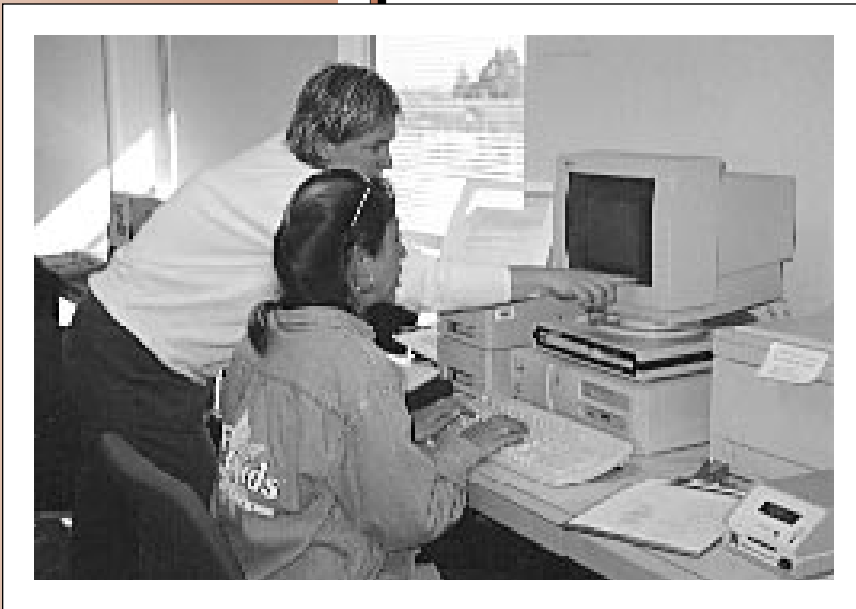
currently being reviewed by PTO senior management and will be issued in late January 1996.

### Information Dissemination to the Public

Our core businesses require the PTO to disseminate information included in granted patents and registered trademarks. The Office makes various information products and services, including on-line access to data bases, magnetic tapes, and Compact Disc-Read Only Memory (CD-ROM) products, available to the public at its public search facilities in Arlington, Virginia, and at 80 Patent and Trademark Depository Libraries (PTDL's) located throughout the country.

In its public search facilities, the PTO provides reliable, low-cost access to the following automated systems:

- the Automated Patent System's Text Search and Retrieval (APS-Text) and Classified Search and Image Retrieval (APS-CSIR),
- the Automated Trademark Search System (X-Search), and





- the Trademark Reporting and Monitoring (TRAM) System.

Three new libraries were designated as PTDL's in FY 1995:

- The University of Puerto Rico at Mayaguez;
- The Paul S. Boley Law Library of the Northwestern School of Law, Lewis and Clark College, Portland, Oregon; and
- The Akron-Summit County Public Library in Ohio.

APS-Text was made available to the PTDL network effective January 1, 1995, and thus far, 25 PTDL's have entered subscriptions.

In FY 1995, the PTO established a partnership at the PTDL in Sunnyvale, California, and negotiated a partnership at the Detroit, Michigan, PTDL. These partnership libraries have access to expanded on-line capabilities, including APS-CSIR; offer video-teleconferencing between applicants, their attorneys, and their PTO examiner; provide services, such as Disclosure Document receipt, administration of PTO agent/attorney registration examinations, electronic ordering of foreign patent documents, file wrappers, and assignments; and sponsor practitioner-level and public seminars on various aspects of intellectual property. Partnership PTDL's received recognition as National Performance Review National Reinvention Laboratories.

The PTO offers on-line access to patent and trademark information through the PTO BBS, an electronic bulletin board system, which contains information regarding PTO products, services, activities, and current patent bibliographic information. Internet access to the PTO's World Wide Web site

(<http://www.uspto.gov>) provides information concerning patents and trademarks, as well as a database of searchable text and full document images for patents dealing with AIDS research. In FY 1995, Commissioner Lehman announced that the PTO will provide free Internet access to 20 years of patent bibliographic data (1.68 million patent documents granted since 1976).

We continue to use CD-ROM technology to provide patent and trademark information to the public. Eight CD-ROM products have been designed to contain searchable text, indexes, and search tools, which are updated bi-monthly and quarterly. In addition, the PTO produces weekly patent image CD-ROM's (usually three per week) that allow for electronic document delivery to PTDL's, other industrial property offices around the world, and the public. All CD-ROM products can be used, at no cost, in PTO public search facilities and PTDL's, and are sold to the public as an annual subscription.

The public can also purchase copies of internal data bases on magnetic tape. Customers are usually commercial data base vendors, who add value to the raw data and produce a variety of products for sale to thousands of public customers.



Patent and Trademark Copy Sales (PTCS) continues to be a key element of information dissemination. Advances in automated technologies now provide PTCS with capacity to supply 10,000 patents per day to the public, which is 100,000 printed pages per week.

## **ELECTRONIC PROCESSING AMONG EMPLOYEES**

Use of computers and information technology will streamline, automate, and improve work processes. Today, the PTO transmits information and conducts business in paper form, but eventually we will do our work electronically. To process this information, the Office will need electronic document management, standard electronic work tools, widespread access to information, and integrated data repositories. Automation projects related to electronic processing among employees are categorized by the processes or system they support: Patent Automation, Trademark Automation, and Administrative/Production Automation. All systems at the PTO are supported by a common information technology infrastructure.

### **Patent Automation**

In fiscal year 1995, through its "Time-Out" program, the General Services Administration (GSA) directed the PTO to conduct an independent assessment of the patent automation program. Consequently, the Department of Commerce assembled a group of experts as an Independent Review Team (IRT) to assess the PTO's automation efforts. The IRT released its report, "An Independent Assessment of the Patent and Trademark Office Information Technology Modernization Program" on April 28, 1995. The team concluded that the overall effort by the PTO to understand and automate its processes "is superior to many government and industry organizations." The PTO "shows signs of getting stronger all the time in performing its information technology management functions."

Major accomplishments for patent automation in fiscal year 1995 included:

- Providing desktop access to the patent text search system to all patent examiners.
- Deploying 48 additional image workstations to the cluster search rooms, thus increasing the access by patent examiners to the Classified Search and Image Retrieval (CSIR) system from 23 to 40 percent of the Patent Corps.
- Deploying initial-desktop image workstations for use by patent examiners.
- Completing the second pilot for the Electronic Application System (EASY).
- Developing and analyzing detailed requirements for the pre-grant publication of applications.

### **Trademark Automation**

A significant accomplishment for trademark automation in fiscal year 1995 was the contract award for the text-search product for X-Search version 1.1—the primary search tool used by examiners and the public. As a result of this procurement, development has begun to replace the operating system which will increase the number of users. Additionally, the Office improved Trademark Search System (X-Search) performance by reducing the average search time by four minutes.

## Administrative/Production Automation

During 1995, work progressed on many administrative management systems. The new systems make use of technology to increase both functionality and productivity and also provide better access to data. Functionality for Procurement Desktop increased dramatically with the inclusion of an imaging system, conversion to Release 2.0 and implementation of the new security module. The contract for the development of the Revenue Accounting Management System (RAMS) has been placed, the contractors have begun work and the data model has been completed. As a result of Electronic Commerce, in 1995, the PTO became a pilot for Electronic Data Interchange (EDI), which increased our small purchase authority from \$25,000 to \$100,000.

Finally, the PTO implemented the Patent and Trademark Assignment System which supports the processing of assignment documents through image capture, OCR text capture, automated work flow processing and generation of computer output microfilm of recorded documents from scanned images. This is the first instance of PTO's application of document management system technology to establish a paperless work flow process.

## Infrastructure

The PTO is focusing on transitioning its current information technology infrastructure to a standards-based, open-system environment. A PTO Technical Reference Model has been developed which provides a comprehensive set of information standards, services, protocols, and products that define the target technical environment and guide future information technology efforts.

The high level definition of a new PTO-standard and tailorable system development life cycle management process was completed in July 1995. The revised process will improve productivity, measure and improve performance, and take advantage of modern system development techniques and tools. This process includes senior management oversight and program sponsor direction. The end goal is to deliver quality software products when promised and within cost estimates.

The PTO issued a draft Request for Proposals for a Systems Development and Maintenance Contract. Under this contract, the PTO will receive contractor assistance in developing production and administrative systems required by organizations. This integrated approach to system development will enable the Office to devote fewer resources to manage contracts and take advantage of multiple-use solutions when meeting information-technology needs of organizations.

Finally, in fiscal year 1995, the PTO expanded the production network operations and availability of all on-line systems to 6:30 am to midnight, Monday through Friday and 7:30 am to 5:30 pm on weekends.



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Major reengineering efforts have set the stage for the radical redesign of trademark business processes  
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## EMPLOY BETTER PROCESSES

This strategy is directed toward changing the way PTO operates and how work is processed in order to provide high quality products and services in a cost effective manner. It is being realized through organizational transformation activities, extensive Business Process Reengineering (BPR) efforts, and the application of automated technology.

### Patent Process Reengineering

Recognizing the need to operate differently in the new global economy, the PTO has undertaken a major project to reengineer the entire patent process. This comprehensive effort involved over 150 employees working on five reengineering teams: patent quality, patent process, patent tools, patent customers, and patent culture. The draft design of the reengineered patent process was completed in September, after refinement and verification with customers. Highlights of the target patent process include:

- Customers as partners in the patent process
- Variety of products and services to match customer needs
- Fees set to better align to the necessary work effort
- Flexible organization structure that is responsive to technological changes
- Employee empowerment at all levels
- Extensive mentoring and training of multi-skilled employees
- Desktop tools and automated decision system support
- Elimination of serial processing, and reliance of parallel processing
- One-time data capture; data availability through integrated system
- Interactive prosecution process
- Electronic filing processing and publishing

An intensive transition planning effort will be undertaken in fiscal year 1996.

### Trademark Process Reengineering

Major reengineering efforts have set the stage for the radical redesign of trademark business processes which apply world-class concepts and practices, such as electronic application processing. The premise supporting the trademark target design concentrates on electronic receipt, processing, storage, maintenance, and management of trademark applications and other filings. The target design, once implemented, will improve processing times significantly in both pre-examination and examination areas. Transition planning will be the focus in FY 1996.

### Trademark Trial and Appeal Board Support Processes

The docket management process in the Trademark Trial and Appeal Board (TTAB) was the focus of reengineering efforts throughout 1994. In fiscal

year 1995, the results of these efforts were implemented as a pilot in the TTAB, resulting in dramatic improvements in productivity, cycle time, accuracy and quality, employee morale, and effectiveness.

### **Resource Management Reengineering**

Traditionally, the PTO's budget process and the PTO's planning process have occurred simultaneously and in isolation of each other, instead of the planning process driving the budget process. The reengineered planning/budget process integrates the two activities and the PTO's budget becomes the costed end product of a PTO-wide planning process. This year, the first phase of the reengineered process was implemented as a pilot for the fiscal year 1997 planning/budget cycle. To coincide with this new planning/budget process, the PTO's current cost management function is being examined in order to develop a reengineered process which will integrate planning, budgeting, and cost management.

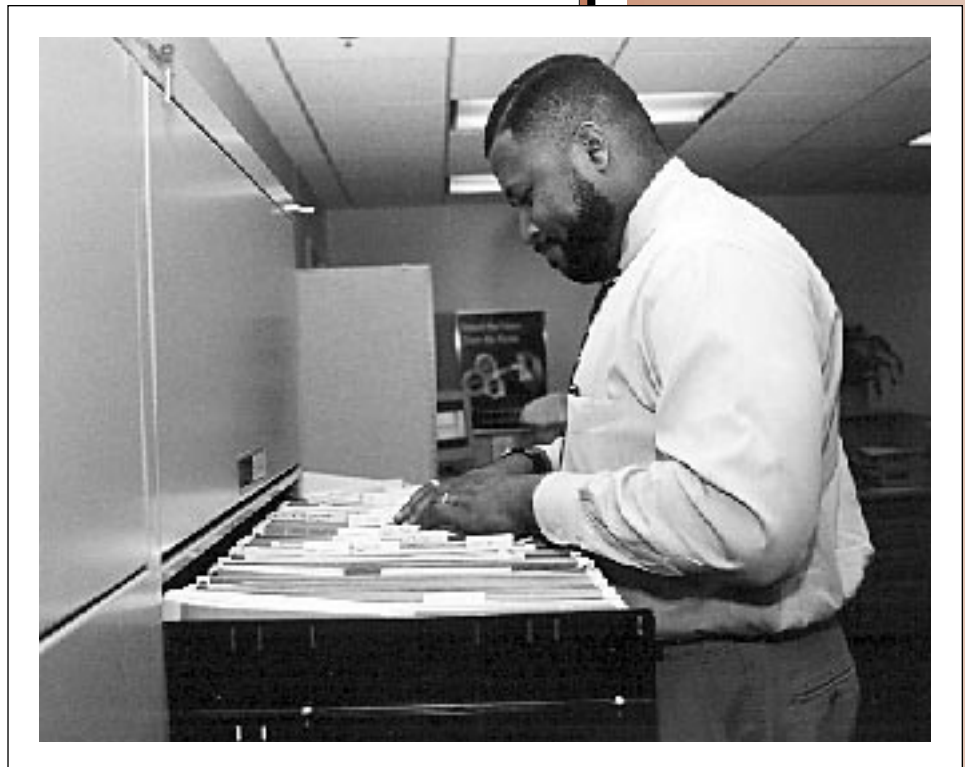
### **Acquisitions Business Process Reengineering**

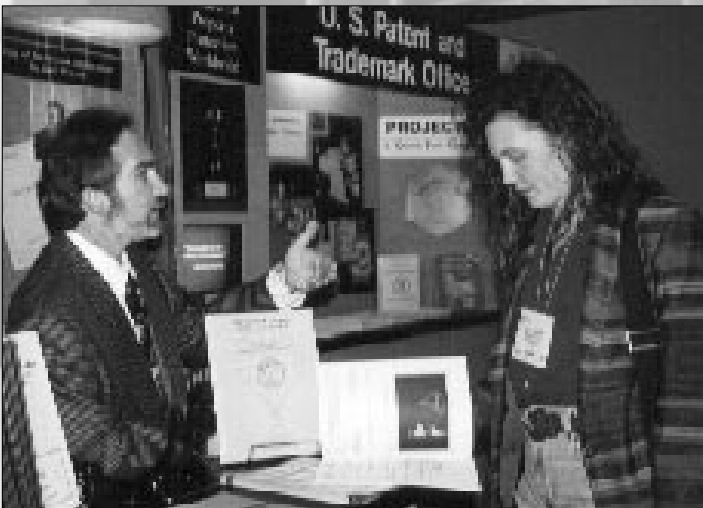
A multi-disciplinary team representing a broad cross-section of the Department of Commerce (DOC) employees has developed a proposed reengineered acquisition process of which the PTO will be a part. The new environment, covering acquisitions exceeding \$100,000, is designed to drastically reduce cycle time and meet the needs of customers through empowerment, elimination of approval layers, speed, risk reduction, and partnering. This vision is based on the following themes:

- A dramatically streamlined process
- Empowered project teams
- Redefined relationships with customers and vendors
- New uses of technology

The BPR team developed critical success factors, performance measures and performance targets (i.e., metrics) for the new process after gathering extensive data from customers and stakeholders. Quantified performance goals for such things as cycle time, customer satisfaction, administrative acquisition costs and project accomplishment were set and used as benchmarks for designing the TO-BE model.

Transitioning to the new environment is planned for the spring of 1996.





## **PROMOTE AWARENESS AND ENCOURAGE CREATIVITY**

Fiscal year 1995 was the start of a new era in public relations at the Patent and Trademark Office. With the development of a marketing plan, outreach and promotion activities intensified and media relations improved. In addition to publicizing activities and issues to the media and general public, the Office of Public Affairs initiated and continued several significant outreach events.

### **The Patent and Trademark Museum**

On July 25, 1995, the United States Patent and Trademark Museum was dedicated to Isaac Fleischmann, PTO's first director of Public Affairs. Created to promote awareness of the importance of ingenuity and innovation in our daily lives, the museum's inaugural exhibits featured Edison, Patent Models and Drawings of the 19th Century, and Trademarks: Fingerprints of Commerce. General information about intellectual property and the history of the Patent and Trademark Office are also featured. The museum will rotate exhibits throughout the year.

### **Inventors' Expo**

The 1995 National Inventors' Expo was held at Disney World's Epcot Center in Orlando, Florida. Nearly 125 inventors with non-assigned patents from around the country exhibited their innovations to thousands of Disney guests. Only inventors who had received their patents in the previous 18 months were invited to exhibit. The event was co-sponsored by Intellectual Property Owners, who hosted a workshop prior to the two-day exhibit.

### **Trademark Expo**

The 12th annual Trademark Expo was held at the Mellon Auditorium in Washington, DC, October 1994. Nearly 25,000 visitors enjoyed their favorite trademark characters along with some new exhibits: the history of trademarks, logo evolutions, and the faces behind the trademark names.

### **Project XL**

The foundation of our educational outreach programs, Project XL provides educators with the information and curriculums they need to inspire ingenuity and creativity in our young people. In 1995, Project XL exhibited at annual conferences and conducted workshops around the country for the National Association for Bilingual Education, the National Science Teachers' Association, and other professional organizations. In collaboration with the National Inventive Thinking Association and the Copyright Office, Project XL recognized the creative and inventive works of high school students through the Young Inventors and Creator Program. Thousands of teachers and countless students have benefited by Project XL programs.

### **National Inventors' Hall of Fame**

The new Inventors' Hall of Fame in Akron, Ohio, opened to the public in July 1995. Adjacent to Inventure Place, a hands-on museum that celebrates innovation and ingenuity, the new Hall of Fame honors American inventors who have made a significant contribution to our quality of life. PTO staff serve as advisors and assist with publicity; funds are not provided.



**PROJECT XL**

*A Quest for Excellence*

# The Year Ahead

- The PTO expects to issue 109,200 utility, plant and reissue patents and register 101,300 trademarks in fiscal year 1996.
- If legislation is enacted in 1996, the Office expects to begin publishing all U.S. patent applications 18 months from the earliest filing date for which a benefit is sought.
- Congress will continue to consider many significant intellectual property bills, including bills implementing the “Intellectual Property and the National Information Infrastructure Report” legislative recommendations, the PTO Corporation bills, and the anti-counterfeiting legislation.
- The PTO will continue to participate in the TRIPs Council and meetings to consider the Berne Protocol and New Instrument, as well as numerous other multilateral and bilateral intellectual property activities.
- In December 1995, the PTO will participate in the Committee of Experts meeting to resume discussion of a limited patent law harmonization draft treaty.
- Planning for the transition to the new reengineered patent system will begin in 1996 and implementation will take place over the next several years. Pilots for immediate initiatives will begin to evaluate feasibility.
- A cross-functional team will develop a transition plan for implementing the Trademark target design which, once implemented, will improve application processing times significantly.
- The Trademark Operation will consolidate its law offices from 13 to 9 as a part of its effort to streamline the examination process to maximize production with a limited work force.
- The Trademark Flexiplace Pilot program will be implemented in fiscal year 1996 in conjunction with the National Performance Review’s Reinvention Lab to allow a group of volunteer trademark examining attorneys to perform a substantial portion of their duties at home. If successful, the program will benefit the Office by reducing space requirements and increase our ability to attract and retain employees in critical occupations and positions and to target markets not readily accessible.



- In fiscal year 1996, the reengineered Resource Management processes will be defined, and a pilot program will be established for developing the planning/budget process for fiscal year 1998.
- To ensure continuous improvement in customer services, the PTO will continue to conduct customer focus sessions, surveys, interviews, and roundtable discussions to determine customer needs, expectations, ideas for improvement, concerns, and to understand the customers' perspective for measuring our success.
- The Office will continue to expand its outreach and promotion efforts with the media and the public to improve awareness of intellectual property and its protection.



- In early FY 1996, the PTO will establish its second business partnership through the Patent and Trademark Depository Library program in Detroit, Michigan. As in the Sunnyvale, California, facility, it will offer customers a broad range of information resources and capabilities.

“  
*While the PTO will grow in FY 1996, it will not grow at a rate equivalent to the growth in incoming workloads.*  
”

# Critical Areas for Financial and Management Improvement

The PTO continued to address the following critical areas for financial and management improvement in fiscal year 1995:

- long-term space needs,
- restrictions in the number of PTO employees, and
- continued diversion of funds by Congress.

In addition, proposals have been introduced in Congress to make the PTO a wholly owned government corporation, and the Office has undertaken reengineering projects that will have short- and long-term impact on our finances and operations.

## SPACE

PTO leases in Crystal City will expire in FY 1996 and FY 1997. The PTO and GSA worked together to outline the PTO's need in a space prospectus. Its provisions include a Northern Virginia area of consideration and a lease period of 20 years. OMB approved the prospectus in FY 1995. The House and Senate approved the plan early in fiscal year 1996.

The PTO will advertise and issue a solicitation in the first half of fiscal year 1996. We are pursuing multiple strategies that will result in the best possible outcome for our customers and employees. Space considerations will include cost, flexibility, and proximity to public transportation, as well as changes resulting from our reengineered processes. Until consolidated space is available, the PTO will extend certain leases and acquire additional space in Crystal City to allow adequate time for complete competition, as well as time for building or renovation of the consolidated space.

## PERSONNEL CEILINGS

The PTO has been affected by the Federal Workforce Restructuring Act of 1994 (Public Law 103-226), which directed a Government-wide reduction of 272,900 federal employees by 1999. While the PTO will grow in FY 1996, it will not grow at a rate equivalent to the growth in incoming workloads. The PTO fiscal year 1996 budget request effectively included a personnel ceiling reduction of 249 positions. Beginning in 1995 and continuing in 1996, administrative positions will be reduced and resources redirected to core examination functions. The PTO is responding to these pressures by finding new ways of doing business to meet the needs of our customers, in the short term by increased use of contractors and through reengineering efforts in the long term.

## REDIRECTION OF PTO FUNDS

The enactment of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508) put the PTO on path to be totally funded through the sales of its products and services. As a result, patent fees were initially increased by 69 percent, with a smaller increase following. This 69-percent increase was a surcharge to be deposited to a specific Treasury account. Subsequent legislation removed the specific percentage but required the PTO to deposit exact dollar amounts of surcharges. By law, these deposits are scheduled to continue through fiscal year 1998.

As funds for House and Senate appropriations subcommittees have decreased, the subcommittees have ceased to appropriate the full amount of the surcharge back to PTO. Instead, they have withheld an increasing amount of the surcharge between fiscal year 1992 through fiscal year 1995. Through fiscal year 1995, \$59.1 million has been withheld. Our fiscal year 1995 appropriation was further reduced by a \$6 million redirection of surcharge funds by Congress to support a high performance computing center external to the PTO. In addition, a permanent cancellation/rescission of approximately \$5.9 million in funds was made for GSA rent reduction and for PTO's share of administrative, travel, and procurement savings. Of our fiscal year 1996 surcharge deposit of \$111 million, Congressional committees have marked approximately \$29 million to be withheld. If this trend were to continue, the PTO could expect additional amounts to be withheld each year through fiscal year 1998, approximately \$34 million in fiscal year 1997 and \$40 million in fiscal year 1998. The following table illustrates the amounts that have been withheld to date and scheduled deposits through fiscal year 1998:

Fiscal Year	Surcharge Deposit	Surcharge Appn.	(dollar amounts in thousands)		Annual Variance (%)	Cum. Variance (%)
			Surcharge Withheld	Cumulative Withheld		
1991	\$99,307	\$99,307	\$0	\$0	0.00	0.00
1992	95,000	86,894	8,106	8,106	8.53	4.17
1993	99,000	86,672	12,328	20,434	12.45	6.97
1994	103,000	88,329	14,671	35,105	14.24	8.86
1995	107,000	83,000	24,000	59,105	22.43	11.74
1996	<i>111,000</i>	<i>*\$82,324</i>	<i>*\$28,676</i>	<i>*\$87,781</i>	<i>*25.83</i>	<i>*14.29</i>
1997	<i>115,000</i>	(na)	(na)	(na)	(na)	(na)
1998	<i>\$119,000</i>	(na)	(na)	(na)	(na)	(na)

*\* Estimated (na) not available.  
(Note: Numbers in italics indicate deposits required by Public Law 102-204 for fiscal years 1996-1998.)*

It is in the best interests of the PTO and its customers for the redirection of PTO surcharge funds to be discontinued, and for the depositing of surcharge funds to end in fiscal year 1998 and not be extended further. Fee-paying customers deserve the best service the Office can provide. When PTO funds are redirected for other purposes, the quality of service to our customers suffers, and a constituency that holds the keys to our nation's economic strength is penalized.

