

Fiscal Year 1997

A Patent and Trademark Office Review



Creating a
Patent and
Trademark
System for the
21st Century





U.S. Department of Commerce
William M. Daley, Secretary

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



CONTENTS

2	Message from the Commissioner
4	PTO Highlights for Fiscal Year 1997
6	Mission of the Patent and Trademark Office
8	Patents
12	Trademarks
15	Information Dissemination Organizations
18	Intellectual Property Policy
21	General and Administrative Offices
28	Government Performance and Results Act
32	Financial Review
57	Inspector General's Report
71	Supplemental Information (Unaudited)



MESSAGE FROM THE COMMISSIONER



We are proud of the progress and accomplishments the Patent and Trademark Office (PTO) has made over the last year. Our patent grants, trademark registrations, and information dissemination put us in the forefront of the effort to secure effective protection for the products of American minds. Our participation in international consultations and negotiations helps our nation develop and maintain intellectual property protection in the global marketplace.

Domestically, our increasing workload is a testament to the ingenuity and productivity of our innovators and clear evidence of the U.S. economy's vitality. In fiscal year 1997, we received 237,045 patent applications—a 14.9 percent increase over the previous year; trademark applications grew by 11.8 percent to 224,355; and general information requests from the public increased 52 percent! We look forward to continued growth in FY 1998.

Internationally, we successfully negotiated two treaties under the auspices of the World Intellectual Property

Organization (WIPO) in December 1996. When they enter into force, the treaties will promote the growth of international electronic commerce and help curtail infringement in cyberspace. The bipartisan ratification package and implementing legislation for the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty are now under consideration in the Congress.

Another bipartisan Congressional effort is the legislation to reform certain aspects of the patent laws and recast the PTO as a government corporation, under the policy guidance of the Department of Commerce. If enacted, the legislation would ensure that the patent system and the PTO could effectively promote the progress of useful arts into the next century.

To prepare for the years ahead, we continue to concentrate on customer-driven strategic planning and operations management. By focusing on efficiently issuing quality patents, registering quality trademarks, and providing up-to-date information, we are strengthening the intellectual property protection and awareness that is vital to our inventors, entrepreneurs, and the American people.



In FY 1997, Vice President Gore selected the PTO as a High Impact Agency under the auspices of the National Performance Review. The PTO established reinvention goals for the year 2000, and is committed to achieving many of these goals by the end of FY 1999.

The future for the Patent and Trademark Office holds many challenges that are not unlike those faced by businesses, families, and individuals. Money, space, staffing, time, and automation are issues that we must

grapple with in both the short- and long-term. I am confident that no matter how great the challenge or how sensitive the issue, the PTO will find opportunities to create new ways of improving our service to better serve our customers.

A handwritten signature in black ink that reads "Bruce A. Lehman". The signature is written in a cursive, flowing style.

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

PTO HIGHLIGHTS FOR FISCAL YEAR 1997

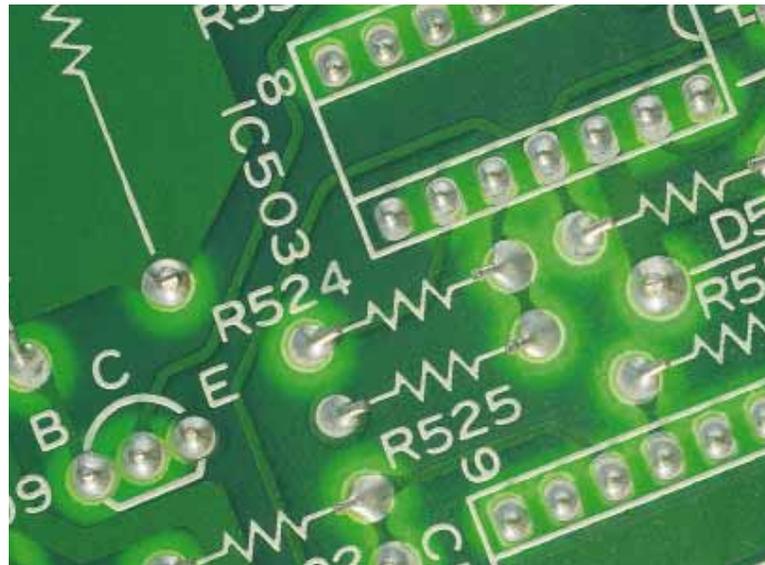


⚙️ THE PTO RECEIVED 237,045 PATENT APPLICATIONS AND 224,355 TRADEMARK APPLICATIONS.

✳️ THE PTO ISSUED 122,977 PATENTS AND REGISTERED 112,509 TRADEMARKS.

🌱 THE PTO DESIGNATED ITS THIRD PARTNERSHIP LIBRARY IN HOUSTON, TEXAS.

⚡ THE PTO INTEGRATED ITS INTERNAL E-MAIL WITH INTERNET E-MAIL, ENABLING EMPLOYEES TO COMMUNICATE ELECTRONICALLY FROM THEIR DESKTOP COMPUTERS WITH CUSTOMERS AND BUSINESS PARTNERS.



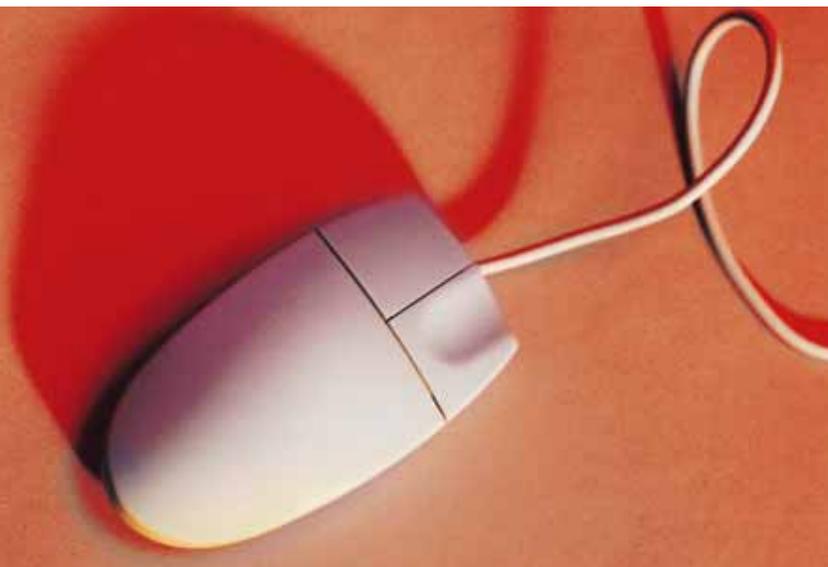
↳ THE PATENT AND TRADEMARK DEPOSITORY LIBRARY (PTDL) NETWORK EXPANDED TO 81 LIBRARIES AND NOW COVERS ALL 50 STATES, WASHINGTON, DC AND PUERTO RICO.

® A PROTOTYPE OF THE TRADEMARK ELECTRONIC APPLICATION SYSTEM BECAME AVAILABLE ON THE PTO WORLD WIDE WEB SITE.



✦ THE PTO'S WEBSITE, CITED BY SEVERAL PUBLICATIONS AS ONE OF THE BEST ON THE INTERNET, WAS ACCESSED AN AVERAGE OF 400,000 TIMES PER MONTH.

⚗ THE INFORMATION DISSEMINATION ORGANIZATIONS (IDO) RESPONDED TO ALMOST 800,000 CUSTOMER REQUESTS FOR GENERAL INFORMATION, UP A TOTAL OF 52 PERCENT FROM FY 1996.



MISSION OF THE U.S. PATENT AND TRADEMARK OFFICE

The U.S. Patent and Trademark Office (PTO), a bureau of the U.S. Department of Commerce, has been given the task of promoting intellectual property rights systems—patents, trademarks, and copyrights—as a means of achieving national economic prosperity.

Our mission is to:

- *Administer the laws relevant to granting patents and registering trademarks;*
- *Advise the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection; and*
- *Advise the Secretary of Commerce, the President of the United States, and the Administration on the trade-related aspects of intellectual property.*

The mission of the Department of Commerce is to promote job creation, economic growth, sustainable development, and improved living standards for all Americans, by working in partnership with business, universities, communities, and workers to:

- *Build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the nation's infrastructure;*
- *Keep America competitive with cutting-edge science and technology and an unrivaled information base; and*
- *Provide effective management and stewardship of our nation's resources and assets to ensure sustainable economic opportunities.*

We support the three strategic themes of the Department of Commerce mission and execute our mission by pursuing our agency's strategic goals:

- ***Play a leadership role in intellectual property rights policy, including trade-related intellectual property issues.*** *We support both the Department's first and second strategic themes by working with international organizations to improve responsiveness to customers and improve working relationships among the businesses, agencies, and foreign nations and organizations that produce and/or rely on patents and trademarks.*
- ***Provide our customers with the highest quality service in all aspects of PTO operations.*** *We support the Department's third strategic theme by discharging our core functions—examining patent applications and granting patents, examining trademark applications and registering trademarks, and disseminating patent and trademark information to our customers.*