## CORPORATION PROPOSALS

As discussed in "Our Progress" (page 13), proposals have been introduced in Congress that would convert the Patent and Trademark Office to a wholly owned government corporation responsible for patent and trademark policy, the issuance of patents, and the registration of trademarks. If enacted, these proposals would result in a more commercial entity that could provide more flexible service to its customers. Areas that would be affected would include personnel ceilings, borrowing authority, investment authority, and exemption from certain federal building regulations. Action on these proposals is anticipated during fiscal year 1996.

## REENGINEERING PROJECTS

Reengineering efforts, as described earlier on page 30, are underway in the two main processes at PTO: patent examination and trademark examination. The movement from our current processes to our reengineered processes will involve significant one-time development and transition costs. The PTO views reengineering costs as an investment in our infrastructure, primarily in automation, that will pay long-term benefits to our customers. When fully implemented, the PTO should realize significant long-term cost savings, primarily from a reduction in the FTE required to process applications.



# Financial Review

## Limitations

Pursuant to the requirements of the Chief Financial Officer's Act of 1990, the financial statements which follow the financial review have been prepared to report the financial position and results of operations of the Patent and Trademark Office (PTO). The fiscal year 1995 financial statements consist of the Statement of Financial Position; Statement of Operations and Changes in Net Position; Statement of Cash Flows; and the Statement of Budgetary Resources and Actual Expenses. The following limitations apply to the preparation of the fiscal year 1995 financial statements:

While the statements are prepared from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget (OMB), the statements vary from 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 they are for a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than contracts can be abrogated by the sovereign entity.

# A Message From the Chief Financial Officer

The Patent and Trademark Office remains focused on continuous improvement and innovative leadership in the arenas of intellectual property protection and customer service. This commitment is carried out at all levels of the organization, starting with our Commissioner. Our financial management organization supports these goals through our emphasis on sound financial management practices, a progressive focus on enhancing our technological capabilities, and our ongoing commitment to achieving improved results.

We have made strides toward achieving a stronger financial management organization. A Comptroller was selected to fill the position created in the last fiscal year. The Comptroller provides strong leadership and coordination for the financial management activities of Budget, Finance, and Procurement. We have implemented continuing professional education programs and they are being fulfilled by our accountants and budget analysts. We are also encouraging our financial management personnel to take full advantage of the PTO University program to obtain college credits in both undergraduate and graduate programs. The office has recently completed a business process reengineering analysis of the current budget and planning process, developed a framework for a new process, and is developing a transition plan for implementing the new process. An additional project includes development of resource management information.

We continue our advancements on the technological front as well, to achieve our goal of providing an integrated financial management system that provides accurate, timely, and accessible financial information. We have upgraded our computerized financial management system and we continue to make progress in the development of the Revenue Accounting and Management System. We are placing an increased emphasis on our automated procurement subsystem in order to move away from paper-based transactions. We have recently implemented an electronic payment system in order to get payments to vendors more efficiently.

My commitment to overall accountability and sound financial management practices remains strong. Our fiscal year 1995 Financial Statements have received an unqualified opinion from the Office of the Inspector General for the Department of Commerce. These Financial Statements include the Statement of Financial Position which shows that assets grew 39% to \$467 million and liabilities totaled \$293 million, an increase of 25%; the Statement of Operations and Changes in Net Position which indicate revenues of \$605 million and expenses of \$525 million; the Statement of Cash Flows showing sources and uses of funds; and the Statement of Budgetary Resources and Actual Expenses that reconciles actual expenditures to budgetary resources.



Bradford R. Huther  
Associate Commissioner and  
Chief Financial Officer

# Financial Review

During the first part of this century, the Patent and Trademark Office (PTO) was virtually self-supporting. As the century progressed, fee receipts, as a percentage of operating costs, declined substantially. By 1982, only 23 percent of total operating costs were offset by fee recoveries. On August 27, 1982, the Patent and Trademark Authorization Act was signed. This act provided for a growing recovery of operating costs from fee income and allowed the PTO to retain the fee income as offsetting collections.

The most recent Congressional act to impact the user fee-funded environment was the Omnibus Budget Reconciliation Act (OBRA) of 1990. Statutory patent fees were increased by 69%. The PTO received only nominal appropriations from general taxpayer revenues in fiscal year 1992. With the start of fiscal year 1993, as stipulated in the OBRA, funding from such appropriations ceased completely. All operating costs are now funded by the collection of user fees. These collections have risen from \$413 million in 1992 to \$603 million in 1995.

This is the fourth annual financial statement prepared in response to the requirements of the Chief Financial Officer's Act of 1990. These statements have been compiled in accordance with guidance issued by the Office of Management and Budget and the Department of Commerce.

The Office of Inspector General (OIG) audits the Financial Statements of the Patent and Trademark Office. For FY 1993, the Statement of Financial Position was audited and the OIG rendered an unqualified opinion on this statement. In 1995, the OIG audited the FY 1994 Statements of Financial Position, Operations and Changes in Net Position, Cash Flows, and Budgetary Resources and Actual Expenses; the PTO received an unqualified opinion on all of these statements. In their report to the Chief Financial Officer, the OIG made recommendations for improving internal controls and promoting operating efficiencies. Actions have been initiated by the PTO to implement these recommendations.

## TRENDS IN INCOME AND EXPENSES

User fees are the source of all revenues earned by the PTO. Customers pay fees in advance of the products and services to be received. A broad spectrum of products and services are provided and sold to the general public, and individual fees are assessed accordingly. Fee collections have continued to climb as the demand for PTO products and services has increased. This has caused the PTO to have unusually large year end balances in our Fund Balance with Treasury; Net Position; and Excess of Revenue and Financing Sources Over Total Expenses. These balances are attributable to several factors.

Incoming workloads (or orders for products and services) have exceeded planned levels. In fiscal year 1995, new patent applications (utility, plant, reissue and design applications) were planned at 208,300. The actual number of new applications received in 1995 was 236,679, which was 14 percent higher than projected. In the trademark area, the PTO received 175,307 new applications in fiscal year 1995 which exceeded plan by 18,307 or 12 percent.

Much of the workload increase in the patents area during fiscal year 1995 was due to a one time influx of applications resulting from the GATT

Uruguay Round Agreements Act. As part of this agreement, the PTO moved from a patent term of 17 years from date of issue to 20 years from date of filing. The agreement was implemented on June 8, 1995, and the number of patent applications filed increased dramatically just prior to that date.

The PTO also collects fees for the maintenance of issued patents over the life of the patent. Maintenance fees are collected in three stages. Maintenance fees were planned based upon an anticipated renewal rate of 80 percent at the first stage (at the end of the third year after a patent is issued); 57 percent at the second stage (at the end of the seventh year after a patent is issued); and 25 percent at the third stage (at the end of the eleventh year after a patent is issued). Actual renewal rates were higher than planned for third stage collections. Since the maintenance fee for the third stage is the largest of the maintenance fees, the greater collection rate at this stage had a significant impact. The PTO will continue to monitor its estimates, but the decision to renew a patent or not is entirely up to the patent owner and is thus not under the control of the PTO.

The net result of higher than planned incoming workloads and payment of patent maintenance fees resulted in fee collections greater than our plan. These amounts totaled nearly \$56 million in fiscal year 1995. The above figures indicate that the Patent and Trademark business is prospering. The increased workload does have its downside, including the fact that the PTO is often unable to immediately respond to the increases; the examination processes rely heavily upon trained and experienced patent examiners and trademark attorneys, the majority of whom are hired as recent college and university graduates. Fortunately, advanced fee payments may be carried over from one year to the next while the PTO expands its operational capacity to address growing inventories of unexamined patent and trademark applications.

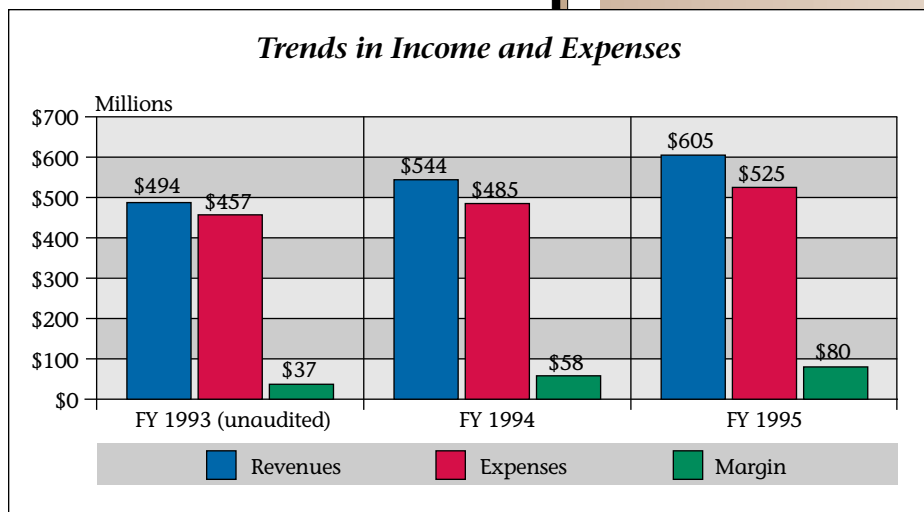
Also included in the year end balances are fees that have been collected but are not available for the PTO's use. The Omnibus Budget Reconciliation Act of 1990, as amended in 1993, imposed a surcharge upon specific patent fees. These surcharges, to be collected by the PTO and deposited to the Treasury, require appropriation by the Congress in order to be available to the PTO. In fiscal year 1995, the PTO deposited \$107 million in surcharge fees. The Congress appropriated approximately \$83 million. The difference for FY 1995, approximately \$24 million, was not made available to the agency. The cumulative total of surcharge funds, remitted to the PTO by the public for patent examination, that have not been appropriated back to the PTO is approaching \$60 million.

At the end of fiscal year 1995, the Patent and Trademark Office had Cumulative Results of Operations totaling approximately \$109 million. The Office also had deferred revenue for work yet to be performed of approximately \$173 million. As noted above, patent applications experienced a one-time surge in fiscal year 1995 due to a change in law. Those applications which were received in fiscal year 1995 will be processed and examined in fiscal year 1996. The current patent fee structure allows for lower initial fees which are supplemented by income from other sources, such as maintenance fees, to cover the full cost of the patent examination and issuance process as well as other PTO operations such as patent documentation and quality review. The Office has approximately \$156 million in undelivered orders, (i.e., outstanding purchase orders and contracts) for goods and services that are not reflected in the financial statements. No funds have been reserved for the personnel costs related to the processing of applications received in fiscal year 1995 or before. In addition, the Office



has an Annual Leave liability of approximately \$16 million and an actuarial liability of approximately \$2.5 million that are covered by available budgetary resources but for which no funds have been obligated. In fiscal year 1995, the PTO experienced a permanent cancellation/rescission of available funds for approximately \$6 million. For fiscal year 1996 an estimated \$29 million in fee collections is expected to be withheld by Congress.

PTO analysts, on a daily, weekly, and monthly basis, compare fee plans to actual revenue received, project income using regression analyses and economic models, and adjust projections accordingly. Despite application of financial tools, the PTO operates in a business-government mix. Like a business, the PTO is dependent upon the revenue from its products and services. Unlike a business, it must operate within Federal guidelines. In fiscal year 1995, patent applications exceeded plan by approximately 28,000 cases and for trademarks, applications exceeded plan by approximately 18,000 applications. In the patent area, the PTO received an unexpected surge of patent applications due to enactment of pending legislation. Unfortunately, the PTO could not respond immediately to these fluctuations. For example, not only is recruitment of patent examiners and trademark attorneys cumbersome but Government-wide restrictions on personnel ceilings prohibited additional hiring to address the new work. In a similar vein, commitments to vendors and to contractors were delayed due to the continuing resolution. In 1995, the lag between obligations (contracts with vendors) and outlays (actual payments) grew. A majority of PTO contract actions for 1995 were awarded late in the fiscal year either due to scheduled renewal dates, delays attributable to Federal procurement regulations, or to change in PTO plans attributable to changing external factors. Hence, contractor billings for expenses in fiscal year 1995, were considerably less than the incurred obligation amount.



The end result is that the PTO experienced a growth in its revenues over expenses. The PTO is undertaking or proposing actions to enhance, and to place more on a business-like footing, its financial management services. The Congress, with the concurrence of the President, has recently introduced legislation to convert the PTO to a performance-based federal corporation. Federal corporation status will provide the PTO with a flexibility to manage its resources more effectively: business-type budgets; ability to hire personnel based upon workload growth; streamlined procurement systems; and borrowing and investment authorities. The PTO is also reengineering its planning, budgeting, and execution systems; its cost management systems, and its human resources and procurement system, using private sector experiences as models. For example, a cost accounting system will be operational in fiscal year 1997. A new fee accounting system is expected to be installed in December 1996. The PTO is already using a new procurement desktop module to expedite procurement actions, has employed oral presentations for expedited procurement negotiations, and is a regular user of electronic commerce. Lastly, the PTO will soon secure a cadre of financial

specialists to enhance its resource management capabilities. The net result of these actions will be a more robust, better managed financial management system.

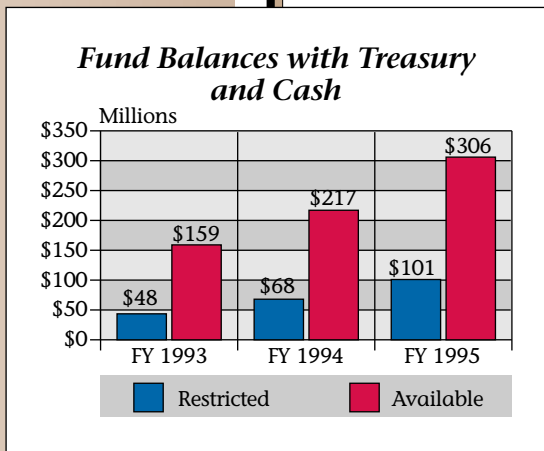
The PTO is a provider of services, and, as such, personnel costs represent the single greatest expense. In fiscal year 1995, salaries and benefits accounted for 62 percent of operating expenses. Investments in new automation technology are also continuing to increase as some processes are transformed from paper-based to electronic systems. One of the PTO's largest automation efforts is the deployment of the Automated Patent Search (APS) system. A portion of the costs associated with deploying the APS are capitalized and depreciated over the useful life of the system. As a result, the Statement of Operations includes all APS costs expensed in fiscal year 1995 and the annual depreciation recognized on the capitalized assets.

### CHANGES IN PRINCIPAL ACCOUNTS

The bulk of the assets managed by the PTO are comprised of cash and capital equipment. This equipment includes hardware, software, and assets under capital lease. To expedite the collection and deposit of cash assets, various mechanisms are used which provide customers with several options for remitting fees. These include payment by mail, payments by electronic transfer, and payments to cashiers located in the PTO office complex.

Customers may also establish deposit accounts with the PTO. These monies are paid to the PTO in anticipation of a future demand for services. When a service request is received from a customer maintaining a deposit account, the appropriate fee is deducted from the pertinent account. Monthly statements are provided to deposit account customers.

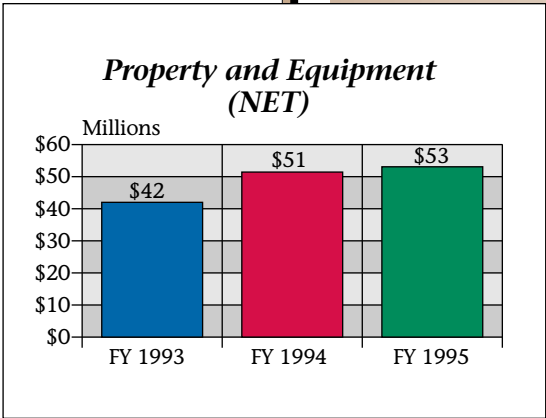
A comparison of selected ending balances for fiscal years 1993 through 1995, as reflected in the Statement of Financial Position, is displayed in the following charts. The graphs presented do not display ending balances by line item. Also, it is important to note that the restricted fund balances and equity segments associated with patent surcharge fees are not available for use without additional appropriations by the Congress.



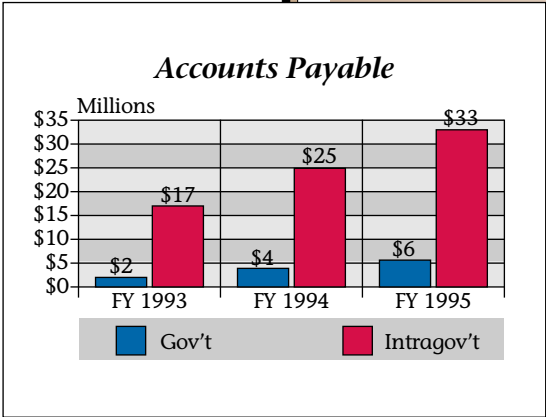
### FUND BALANCES WITH TREASURY AND CASH

include available and restricted amounts. Funds which are restricted include advance payments by customers, surcharge fees which were collected but not appropriated for use, and non-entity fund balances which are permanently cancelled/rescinded and are due to Treasury. At the end of fiscal year 1995, available fund balances and cash were \$306 million, an increase of approximately 41 percent above 1994 and includes approximately \$42 million in fees received but not yet deposited. For the same period, funds which were restricted increased by 49 percent to a total of \$101 million. Approximately \$156 million of the available balances are earmarked for the payment of outstanding obligations.

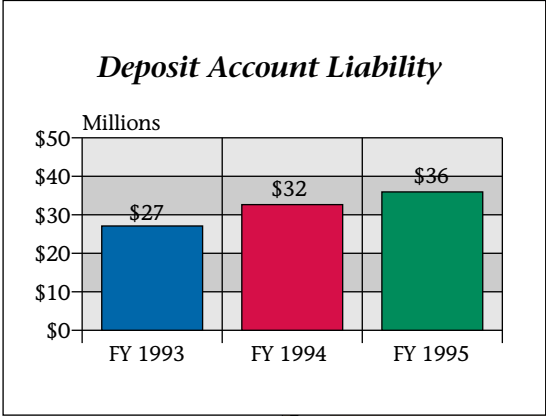
**PROPERTY AND EQUIPMENT** is stated at net book value of approximately \$53 million, which is the original acquisition cost of \$121 million less the total accumulated depreciation of \$68 million. At September 30, 1995, the balance consisted of hardware, software, furniture, and office equipment.



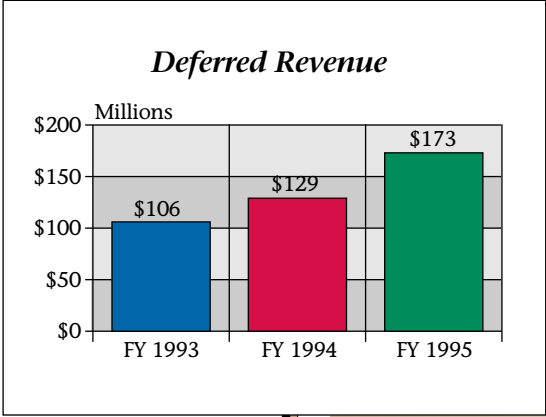
**ACCOUNTS PAYABLE** balances shown include Federal and non-Federal accounts payable. These are monies owed for goods and services that have been received but for which payment has not yet been made. At the end of the 1995 fiscal year, payments due to other Federal agencies (intragovernmental) were approximately \$6 million and approximately \$33 million was owed to non-Federal entities (governmental).



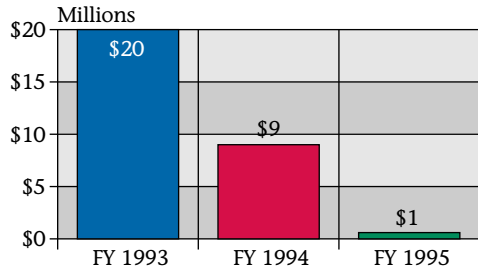
**DEPOSIT ACCOUNTS** are maintained by the PTO as a service to our customers. The associated liability results from advance payments made by customers in anticipation of a future demand for services. At the end of fiscal year 1995, the total liability was approximately \$36 million. There was a slight increase in the balance as the result of a net increase in the number of accounts as well as the amount of funds deposited by customers.



**DEFERRED REVENUE** represents fees received but not earned until the related service is provided and checks undeposited at year-end. Total deferred revenue as of September 30, 1995 was approximately \$173 million. The increase in deferred revenue was a result of an increase in applications received as well as a processing backlog.



### Capital Lease Liabilities



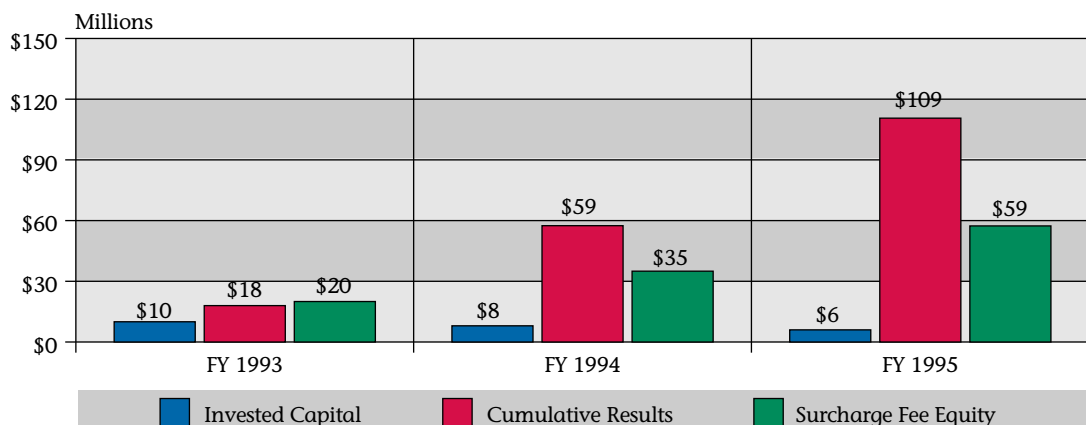
**CAPITAL LEASE LIABILITIES** represent future payments owed for capital lease transactions. The lease total for future payments decreased by 93 percent due to the purchase of previously leased hardware used in connection with the Patent and Trademark Office's Local Area Network (PTONet) and the Automated Patent Search (APS) system. The only remaining Capital Leases are those for reproduction equipment leases which have a duration of three to five years. With the exception of reproduction equipment, the current policy of the PTO is to purchase rather than lease capital assets. At the end of fiscal year 1995, the total liability was approximately \$1 million.

**INVESTED CAPITAL** is the net book value of capitalized fixed assets which were purchased with appropriations from general taxpayer revenue. Since the PTO is no longer funded from taxpayer revenues, this account balance will decrease each year as depreciation expense is realized. The balance in this account was \$6 million on September 30, 1995, a decrease of 25 percent from the balance of \$8 million on September 30, 1994.

**CUMULATIVE RESULTS OF OPERATIONS** represents the total unrestricted net operating gain which has been realized over the years. The balance in this account does not include surcharge fees which have been earned but not appropriated for use. The equity position associated with the surcharge fees is shown separately. This account does not reflect charges for outstanding purchase orders valued at \$156 million.

**SURCHARGE FEE EQUITY** is a segment of net position. This portion of the equity position is segregated due to restrictions associated with the availability of the surcharge fees. Although these fees were earned, additional action by Congress is required to make these balances available for use by the PTO. Total surcharge fee equity reached \$59 million at the end of FY 1995.

### Invested Capital Cumulative Results of Operations Surcharge Equity



## SIGNIFICANT ACTIONS, ACCOMPLISHMENTS AND RESULTS

**FINANCIAL MANAGEMENT:** Quantitative indicators, as prescribed by the Office of Management and Budget (OMB), monitor progress towards improved financial management. The following chart depicts the goals or target performance established by OMB for fiscal year 1995 and the performance of the PTO during that period.

MEASURE	TARGET PERFORMANCE	PTO PERFORMANCE
Percent of Timely Vendor Payments	95%	99%
Percent of Payroll by Electronic Transfer	90%	96%
Percent of Treasury's Agency Locations Fully Reconciled	95%	100%
Timely Posting of Inter-agency Charges	30 days	26 days
Timely Reports to Central Agencies	95%	100%
Timely Travel Payments Avg. Processing Time	15 days	2 days
Audit Opinion on FY 95 Financial Statement	Unqualified	Unqualified
Material Weaknesses Reported by Auditor	None	Two

**FINANCIAL SYSTEMS:** Prior to October 1, 1991, the majority of the accounting activities were performed by an administrative center within the National Oceanographic and Atmospheric Administration (NOAA). At the beginning of FY 1992, the PTO implemented the Federal Financial System (FFS) and assumed responsibility for all accounting records. Software and hardware support for the core system are supplied via a cross-servicing arrangement with the U. S. Geological Survey of the Department of the Interior.

Other improvements and planned enhancements to PTO's financial management system include: 1) minor enhancements to the procurement subsystem; 2) improvements to the travel subsystem; 3) the redevelopment of the revenue accounting system; 4) implementation of the re-engineered budget process; 5) the implementation of the system to monitor Position and Full Time Equivalent (FTE) levels; 6) an interface of the property subsystem to the core financial system; 7) the development of Electronic Commerce capabilities; 8) the deployment of the executive information system; 9) enhancements to the Budget Formulation Module for preparing budget estimates; and 10) enhancements to the Budget Allocation Module for preparing operating plans after budget enactment.

**MANAGEMENT CONTROLS:** For fiscal year 1995, the PTO provided reasonable assurance of compliance with the provisions of the Federal Managers Financial Integrity Act. As required by OMB circular A-130, weaknesses in existing subsystems were identified in prior years and reported to the Department of Commerce. The implementation of compensating management controls allowed the PTO to provide the assurance referenced above. No additional material deficiencies were identified or reported in FY 1994 or FY 1995 by the PTO, and progress continues to correct weaknesses identified in earlier years. Reported weaknesses and anticipated dates for full correction follow.

SECTION 2	
MATERIAL WEAKNESSES	CORRECTION DATE
System Security Weaknesses in the Cash Receipts/Deposit Accounts System (A Privacy Act Records System)	1997

SECTION 4	
MATERIAL NON CONFORMANCE	CORRECTION DATE
Violation of Financial Information Standards in Cash Receipts/Deposit Accounts System	1997

**DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
Statement of Financial Position**

As of September 30, 1995 and 1994

	1995	1994
<b>ASSETS</b>		
Entity Assets:		
Intragovernmental Assets:		
Fund Balance With Treasury (note 2)	\$359,358,239	\$242,729,233
Accounts Receivable	5,809,818	0
Advances and Prepayments	521,649	937,610
Governmental Assets:		
Accounts Receivable	472,603	499,227
Cash	41,594,809	41,476,912
Property and Equipment, Net (note 3)	53,206,340	51,436,575
<b>Total Entity Assets</b>	<b>460,963,458</b>	<b>\$337,079,557</b>
Non-Entity Assets		
Intragovernmental Assets		
Fund Balance With Treasury (note 2)	5,920,000	0
<b>Total Non-Entity Assets</b>	<b>5,920,000</b>	<b>0</b>
<b>Total Assets</b>	<b>\$466,883,458</b>	<b>\$337,079,557</b>
<b>LIABILITIES</b>		
Liabilities Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Accounts Payable	\$5,625,633	\$3,993,132
Other Liability Due to Treasury (note 8)	5,920,000	0
Governmental Liabilities:		
Accounts Payable	32,987,092	24,991,865
Accrued Payroll & Benefits	20,036,570	18,398,354
Actuarial Liability (note 4)	2,486,292	2,356,889
Customer Deposit Accounts	35,809,058	32,421,236
Deferred Revenue (note 5)	173,388,906	129,095,599
Capital Leases (note 6)	625,314	9,435,323
Accrued Annual Leave	15,780,258	14,205,493
<b>Total Liabilities Covered by Budgetary Resources:</b>	<b>292,659,123</b>	<b>234,897,891</b>
<b>Total Liabilities</b>	<b>\$292,659,123</b>	<b>\$234,897,891</b>
<b>NET POSITION</b>		
Balances:		
Invested Capital	\$6,157,345	\$8,327,877
Cumulative Results of Operations	108,961,991	58,748,790
Surcharge	59,104,999	35,104,999
<b>Total Net Position</b>	<b>174,224,335</b>	<b>102,181,666</b>
<b>Total Liabilities and Net Position</b>	<b>\$466,883,458</b>	<b>\$337,079,557</b>

The accompanying notes are an integral part of these statements.

**DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
Statement of Operations and Changes in Net Position**

For the years ended September 30, 1995 and 1994

	1995	1994
<b>REVENUES AND FINANCING SOURCES</b>		
Revenues from Sales of Goods and Services		
To the Public	\$602,721,847	\$541,593,879
Intragovernmental	281,615	11,338
Appropriated Capital Used	2,170,532	2,116,362
<b>Total Revenues and Financing Sources</b>	<b>605,173,994</b>	<b>543,721,579</b>
<b>EXPENSES</b>		
Program or Operating Expenses (note 7)	502,305,392	469,147,924
Depreciation and Amortization	22,605,998	16,889,332
Change in Actuarial Liability (note 4)	129,403	(604,882)
<b>Total Expenses</b>	<b>525,040,793</b>	<b>485,432,374</b>
Excess of Revenues and Financing Sources Over Total Expenses	\$80,133,201	\$58,289,205
Net Position, Beginning Balance, as Previously Stated	102,181,666	48,970,594
Cumulative Effect of a Change in Accounting Principle (note 4)	0	(2,961,771)
Net Position, Beginning Balance, as Restated	102,181,666	46,008,823
Excess of Revenues and Financing Sources Over Total Expenses	80,133,201	58,289,205
Decrease in Invested Capital	(2,170,532)	(2,116,362)
Decrease due to Permanent Cancellation/Rescission (note 8)	(5,920,000)	0
<b>Net Position, Ending Balance</b>	<b>\$174,224,335</b>	<b>\$102,181,666</b>

The accompanying notes are an integral part of these statements.



**DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
Statement of Cash Flows (indirect)**

For the years ended September 30, 1995 and 1994

	1995	1994
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of Revenues and Financing Sources over Total Expenses	\$80,133,201	\$58,289,205
Adjustments Affecting Cash Flow:		
Appropriated Capital Used	(2,170,532)	(2,116,362)
Increase in Accounts Receivable	(5,783,194)	(422,981)
(Increase) Decrease in Prepayments	415,961	(1,380)
Increase in Accounts Payable	9,627,728	9,727,734
Increase in Other Liabilities	55,239,345	33,343,063
Decrease in Capital Lease Liability	(8,810,009)	(10,974,833)
Depreciation and Amortization	22,605,998	16,889,332
Increase in Accrued Annual Leave	1,574,765	1,079,863
Change in Actuarial Liability	129,403	(2,961,771)
Total Adjustments	72,829,465	44,562,665
Net Cash Provided by Operating Activities	152,962,666	102,851,870
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Property and Equipment	(24,375,763)	(26,130,567)
Net Cash Used in Investing Activities	(24,375,763)	(26,130,567)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Permanent Cancellation/Rescission	(5,920,000)	0
Net Cash Used by Financing Activities	(5,920,000)	0
Net Cash Provided by Operating, Investing and Financing Activities	122,666,903	76,721,303
Fund Balances with Treasury and Cash, Beginning	284,206,145	207,484,842
Fund Balances with Treasury (Entity and Non-Entity) and Cash, Ending	\$406,873,048	\$284,206,145

The accompanying notes are an integral part of these statements.

**DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
Statement of Budgetary Resources and Actual Expenses**

For the year ended September 30, 1995

	BUDGET		ACTUAL
	Resources	OBLIGATIONS Direct	Reimbursed Expenses
Salaries & Expense and Surcharge	\$663,770,530	\$82,129,000	\$507,024,659
<b>Budget Reconciliation:</b>			
Total Expenses		\$525,040,793	
Add:			
Capital Acquisitions		24,375,763	
Accounts Receivable		5,766,955	
Capital Lease Payments		3,742,369	
Less:			
Depreciation and Amortization		22,605,998	
Net effect of current and prior year accruals		2,506,875	
Annual Leave Expense		1,574,765	
Premium on Lease Buyouts		700,754	
Change in Actuarial Liability		129,403	
Accrued Expenditures		531,408,085	
Less: Reimbursements		(539,574,786)	
Accrued Expenditures, Direct		(\$8,166,701)	

The accompanying notes are an integral part of these statements.

For the year ended September 30, 1994

	BUDGET		ACTUAL
	Resources	OBLIGATIONS Direct	Reimbursed Expenses
Salaries & Expense and Surcharge	\$569,159,702	\$88,329,000	\$442,556,936
<b>Budget Reconciliation:</b>			
Total Expenses		\$485,432,374	
Add:			
Capital Acquisitions		26,130,567	
Capital Lease Payments		11,468,295	
Change in Actuarial Liability		604,882	
Less:			
Fiscal Year 1994 Capital Lease Acquisitions		505,778	
Depreciation and Amortization		16,889,332	
Annual Leave Expense		1,079,863	
Other		29,805	
Accrued Expenditures		505,131,340	
Less: Reimbursements		(443,964,722)	
Accrued Expenditures, Direct		\$61,166,618	

The accompanying notes are an integral part of these statements.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. Summary of Significant Accounting Policies

#### Basis of Presentation

As required by the Chief Financial Officers Act of 1990, these financial statements have been prepared to report the financial position and results of operations of the Patent and Trademark Office (PTO) of the United States. The books and records of the PTO have served as the source of the information contained herein. The Financial Statements have been prepared in accordance with the guidance specified by the Office of Management and Budget (OMB) in Bulletin 94-01, as well as the accounting policies of the PTO; therefore, they may differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the PTO's budgetary resources.

#### Reporting Entity

The Patent and Trademark Office is a program of the U.S. Department of Commerce (DOC) which administers the Nation's patent and trademark laws. Since the passage of the Omnibus Budget Reconciliation Act of 1990 (OBRA), the program has been funded almost entirely by user fees. Prior to fiscal year 1993, the appropriated funds from general taxpayer revenue gradually decreased until PTO became fully fee funded in fiscal year 1993. The bulk of the fees collected are offsetting collections which are retained by the PTO until expended; however, the surcharge imposed on statutory patent fees with the enactment of the OBRA constitute offsetting receipts. These offsetting receipts are deposited into a restricted account at the U.S. Treasury. The PTO is only authorized to use monies from this account to the extent appropriated by Congress. Thus, the U.S. Treasury makes these funds available to the PTO by the issuance of a warrant each month to the extent such funds were authorized for use. The excess monies are not available to the PTO and are retained in a restricted receipt account by the U.S. Treasury. Any authorized funding which is not expended during a given fiscal year is carried forward for use in the following fiscal year.

The accompanying financial statements include the accounts for salaries and expense (13X1006), surcharge (13X5127), and customer deposits (13X6542) appropriations, which are under the control of the PTO. The PTO has no lending or borrowing authority.

#### Budgets and Budgetary Accounting

In fiscal years 1993 through 1995, all funding was received through the collection of user fees. User fee rates are established by rule and law.

Surcharges on patent statutory fees were established by the OBRA. Subsequent pieces of legislation removed the reference to a specific surcharge of 69%, required the PTO to deposit exact amounts of surcharges, and extended the surcharge through the end of fiscal year 1998. These represent offsetting receipts and are available to the entity only to the extent appropriated by Congress. All surcharge fees collected are recorded as revenue. However, any surcharge fees collected by the PTO, but not appropriated by Congress for use, are maintained by the U.S. Treasury as restricted funds.

Fees other than the surcharge fees referenced above are offsetting collections and are available to the PTO until expended. Funds authorized but not used in a given fiscal year are carried forward for use in future periods.

### **Basis of Accounting**

Transactions are recorded on the accrual basis of accounting as well as on a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to the receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements are presented on the accrual basis of accounting.

### **Revenues and Other Financing Sources**

In fiscal years 1993 through 1995, the majority of revenues were derived from the collection of user fees. Appropriations expended in prior years for the purchase of property and equipment are recognized as revenues as the assets are consumed in operations.

Advance payments which are made by customers are recorded as a liability until the related service is rendered. Fees which are remitted with initial applications are recorded as deferred revenue until the processing of the application actually begins.

Although not material in amount, some financial gifts and gifts-in-kind are received from anonymous donors. Most gifts-in-kind are used for official travel to further the attainment of the mission and management objectives of the PTO. The results of these transactions are not reflected in the PTO statements, but are included in the consolidated Gifts and Bequests Fund statements prepared by the Department of Commerce.

### **Funds with the U.S. Treasury**

Commercial bank accounts are maintained to deposit revenues collected. All monies maintained in such accounts are transferred to the Federal Reserve Bank on the next business day following the day of deposit. In addition, some customer deposits are wired directly to the Federal Reserve Bank. All banking activity is conducted in accordance with the directives issued by the Financial Management Service of the U.S. Treasury Department. With the exception of those which are restricted, funds with the U.S. Treasury and cash are available to pay current liabilities and to finance duly authorized purchases. All disbursements are processed by the Philadelphia Regional Finance Center of the U.S. Treasury Department.

### **Accounts Receivable**

Governmental accounts receivable represents amounts due from non-federal entities, the majority of which are due from former employees for the reimbursement of education expenses. Intragovernmental accounts receivable represents amounts due from other federal entities, of which \$3.9 million is due to a financing agreement made in fiscal year 1995 to the Department of Commerce to fund the Commerce Acquisition Management System.

### **Advances and Prepayments**

Payments made in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received. Prior to fiscal year 1995, the PTO rendered prepayments to the U.S. Geological Survey; these prepayments were made in anticipation of services to be provided under a cross-service agreement relating to the Federal Financial System.

### **Cash**

The majority of the cash balance consists of checks not yet deposited at the U.S. Treasury Department which are a result of fees collected by the PTO

that have not been processed due to the lag time between receipt and initial review. Small cash balances are also held outside the U.S. Treasury Department that are not material and are used as imprest funds to facilitate small purchases, local travel, and emergency salary advances. The cash balance includes undeposited checks of \$41,579,809 and \$41,461,912 in fiscal years 1995 and 1994, respectively, and an imprest fund of \$15,000 in both years.

### **Property and Equipment**

The buildings in which the PTO operates are leased from private concerns by the General Services Administration (GSA). Long-term leases are negotiated by GSA and appropriate rent charges are levied. The rental rates assessed by GSA and paid by the PTO approximate the market rates for similar commercial properties.

Automated data processing software purchased "off the shelf" with an estimated service life of two years or greater are capitalized when the cost exceeds \$25,000.

The costs for developing custom software are capitalized when incurred for creating the detailed design, coding, and final testing of the software.

Bulk purchase costs of furniture, with an estimated service life of two years or greater are capitalized when the total monetary value of the purchase order/delivery order equals or exceeds \$50,000 (including shipping and installation).

APS Hardware, equipment and other assets with an individual unit cost of \$5,000 or greater (including shipping and installation) and an estimated service life of two years or greater are capitalized. In instances other than those listed above, the entire cost is recorded as an expense upon receipt of the equipment or other asset, with the following exceptions:

- (1) The total amount of the order, including shipping and installation, is capitalized if the equipment procured is made via a major contract.
- (2) The total amount of the order, including shipping and installation, is capitalized if the procurement represents the initial purchase of equipment in connection with the installation of a major system.
- (3) If the procurement represents the purchase of additional items for an existing major system, only those items with an individual unit cost of \$5,000 or greater will be capitalized.

Depreciation is calculated using the straight line method over the following service lives: APS equipment 3-10 years, APS software 3-11 years, PTONet Equipment 3-5 years, Furniture 5 years, ADP equipment 3-5 years, ADP software 3 years, Equipment 3-5 years and Assets under Capital Lease 3-5 years.

### **Liabilities**

Liabilities represent the amount of monies or other resources that are likely to be paid by the PTO as the direct result of an event that has already occurred. All such liabilities recognized in fiscal years 1993 through 1995 have been fully funded. However, no liability can be paid by the PTO unless appropriate funding is available. Also, liabilities of the PTO arising from other than contracts can be abrogated by the government acting in its sovereign capacity.

### **Annual, Sick, and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. An appropriate adjustment is made at the end of each fiscal year to ensure that the balance in the accrued annual leave account reflects current pay rates. Accrued annual leave is reported as covered by budgetary resources for financial statement presentation only. No portion of this liability has been obligated. To the extent current or prior year funding is not available to cover annual 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 taken. Any liability for sick leave that is accrued by an individual but not taken is transferred to the Office of Personnel Management upon the retirement of that individual.

### **Retirement Plan**

The PTO employees participate in 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, most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, can elect to join either FERS and Social Security or remain in CSRS.

For those employees covered by the CSRS, the PTO makes contributions equivalent to seven percent of the employee's pay. For those covered by the FERS, the PTO makes contributions equal to approximately 13 percent.

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 PTO makes a mandatory one percent contribution to this plan. In addition, PTO makes matching contributions, ranging from one to four percent, for FERS eligible employees who contribute to their thrift savings plans. No matching contributions are made to the thrift savings plans established by CSRS employees.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security Program after retirement. In these instances, the PTO remits the employer's share of the required contribution.

The financial statements of the PTO do not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to its employees. Such reporting is the responsibility of the Office of Personnel Management.

As required by the Federal Workforce Restructuring Act of 1994, the PTO made a contribution in fiscal year 1995 of \$407,600, calculated at \$80 per position on the roles as of March 31, 1995, to the Civil Service Retirement and Disability Fund.

### **Comparative Data**

1994 Financial Statements were reclassified and restated to conform with the 1995 presentation.

## Note 2. Fund Balance with Treasury

Fund Balance with Treasury consisted of the following as of September 30, 1995:

	Available	Restricted	1995	1994
Appropriated Funds	\$264,444,182	\$0	\$264,444,182	\$175,202,998
Deposit Accounts	0	35,809,058	35,809,058	32,421,236
Surcharge	0	59,104,999	59,104,999	35,104,999
Non-Entity Funds (note 8)	0	5,920,000	5,920,000	0
<b>Total Fund Balances</b>	<b>\$264,444,182</b>	<b>\$100,834,057</b>	<b>\$365,278,239</b>	<b>\$242,729,233</b>

Deposit Account balances represent advance payments by customers for future services.  
Surcharge represents fees earned but not available for use.

## Note 3. Property and Equipment

Property and Equipment consisted of the following as of September 30, 1995:

	Service Life (Years)	Acquisition Value	Accumulated Depreciation	Net Book Value
Classes of Fixed Assets				
APS Equipment	3-10	\$45,667,899	\$32,284,610	\$13,383,289
APS Software	3-11	22,754,455	12,460,550	10,293,905
ADP Equipment	3-5	30,301,044	14,612,765	15,688,279
ADP Software	3	6,825,181	2,135,841	4,689,340
Equipment	3-5	4,051,106	1,634,624	2,416,482
Assets Under Capital Lease	3-5	1,693,138	807,897	885,241
Furniture	5	6,179,017	2,191,062	3,987,955
PTONET	3-5	3,542,741	1,680,892	1,861,849
<b>Total</b>		<b>\$121,014,581</b>	<b>\$67,808,241</b>	<b>\$53,206,340</b>

Assets Under Capital Lease are for reproduction equipment.

Property and Equipment consisted of the following as of September 30, 1994:

	Service Life (Years)	Acquisition Value	Accumulated Depreciation	Net Book Value
Classes of Fixed Assets				
APS Equipment	3-10	\$39,795,517	\$26,967,133	\$12,828,384
APS Software	3-11	19,471,225	10,018,233	9,452,992
ADP Equipment	3	19,386,929	7,449,855	11,937,074
ADP Software	3	1,558,658	850,975	707,683
Equipment	3	1,300,999	411,303	889,696
Assets Under Capital Lease	3-7	18,502,153	9,447,666	9,054,487
Furniture	5	3,851,148	1,244,505	2,606,643
APS Software in Progress		2,218,125	0	2,218,125
PTONET	3	2,089,788	348,297	1,741,491
<b>Total</b>		<b>\$108,174,542</b>	<b>\$56,737,967</b>	<b>\$51,436,575</b>

Assets Under Capital Lease are for APS hardware, PTONET hardware, and reproduction equipment.

#### **NOTE 4. Actuarial Liabilities**

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred 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 for Patent and Trademark Office (PTO) employees under FECA are administered by the Department of Labor (DOL) and are ultimately paid by the PTO. These future workers' compensation estimates were generated from an application of 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. The liability was determined using the paid losses extrapolation method calculated over the next 23-year period. This method utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. In 1994, these annual benefit payments were discounted to the present value using a discount rate of 7%. The discount rates were revised in 1995 to 7.10% for year one, 6.60% in year 2, and 7.00% thereafter. Based on information provided by the Department of Labor, the Department determined that the estimated liability of the PTO as of September 30, 1995, 1994, and 1993 was \$2,486,292, \$2,356,889, and \$2,961,771, respectively. Prior to fiscal year 1994, the PTO recorded these compensation benefits on a cash basis. The PTO has recorded the estimated liability for claims incurred as of September 30, 1994, as the effect of a change in accounting principle. The effect of the decrease in the estimated liability of \$604,882 was reflected as a change in actuarial liability on the Statement of Operations and Changes in Net Position. The increase in the estimated liability for 1995 of \$129,403 is reflected in the Operating Expenses on the Statement of Operations and Changes in Net Position. These amounts are expected to be paid in future periods.

#### **NOTE 5. Deferred Revenue**

Deferred revenue represents fees received but not yet earned until the related service is provided. Two types of deferred revenues are recorded. The first type results from checks received but not deposited. Unearned fees amounted to \$41,204,361, and \$40,499,742 as of September 30, 1995 and 1994, respectively.

The second type of deferred revenue relates to fees received on applications which underwent the initial processing phase but were not reviewed by a patent examiner or a trademark attorney. Revenues are recognized to the extent of costs incurred in the initial processing phase. The balance of the fees received is considered unearned and amounted to \$132,184,545 and \$88,595,857 as of September 30, 1995 and 1994, respectively.



## NOTE 6. Leases

### Capital Leases:

In FY 1995, PTO had commitments under leases for reproduction equipment. These leases are 36-60 months in duration. The future payments due as of September 30 are as follows:

Fiscal Year	
1996	\$374,032
1997	164,374
1998	86,568
1999	73,098
2000	9,539
Total Future Lease Payments	707,611
Imputed Interest	82,297
Total Capital Lease Liability (Funded)	\$625,314

### Operating Leases:

The buildings in which PTO operates are leased by the General Services Administration (GSA), and PTO is charged rent intended to approximate commercial rental rates. The majority of PTO's lease agreements will expire in early fiscal year 1997. The PTO and GSA are currently involved in negotiations for future space requirements.