The PTO's three core businesses—Patents, Trademarks, and Information Dissemination—work together to further these two strategic goals. Our Patent business helps inventors obtain patents by determining if claimed inventions meet statutory criteria and by granting the patents. Our Trademark business registers trademarks after ensuring that applicants' submissions meet registration requirements. Our Information Dissemination business provides access to, and copies of, new patents and trademark registrations, and other information products, helping with the development and sharing of new technologies

worldwide and promoting a broader understanding of intellectual property. In addition to directing these three core businesses, the PTO's corporate offices work to protect, promote, and expand intellectual property rights systems in the United States and around the world.

The PTO's businesses have established performance goals to achieve these goals and improve customer service. On the basis of these performance goals, we have developed performance measures used to prepare annual performance plans and report our program results.



EXECUTIVE STAFF

Front row (left to right): Dennis Shaw, Chief Information Officer; Paul Salmon, Executive Assistant to the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks; Nancy Linck, Solicitor; Lawrence J. Goffney, Jr., (Acting) Deputy Assistant Secretary of Commerce and Deputy Commissioner of Patents and Trademarks.

Back row (left to right): Philip G. Hampton, Assistant Commissioner for Trademarks; Bruce Lehman, Assistant Secretary of Commerce and Commissioner of Patents and Trademarks; Edward R. Kazenske, (Acting) Associate Commissioner and Chief Financial Officer; Andrew Hirsch, Special Assistant to the Commissioner; Robert L. Stoll, Administrator for Legislative and International Affairs.

Not pictured: Bradford R. Huther, Associate Commissioner and Chief Financial Officer.

PATENTS

“All duties required by law respecting the granting and issuing of patents”

Title 35, United States Code, chapter 1

The PTO's Patent business receives patent applications, examines them for patentability, and grants patents. Processing applications and issuing patents quickly and accurately is important to both the inventor and the PTO. Because a patent expires 20 years after it is initially filed with the PTO, any delay in issuing a patent decreases the time the patent protects the invention for the inventor. For the PTO, delays in issuing a patent mean delays in recovering the cost of examining and granting the patent because more than half of these costs are covered by fees collected after the patent is granted.

Over the past decade, the number of patent applications received has increased, on average, more than 5 percent each year.¹ Applications for some technologies—such as genetics, communications, computer software, and semiconductors—have grown much faster. Applications in general, and for these technologies in particular, are becoming more complex and are requiring more time and greater knowledge and skills to examine.

To meet both the inventors' and the PTO's needs, and to issue patents without unnecessary delays, the PTO must solve the problem of this growing and increasingly complex workload. To do so, we must hire, train, and retain the highest-caliber scientists and engineers and improve our examination processes through reengineering and automation.

PATENT BUSINESS PERFORMANCE

The Patent business mission is to “help our customers get patents.” We have set five strategic goals to accomplish that mission. By measuring our performance against these goals, we can present a clear picture of how well we did in the past year.

Goal One—Reduce patent cycle time to 12 months or less for all inventions by FY 2003.

Cycle time analysis, initiated in FY 1997, showed that the PTO needed an average of 16.0 months (or until the inventor abandoned the invention) to issue a

	FY 1997	Change from FY 1996
Applications received	237,045	+14.9%
Patents issued: utility, plant, reissue (UPR)	112,646	+6.7%
Design patents issued	10,331	-8.9%
Average UPR patent pendency	22.2 months	+6.7%
Average UPR invention cycle time	16.0 months	N/A*
Expenses	\$ 553.3 million	N/A**
Staff-years	4,300	+0.4%
* PTO began cycle time analysis in FY 1997.		
** Because FY 1997 was the first year of the PTO's cost accounting program, FY 1996 numbers are not available for comparison.		

¹ In FY 1996, patent applications decreased slightly from FY 1995 because a law change in FY 1995 that encouraged patent applicants to rush their applications to the PTO, resulting in an artificially high number of applications in FY 1995, and, correspondingly, an artificially low number in FY 1996.



patent.² Patent pendency increased to 22.2 months in FY 1997 from 20.8 months the previous year.

Pendency increased in large part because budget constraints anticipated for FY 1998 led the PTO to stop many patent reengineering activities, slow others down, and severely constrain the hiring of new examiners. Increased filings and hiring restrictions in years prior to FY 1997 also contributed to the increase.