Fiscal Year	
1996	\$45,000,000
1997 (estimate)	55,100,000
1998 (estimate)	56,700,000
1999 (estimate)	58,300,000
2000 (estimate)	60,000,000
Total Future Lease Payments	\$275,100,000

Rent expense was \$38,255,285 and \$39,018,347 in fiscal years 1995 and 1994, respectively. The PTO will be acquiring an additional 240,000 square feet of leased space in fiscal year 1997.

## NOTE 7. Program/Operating Expenses

For the Years Ended September 30

	1995	1994
Operating Expenses by Object Classification		
Personal Services and Benefits	\$309,640,671	\$291,386,886
Travel and Transportation	1,286,538	830,595
Rental, Communication and Utilities	48,674,938	46,070,894
Printing and Reproduction	31,465,962	30,326,630
Contractual Services	66,025,572	71,382,620
Supplies and Materials	8,128,731	7,464,602
Equipment not Capitalized	5,711,426	5,931,758
Insurance Claims and Indemnities	42,800	13,785
Other:		
(a) Other services	8,625,483	6,356,131
(b) Training	6,163,940	3,811,531
(c) Maintenance and Repair	16,539,331	5,572,492
Total Expenses by Object Class	\$502,305,392	\$469,147,924

An in-depth analysis of the classification of expenses between Contractual Services and Maintenance and Repair, in conjunction with a review of other budget object code classifications, was performed in 1995. This analysis resulted in differences between those expense classifications.

## **NOTE 8. Permanent Cancellation/Rescission of Funds**

In accordance with P.L. 103-317, PTO fee collections were subject to \$5,725,000 of permanent cancellations of funds during fiscal year 1995. Of the \$5,725,000, the use of \$2,195,000 and \$3,530,000 was permanently canceled to cover GSA rent and procurement savings reductions, respectively. In addition, PTO was subject to a rescission in funds of \$195,000 for administrative and travel savings in accordance with P.L. 104-19.

As of September 30, 1995, these funds had not been returned to the Department of Treasury and were included in PTO's Treasury Fund Balance. Accordingly, a non-entity asset and a corresponding liability were recorded for a total of \$5,920,000.

All permanently canceled and rescinded funds were taken from fees available for use by PTO until a determination is made on whether these reductions can be deducted from restricted surcharge funds.

## **NOTE 9. Commitments and Contingencies**

### **A. Commitments**

In addition to future lease commitments discussed in Note 6, PTO is committed under obligations for goods and services which have been ordered but not yet received (undelivered orders) at fiscal year end. Total undelivered orders for all PTO activities amounted to \$156,333,013 and \$102,380,157 as of September 30, 1995 and 1994, respectively.

### **B. Contingencies**

The PTO has not been billed by one of its contractors for personal property tax, on previously leased equipment. PTO's contractor has filed a lawsuit against the localities assessing these taxes, contesting the valuation method used in the tax calculation and corresponding tax amount due. The amount of taxes owed cannot be currently estimated, but they are not expected to be material to PTO's financial statements.

The PTO is a party in various administrative proceedings, legal actions, and claims brought by or against it, which may ultimately result in settlements or decisions adverse to the federal government. Although the ultimate disposition of these proceedings is not presently determinable, management does not expect that any liability that might ensue would be material to PTO's financial statements.

# Inspector General's Report

*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1994*

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**INSPECTOR GENERAL'S REPORT ON FINANCIAL STATEMENTS**

Mr. Bruce A. Lehman  
Assistant Secretary of Commerce and  
Commissioner of Patents and Trademarks  
Patent and Trademark Office  
Washington, D.C.

We have audited the Statement of Financial Position of the Patent and Trademark Office (PTO) as of September 30, 1995 and 1994, and the Statements of Operations and Changes in Net Position, Cash Flows, and Budgetary Resources and Actual Expenses for the years then ended. These statements are the responsibility of PTO's management. Our responsibility is to express an opinion on these Principal Statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 93-06, Audits of Federal Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audits provide a reasonable basis for our opinion.

The aforementioned standards also require us to issue reports on PTO's Internal Control Structure and Compliance with Laws and Regulations. We have issued separate reports dated March 8, 1996.

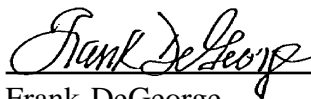
As required by Office of Management and Budget Bulletin No. 94-01, Form and Content of Agency Financial Statements, Note 1 to the Principal Statements describes the accounting policies used by PTO to prepare these statements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Statement of Financial Position of PTO as of September 30, 1995 and 1994, and the Statements of Operations and Changes in Net Position, Cash Flows, and Budgetary Resources and Actual Expenses for the years then ended, present fairly, in all material respects, the financial position of PTO as of September 30, 1995 and 1994, and the results of its operations and changes in net position, cash flows, and budget and actual expenses for the years ended September 30, 1995 and 1994, in conformity with the accounting policies described in Note 1.

*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1995*

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Our audits were made for the purpose of forming an opinion on the Principal Statements. The information in the other sections of *A Patent and Trademark Office Review* is not a required part of the Principal Statements but is supplementary information required by Office of Management and Budget Bulletin No. 94-01, *Form and Content Agency Financial Statements*. Such information has not been subjected to the auditing procedures applied in the audit of the Principal Statements and, accordingly, we express no opinion on it.



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Frank DeGeorge  
Inspector General



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Lisa Casias, Director  
Financial Statements Audit Division

March 8, 1996

*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1995*

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**INSPECTOR GENERAL'S REPORT ON INTERNAL CONTROL STRUCTURE**

Mr. Bruce A. Lehman  
Assistant Secretary of Commerce and  
Commissioner of Patents and Trademarks  
Patent and Trademark Office  
Washington, DC

We have audited the Statement of Financial Position of the Patent and Trademark Office (PTO) as of September 30, 1995 and 1994, and the Statements of Operations and Changes in Net Position, Cash Flows, and Budgetary Resources and Actual Expenses for the years then ended, and have issued our report thereon dated March 8, 1996.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 93-06, *Audits of Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

In planning and performing our audit of the financial statements for the year ended September 30, 1995, we considered PTO's internal control structure in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and to determine whether the internal control structure meets the objectives identified in the following paragraph. Our consideration included obtaining an understanding of the significant internal control structure policies and procedures and assessing the level of control risk relevant to all significant cycles, classes of transactions, or account balances; and for those significant internal control structure policies and procedures that have been properly designed and placed in operation, performing sufficient tests to assess more fully whether the controls are effective and working as designed.

The management of PTO is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that transactions, including those related to obligations and costs, are executed in compliance with laws and regulations that the Office of Management and Budget, PTO management, or the Inspector General have identified as being significant for which compliance can be objectively measured and evaluated; funds, property, and other assets are safeguarded against loss from unauthorized use or disposition; transactions are properly recorded and accounted for to permit the preparation of reliable

*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1995*

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financial reports in accordance with applicable accounting policies and to maintain accountability over the assets; and data that support reported performance measures are properly recorded and accounted for to permit preparation of reliable and complete performance information. Our evaluation of the controls for performance information was limited to controls to ensure the existence and completeness of the information.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants and OMB Bulletin No. 93-06. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to ensure that the objectives of the internal control structure, as previously defined, are being achieved. We have summarized the reportable conditions below, of which the first two are considered material weaknesses.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or material to a performance measure or aggregation of related performance measures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

A letter dated March 29, 1996, transmitting our audit report to PTO, includes an attachment to our Report on Internal Control Structure which discusses each of the control weaknesses in more detail and provides specific recommendations on actions PTO should consider taking.

## **Procedures for Accounting for Capital Assets Should Be Improved**

PTO has not taken necessary actions to properly account for and safeguard capital assets. After the end of fiscal year 1993, PTO's Office of Finance hired a contractor to compile a subsidiary ledger and to propose necessary adjustments to the general ledger. In order to maintain this ledger, the Office of Finance reviewed fiscal year 1994 and 1995 purchase documentation and proposed adjustments to ensure the accuracy of additions to this ledger for the respective fiscal years. This ledger is currently used to support the capital asset balances in the general ledger but is not used by the Office of Administrative Services to perform annual accountability procedures. The National Finance Center Personal Property System (NFC/PPS) is used for this function. As a result of our current audit procedures, we identified several problems relating to accounting for capital assets that still exist and are detailed below.

### Preparation of Capital Asset Schedules and Supporting Capitalization Methodologies

PTO does not have adequate policies and procedures to ensure the acquisition and depreciation of capital assets are recorded properly and on a consistent basis. Specifically, the Office of Finance does not perform an extensive review of monthly status reports and does not keep abreast of new or planned computer systems at PTO. As a result of our procedures, it was determined that approximately \$2.2 million in expenses were erroneously capitalized while \$840,000 in capitalizable costs were expensed. Furthermore due to incomplete asset schedules, PTO failed to record approximately \$655,000 in depreciation expense. In addition, miscommunications between program offices and the Office of Finance resulted in additional errors in recording capital asset transactions.

### Disposals

Disposal information is not reported to the Office of Finance to provide for the proper removal of items from the accounting records. The Office of Finance currently performs time consuming manual procedures to determine disposals at year end. Although the Automated Patent Search (APS) system property custodian reported to the Office of Finance that there were no APS disposals, in an effort to identify inventory reconciliation problems, the Office of Finance discovered approximately \$ 11.4 million of APS disposals. Of this, approximately \$3.7 million related to assets disposed during fiscal year 1994. The inventory reconciliation was not performed until four months subsequent to the inventory count. In addition, several weaknesses were found in the count procedures (see below). Furthermore, PTO has not made an assessment to determine when bulk purchases should be removed from the accounting records.



*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1995*

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Controls Over Property (Repeat Condition)

PTO has not completed its efforts to improve controls over property to ensure that it is properly recorded and safeguarded on an on-going basis. PTO does not reconcile the National Finance Center Personal Property System, which is the subsidiary property ledger maintained by the Office of Administrative Services, to the capital asset balance in the general ledger. Acquisitions of property through purchase or lease and disposals of property are not consistently reported to the Office of Administrative Services to enable it to perform its property accountability functions. Physical count procedures currently in place do not ensure that accurate and reliable information is reported to property management in a timely manner.

PTO acquired the assistance of a hired contractor to perform a physical count of APS assets. However, the planning and controls over the physical count of APS assets were inadequate. The inventory listing compiled did not accurately reflect all property held at year end and a significant number of items were noted as "unknown." In addition, inconsistent information and terminology were reported by the count teams. Significant resources were spent by the Office of Finance to perform a partial inventory reconciliation. The Office of Finance was not able to perform a complete inventory reconciliation as of the end of our fieldwork.

In response to our previous audit recommendations, PTO created a project team to determine a uniform process for the management of all personal property. In addition, this team was to address the transmittal of pertinent documentation between PTO offices. Corrective action was to be completed by June 30, 1995. We do not believe that corrective actions have been implemented to resolve the control problems noted above.

**Preparation, Analysis and Monitoring of Financial Information Should Be Improved**

We identified weaknesses in the following areas relating to the preparation, analysis, and monitoring of financial information that could inhibit managements decision-making process:

General Ledger Coding (Repeat Condition)

PTO continues to have inconsistencies or errors in the coding of purchases of goods or services recorded in the general ledger. Our procedures identified approximately \$3.7 million of capital assets included in expenses that should have been capitalized and approximately \$1.5 million of non-capitalizable assets that were erroneously capitalized. In addition, approximately \$14.7 million in transactions were misclassified between expense accounts and approximately \$ 1.7 million of asset account misclassifications were identified.

*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1995*

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PTO has not fully implemented the new procurement module in its financial system which requires the Office of Finance to review the accuracy of the general ledger coding of purchase transactions. During fiscal year 1995, a portion of the requisitions were processed through Procurement Desktop. Full implementation of the procurement module throughout all program offices is expected during fiscal year 1996. However, a portion of the miscoded transactions identified in our procedures were processed through Procurement Desktop, and the Office of Finance had performed a review of all transactions greater than \$1,000 to ensure proper coding.

Recording Liabilities

PTO's procedures to identify liabilities at year end are inadequate. Approximately \$12.7 million of liabilities were not recorded by PTO. Specifically, \$8.3 million related to deferred revenues. PTO failed to update their assumptions used to calculate deferred revenue. In addition, accruals for services received prior to year end but not billed totaled approximately \$4.4 million.

Budget Execution and Monitoring

PTO did not perform timely reviews of budget to actual information. PTO's controls over the budget execution and monitoring process are inadequate. We identified two situations where PTO program offices overspent amounts in excess of their budgeted operating plans.

One office overspent its budgeted operating plan because it did not forecast its expected personnel expenses at year end. Before year-end, PTO shifted amounts obligated from the unit to another program office. The second example relates to several offices that overspent their Executive Administration and Direction (EXAD) funds. A program officer erroneously used EXAD funds for patent automation purchases. The controls in place to prevent him from spending the money from the wrong budget line were not effective. In addition, due to confusion during a reorganization, approximately \$6 million was budgeted to the wrong office. The Office of Budget analyst responsible for monitoring the offices did not identify the problem until the fourth quarter of 1995.

Cost Analysis

PTO bought out several capital leases citing a buyout savings of nearly \$900,000. However, several deficiencies in the methodology of the calculation resulted in a significant overstatement of savings. These deficiencies included relying on inaccurate numbers provided by the contractor, and including invalid costs. Furthermore, PTO could have saved additional

*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1995*

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monies if the buyout was performed at a later point in time. PTO could not provide adequate support or justification for the potential savings or timing of the buyout. This analysis was prepared without involvement or review by the Office of the Comptroller.

Financial Fluctuation Analysis

PTO's fluctuation analysis comparing fiscal year 1995 year-end balances to prior year-end balances was insufficient and often inaccurate. Specifically, errors were noted in the determination of account balances and explanations for variances were not adequate. This analysis was performed only at the request of the OIG. PTO does not perform account balance analyses as part of their normal operating procedures.

**Cash Receipts Should Be Deposited Timely (Repeat Condition)**

PTO continues to have delays in the deposits of its cash receipts. At September 30, 1995, the elapsed time from the receipt of funds until their deposit with commercial banking institutions for patents and trademarks was approximately 18 and 14 working days, respectively. This was an increase over the 13 working day lag time for patents at September 30, 1994. However, with the assistance of a contractor hired to process trademark receipts, the lag time for trademarks decreased from the 46 working day lag at September 30, 1994. Unearned fees for checks not deposited as of September 30, 1995 and 1994, amounted to approximately \$41 million and \$40 million, respectively.

The new Revenue Accounting Management System (RAMS) is expected to be fully implemented by October 1996. In our previous audit, management informed us that this new system was expected to solve the problem of untimely deposits. However, during the current audit, we were informed that the implementation of RAMS will not have a significant impact on the receipts processing lag time. PTO management has hired a contractor to review the current processing system and suggest recommendations for "quick fixes." A long-term project is planned to reengineer the receipt process.

\* \* \* \* \*

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We also noted certain other matters, while not considered to be reportable conditions, that we felt warranted inclusion in this report due to their significance and sensitivity. We have summarized these matters below. A letter dated March 29, 1996, transmitting our audit report to PTO, includes an attachment to our Report on Internal Control Structure which discusses each of the control weaknesses in more detail and provides specific recommendations on actions PTO should consider taking.

### **PTO Should Present Combining Statements**

PTO has not performed the necessary procedures to prepare combining statements that could be subject to audit procedures. In fiscal year 1994, PTO presented a Statement of Operations that separated its functions into three activities as supplemental information. For fiscal year 1995, PTO hired a contractor to assist in the preparation of the combining statements for each of its programs (patents, trademarks, and information dissemination). The contractor was responsible for developing allocation methods for the combining statements. Although this was an improvement over fiscal year 1994, PTO recognizes the work performed would not provide for statements that could be subject to our audit procedures.

The importance of proper allocations of costs and expenses to respective lines of businesses is heightened by pending proposals for PTO to become a government corporation. As a government corporation, proposed legislation would require PTO to develop fee schedules for various services, which would include allocations for general and administrative costs. Presenting combining statements will provide users of the financial statements a better understanding of the organization and more meaningful information on the source and use of funds.

### **Controls over Thrift Savings Plan Contributions Should Be Improved (Repeat Condition)**

As noted in previous audits, PTO did not always begin the required contribution of one percent of gross pay to the Thrift Savings Plan (TSP) in the correct period. Based on our recommendation, the Office of Human Resources completed a review to identify and correct. Although PTO stated that the Office of Human Resources would review "the records of all

*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1995*

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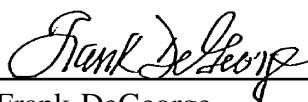
employees," the review was limited to employees hired between July 1992 and December 1993. Our current year procedures identified additional errors in PTO beginning the required contribution of one percent of gross pay in the correct period. In addition, we identified errors in starting employee contributions in the correct period that also affected the timing of matching agency contributions. Subsequent to the issuance of previous audit reports, the Office of Human Resources developed and implemented procedures to prevent errors from occurring in the future. However, these procedures have yet to be documented in its standard operating procedures.

\* \* \* \* \*

We have reviewed our findings and recommendations with PTO's financial management and have incorporated their comments as appropriate. Management concurs with our findings and recommendations and will provide an audit action plan in accordance with applicable directives of the Department of Commerce.

We also noted other matters involving the internal control structure and its operation that we have reported to PTO's Associate Commissioner and Chief Financial Officer in a separate letter dated March 8, 1996.

This report is intended for the information of management of PTO, Department of Commerce management, and the Office of Management and Budget. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



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Frank DeGeorge  
Inspector General

March 8, 1996

*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1994*

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**INSPECTOR GENERAL'S REPORT ON COMPLIANCE WITH LAWS AND  
REGULATIONS**

Mr. Bruce A. Lehman  
Assistant Secretary of Commerce and  
Commissioner of Patents and Trademarks  
Patent and Trademark Office  
Washington, D.C.

We have audited the Statement of Financial Position of the Patent and Trademark Office (PTO) as of September 30, 1995 and 1994, and the Statements of Operations and Changes in Net Position, Cash Flows, and Budgetary Resources and Actual Expenses for the years then ended and have issued our report thereon dated March 8, 1996.

We conducted our audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Bulletin No. 93-06, *Audits of Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

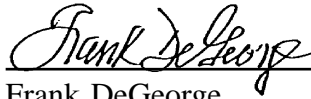
Compliance with laws and regulations applicable to PTO is the responsibility of PTO's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we tested compliance with those laws and regulations directly affecting the financial statements and certain other laws and regulations designated by the Office of Management and Budget and PTO. As part of our audit, we also obtained an understanding of management's process for evaluating and reporting on internal control and accounting systems as required by the Federal Managers' Financial Integrity Act (FMFIA) and compared the material weaknesses reported in the Department of Commerce's FMFIA report that relate to the financial statements under audit to the material weaknesses and other reportable conditions found during the evaluation we conducted of PTO's internal control system. However, our objective was not to provide an opinion on overall compliance with such provisions.

We noted one instance of immaterial noncompliance that we reported in the Report on Internal Control Structure, dated March 8, 1996, and one immaterial instance of noncompliance that we have reported to management of PTO in a separate letter dated March 8, 1996. Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, PTO complied, in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention to cause us to believe PTO had not complied, in all material respects, with those provisions.

*Audit of the Patent and Trademark  
Office's Financial Statements  
as of September 30, 1995 and 1995*

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This report is intended for the information of the management of PTO, Department of Commerce management, and the Office of Management and Budget. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



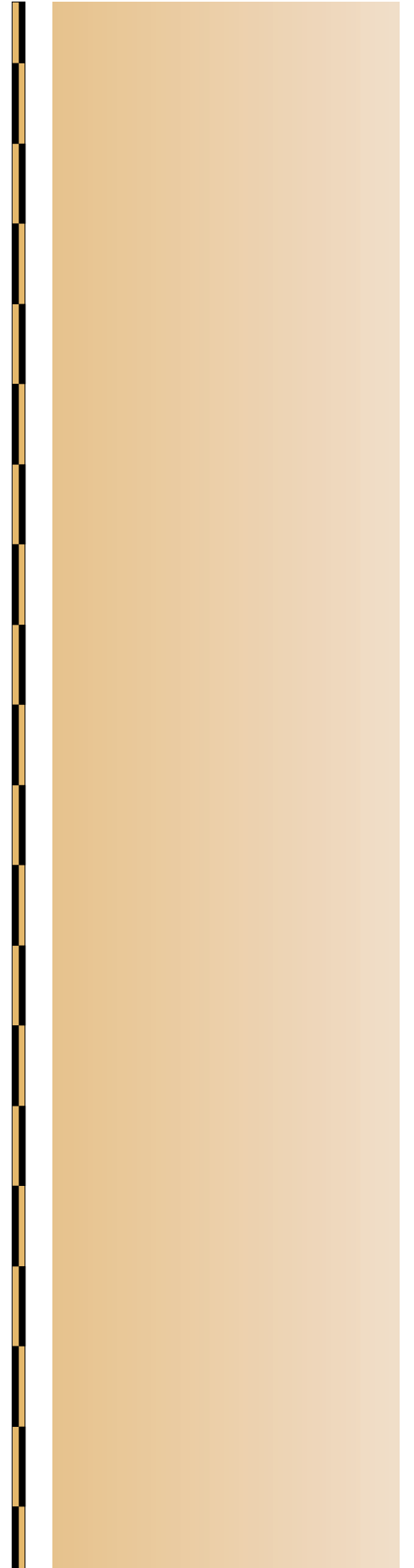
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Frank DeGeorge  
Inspector General

March 8, 1996

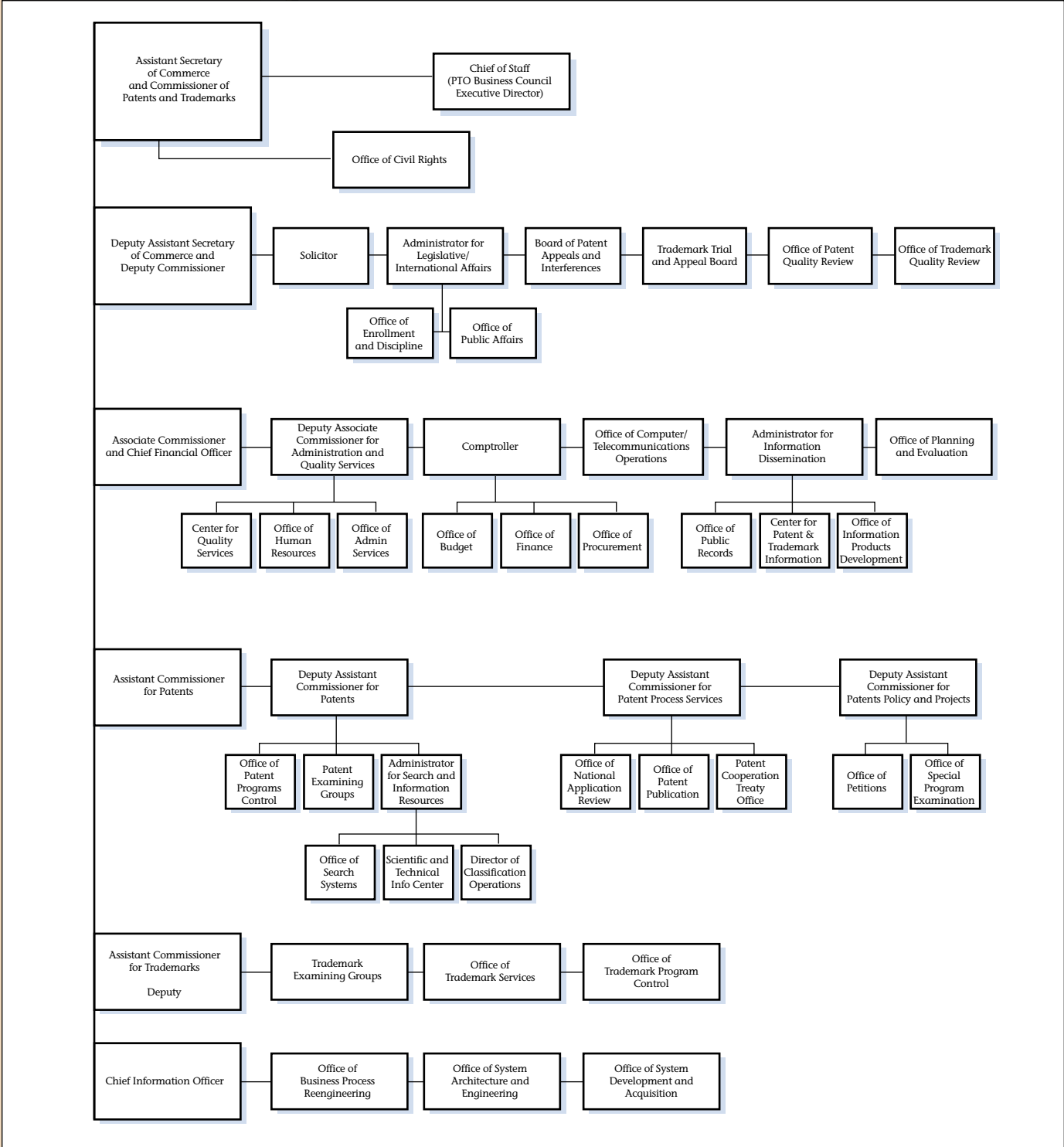
# **Additional Information**

*(Unaudited)*





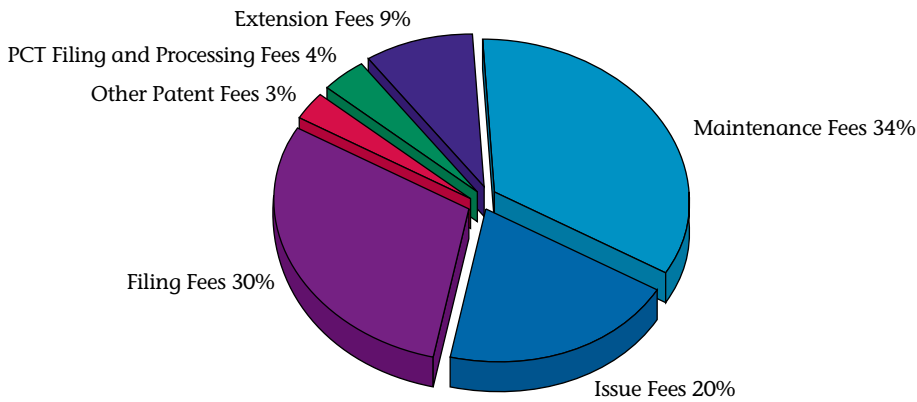
# US DEPARTMENT OF COMMERCE PATENT AND TRADEMARK OFFICE ORGANIZATION CHART



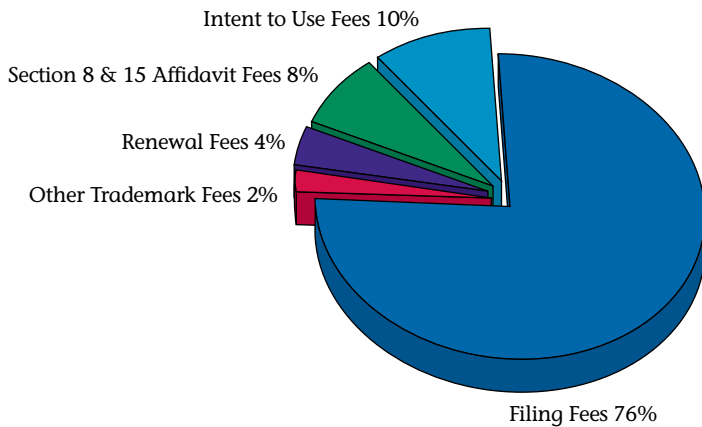
**US DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
1995 Fee Collection by Category**

Patent Fee Collections	557,418,847	86.3%
Trademark Fee Collections	64,744,936	10.0%
Other Fee Collections*	24,022,832	3.7%
<b>PTO Total Fee Collections</b>	<b>646,186,615</b>	<b>100%</b>

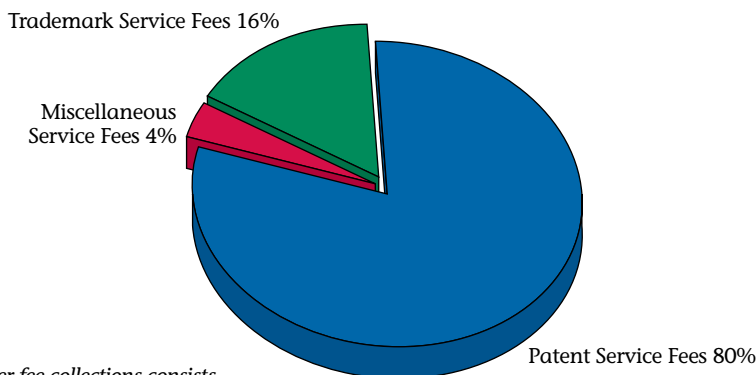
**Patent Fee Collections**



**Trademark Fee Collections**



**Other Fee Collections\***



\* Other fee collections consists of information dissemination and service fees.

**DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
Statement of Financial Position by Program - Unaudited**

As of September 30, 1995

ASSETS	PATENTS	TRADEMARKS	INFORMATION DISSEMINATION	TOTAL
<b>Entity Assets:</b>				
Intragovernmental Assets:				
Fund Balance With Treasury	\$326,188,136	\$42,942,951	(\$9,772,848)	\$359,358,239
Accounts Receivable	4,901,425	645,310	263,083	\$5,809,818
Advances and Prepayments	450,747	40,728	30,174	\$521,649
Governmental Assets:				
Accounts Receivable	453,736	10,646	8,221	\$472,603
Cash	36,815,084	3,983,950	795,775	\$41,594,809
Property and Equipment, Net	46,398,377	4,808,177	1,999,786	\$53,206,340
<b>Total Entity Assets</b>	<b>\$415,207,505</b>	<b>\$52,431,762</b>	<b>(\$6,675,809)</b>	<b>\$460,963,458</b>
<b>Non-Entity Assets</b>				
Intragovernmental Assets				
Fund Balance With Treasury	5,167,444	417,423	335,133	5,920,000
<b>Total Non-Entity Assets</b>	<b>5,167,444</b>	<b>417,423</b>	<b>335,133</b>	<b>5,920,000</b>
<b>Total Assets</b>	<b>\$420,374,949</b>	<b>\$52,849,185</b>	<b>(\$6,340,676)</b>	<b>\$466,883,458</b>
<b>LIABILITIES</b>				
Liabilities Covered by Budgetary Resources:				
Intragovernmental Liabilities:				
Accounts Payable	\$4,600,156	\$864,544	\$160,933	\$5,625,633
Other Liability Due to Treasury	5,167,444	417,423	335,133	5,920,000
Governmental Liabilities:				
Accounts Payable	30,056,460	1,997,768	932,864	32,987,092
Accrued Payroll & Benefits	17,212,965	2,165,616	657,989	20,036,570
Actuarial Liability	2,182,417	248,625	55,250	2,486,292
Customer Deposit Accounts	33,075,845	1,880,825	852,388	35,809,058
Deferred Revenue	148,708,192	21,249,480	3,431,234	173,388,906
Capital Leases	495,790	73,593	55,931	625,314
Accrued Annual Leave	13,641,197	1,507,644	631,417	15,780,258
<b>Total Liabilities Covered by Budgetary Resources:</b>	<b>255,140,466</b>	<b>30,405,518</b>	<b>7,113,139</b>	<b>292,659,123</b>
<b>Total Liabilities</b>	<b>\$255,140,466</b>	<b>\$30,405,518</b>	<b>\$7,113,139</b>	<b>\$292,659,123</b>
<b>NET POSITION</b>				
Balances:				
Invested Capital	\$6,126,003	\$22,136	\$9,206	\$6,157,345
Cumulative Results of Operations	100,003,481	22,421,531	(13,463,021)	108,961,991
Surcharge	59,104,999	0	0	59,104,999
<b>Total Net Position</b>	<b>165,234,483</b>	<b>22,443,667</b>	<b>(13,453,815)</b>	<b>174,224,335</b>
<b>Total Liabilities and Net Position</b>	<b>\$420,374,949</b>	<b>\$52,849,185</b>	<b>(\$6,340,676)</b>	<b>\$466,883,458</b>

**DEPARTMENT OF COMMERCE  
PATENT AND TRADEMARK OFFICE  
Statement of Operations and Changes In Net Position  
by Program - Unaudited**

For the year ended September 30, 1995

REVENUES AND FINANCING SOURCES	PATENTS	TRADEMARKS	INFORMATION DISSEMINATION	TOTAL
Revenues from Sales of Goods and Services				
To the Public	\$530,872,961	\$59,221,497	\$12,627,389	\$602,721,847
Intragovernmental	281,509	76	30	\$281,615
Appropriated Capital Used	2,110,880	42,130	17,522	\$2,170,532
<b>Total Revenues and Financing Sources</b>	<b>\$533,265,350</b>	<b>\$59,263,703</b>	<b>\$12,644,941</b>	<b>605,173,994</b>
<b>EXPENSES</b>				
Program or Operating Expenses	432,025,658	48,177,252	22,102,482	502,305,392
Depreciation and Amortization	20,383,102	1,308,262	914,634	22,605,998
Change in Actuarial Liability	113,487	12,635	3,281	129,403
<b>Total Expenses</b>	<b>452,522,247</b>	<b>49,498,149</b>	<b>23,020,397</b>	<b>525,040,793</b>
Excess of Revenues and Financing Sources Over Total Expenses	80,743,103	9,765,554	(10,375,456)	\$80,133,201
Net Position, Beginning Balance	91,773,455	13,135,120	(2,726,909)	102,181,666
Excess of Revenues and Financing Sources Over Total Expenses	80,743,103	9,765,554	(10,375,456)	80,133,201
Decrease in Invested Capital	(2,114,631)	(39,584)	(16,317)	(2,170,532)
Decrease due to Permanent Cancellation/Rescission	(5,167,444)	(417,423)	(335,133)	(5,920,000)
<b>Net Position, Ending Balance</b>	<b>\$165,234,483</b>	<b>\$22,443,667</b>	<b>(\$13,453,815)</b>	<b>\$174,224,335</b>

The Information Dissemination Organizations (IDO) perform activities which support the PTO mission by providing the public with access to patent and trademark information. While IDO provides most of its products and services to the public at prices which recover the costs of dissemination, there are several major IDO activities which do not or cannot recover costs. The IDO organizations, for example, operate the Patent Search Room, the Patent Assignment Search Room, and the Trademark Search Library. By law, the IDO cannot charge fees to the public for the use of these facilities (except for automated tools and services). Instead, costs for these facilities, and similar services provided free of charge to the public, are recovered by patent and trademark fees. The PTO is not recommending any change in any of these current procedures. However, in the future, transfers of revenues from patents and trademarks to information dissemination will be displayed.

## Program/Operating Expenses by Program - Unaudited

For the Year Ended September 30, 1995:

	Patents	Trademarks	Information Dissemination	Total
<b>Operating Expenses by Object Classification</b>				
Personal Services				
and Benefits	\$237,723,477	\$28,957,729	\$9,274,180	\$275,955,386
Travel and Transportation	437,249	56,355	96,009	589,613
Rental, Communication				
and Utilities	27,576,265	3,024,018	2,789,667	33,389,950
Printing and Reproduction	27,361,475	1,700,257	275,646	29,337,378
Contractual Services	48,693,642	3,173,747	2,038,811	53,906,200
Supplies and Materials	5,946,075	483,577	1,304,441	7,734,093
Equipment not Capitalized	3,569,113	246,101	442,623	4,257,837
Other:				
(a) Other services	1,575,605	291,219	(134,794)	1,732,030
(b) Training	3,187,647	271,703	137,484	3,596,834
(c) Maintenance and Repair	9,862,313	582,652	1,505,749	11,950,714
Support Costs	66,092,797	9,389,894	4,372,666	79,855,357
<b>Total Expenses</b>				
By Object Class	\$432,025,658	\$48,177,252	\$22,102,482	\$502,305,392

Line Item Totals do not agree with Note 7 Line Item Totals in the Principal Statements. Support costs are shown separately above due to the cost allocation methods used.

# 1996 Government Performance and Results Act Plan

## PTO MAJOR PROGRAM PERFORMANCE GOALS:

- Decrease patent pendency and maintain financial self-sufficiency.
- Decrease trademark pendency and maintain financial self-sufficiency.
- Engage in business-like partnerships with Patent and Trademark Depository Libraries (PTDLs) tailored to the industry base of that regional industrial area, and increase the number of PTDLs throughout the nation.
- Conduct customer focus group sessions and surveys of individual users, internal customers, law and intellectual property associations, and other stakeholders.

### 1-Patent Program Performance Goal:

Decrease patent pendency and maintain financial self-sufficiency.

#### Processes:

- Enhance human resources.
- Leverage information technologies.
- Employ better processes.

#### Verification and Validation:

- Patent program managers will use automated systems for tracking and monitoring all patent applications.
- PTO managers will monitor performance through the use of monthly Executive Information System (EIS) reports and analysis.

#### *Performance Indicators:*

	1989 Baseline	1994 Actual	1995 Target	1995 Actual	1996 <sup>1</sup> Target
Financial self-sufficiency (percent)	70.26	100.0	100.0	100.0	100.0
Months to issue or abandonment	18.4	19.0	18.9	19.2	19.0
Months from filing to first action notice	7.3	7.7	7.0	8.4	8.1

<sup>1</sup>1996 targets published in June 1995, based on FY 1996 budget submission.

#### Impediments:

- Applications (or inputs) are subject to economic and political changes in the U.S. and abroad.
- Application examination times are subject to technical complexity of applications, examiner experience, response time of applicants to office actions, and number of patent examiners available for examining.

## 2-Trademark Program Performance Goal:

Decrease trademark pendency and maintain financial self-sufficiency.

### Processes:

- Enhance human resources.
- Leverage information technologies.
- Employ better processes.

### Verification and Validation:

- Trademark program managers will use automated systems for tracking and monitoring all trademark applications.
- PTO managers will monitor performance through the use of monthly Executive Information System (EIS) reports and analysis.

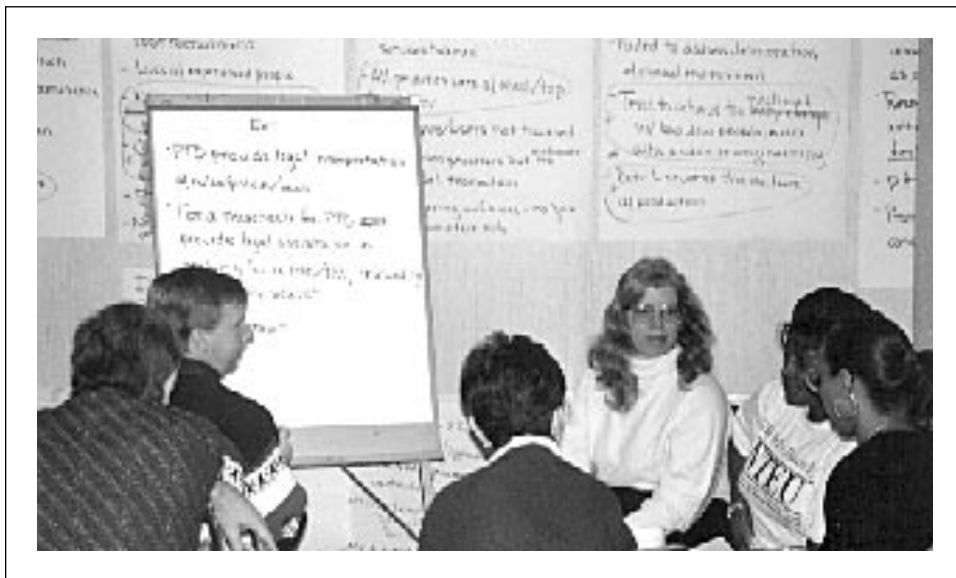
### Performance Indicators:

	1989 Baseline	1994 Actual	1995 Target	1995 Actual	1996 <sup>1</sup> Target
Financial self-sufficiency (percent)	100.0	100.0	100.0	100.0	100.0
Months to register trademark	13.8	16.3	15.5	16.7	13.9
Months to first action notice	2.8	5.2	3.9	5.3	3.0

<sup>1</sup> 1996 targets published in June 1995, based on FY 1996 budget submission.

### Impediments:

- Applications (or inputs) are subject to economic and political changes in the U.S. and abroad.
- Application examination times are subject to technical complexity of applications, examiner experience, response time of applicants to office actions, and number of trademark examiners available for examining.



### 3-Information Dissemination Performance Goal

Engage in business-like partnerships with Patent and Trademark Depository Libraries (PTDLs) tailored to the industry base of that regional industrial area, and increase the number of PTDLs throughout the nation.

**Processes:**

- Internal PTO approval of partnership agreements.
- External acceptance of two partnership proposals.
- Partnership agreement with the city of Sunnyvale, CA and Detroit, MI.
- Development of partnership performance measurements.

**Verification and Validation:**

- PTO Business Council will review periodically.
- Review partnership agreements for compliance.

**Performance Indicators:**

	1994 Actual	1995 Target	1995 Actual	1996 <sup>1</sup> Target
PTDLs	78	83	81	85
States in which PTDLs are established	49	50	49	50
Business Partnerships	0	2	2	4

<sup>1</sup>1996 targets published in June 1995, based on FY 1996 budget submission.

### 4-Customer Service Program Performance Goal

To conduct customer focus group sessions and surveys of individual users, internal customers, law and intellectual property associations, and other stakeholders.

**Processes:**

- Identify customers
- Random sampling
- Conduct customer focus sessions (CFS)
- Develop customer service standards based on CFS
- Disseminate standards to process owners, Partnership Auxiliary Committees (PACs) and Joint Partnership Council (JPC)
- Publish customer service standards to customers
- Develop and conduct surveys to validate standards

**Conduct more CFS**

- Disseminate data from surveys/CFS to process owners, PACs, and JPC for review and development
- Management makes budget decisions to meet customer need
- Incorporate into budget request



**Verification and Validation:**

- Analysis of customer service survey and focus group results by the PTO Business Council, PTO Union Partnership Council, and program managers.
- Center for Quality Services will assess customer satisfaction levels on a continual basis.

**Performance Indicators:**

	1995 Target PTO	1995 Actual PTO	1995 Target Patents	1995 Actual Patents	1995 Target TMs	1995 Actual TMs	1995 Target Info. Diss.	1995 Actual Info. Diss.	1996 Target Patents	1996 Target TMs	1996 Target Info. Diss.
Customer satisfaction											
external surveys conducted	10	3	5	2	4	1	1	0	5	5	2
External focus group											
sessions conducted	30	26	16	9	9	10	5	7	10	10	2
Customers surveyed satisfied											
with PTO's overall											
performance (percent)	100	57.2	*N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<sup>1</sup> Level of customers satisfied											
with PTO's established											
pendency level	N/A	N/A	5	3.2	5	2.9	N/A	N/A	5	5	N/A

<sup>1</sup> Based on scale of 1 to 5 (Issuance of product in a timely manner). No target for information dissemination currently exists.

\*NA – targets not established

# Litigation

During FY 1995, the number of *ex parte* appeals taken from decisions of the Board of Patent Appeals and Interferences and the Trademark Trial and Appeal Board, and the number of civil actions filed against the Commissioner of Patents and Trademarks, totaled 89. There were 24 *inter partes* cases taken to the Federal Circuit in FY 1995. Although there were several significant court decisions, most of the opinions entered by the Court of Appeals for the Federal Circuit and the district courts were non-precedential. This section highlights some of the significant rulings of fiscal year 1995.

## BIOTECHNOLOGY

In *In re Deuel*, 51 F.3d 1552, 34 USPQ2d 1210 (Fed. Cir. 1995), the Federal Circuit reversed the Board of Patent Appeals and Interferences ("Board") and held that a *prima facie* case of obviousness for claims to cDNA sequences that encode a particular protein requires that the prior art suggest the claimed sequences. The primary reference relied on in *Deuel* disclosed the existence of the encoded protein, as well as a partial amino acid sequence for the protein, and the secondary reference disclosed a general method of isolating cDNAs by screening cDNA libraries with a gene probe. The court reversed the rejection of the claims because, in view of the redundancy of the genetic code, the specific cDNA sequences claimed could not be contemplated based solely on the references.

## UTILITY

In *In re Brana*, 51 F.3d 1560, 34 USPQ2d 1436 (Fed. Cir. 1995), the Federal Circuit reversed the Board and held that there is a very low threshold for establishing utility. The claimed invention was an antitumor compound. The court concluded that use as an antitumor compound was sufficiently specific and credible for utility purposes in view of its similarity to an effective prior antitumor compound. The court dismissed the Commissioner's argument that comparison to the prior art compound was insufficient because the compound had only been tested against models developed in a laboratory. The court reasoned that the models were originally developed from diseases in mice and that testing using models was the only practical way to test the compound. The court next held that the Commissioner had not met his burden of providing evidence showing that one of ordinary skill in the art would reasonably doubt the assertion of utility in the specification. Lastly, the court rejected the Commissioner's argument that animal testing was not reasonably predictive of use in treating humans because, as a matter of law, adequate animal testing can be sufficient to establish utility.

## COMPUTER-IMPLEMENTED INVENTIONS

In *In re Trovato*, 60 F.3d 807, 35 USPQ2d 1570 (Fed. Cir. 1995), the claims had been rejected as non-statutory under § 101. The claims were directed to a method of determining the motion of an object and to an apparatus for planning the path for an object. Both the Board and a three-judge panel of the Federal Circuit affirmed the § 101 rejections. The Federal Circuit, sitting in banc, then vacated the decisions of the three-judge panel and the Board, and remanded the case for further prosecution in light of *In re Alappat*, 33 F.3d 1526, 31 USPQ2d 1545 (Fed. Cir. 1994) (*in banc*), and any new guidelines for examination of computer-implemented inventions adopted by the Patent and Trademark Office.

## OBVIOUSNESS

In *In re Soni*, 54 F.3d 746, 34 USPQ2d 1684 (Fed. Cir. 1995) (reversing the Board), the central issue was the showing necessary to establish unexpected results and thereby rebut a *prima facie* case of obviousness under § 103. The applicant's specification stated that the claimed compositions had significantly improved properties, compared to compositions having a lower molecular weight. The specification also included data illustrating such a comparison and concluded that the data showed a much greater improvement than would have been predicted. The Federal Circuit reversed the Board and held that the applicant had established unexpected results. According to the court, if an applicant demonstrates substantially improved results and states that the results were unexpected, unexpected results have been established unless there is evidence to the contrary. In a vigorous dissent, Judge Michel characterized the majority decision as eliminating the well-settled requirement of objective proof that the observed improvement was unexpected.