Because patent application examination is a lengthy process, the effects of constraints placed on patent examination are not immediately apparent in statistical measures. In addition, new examiners need several years to reach office productivity standards. For these reasons, pendency and cycle time are likely to continue to rise in the short term or decline only slightly even as these constraints diminish.

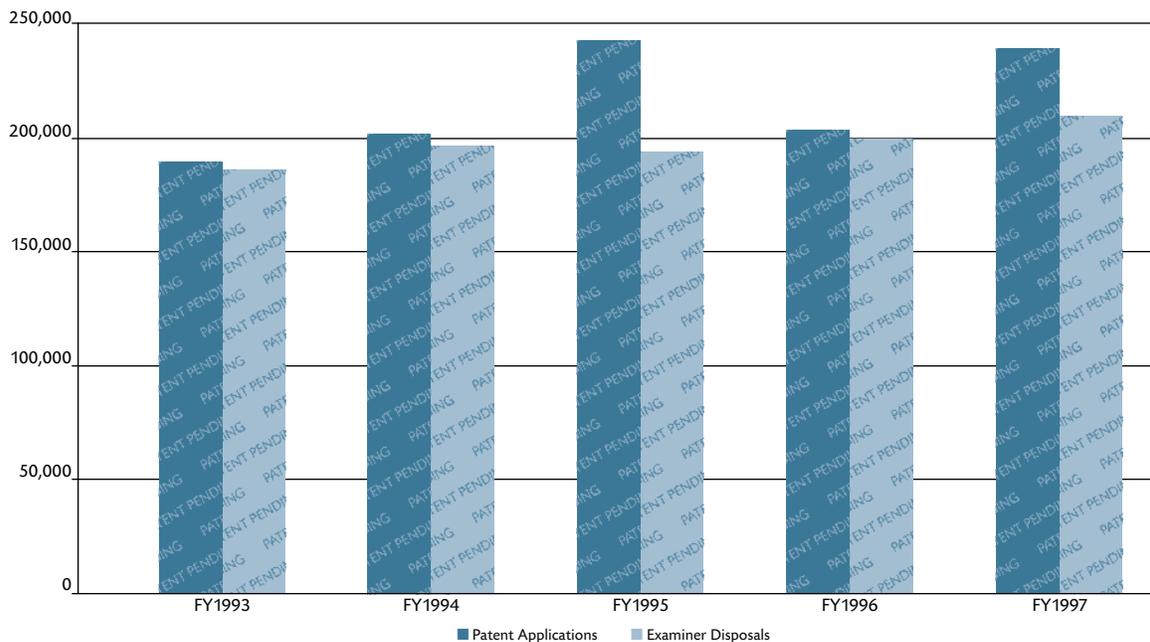
Pendency also increased because of the backlog of applications in the Pre-Examination Office. The PTO intends to reduce delays in this area to below 30 days before the end of FY 1998, and we have included plans in our FY 1999 budget to address the overall problem.

Goal Two—Establish fully supported and integrated Industry Sectors.

The Patent business began the realignment into Industry Sectors at the end of FY 1997. In the long term, realignment will permit us to:

- Customize resources and services to meet unique customer requirements;
- Provide better access to employees and the existing search files;
- Avoid situations where some examining groups have backlogs while other groups are working at less than full capacity;

Patent Applications and Production: FY 1993-1997



² Historically, the PTO has used patent pendency as the key measure of its performance. Pendency is somewhat limited as a measure, as it simply reports how long the average patent application takes to move through the patent process. It includes delays attributable to the applicant, and does not account for applications that contain multiple inventions, which may be allowed at different times, or for inventors that file multiple applications to respond to all issues. In FY 1997, the PTO began using a more relevant measure of the time necessary for processing a patent application: cycle time. Implemented as a result of the Uruguay Round Agreements Act (P.L. 103-465), cycle time resolves the weaknesses of the pendency measure, focusing solely on the amount of time the PTO spends to process the average invention.

- Increase private industry's involvement in our employees' technical training; and
- Streamline the application process.

Goal Three—Receive applications and publish patents electronically.

The PTO is changing the patent application process from a paper-based system to one that is fully automated. An automated application process will permit customers to conduct business with us electronically, saving both the customer and the PTO time and money. We expect the transition to the automated process to be completed by 2003.

In FY 1998 we will begin automating our Patent Cooperation Treaty (PCT) operations. We will apply the experience gained from this project to the entire patent examination process. When our examining processes are fully automated, patent examiners will be able to add documents to an electronic application file and have access to on-line tools and databases. We expect to use this electronic file to publish and share information with the public.