## CONTINUATION PRACTICE

In *In re Chu*, 66 F.3d 292, 36 USPQ2d 1089 (Fed. Cir. 1995), the Federal Circuit reversed the Board's determination that the claimed invention was obvious. The court clarified the degree of common inventorship between a continuation application and its parent application needed to claim the benefit of the parent's filing date under § 120. The application at issue was a continuation-in-part of an application that had resulted in one of the two patents relied on as prior art to reject the claims as obvious under § 103. The Board found that this patent was available as prior art against the application at issue, notwithstanding the applicants' reliance on § 120, because the inventive entities for the application and the patent were different, although overlapping. The Federal Circuit held that complete identity of inventorship is not necessary for a continuation-in-part application to obtain the benefit of the filing date of its parent application, but that the patent was prior art against the claims at issue because the disclosure in the earlier application did not support those claims. The court then went on to reverse the Board's conclusion as to the obviousness of the claimed invention because the difference between the prior art and the claimed invention were, in the opinion of the court, more than a mere design choice.

## TRADEMARKS

The United States filed an amicus curiae brief in *Qualitex Co. v. Jacobson Prods.*, 115 S. Ct. 1300, 34 USPQ2d 1161 (1995). The Supreme Court, agreeing with the United States' position, held in *Qualitex* that color per se can meet the legal requirements for a trademark registration. This decision ended a split of authority as to whether color per se can ever be registered as a trademark under the Lanham Act. The Patent and Trademark Office assisted the Solicitor General's office in drafting the *amicus* brief.

**Table 1.**  
**Summary of Patent Examining Activities**

(As of September 30 of each fiscal year)

Patent examining activity	1991	1992	1993	1994	1995
<b>APPLICATIONS FILED</b>					
<b>Total</b>	<b>178,083</b>	<b>185,446</b>	<b>188,099</b>	<b>201,554</b>	<b>236,679</b>
Utility <sup>1</sup>	166,765	171,623	173,619	185,087	220,141
Reissue	536	581	572	430	647
Plant	414	335	362	606	516
Design	10,368	12,907	13,546	15,431	15,375
<b>FIRST ACTIONS</b>					
Design	15,503	16,076	16,074	16,832	18,223
Utility, plant, and reissue	158,319	165,294	171,799	168,722	176,220
PCT/Chapter 1	5,680	7,247	7,459	8,363	9,454
<b>APPLICATION DISPOSALS</b>					
<b>Total</b>	<b>170,680</b>	<b>178,426</b>	<b>181,741</b>	<b>189,646</b>	<b>189,520</b>
<b>Allowed<sup>2</sup>, total</b>	<b>112,408</b>	<b>114,106</b>	<b>116,151</b>	<b>119,609</b>	<b>119,621</b>
Design	10,394	11,013	11,800	12,388	13,055
Utility, plant, and reissue	102,014	103,093	104,351	107,221	106,566
<b>Abandoned, total</b>	<b>58,130</b>	<b>64,042</b>	<b>65,444</b>	<b>69,909</b>	<b>69,796</b>
Design	4,427	4,843	4,681	4,977	3,336
Utility, plant, and reissue	53,703	59,199	60,763	64,932	66,460
<b>Statutory Invention Registrations, total</b>	<b>142</b>	<b>278</b>	<b>146</b>	<b>128</b>	<b>103</b>
<b>PCT/Chapter II Examinations Completed</b>	<b>4,014</b>	<b>5,010</b>	<b>5,851</b>	<b>6,918</b>	<b>8,040</b>
<b>PATENTS ISSUED<sup>3</sup></b>					
<b>Total</b>	<b>101,860</b>	<b>109,728</b>	<b>107,332</b>	<b>113,268</b>	<b>114,241</b>
Utility	91,822	99,405	96,676	101,270	101,895
Reissue	334	375	302	347	294
Plant	318	336	408	513	390
Design	9,386	9,612	9,946	11,138	11,662
Allowed applications, issue fee not paid <sup>4</sup>	4,854	4,781	5,778	5,883	5,294
Pendency time of average patent application <sup>5</sup>	18.2	19.1	19.5	19.0	19.2
Reexaminations requested <sup>6</sup>	307	392	359	379	392
Reexamination certificates issued <sup>6</sup>	200	243	293	309	281
PCT search reports prepared <sup>7</sup>	6,000	6,586	8,714	10,813	10,440
PCT international applications received by USPTO as receiving office <sup>7</sup>	9,158	10,929	12,389	14,265	15,941
National requirements received by USPTO as receiving office <sup>7, 8</sup>	6,247	6,835	7,441	9,076	10,582
International preliminary examination reports	3,774	4,678	5,955	8,005	7,456
Patents renewed under P.L. 102-204 <sup>9</sup>	73,954	107,713	114,367	121,104	140,512
Patents expired under P.L. 102-204 <sup>9</sup>	19,134	28,603	38,475	38,859	48,604

<sup>1</sup>Chemical, electrical and mechanical applications.

<sup>2</sup>“Allowed Patent Applications” are applications awaiting issuance (i.e., publication) as patents.

<sup>3</sup>Excludes withdrawn numbers.

<sup>4</sup>35 U.S.C. 151. (includes design applications).

<sup>5</sup>Average time (months) between filing and issuance/abandonment of utility, plant, and reissue applications (excluding designs).

<sup>6</sup>Reexamination was instituted on July 1, 1981, in accordance with provisions of P.L. 96-517.

<sup>7</sup>PCT entered into force on January 24, 1978, and applications were accepted for filing beginning June 1, 1978.

<sup>8</sup>FY 1994 National Requirements Received by USPTO as Receiving Office data corrected from 8,778 to 9,076.

<sup>9</sup>Renewal of patents under P.L. 96-517 and P.L. 97-247 now superseded by P.L. 102-204.

Table 2.  
Patent Applications Filed

(FY 1975 - FY 1995)

Year	Utility <sup>1</sup>	Design	Plant	Reissue	Total
1975	101,283	5,751	163	465	107,662
1976 <sup>2</sup>	101,807	6,838	144	438	109,227
1977 <sup>2</sup>	101,821	7,186	202	564	109,773
1978	100,473	7,440	171	660	108,744
1979	99,516	7,070	166	657	107,409
1980	104,219	7,269	186	641	112,315
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 <sup>3</sup>	185,087	15,431	430	606	201,554
<b>1995</b>	<b>220,141</b>	<b>15,375</b>	<b>516</b>	<b>647</b>	<b>236,679</b>

<sup>1</sup>Chemical, electrical, and mechanical applications.

<sup>2</sup>The transition quarter, July 1, 1976, to September 30, 1976, has been omitted.

<sup>3</sup>1994 report had plant and reissue numbers reversed.

Table 3.  
Summary of Pending Patent Applications

(As of September 30, 1995)

Stage of Processing	Utility, plant and reissue applications	Design applications	Total patent applications
<b>Pending patent applications, total</b>	<b>341,823</b>	<b>22,369</b>	<b>364,192</b>
<b>In preexamination processing, total</b>	<b>34,709</b>	<b>1,540</b>	<b>36,249</b>
<b>Under examination, total</b>	<b>248,340</b>	<b>13,933</b>	<b>262,273</b>
Awaiting first action by examiner	95,676	6,100	101,776
Rejected, awaiting response by applicant	116,560	6,117	122,677
Amended, awaiting action by examiner	21,636	863	22,499
In interference	1,517	14	1,531
On appeal and other <sup>1</sup>	12,951	839	13,790
<b>In postexamination processing, total</b>	<b>58,774</b>	<b>6,896</b>	<b>65,670</b>
Awaiting issue fee	29,009	3,840	32,849
Awaiting printing <sup>2</sup>	26,244	3,056	29,300
D-10s (secret cases in condition for allowance)	3,521	-	3,521

- Represents zero.

<sup>1</sup>Includes cases on appeal and undergoing petitions.

<sup>2</sup>Includes withdrawn cases.

**Table 4.**  
**Patents Pending Prior to Allowance<sup>1</sup>**  
(FY 1975 - FY 1995)

Year	Awaiting action by examiner	Total applications <sup>2</sup> pending <sup>3</sup>
1975	41,916	146,464
1976 <sup>3</sup>	43,776	142,379
1977 <sup>3</sup>	60,706	144,542
1978	57,031	144,056
1979	50,085	151,702
1980	64,289	167,533
1981	71,033	181,727
1982	87,659	216,509
1983	102,532	223,101
1984	90,687	219,567
1985	90,648	215,512
1986	80,547	207,774
1987	65,010	209,911
1988	75,678	215,280
1989	92,377	222,755
1990	104,179	244,964
1991	104,086	254,507
1992	112,201	269,596
1993	99,904	244,646
1994	107,824	261,249
<b>1995</b>	<b>124,275</b>	<b>298,522</b>

<sup>1</sup>Pending at end of period indicated including utility, reissue, plant, and design applications. Does not include allowed applications. <sup>2</sup>Applications under examination, including those in preexamination processing.

<sup>3</sup>The transition quarter, July 1, 1976, to September 30, 1976, has been omitted.

**Table 5.**  
**Patents Issued<sup>1</sup>**  
(FY 1975 - FY 1995)

Year	Utility <sup>2</sup>	Design	Plant	Reissue	Total
1975	70,179	3,632	155	398	<sup>3</sup> 74,364
1976 <sup>4</sup>	75,325	4,781	195	434	<sup>3</sup> 80,735
1977 <sup>4</sup>	67,972	4,261	164	435	72,832
1978	65,963	3,797	194	366	70,320
1979	51,686	3,269	151	312	55,418
1980	56,618	4,167	137	305	61,227
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
<b>1995</b>	<b>101,895</b>	<b>11,662</b>	<b>390</b>	<b>294</b>	<b>114,241</b>

<sup>1</sup>Excludes withdrawn numbers beginning with FY 1978. <sup>2</sup>Chemical, electrical, and mechanical applications. <sup>3</sup>In 1975, under the trial voluntary protest program (now abolished), an additional 667 applications were published but not issued. In 1976, there were 1,303 published but not issued. <sup>4</sup>The transition quarter, July 1, 1976, to September 30, 1976, has been omitted.

Table 6.  
**Statutory Invention Registrations (SIRs)  
 Published**

(FY 1991 - FY 1995)

Assignee	1991	1992	1993	1994	1995
<b>Total</b>	<b>145</b>	<b>140</b>	<b>124</b>	<b>124</b>	<b>130</b>
Agriculture	-	1	-	-	-
Air Force	14	9	7	6	6
Army	35	25	26	21	20
Energy	17	11	9	6	6
HHS	1	-	-	-	-
Navy	11	20	13	14	17
TVA	-	2	-	-	-
USA <sup>1</sup>	4	6	2	3	4
Other than U.S. Government	63	66	67	74	77

- Represents zero.

<sup>1</sup>United States of America-no agency indicated in data base.

Table 7.  
**Reexamination<sup>1</sup>**

(FY 1991 - FY 1995)

	1991	1992	1993	1994	1995
<b>Requests filed, total</b>	<b>307</b>	<b>392</b>	<b>359</b>	<b>379</b>	<b>392</b>
By patent owner	141	167	147	150	138
By third party	165	168	211	227	253
Commissioner ordered	1	57	1	2	1
<b>Determinations on requests, total</b>	<b>295</b>	<b>346</b>	<b>350</b>	<b>370</b>	<b>398</b>
Requests granted					
By examiner	267	316	311	334	372
By petition	5	5	10	6	-
Requests denied	23	25	29	30	26
<b>Requests known to have related litigation</b>	<b>47</b>	<b>47</b>	<b>75</b>	<b>77</b>	<b>100</b>
Court ordered reexaminations	-	-	-	-	-
Average age of patents (years)	5.20	5.00	5.00	( <sup>3</sup> )	( <sup>4</sup> )
Average range of patents (years)	0.0-22.8	0.0-18.1	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>4</sup> )
Average claims per request	15.40	15.40	( <sup>2</sup> )	( <sup>3</sup> )	( <sup>4</sup> )
Average references per request	9.60	9.40	9.50	9.6	( <sup>4</sup> )
<b>Filings by discipline, total</b>	<b>307</b>	<b>392</b>	<b>359</b>	<b>379</b>	<b>392</b>
Chemical	93	101	111	102	101
Electrical	115	186	138	146	131
Mechanical	99	105	110	131	160

- Represents zero.

<sup>1</sup>Reexamination was instituted on July 1, 1981, in accordance with provisions of P.L. 96-517.

<sup>2</sup>Data for FY 1993 was not available.

<sup>3</sup>Data for FY 1994 was not available.

<sup>4</sup>Data for FY 1995 was not available.

**Table 8.**  
**Summary of Contested Patent Cases**

(Within the Patent and Trademark Office)

Patent and Trademark Office Tribunal Board for Patent Appeals and Interferences	Total
<b>Ex parte cases, total</b>	<b>8,979</b>
Appeals <sup>1</sup> :	
Cases pending as of 9/30/94	3,754
Cases filed during FY 95	5,225
<b>Disposals during FY 95, total</b>	<b>3,446</b>
Decided, total	2,446
Affirmed	1,235
Affirmed-in-part	296
Reversed	915
Other disposals, total	1,000
Dismissed	36
Withdrawn	150
Remanded	814
Cases pending as of 9/30/95	5,533
<b>Reconsiderations, total</b>	<b>200</b>
Cases pending as of 9/30/94	25
Cases filed during FY 95	175
Disposals during FY 95	158
Cases pending as of 9/30/95	42
<b>Inter partes cases, total</b>	<b>531</b>
Cases pending as of 9/30/94	384
Cases declared or reinstated during FY 95 (under new rules <sup>2</sup> )	147
Cases declared or reinstated during FY 95 (under old rules <sup>2</sup> )	-
Total cases declared or reinstated	147
Disposals during FY 95, total terminated	197
Cases terminated (under new rules <sup>2</sup> )	197
Cases terminated (under old rules <sup>2</sup> )	-
Cases awaiting final board disposition as of 9/30/95, total	68
Awaiting the setting of a final hearing	30
Set for final hearing	5
Awaiting a final decision	33
Cases pending as of 9/30/95, total	334
Under new rules <sup>2</sup>	334
Under old rules <sup>2</sup>	-

- Represents zero.

<sup>1</sup>Jurisdiction of an appeal passes to the Board of Patent Appeals and Interferences after the examiner has written his answer and after the time for filing a reply brief to the answer has passed.

<sup>2</sup>New Rules effective 2/8/85: 37 CFR 1.601 to 1.688 Old Rules: 37 CFR 1.201 to 1.288.



Table 9.  
**U.S. Government Agency Patents<sup>1</sup>**  
(FY 1985 - FY 1995)

Agency	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	Total
<b>Total</b>	<b>1,166</b>	<b>1,053</b>	<b>1,033</b>	<b>790</b>	<b>837</b>	<b>810</b>	<b>1,025</b>	<b>1,181</b>	<b>1,153</b>	<b>1,220</b>	<b>1,122</b>	<b>11,390</b>
Agriculture	43	27	36	37	36	41	50	48	57	38	44	457
Air Force	144	178	192	134	131	101	115	138	126	129	103	1,491
Army	206	202	176	116	146	129	113	171	147	193	162	1,761
Commerce	5	7	11	13	6	6	15	18	21	28	35	165
Energy	301	260	239	230	216	190	197	217	193	201	144	2,388
EPA	5	2	1	1	3	4	5	4	7	5	4	41
HHS	30	30	32	32	31	34	41	67	88	97	95	577
Interior	11	16	10	11	9	7	13	23	9	10	13	132
Library of Congress	-	-	-	-	-	-	-	-	-	-	1	1
NASA	137	109	117	100	125	116	109	166	155	147	156	1,437
Navy	271	207	206	104	117	170	346	314	333	360	352	2,780
NSA	1	2	1	4	5	2	3	3	5	6	3	35
Postal Service	1	-	1	-	-	-	1	-	-	-	-	3
State Department	-	-	-	-	-	-	-	-	-	-	1	1
Transportation	4	3	1	-	-	-	2	-	2	1	-	13
TVA	6	9	8	7	4	5	5	2	1	-	-	47
USA <sup>2</sup>	1	-	1	1	8	5	10	10	9	3	9	57
VA	-	1	1	-	-	-	-	-	-	2	-	4

- Represents zero.

<sup>1</sup>Data in this table represent utility patents assigned to agencies at the time of patent issue.

<sup>2</sup>United States of America - no agency indicated in data base.

**Table 10.**  
**Patents Issued to Residents of the United States**

(FY 1991- FY 1995)<sup>1</sup>

State/Territory	1991	1992	1993	1994	1995
<b>Total</b>	<b>54,882</b>	<b>59,760</b>	<b>59,405</b>	<b>64,119</b>	<b>64,562</b>
Alabama	357	324	311	339	346
Alaska	43	54	52	61	48
Arizona	855	921	903	1,027	1,101
Arkansas	152	170	162	155	143
California	8,423	9,284	9,216	10,472	10,672
Colorado	851	954	995	1,140	1,218
Connecticut	1,503	1,642	1,701	1,842	1,776
Delaware	491	553	491	513	419
District of Columbia	67	67	62	44	66
Florida	1,888	2,114	2,086	2,241	2,435
Georgia	720	793	879	925	1,031
Hawaii	78	85	88	116	75
Idaho	221	261	320	350	363
Illinois	3,040	3,355	3,275	3,266	3,407
Indiana	1,108	1,123	1,070	1,137	1,293
Iowa	390	417	442	463	469
Kansas	321	329	319	319	315
Kentucky	333	329	310	343	351
Louisiana	491	537	484	475	407
Maine	104	130	120	149	142
Maryland	937	1,070	1,058	1,137	1,126
Massachusetts	2,105	2,445	2,428	2,669	2,484
Michigan	2,830	3,153	2,981	3,295	3,091
Minnesota	1,447	1,631	1,702	1,914	1,967
Mississippi	111	144	136	166	138
Missouri	770	832	759	730	817
Montana	86	109	114	94	130
Nebraska	149	162	191	173	169
Nevada	185	172	152	221	228
New Hampshire	333	361	403	452	455
New Jersey	3,218	3,189	3,145	3,328	3,067
New Mexico	232	261	237	270	276
New York	4,815	5,047	5,083	5,522	5,371
North Carolina	942	933	1,049	1,181	1,230
North Dakota	63	63	65	69	66
Ohio	2,714	3,073	2,929	3,078	3,041
Oklahoma	612	672	653	624	606
Oregon	670	686	819	772	847
Pennsylvania	2,799	3,027	2,893	3,085	2,963
Puerto Rico	13	28	17	33	22
Rhode Island	222	237	270	275	257
South Carolina	428	476	517	529	497
South Dakota	39	35	47	47	40
Tennessee	568	594	601	684	722
Texas	3,302	3,704	3,695	4,089	4,335
Utah	402	448	448	473	539
Vermont	132	122	149	173	173
Virgin Islands	2	2	3	2	3
Virginia	870	1,013	983	959	947
Washington	1,016	1,077	1,036	1,117	1,231
West Virginia	179	174	202	147	161
Wisconsin	1,207	1,342	1,314	1,381	1,409
Wyoming	47	36	39	51	74
U.S. Pacific Island <sup>2</sup>	1	-	1	-	2
United States <sup>3</sup>	-	-	-	2	1

- Represents zero.

<sup>1</sup>Data includes utility, design, plant, and reissue patents.

<sup>2</sup>Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands

<sup>3</sup>No state indicated in data base.

**Table 11.**  
**United States Patent Applications Filed by Residents of Foreign Countries<sup>1</sup>**  
(FY 1991 - FY 1995)

Residence	1991	1992	1993	1994	1995	Residence	1991	1992	1993	1994	1995
<b>Total</b>	<b>77,729</b>	<b>79,875</b>	<b>78,029</b>	<b>83,920</b>	<b>96,255</b>	Honduras	1	-	-	2	1
Albania	1	1	-	-	-	Hong Kong	253	315	303	385	324
Algeria <sup>2</sup>	1	-	-	-	-	Hungary	107	86	61	73	73
Andorra	-	-	-	1	1	Iceland	5	16	4	6	6
Antigua & Barbuda	-	4	1	2	5	India	52	56	54	64	98
Argentina	51	59	65	77	69	Indonesia	9	15	11	5	7
Armenia	-	1	-	-	1	Iran	7	1	9	4	7
Aruba	-	-	-	-	1	Ireland	128	118	102	152	135
Australia	844	905	853	1,078	1,150	Israel	663	747	833	998	1,183
Austria	528	563	507	637	684	Italy	2,209	2,345	2,159	2,160	2,512
Azerbaijan <sup>3</sup>	-	-	1	2	1	Jamaica	4	1	1	3	4
Bahamas	1	5	8	8	18	Japan	36,489	38,135	36,148	36,912	42,944
Barbados	-	-	-	1	2	Jordan	5	-	-	1	5
Belarus	-	2	6	5	8	Kazakhstan <sup>6</sup>	-	-	1	1	-
Belgium	619	676	666	841	1,080	Kenya	1	3	2	2	2
Bermuda	4	2	1	3	4	Korea, Dem. Republic	11	6	-	2	11
Bolivia	-	-	-	1	2	Korea, Republic of	1,132	1,444	1,512	2,177	2,943
Brazil	103	115	106	161	130	Kuwait	1	2	1	1	4
British Virgin Islands	-	2	1	1	-	Kyrgyzstan	-	-	-	-	1
Bulgaria <sup>4</sup>	7	9	5	3	9	Lebanon	2	-	2	1	-
Canada	3,905	3,975	4,196	4,638	5,420	Liechtenstein	18	14	14	19	13
Cayman Islands	2	2	1	1	1	Lithuania	-	-	1	-	5
Chile	13	9	13	8	16	Luxembourg	48	58	49	41	38
China (mainland)	109	133	124	114	151	Macau	-	-	1	1	2
Cocos (Keeling) Island	-	-	-	-	-	Macedonia	-	-	-	-	1
Columbia	9	13	4	16	19	Malaysia	25	24	18	44	36
Comoros	1	-	-	-	-	Mali	-	-	-	-	1
Cook Islands	-	-	-	1	-	Malta	-	3	3	1	2
Costa Rica	3	6	5	24	13	Marshall Islands	-	-	1	-	-
Croatia	-	-	3	11	15	Mauritius	1	-	1	1	-
Cuba	4	6	-	3	9	Mexico	114	104	92	117	97
Cyprus	1	2	2	2	1	Moldova Republic	-	-	-	1	1
Czech Republic	-	-	-	-	11	Monaco	5	5	6	3	11
Czechoslovakia	30	34	28	30	26	Mongolia	-	-	-	1	-
Denmark	455	397	496	537	756	Montserrat	-	-	-	1	1
Dominican Republic	1	1	1	2	3	Morocco	-	4	2	3	1
Ecuador	1	1	5	1	4	Namibia	-	-	-	1	-
Egypt	4	9	6	3	3	Nauru	1	-	-	-	-
El Salvador	-	-	-	-	1	Nepal	-	-	-	-	1
Estonia	-	-	-	2	1	Netherlands	1,580	1,579	1,548	1,549	1,727
Finland	616	531	576	705	789	Netherlands Antilles	-	-	2	2	1
France	4,948	4,757	4,554	4,790	5,389	Neutral Zone	1	-	-	-	-
Gabon	-	-	-	-	1	New Caledonia	-	-	1	-	1
Georgia	-	-	-	2	6	New Zealand	105	116	103	148	170
Germany, Fed. Republic <sup>5</sup>	10,952	10,851	10,550	11,539	12,421	Nicaragua	1	-	1	-	-
Ghana	-	-	1	-	-	Niger	-	-	-	-	1
Greece	21	26	23	25	39	Nigeria	2	1	6	2	-
Guatemala	1	3	1	2	4	Norway	169	198	198	196	251
Guinea	-	1	-	-	-	Oman	1	1	-	-	-
Guyana	1	-	-	-	-	Pakistan	-	5	-	1	3
Haiti	2	-	1	1	1	Panama	3	1	-	6	7

(continued on next page)

- Represents zero.

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

<sup>2</sup>FY 1993 data for Algeria corrected to indicate no applications filed.

<sup>3</sup>FY 1993 data for Azerbaijan corrected to indicate one application filed.

<sup>4</sup>FY 1993 data for Bulgaria corrected to indicate five applications filed.

<sup>5</sup>Germany now includes applications filed by residents of the territory which prior to October 3, 1990 was the Democratic Republic of Germany.

<sup>6</sup>FY 1993 data for Kazakhstan corrected to indicate one application filed.

Table 11. (Cont'd)  
**United States Patent Applications Filed by Residents of Foreign Countries<sup>1</sup>**  
(FY 1991 - FY 1995)

Residence	1991	1992	1993	1994	1995	Residence	1991	1992	1993	1994	1995
Peru	5	3	5	8	6	Syria	-	-	1	-	-
Philippines	12	10	6	6	17	Taiwan	2,541	2,957	3,370	3,847	4,729
Poland	14	17	24	26	19	Tanzania	1	-	-	-	-
Portugal	3	9	12	8	18	Thailand	9	24	13	24	33
Romania <sup>7</sup>	1	2	4	5	7	Trinidad & Tobago	2	2	3	3	1
Russian Federation	-	12	115	200	230	Tunisia	-	3	-	1	-
Saudi Arabia	11	14	17	21	29	Turkey	3	1	4	4	6
Senegal	1	-	-	-	-	Turks/Caicos Islands	-	-	-	-	2
Singapore	68	76	100	134	161	Uganda <sup>9</sup>	-	1	4	-	1
Slovakia <sup>8</sup>	-	-	1	5	14	Ukraine	-	-	18	17	17
Slovenia	-	5	24	15	16	United Arab Emirates	1	2	-	4	2
Solomon Islands	-	-	-	-	1	United Kingdom	4,739	4,537	4,503	5,104	5,577
South Africa	185	203	228	238	230	Uruguay	2	3	9	3	9
Soviet Union	186	165	70	22	17	Uzbekistan	-	1	1	1	2
Spain	314	316	285	367	384	Vatican City	-	-	-	1	-
Sri Lanka	2	-	1	1	3	Venezuela	46	58	30	51	38
St. Christ-Nevis	-	-	-	1	1	Vietnam	-	-	-	1	-
St. Vincent/Grenadines	-	-	1	-	-	Yemen <sup>10</sup>	-	-	1	-	2
Swaziland	-	1	-	-	8	Yugoslavia	35	38	11	10	12
Sweden	1,200	1,066	1,162	1,492	1,674	Zaire	-	-	-	-	1
Switzerland	1,953	1,839	1,937	1,922	2,075	Zimbabwe	2	3	1	1	-
						Other <sup>11</sup>	2	3	8	12	17

<sup>7</sup>FY 1993 data for Romania corrected to indicate four applications filed.

<sup>8</sup>FY 1993 data for Slovakia corrected to indicate one application filed.

<sup>9</sup>FY 1993 data for Uganda corrected to indicate four applications filed.

<sup>10</sup>FY 1993 data for Yemen corrected to indicate one application filed.

<sup>11</sup>Country of origin information not available.

Table 12.  
**Patent Applications Filed by Residents of the United States**  
(FY 1995)

State/Territory	1995	State/Territory	1995	State/Territory	1995
<b>Total</b>	<b>140,424</b>	Kentucky	698	Oklahoma	959
Alabama	703	Louisiana	895	Oregon	1,869
Alaska	147	Maine	223	Pennsylvania	6,439
Arizona	2,161	Maryland	2,774	Puerto Rico	49
Arkansas	271	Massachusetts	6,288	Rhode Island	535
California	26,362	Michigan	5,670	South Carolina	938
Colorado	2,747	Minnesota	4,035	South Dakota	114
Connecticut	3,266	Mississippi	299	Tennessee	1,484
Delaware	893	Missouri	1,583	Texas	9,855
District of Columbia	144	Montana	227	Utah	1,159
Florida	4,997	Nebraska	361	Vermont	532
Georgia	2,263	Nevada	898	Virgins Islands	6
Hawaii	191	New Hampshire	979	Virginia	1,880
Idaho	867	New Jersey	7,105	Washington	3,084
Illinois	6,713	New Mexico	539	West Virginia	293
Indiana	2,785	New York	10,798	Wisconsin	2,689
Iowa	901	North Carolina	2,752	Wyoming	82
Kansas	587	North Dakota	103	U.S. Pacific Islands <sup>1</sup>	9
		Ohio	6,215	United States <sup>2</sup>	8

<sup>1</sup>Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

<sup>2</sup>No state indicated in data base.

Table 13.  
Patents Issued by the United States to Residents of Foreign Countries

(FY 1991 - FY 1995)<sup>1</sup>

Residence	1991	1992	1993	1994	1995	Residence	1991	1992	1993	1994	1995
<b>Total</b>	<b>46,978</b>	<b>49,968</b>	<b>47,927</b>	<b>49,149</b>	<b>49,679</b>	Korea, Dem. Republic	2	-	1	1	-
Andorra	-	-	1	-	-	Korea, Republic of	413	543	789	941	1,175
Antigua	1	-	-	1	-	Kuwait	-	2	2	1	1
Argentina	17	21	30	27	38	Lebanon	1	1	1	1	1
Armenia	-	-	-	-	1	Liechtenstein	13	11	14	11	21
Australia	550	550	433	533	572	Lithuania	-	-	-	-	1
Austria	367	424	320	337	356	Luxembourg	42	36	37	48	30
Bahamas	7	2	4	-	4	Malaysia	10	8	22	16	11
Barbados	-	1	-	-	-	Malta	-	-	2	1	1
Belarus	-	-	-	-	5	Marshall Islands	-	-	-	-	1
Belgium	356	382	351	410	391	Mauritius	-	1	1	1	-
Belize	1	-	-	-	-	Mexico	44	44	44	56	43
Bermuda	-	-	-	2	-	Monaco	6	6	6	6	5
Brazil	61	55	58	57	66	Morocco	-	1	1	-	2
British Virgin Island	1	1	1	2	-	Netherlands	1,043	1,019	961	944	929
Bulgaria	17	4	5	2	4	Netherlands Antill	1	1	-	-	1
Canada	2,184	2,311	2,198	2,275	2,535	New Zealand	49	58	50	54	59
Cayman Islands	1	4	-	2	2	Nicaragua	-	-	1	-	-
Chile	5	6	11	6	10	Nigeria	1	2	-	-	1
China (Mainland)	48	50	58	41	69	Norway	111	120	120	128	142
Colombia	2	5	8	7	3	Oman	-	-	1	-	-
Costa Rica	1	5	3	7	7	Pakistan	-	1	-	1	2
Croatia	-	-	-	3	6	Panama	1	1	1	-	-
Cuba	-	-	1	5	-	Paraguay	1	-	-	-	-
Cyprus	1	-	1	2	3	Peru	2	4	2	2	3
Czech Republic	-	-	-	-	1	Philippines	9	10	6	1	4
Czechoslovakia	33	18	17	20	16	Poland	10	8	7	6	10
Denmark	280	263	288	260	333	Portugal	9	9	2	6	5
Dominican Republic	2	1	-	1	1	Romania	1	-	2	1	1
Ecuador	3	-	1	3	-	Russian Federation	-	-	2	22	90
Egypt	1	3	1	4	1	San Marino	-	-	-	1	-
Estonia	-	-	-	-	2	Saudi Arabia	7	7	4	9	11
Faroe Islands	-	-	-	1	-	Senegal	-	1	-	-	-
Finland	332	368	328	337	375	Singapore	24	23	46	58	53
France	3,094	3,332	3,165	3,051	2,991	Slovenia	-	-	1	10	8
French Polynesia	1	-	-	-	-	South Africa	114	113	89	99	137
Georgia	-	-	-	-	1	Soviet Union	194	89	68	63	18
Germany <sup>2</sup>	7,548	7,960	7,172	7,024	6,946	Spain	159	177	160	181	185
Ghana	-	-	-	-	1	Sri Lanka	-	2	3	-	1
Greece	11	10	7	16	11	St. Vincent/The Grenadines	-	-	-	1	-
Guadeloupe	-	-	-	1	-	Sweden	843	747	743	754	905
Guatemala	2	3	1	2	-	Switzerland	1,384	1,369	1,193	1,225	1,236
Guyana	1	1	-	-	-	Syria <sup>3</sup>	-	2	-	-	-
Honduras	-	-	1	-	2	Taiwan	1,000	1,195	1,453	1,709	2,026
Hong Kong	209	169	174	200	238	Tanzania	-	-	1	-	-
Hungary	87	84	78	50	43	Thailand	3	1	12	13	10
Iceland	-	5	4	6	3	Trinidad & Tobago	1	3	-	2	2
India	28	23	21	33	39	Tunisia	-	1	-	1	-
Indonesia	1	6	7	9	8	Turkey	2	4	-	1	3
Iran	2	1	1	1	3	Uganda	-	-	-	3	-
Ireland	49	61	63	53	56	Ukraine	-	-	-	5	9
Israel	304	377	358	354	440	United Arab Emira	2	1	1	1	-
Italy	1,379	1,455	1,452	1,376	1,273	United Kingdom	2,974	2,851	2,462	2,424	2,642
Jamaica	2	1	-	-	2	Uruguay	-	2	-	-	2
Japan	21,464	23,481	22,942	23,764	22,991	Uzbekistan	-	-	-	1	-
Jordan	-	1	-	-	-	Venezuela	21	28	28	31	33
Kazakhstan	-	-	-	-	1	Yemen	-	-	-	1	-
Kenya	1	1	3	-	1	Yugoslavia	27	20	20	19	7
						Zimbabwe	-	1	1	4	1

- Represents zero.

<sup>1</sup>Data include utility, design, plant, and reissue patents. Country listings include possessions and territories of that country unless separately listed in the table.

<sup>2</sup>Germany now includes patents granted to residents of the territory which prior to October 3, 1990, was the Democratic Republic of Germany.

<sup>3</sup>FY 1992 was corrected to indicate the issuance of two patents to Syria.

**Table 14.  
Patent Classification Activity**

(FY 1991 - FY 1995)

Classification activity	1991	1992	1993	1994	1995
Original patents professionally reclassified - completed projects	103,722	118,339	127,702	138,467	104,078
Subclasses established	2,426	4,001	6,358	5,056	4,364
<b>Reclassified patents clerically processed, total</b>	<b><sup>2</sup>283,913</b>	<b>509,004</b>	<b>670,388</b>	<b>502,247</b>	<b>695,955</b>
Original U.S. patents	58,151	121,184	124,758	131,062	129,642
Cross-reference U.S. patents	86,762	193,820	262,400	232,143	271,478
Foreign patents <sup>1</sup>	139,000	194,000	283,230	139,042	294,835

<sup>1</sup>FY 1993 actual count based on new automated system introduced in FY93.

<sup>2</sup>FY 1991 total corrected from prior number of 283,943.

**Table 15.  
Scientific and Technical Information  
Center Activity**

(FY 1995)

Scientific and technical information center activity	1995
<b>Literature Collections and Services</b>	
Additions to the literature collections:	
Books purchased	3,216
Journal subscriptions purchased	1,904
Journal issues received	21,839
CD-ROM products purchased	37
Microfilm backfiles purchased	345
Literature services provided:	
Documents circulated	3,843
Interlibrary loans processed	30,910
On-line commercial data base searches	11,459
Sequence searches completed	2,723
Number of sequences searched	23,731
Reference questions completed	10,704
<b>Foreign Document Collections and Services</b>	
Additions to the foreign patent document collections:	
Microfilm reels	2,130
Microfiche	65,149
CD-ROM	2,350
Documents in paper form (unique)	532,267
Journals	1,433
Foreign document services provided:	
Words of foreign material translated (written)	17,065,301
Documents orally translated	3,701
Copies of foreign patents provided:	
Self service copies (from FPAS CD-ROM)	24,292
Copies purchased by the public	3,113
Copies provided to PTO staff	7,203
Microfilm reels furnished for copying	107,562
On-line and manual searches complete	10,989
Reference questions completed	14,141

Table 16.  
**Summary of Trademark Examining Activities**

(FY 1991 - FY 1995)

Item	1991	1992	1993	1994	1995
<b>Applications for registration filed</b>	<b>120,365</b>	<b>125,237</b>	<b>139,735</b>	<b>155,376</b>	<b>175,307</b>
Disposal of trademark applications:					
Applications maturing to registration <sup>1</sup>	49,810	69,691	86,122	68,853	75,372
Applications abandoned	20,721	26,435	40,752	42,467	42,214
Trademark first actions	134,988	136,047	131,191	147,343	176,764
Applications approved for publication	95,757	110,940	94,161	97,347	118,727
<b>Certificates of registration issued, total<sup>2</sup></b>	<b>43,152</b>	<b>62,067</b>	<b>74,349</b>	<b>59,797</b>	<b>65,662</b>
1946 act principal register	39,398	49,404	54,937	38,238	44,531
Principal Register					
ITU-statements of use register	2,397	10,345	17,174	19,563	18,513
1946 act supplemental register	1,357	2,318	2,238	1,996	2,618
Renewal of registration:					
Applications filed	5,634	6,355	7,173	7,004	7,220
Applications abandoned	86	90	122	86	170
Registrations renewed	6,416	5,733	6,182	6,136	6,785
Affidavits, Sec. 8/15:					
Affidavits filed	25,763	20,982	21,999	20,850	23,497
Affidavits disposed	20,869	23,186	19,279	17,846	17,935
Affidavits for benefits under sec. 12(c):					
Affidavits filed	1	25	5	4	3
Affidavits abandoned	-	-	-	-	-
Published under sec. 12(c)	19	13	21	11	4
Amendments to allege use filed	3,259	3,255	3,138	4,033	5,169
Statements of use filed	6,773	14,275	25,837	22,057	19,869
Notice of allowance issued	23,602	42,432	53,053	40,741	51,473
Pendency time of average trademark application: <sup>3</sup>					
Between filing and examiner's first action — all applications	4.3	3.1	4.0	5.2	5.3
Between filing, registration (use) applications (only)					
Abandonments, and NOA's	16.7	15.1	14.4	16.3	16.7
Between filing and issuing a notice of allowance (intent to use applications only)	13.3	13.8	13.0	15.9	16.4
<b>Total active certificates of registration (as of 9/30)</b>	<b>690,745</b>	<b>834,858</b>	<b>712,000</b>	<b>727,983</b>	<b>751,783</b>

- Represents zero.

<sup>1</sup>Adjusted to include Intent to Use registrations.

<sup>2</sup>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.

<sup>3</sup>Average pendency time in months.

**Table 17.**  
**Trademark Applications Filed for Registration**  
**and Renewal and Trademark Affidavits Filed**  
(FY 1975 - FY 1995)

Year	For registration	For renewal	Section 8 affidavit	Section 12(c) affidavit
1975	33,898	5,687	14,644	29
1976 <sup>1</sup>	37,074	6,833	15,665	24
1977 <sup>1</sup>	44,539	5,854	13,463	30
1978	50,106	5,567	13,351	77
1979	50,672	5,623	13,864	10
1980	52,149	5,892	13,633	85
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
<b>1995</b>	<b>175,307</b>	<b>7,220</b>	<b>23,497</b>	<b>3</b>

<sup>1</sup>The transition quarter, July 1, 1976, to September 30, 1976, has been omitted.

**Table 18.**  
**Summary of Pending Trademark Applications**  
(As of September 30, 1995)

Stage of processing	Applications for registration
<b>Pending applications, total</b>	<b>242,442</b>
<b>In preexamination processing</b>	<b>66,631</b>
<b>Under examination, total</b>	<b>100,785</b>
Amended, awaiting action by examiner	10,160
Awaiting first action by examiner	10,352
Awaiting subsequent action (by applicant, on appeal, in adversary proceeding, in clerical processing) <sup>1</sup>	80,273
<b>In postexamination processing<sup>2</sup></b>	<b>75,026</b>

<sup>1</sup>Excludes ITU applications that have received a Notice of Allowance and are awaiting a Statement of Use.

<sup>2</sup>Includes all applications in all phases of publication and registration.



Table 19.  
**Summary of Contested Trademark Cases**

(Within the patent and trademark office)

Trademark Trial and Appeal Board	Exparte	Cancel	Conc. use	Interference	Oppos.	Total
Cases pending as of 9/30/94	1,962	2,583	222	-	7,801	12,568
Cases filed during FY 1995	1,330	1,241	43	-	3,487	6,101
Disposals during FY 1995						
Before hearing	683	872	22	-	2,410	3,987
After hearing	227	14	1	-	68	310
<b>Total</b>	<b>910</b>	<b>886</b>	<b>23</b>	<b>-</b>	<b>2,478</b>	<b>4,297</b>
Cases pending as of 9/30/95:						
Awaiting decision	130	14	-	-	49	193
In process before hearing <sup>1</sup>	<sup>2</sup> 804	1,882	102	-	5,035	7,823
<b>Total</b>	<b>934</b>	<b>1,896</b>	<b>102</b>	<b>-</b>	<b>5,084</b>	<b>8,016</b>
Requests for extension of time to oppose						22,689

- Represents zero.

<sup>1</sup>Includes suspended cases.

<sup>2</sup>Ex parte number reflects an inventory adjustment based on new automated TRAM reports.

Table 20.  
**Trademarks Registered, Renewed, and Published Under Section 12(c)<sup>1</sup>**

(FY 1975 - FY 1995)

Year	Certificates of registration issued	Renewed	Published under 12(c)
1975	27,324	5,474	25
1976 <sup>2</sup>	28,102	6,914	56
1977 <sup>2</sup>	25,026	6,251	21
1978	28,921	5,254	84
1979	22,210	5,404	34
1980	14,614	5,862	54
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
1994	59,797	6,136	11
<b>1995</b>	<b>65,662</b>	<b>6,785</b>	<b>4</b>

<sup>1</sup>Includes withdrawn numbers.

<sup>2</sup>The transition quarter, July 1, 1976, to September 30, 1976, has been omitted.

Table 21.  
**Trademark Applications Filed by Residents of Foreign Countries**  
(FY 1991- FY 1995)

Residence	1991	1992	1993	1994	1995	Residence	1991	1992	1993	1994	1995
<b>Total</b>	<b>18,229</b>	<b>17,521</b>	<b>18,062</b>	<b>19,868</b>	<b>23,084</b>	Ecuador	11	5	10	15	9
Afghanistan	-	-	-	-	-	Egypt	3	5	1	-	5
Albania	-	1	-	-	-	El Salvador	2	6	7	7	2
Antigua & Barbuda	-	3	1	3	1	Faroe Islands	-	-	-	1	-
Algeria	-	-	1	-	-	Fiji	4	-	-	2	-
Anguilla <sup>1</sup>	-	-	1	2	1	Finland	110	112	129	106	194
Argentina	41	69	43	57	80	France	2,013	1,817	1,484	1,712	1,723
Aruba	-	-	1	1	-	French Guiana	2	-	-	-	-
Australia	419	457	424	470	625	French Polynesia	1	-	1	4	2
Austria	148	202	131	178	169	Germany, Fed. Republic <sup>2</sup>	1,566	1,982	1,947	1,912	2,655
Bahamas	19	20	19	41	36	Ghana	-	-	-	-	-
Bahrain	1	-	-	-	1	Gibraltar	2	-	5	2	4
Barbados	38	19	11	64	29	Greece	17	14	19	21	28
Belarus	-	-	-	-	2	Greenland	-	-	-	-	5
Belgium	180	143	121	177	184	Grenada	-	-	1	-	-
Belize	-	-	4	3	7	Guadeloupe	-	-	1	-	-
Benelux Convention	2	-	4	2	4	Guatemala	15	5	2	5	8
Bermuda	32	31	51	21	53	Guinea	-	-	-	1	-
Bolivia	1	-	-	1	2	Guyana	2	1	1	1	-
Botswana	-	-	-	1	-	Haiti	2	3	1	2	1
Brazil	147	117	137	108	109	Honduras	2	-	17	4	-
British Virgin Islands	25	83	77	93	128	Hong Kong	360	484	319	396	456
Bulgaria	1	1	3	2	-	Hungary	18	21	6	23	12
Cambodia	3	-	-	-	-	Iceland	8	9	11	12	6
Canada	3,491	3,294	3,595	4,330	4,721	India	18	18	23	33	39
Cayman Islands	13	26	16	24	20	Indonesia	24	18	23	15	5
Central African Republic	-	-	-	-	1	Iran	5	1	19	16	29
Channel Islands	25	36	33	31	36	Ireland	71	57	64	71	127
Chile	26	27	46	29	31	Isle of Man	-	19	11	9	11
China (mainland)	101	49	67	97	116	Israel	80	154	173	242	247
Colombia	49	25	43	52	57	Italy	1,351	964	1,027	952	1,303
Cook Island	-	-	15	-	-	Jamaica	7	19	14	15	23
Costa Rica	17	10	15	19	15	Japan	1,901	1,691	1,780	1,642	1,974
Croatia	-	-	-	4	1	Jordan	-	-	-	1	10
Cuba	-	-	-	11	10	Kazakhstan	-	-	-	2	-
Cyprus	3	2	4	3	2	Kenya	7	-	-	5	1
Czechoslovakia	21	15	51	34	43	Korea, Dem. Republic of	1	-	8	5	20
Denmark	132	121	142	142	176	Korea, Republic of	207	200	200	376	370
Dominica	1	-	-	1	11	Kuwait	-	-	-	2	2
Dominican Republic	4	7	8	5	38	Lebanon	3	3	-	1	1

(continued on next page)

- Represents zero.

<sup>1</sup>Anguilla filings for FY 1993 corrected to reflect 1 application.

<sup>2</sup>Germany now includes applications filed by residents of the territory which prior to October 3, 1990, was the Democratic Republic of Germany.

Table 21. (Cont'd)  
**Trademark Applications Filed by Residents of Foreign Countries**  
(FY 1991- FY 1995)

Residence	1991	1992	1993	1994	1995	Residence	1991	1992	1993	1994	1995
Liberia	-	1	-	4	-	San Marino	1	1	-	-	1
Libya	-	2	-	-	-	Saudi Arabia	5	4	7	6	9
Liechtenstein	40	36	79	36	42	Scotland	-	27	-	33	75
Luxembourg	36	64	15	60	32	Sierra Leone	-	-	-	-	1
Macau	-	-	1	1	2	Singapore	58	66	97	172	138
Malaysia	28	23	26	36	39	Slovakia	-	-	-	-	5
Mali	-	-	-	-	1	Slovenia	-	-	8	12	5
Malta	1	-	1	1	1	Solomon Islands	-	-	-	-	1
Martinique	-	-	-	1	-	Somalia	-	-	1	-	4
Mauritius	-	-	-	2	3	South Africa	52	97	54	99	87
Mexico	242	284	351	435	488	Soviet Union	43	25	19	40	59
Micronesia	-	-	1	-	-	Spain	308	394	343	312	338
Monaco	17	17	11	13	24	Sri Lanka	-	11	4	3	2
Morocco <sup>3</sup>	2	-	2	1	1	Swaziland	-	4	5	1	-
N. Mariana Island	-	1	2	-	1	Sweden	333	389	456	398	506
Namibia	2	1	-	-	-	Switzerland	777	547	727	908	1,134
Navassa Island	-	-	-	-	1	Syria	-	-	1	-	-
Netherlands	623	515	478	632	709	Taiwan	466	470	460	504	508
Netherlands Antilles	52	37	35	20	63	Thailand	62	34	51	31	17
New Zealand	83	71	143	96	104	Trinidad & Tobago	4	7	5	22	20
Nicaragua	1	1	-	-	4	Tunisia	-	-	-	-	7
Nigeria	-	-	3	1	1	Turkey	1	7	11	11	18
Norfolk Island	-	-	1	-	-	Turks and Caicos Islands	-	1	-	6	1
Norway	97	59	112	82	59	Uganda	-	2	1	1	2
Oman	-	-	-	-	1	Ukraine	-	1	-	6	-
Pakistan	-	6	11	6	5	United Arab Emirates	2	3	8	4	5
Panama	46	35	26	23	27	United Kingdom	1,861	1,705	1,999	2,129	2,384
Papua New Guinea <sup>4</sup>	-	-	2	-	2	Uruguay	3	10	5	8	6
Paraguay <sup>5 6</sup>	-	1	-	-	2	Uzbekistan	-	-	-	-	1
Peru	15	19	4	8	19	Vanuatu	-	4	4	-	-
Phillippines	6	12	11	13	29	Venezuela	171	78	51	25	51
Poland	6	11	1	10	25	Vietnam	-	-	-	1	1
Portugal	10	37	52	23	28	Wales	-	10	-	-	-
Romania	-	3	-	4	1	Yugoslavia	20	21	8	1	1
Saint Lucia	-	-	-	1	-	Zimbabwe	2	1	-	7	2
Samoa	-	-	1	-	-						

<sup>3</sup>Morocco filing for FY 1992 corrected to reflect no applications.

<sup>4</sup>Papua New Guinea filings for FY 1993 corrected to reflect 2 applications.

<sup>5</sup>Paraguay filings for FY 1991 corrected to reflect no applications.

<sup>6</sup>Paraguay filings for FY 1992 corrected to reflect 1 application.

Table 22.  
**Trademark Applications Filed by Residents of the United States**  
(FY 1995)

State/Territory	1995	State/Territory	1995
<b>Total</b>	<b>152,223</b>	Nevada	1,199
Alabama	871	New Hampshire	676
Alaska	94	New Jersey	6,202
Arizona	2,232	New Mexico	425
Arkansas	415	New York	16,493
California	29,024	North Carolina	2,788
Colorado	3,387	North Dakota	94
Connecticut	2,983	Ohio	5,023
Delaware	2,034	Oklahoma	870
District of Columbia	1,338	Oregon	1,511
Florida	8,195	Pennsylvania	5,221
Georgia	3,621	Puerto Rico	102
Hawaii	418	Rhode Island	855
Idaho	400	South Carolina	929
Illinois	8,694	South Dakota	199
Indiana	1,705	Tennessee	2,232
Iowa	975	Texas	8,131
Kansas	932	Utah	1,541
Kentucky	871	Vermont	315
Louisiana	729	Virgin Islands	20
Maine	351	Virginia	3,170
Maryland	2,493	Washington	3,321
Massachusetts	4,955	West Virginia	130
Michigan	3,679	Wisconsin	2,549
Minnesota	3,724	Wyoming	144
Mississippi	301	APO for Europe	1
Missouri	2,862	U.S. Pacific Islands <sup>1</sup>	8
Montana	156	United States <sup>2</sup>	6
Nebraska	629		

<sup>1</sup>Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

<sup>2</sup>No state indicated in data base.

Table 23.  
Trademarks Registered by the United States to Residents of Foreign Countries

(FY 1991 - FY 1995)

Residence	1991	1992	1993	1994	1995	Residence	1991	1992	1993	1994	1995
<b>Total</b>	<b>6,647</b>	<b>7,281</b>	<b>11,054</b>	<b>8,066</b>	<b>7,822</b>	Jordan	-	-	-	1	-
Afghanistan	2	-	-	-	-	Kenya	-	1	-	1	3
Anguilla	-	-	-	-	2	Kiribati	-	-	5	1	-
Antigua & Barbuda	10	3	1	-	3	Korea, Republic of	68	83	129	103	108
Argentina	14	24	26	21	23	Kuwait	-	-	-	-	-
Australia	225	201	268	196	177	Lebanon	-	2	7	4	3
Austria	67	62	116	82	68	Liberia	2	8	5	3	5
Bahamas	9	3	14	10	18	Libya	-	1	-	1	-
Bahrain	1	1	2	-	-	Liechtenstein	23	15	29	15	15
Bangladesh	-	-	-	1	1	Luxembourg	17	6	21	18	11
Barbados	1	6	5	4	10	Macau	-	-	2	-	1
Belgium	106	76	110	64	67	Malaysia	2	1	4	9	8
Belize	1	1	-	1	-	Malta	1	2	2	-	2
Benelux Convention	2	6	-	-	-	Mauritius	2	2	-	-	-
Bermuda	2	3	11	16	15	Mexico	68	101	152	137	142
Bolivia	-	-	-	-	-	Monaco	6	4	7	5	5
British Virgin Islands	7	9	32	24	33	Morocco	5	-	-	-	-
Brazil	45	54	67	73	60	Namibia	-	-	1	-	-
Canada	1,062	1,218	1,680	1,343	1,438	Netherlands	191	213	350	248	231
Cayman Islands	20	12	10	12	12	Netherlands Antilles	9	8	14	7	14
Channel Islands <sup>1</sup>	-	3	-	-	1	New Zealand	21	31	58	44	37
Chile	17	14	19	13	17	Nicaragua	-	-	1	-	1
China (mainland)	42	31	67	38	45	Nigeria	-	-	2	2	1
Cook Islands	-	-	1	3	8	Norway	30	39	46	41	34
Colombia	7	19	33	25	18	Oman	-	-	-	-	1
Costa Rica	6	4	6	10	9	Pakistan	-	1	3	2	4
Cuba	3	1	-	4	1	Panama	20	24	31	23	15
Cyprus	-	-	2	3	5	Papua New Guinea	-	-	-	-	-
Czechoslovakia	7	6	6	13	6	Paraguay	-	-	1	-	-
Denmark	113	72	79	70	79	Peru	3	5	11	8	3
Dominica	-	-	-	-	2	Philippines	4	3	11	2	7
Dominican Republic	3	4	2	3	7	Poland	-	6	7	6	3
Ecuador	3	1	4	3	12	Portugal	6	5	25	17	8
Egypt	-	-	2	2	-	Romania	-	-	1	-	1
El Salvador	2	5	4	4	5	Saint Lucia	-	-	-	1	-
Fiji	-	1	1	-	-	San Marino	1	-	-	-	-
Finland	42	37	85	57	65	Saudi Arabia	-	-	1	2	2
France	776	828	1,334	797	754	Scotland	-	1	-	-	1
French Polynesia	1	-	2	-	-	Senegal	-	-	-	-	1
Germany, Federal Republic <sup>2</sup>	692	702	1,224	847	821	Singapore	10	17	28	23	33
Ghana	1	2	-	1	-	South Africa	10	9	34	24	33
Gibraltar	-	-	-	-	1	Soviet Union	16	10	13	4	-
Greece	4	1	8	12	11	Spain	135	147	301	197	154
Grenada	1	-	-	-	-	Spraty Islands	-	-	1	2	5
Guadeloupe	-	-	1	-	-	Sri Lanka	-	-	1	2	7
Guatemala	10	8	10	-	4	Sweden	98	128	224	192	169
Guyana	-	-	2	-	1	Switzerland	293	304	486	258	327
Haiti	2	5	-	1	-	Syria	-	2	2	3	2
Honduras	-	-	-	1	6	Taiwan	117	223	357	290	234
Hong Kong	83	130	175	160	127	Thailand	3	16	29	16	20
Hungary	8	8	9	10	8	Trinidad & Tobago	2	2	7	8	7
Iceland	5	1	9	2	5	Turkey	1	6	4	2	6
India	4	21	16	26	21	Turks and Caicos Islands	-	-	-	1	1
Indonesia	2	5	7	11	7	United Kingdom	738	799	1,113	826	799
Iran	3	7	4	4	5	Uruguay	5	1	-	3	6
Ireland	28	20	28	35	27	Venezuela	27	24	46	25	17
Isle of Man	-	1	1	-	2	Vietnam	1	1	2	3	1
Israel	24	41	82	70	83	Western Samoa	-	-	-	-	1
Italy	595	571	789	469	486	Yugoslavia	6	2	7	6	4
Jamaica	2	6	10	5	4	Zimbabwe	2	1	1	-	3
Japan	644	793	1,108	932	740	Other <sup>3</sup>	-	-	-	2	6

<sup>1</sup>FY 1993 data for the Channel Islands was corrected to reflect no applications filed.

<sup>2</sup>Germany now includes applications filed by residents of the territory which prior to October 3, 1990, was the Democratic Republic of Germany.

<sup>3</sup>Country of origin information not available.

**Table 24.**  
**Trademarks Registered to Residents of the United States**  
(FY 1995)

State/Territory	1995	State/Territory	1995
<b>Total</b>	<b>57,840</b>	Nevada	571
Alabama	275	New Hampshire	197
Alaska	21	New Jersey	1,524
Arizona	504	New Mexico	115
Arkansas	146	New York	4,495
California	6,442	North Carolina	802
Colorado	793	North Dakota	36
Connecticut	542	Ohio	1,716
Delaware	11,737	Oklahoma	264
District of Columbia	339	Oregon	488
Florida	1,972	Pennsylvania	1,429
Georgia	962	Puerto Rico	25
Hawaii	107	Rhode Island	190
Idaho	91	South Carolina	259
Illinois	2,236	South Dakota	73
Indiana	661	Tennessee	532
Iowa	378	Texas	2,089
Kansas	287	Utah	445
Kentucky	282	Vermont	114
Louisiana	216	Virgin Islands	0
Maine	114	Virginia	773
Maryland	693	Washington	875
Massachusetts	1,357	West Virginia	68
Michigan	1,116	Wisconsin	868
Minnesota	1,320	Wyoming	63
Mississippi	84	US Air Force	1
Missouri	994	U.S. Pacific Islands <sup>1</sup>	13
Montana	61	United States <sup>2</sup>	5,884
Nebraska	201		

<sup>1</sup>Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

<sup>2</sup>No state indicated in data base.

**Table 25.**  
**Trademark Services Workload**

(FY 1995)

	1995
Search Room:	
Copies of new registrations filed	193,766
Copies of new drawings filed in pending file	495,865
Official register: Total updates stamped on marks	32,973
Assignments:	
Abstracts of title	120
Documents recorded/processed	60,448
Copies supplied to the public, other government agencies and USPTO	25,939
Certified documents	35,807
Total files processed <sup>1</sup>	277,299

<sup>1</sup>The number of trademark files provided from the PTO File Repository to the public and the PTO, new issues filed, and abandonments filed.

**Table 26.**  
**Patent Services Workload**

(FY 1995)

	1995
Search Room:	
New patents and cross references filed	349,658
Reclassified patents filed	1,023,564
Assignments:	
Abstracts of title	384
Documents recorded/processed	145,313
Copies Supplied:	
Foreign exchange programs <sup>1</sup>	15,032,843
Patent and trademark depository libraries	18,236,880
Public, other government agencies and USPTO	680,295
Advance orders	687,448
Certified documents	112,564
Total files processed <sup>2</sup>	604,961

<sup>1</sup>Includes copies of patents disseminated on paper, microfilm, and CD-ROM.

<sup>2</sup>The number of patent files provided from the PTO File Repository and the Federal Record Center to the public and the PTO, new issues filed, and new abandonments filed.

Table 27.  
**Actions on Petitions to the Commissioner of Patents and Trademarks**  
(FY 1993 - FY 1995)

Nature of Petition	1993	1994	1995
<b>PATENT MATTERS</b>			
<b>Total actions on patent petitions<sup>2</sup></b>	<b>36,355</b>	<b>46,456</b>	<b>34,840</b>
Acceptance of:			
Amendments filed after payment of issue fee	76	52	45
Late assignments	54	52	66
Late issue fees	893	1,068	908
Late priority papers	57	75	70
Access	63	82	1
Certificates of correction	21,040	26,268	16,502
Deferment of issue	32	45	23
Filing date	1,105	3,195	2,748
Interference	1	1	0
Make Special:			
Infringement/manufacture	210	151	158
Other	1,073	1,026	1,056
Miscellaneous <sup>1</sup>	2,653	3,323	2,731
Maintenance fees	752	942	780
Public use	3	4	7
Reexamination proceedings	74	90	71
Restriction	61	73	59
Revivals	3,322	4,173	4,144
Rule 47 (37 CFR 1.47)	279	590	306
Supervisory authority	879	567	598
Suspend rules	194	780	791
Withdrawal of attorney	567	635	659
Withdrawal from issue	662	603	635
Change of inventorship	520	849	829
Withdrawals of holding of aband./pat. lapse	1,785	1,812	1,653
<b>TRADEMARK MATTERS</b>			
<b>Total actions on trademark petitions</b>	<b>879</b>	<b>1,107</b>	<b>1,348</b>
Affidavits of use and extensions	71	140	118
Decision by examiner	-	14	8
Grant application filing date	51	63	111
Interferences	2	1	0
Make special	30	52	92
Miscellaneous	16	-	12
Oppositions and extensions	18	13	13
Record documents affecting title	5	-	0
Restore jurisdiction to examiner	5	11	12
Review board decisions	9	13	2
Revive	562	709	839
Sections 7 correction/amendment	10	20	7
Section 9 renewal	7	9	6
Section 8 or 15	52	37	32
Waive fees/refunds	41	25	96
<b>PETITIONS AWAITING ACTION AS OF 9/30/95</b>			
Patent matters <sup>3</sup>	15,671	404	976
Trademark petitions awaiting response	202	60	36
Trademark petitions awaiting action	183	104	97

<sup>1</sup>FY 1993 data includes petitions under rule 28 (37 CFR 1.28).

<sup>2</sup>FY 1993 total actions on patent petitions corrected.

<sup>3</sup>FY 1993 data includes pending certificates of correction.



Table 28.  
**Cases in Litigation**

(Selected courts of the United States)

	Pat	TM	Total
<b>SUPREME COURT</b>			
Ex Parte Cases			
Cases pending as of 9/30/94	1	-	1
Cases filed during FY 95	1	3	4
<b>Total pending filed</b>	<b>2</b>	<b>3</b>	<b>5</b>
Disposals:			
Certiorari denied	1	1	2
Certiorari dismissed	-	-	-
Certiorari granted-affirmed	-	-	-
Certiorari granted-reversed	-	1	1
<b>Total disposals</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Total cases pending as of 9/30/95</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>UNITED STATES DISTRICT COURTS</b>			
Civil actions pending as of 9/30/94			
	14	1	15
Filed during FY 95			
	27	1	28
<b>Total pending and filed</b>	<b>41</b>	<b>2</b>	<b>43</b>
Disposals:			
Affirmed	7	-	7
Modified	-	-	-
Reversed	-	-	-
Remanded	-	-	-
Dismissed	13	1	14
Amicus/intervene	-	-	-
Examiner testimony	-	-	-
Transfer	-	-	-
<b>Total disposals</b>	<b>20</b>	<b>1</b>	<b>21</b>
<b>Total civil actions pending as of 9/30/95</b>	<b>21</b>	<b>1</b>	<b>22</b>

- Represents zero.

Table 29.  
**Cases in Litigation in U.S. Court of Appeals**

(Selected courts of the United States)

	Ex parte		Inter partes		Total
	Pat	TM	Pat	TM	
<b>UNITED STATES COURT OF APPEALS<sup>1</sup></b>					
Cases pending as of 9/30/94	35	4	24	45	108
Cases filed during FY 95	54	7	30	63	154
<b>Total pending and filed</b>	<b>89</b>	<b>11</b>	<b>54</b>	<b>108</b>	<b>262</b>
Disposals:					
Affirmed	29	4	1	1	35
Modified	-	-	1	-	1
Reversed	8	1	-	-	9
Remanded	6	-	-	-	6
Dismissed	17	4	5	5	31
Amicus/intervene	-	-	-	-	-
Examiner testimony	-	-	-	-	-
Transfer	-	-	-	-	-
Writs of mandamus:					
Granted	-	-	-	-	-
Granted-in-part	-	-	-	-	-
Denied	-	-	-	-	-
Dismissed	-	-	-	-	-
<b>Total disposals</b>	<b>60</b>	<b>9</b>	<b>7</b>	<b>6</b>	<b>82</b>
<b>Total cases pending as of 9/30/95</b>	<b>29</b>	<b>2</b>	<b>47</b>	<b>102</b>	<b>180</b>

- Represents zero.

<sup>1</sup>Includes federal circuit and others.

Table 30.  
**Cases in Litigation,<sup>1</sup> by Month**

(Other jurisdictions-reported cases)

Month	Patent suits	Trade-mark suits
October (1994)	87	106
November	89	105
December	99	87
January (1995)	108	90
February	57	85
March	70	90
April	114	109
May	105	78
June	92	100
July	86	80
August	74	101
September (1995)	100	123
<b>Total for FY 1995</b>	<b>1,081</b>	<b>1,154</b>

<sup>1</sup>Notices received pursuant to 35 USC 290 and 15 USC 1116 for both suits filed and decisions.

# Glossary

## GLOSSARY OF OFFICE SPECIFIC TERMS

**ALLOWANCE:** examiners determine whether a patent can be allowed by searching prior art, which includes previously issued U.S. and foreign patents and non-patent literature to help determine whether the claimed invention complies with the patent statutes and court decisions.

**PATENT APPLICATION:** a request from a user for a patent to be granted by the United States Patent and Trademark Office.

**PATENT APPLICATION, EXAMINED:** to determine the qualifications of patent applications requesting the granting of patents. To determine whether the invention is new, useful, and nonobvious to someone knowledgeable in the subject matter.

**PATENT APPLICATION, DISPOSED (DISPOSAL):** patent examiner completes action on the application.

**PATENT APPLICATION, ISSUED (ISSUANCE):** patent application issued or granted as a patent.

**PATENT APPLICATION, WITHDRAWAL (ABANDONED):** to surrender one's claim or right to a request for a patent to be granted.

**PATENT PENDENCY:** average time in months from filing to either issuance or abandonment.

**TRADEMARK:** a word, phrase, symbol, design, or combination thereof, that identifies and distinguishes the source of goods or services of one party from those of another.

**TRADEMARK APPLICATION:** application for federal registration of a mark filed at the United States Patent and Trademark Office.

**TRADEMARK APPLICATION, EXAMINED:** review of application for compliance with the Trademark Act.

**TRADEMARK APPLICATION, DISPOSED:** an application that is registered or abandoned.

**TRADEMARK APPLICATION, ABANDONED:** termination of examination for failure to respond to an examination letter, because of a judicial decision, or by request of applicant.

**TRADEMARK APPLICATION, REGISTRATION:** issuance of a certificate of registration by the United States Patent and Trademark Office.

**TRADEMARK PENDENCY:** average time in months from filing an application to mailing the first examination letter, and average time in months from filing to registration, issuing a notice of allowance or abandonment.

## **GLOSSARY OF BUDGET AND ACCOUNTING TERMS AND DEFINITIONS**

**ACCOUNT:** something for which appropriations are made in an appropriations act. For spending that is not provided in an appropriations act, an account is an item for which there is a designated budget account identification number in the President's budget.

**ACCOUNTS PAYABLE:** amounts owed to an account other than your own for goods and services purchases. Such amounts include disbursements owed to others.

**ACCOUNTS RECEIVABLE:** amounts owned to an account for goods furnished and services rendered. Such amounts include reimbursements earned and refunds receivable.

**APPROPRIATION:** an act of Congress that allows federal agencies to incur obligations and make payments from the Treasury for specified purposes. An appropriation is the most common means of providing budget authority and usually follows the passage of an authorized bill.

**AUTHORIZATION (AUTHORIZING LEGISLATION):** an act of Congress that establishes or continues a federal program or agency either for a specified period of time or indefinitely; specified its general goals and conduct; and usually sets a ceiling on the amount of budget authority that can be provided in an annual appropriation. An authorization for an agency or program usually is required before an appropriation for that same agency or program can be passed.

**BUDGET AUTHORITY:** the authority granted to a federal agency in an appropriations bill to enter into commitments that result in immediate or future spending. Budget authority is not necessarily the amount of money an agency or department actually will spend during a fiscal year, but merely the upper limit on the amount of new spending commitments it can make. The three basic types of budget authority are appropriations, borrowing authority, and contract authority.

**BUDGET RECEIPTS:** amounts received by the federal government from the public that arise from:

- the exercise of governmental or sovereign power (consisting primarily of tax revenues, but also including receipts from premiums of compulsory social insurance programs, court fines, certain license fees, and the like),
- premiums from voluntary participants in federal and social insurance programs (such as deposits by states for unemployment insurance and for social security for their employees) that are closely related to compulsory social insurance programs, and
- gifts and contributions.

Excluded from budget receipts are offsetting receipts, which are counted as deductions for budget authority and outlays rather than as budget receipts.

**CARRYOVER:** the unobligated amounts at the end of a fiscal year for unexpired accounts.

**CASH BASIS OF ACCOUNTING:** a method of accounting in which revenue is recognized at the time the payment is received and costs are considered incurred at the time the payment is made.

**COLLECTIONS:** any monies received by the government. Depending upon the nature of the transaction, collections may be treated as budget receipts, offsetting receipts refunds, or credits to a deposit fund.

**DEOBLIGATION:** a downward adjustment of previously recorded obligations. This may be attributed to cancellation of a project or contract, price revision, or corrections of amounts previously recorded as obligations.

**DEPOSIT FUNDS:** accounts established to facilitate the accounting for collections that are either (a) held in suspense temporarily and later refunded or paid into some other fund of the government upon administrative or legal determination as to the proper disposition thereof or (b) held by the government as banker or agent for others and paid out at the discretion of the depositor.

**EXPENDED APPROPRIATION:** the amount of expenditures (outlays) during the current fiscal year net of refunds to the appropriation made from general funds, special funds, and trust funds.

**EXPENDITURE:** actual spending, generally interchangeable with outlays.

**FISCAL YEAR (FY):** any yearly accounting period. The fiscal year for the federal government begins October 1 and ends on September 30.

**LIABILITY:** accounts owed for items received, services rendered, expenses incurred, assets acquired, construction performed, and amounts received but not as yet earned.

**INTRAGOVERNMENTAL REVOLVING FUND ACCOUNTS:** funds authorized by law to carry out a cycle of intragovernmental business-type operations. These funds are credited with offsetting collections from other agencies and accounts.

**OBLIGATIONS:** spending commitments by the federal government that will require outlays either immediately or in the future.

**OBLIGATED BALANCE:** the amount of obligations already incurred for which payment has not yet been made. This balance can be carried forward indefinitely until the obligations are paid.

**OFFSETTING COLLECTIONS:** money received by the government as a result of business-type transactions with the public (sale of goods and services) or as a result of a payment from one government account to another.

**OFFSETTING RECEIPTS:** money collected by the federal government that is deducted from budget authority and outlays because it comes from market-oriented government activities or intragovernmental transactions.

**RECEIPT ACCOUNTS:** accounts established for recording collections deposited into the Treasury for appropriation by the Congress. These accounts may be classified by the Congress.

**REIMBURSEMENTS:** sums received by the government for commodities sold or services furnished either to the public or to other government accounts that are authorized by law to be credited directly to specific appropriation and fund accounts. These amounts are deducted from the total obligations incurred (and outlays) in determining net obligations (and outlays) for such accounts.

**UNEXPENDED BALANCE:** the amount of budget authority unspent and still available for conversion into outlays in the future; the sum of the obligated and unobligated balances.

**UNOBLIGATED BALANCE:** the portion of budget authority that has not yet been obligated. In one-year accounts the unobligated balance expires (ceases to be available for obligation) at the end of the fiscal year. In multiple-year accounts, the unobligated balance may be carried forward and remain available for obligation for the period specified. In no-year accounts the unobligated balance is carried forward indefinitely until specifically rescinded by law or until the purposes for which it was provided have been accomplished.