Goal Four—Exceed our customers' quality expectations through the competencies and empowerment of our employees.

Customer surveys conducted in FY 1995 and FY 1996 helped us identify key areas for improving customer satisfaction. By FY 1999 we will improve our overall customer satisfaction index from 50 percent to 65 percent and will raise specific areas even higher.

Goal Five—Assess fees commensurate with resource use and customer efficiency.

This past year, the PTO began calculating the unit costs of our products and services. We will use this information, together with market analyses, to help us make decisions about the patent fee structure and

to ensure that our fees are set to recover our operating costs. Our decisions will incorporate the ideas and concerns of customers that we are gathering through our ongoing patent fee study. The combination of well-informed strategic decisions and customer support for those decisions will ensure that the new fee structure meets the Patent business's financial and policy goals while continuing to offer customers low-cost access to the patent system.

PATENT AUTOMATION

In order to achieve the five Patent business goals, we must improve the efficiency of our examination to cope with our growing workload. Providing automated tools to our examiners and customers is essential to improved efficiency. Major automation projects in FY 1997 included:

- Desktop deployment—The PTO finished deploying desktop workstations to patent examiners. Every examiner now has a desktop workstation, and all examiners now have access to PTO electronic search clients and office-action creation clients, Internet searching, and PTONET intercommunication. This deployment is the first step toward an electronic office and the total electronic processing of patent applications.
- NT deployment—The PTO deployed Microsoft NT 4.0 to all examiners. The new operating system allows for easier and more cost-effective methods of hardware and software maintenance.
- Global patents—The first electronic foreign patent database for PTO examiners came online in FY 1997. The database gives examiners the ability to view European Patent Office and Japanese Patent Office patent abstracts and bibliographic data.
- Patent Application Information Retrieval (PAIR)—We completed prototyping of the PAIR system, which, when fully implemented, will allow customers to access patent information via the Internet.



- Patent Image Capturing System (PICS)—The PTO deployed PICS, which captures and stores all incoming applications in an image database used for searching. PICS permits us to end the microfiling of patent applications, and it cuts down the need to move applications physically within the PTO, reducing cycle time and the time needed to provide certified copies of applications.
- Application Capture and Review System (ACRS)—We began initial development of ACRS, which will expand on PICS by providing initial classification of applications.
- US Image Search and Retrieval Software—All examiners now have desktop access to all U.S. patents back to 1790.
- Foreign Patent Electronic Delivery System II (FPAS II)—FPAS II provides desktop access to most foreign patents published after 1980.

REENGINEERING

Reengineering the Patent business's various work processes offers great potential for long-term performance improvement. Because the PTO anticipated substantial budget restrictions in FY 1998, the PTO delayed its patent reengineering projects in FY 1997. For example, we postponed our Patent Reengineering Working Lab, which would have piloted alternative patent examination processes as well as explored new roles and responsibilities for patent examiners and technical support staff. Also, we postponed our Tools for Electronic Application Management project, which focused on the development of an electronic patent application file crucial to the PTO's ability to process patent applications electronically. We look forward to restarting these projects in FY 1998 as funds become available.



10,000th Plant Patent

The PTO reached an aromatic milestone on August 26, 1997 when it issued U.S. plant patent No. 10,000. Commissioner Lehman presented the patent to Oglevee Ltd. plant breeder David Lemon of California during a ceremony and press conference at the U.S. Botanical Gardens.

Lemon developed a new geranium called "Lois." The plant has many five-inch bicolor flowers of magenta purple and light lavender pink, and grows to 10 inches tall. They are used primarily as decorative house plants. The plant was named after Lois Carney, the production coordinator for Oglevee Ltd. Lemon and Carney planted a Lois geranium at the Botanical Gardens.

TRADEMARKS

“All duties required by law respecting the granting and issuing . . . the registration of trademarks.”

Title 35, United States Code, chapter 1

Trademarks are crucial to protecting business investments, promoting goods and services, and safeguarding consumers against deception in the marketplace. Applications for trademark registrations have increased an average of more than 12 percent annually over the last five years.

In addition to registering trademarks, the PTO provides other services to trademark customers. For instance, the Trademark business maintains a register of more than 839,000 trademarks that provides businesses and consumers notification of marks in active use.

TRADEMARK PERFORMANCE

The Trademark business's primary goal is to enhance trademark protection. Its performance goals are to

improve customer service and to find more efficient and effective ways to do business.

Goal One—Reduce first action pendency to three months.

First actions provide an early indication of the likelihood that a mark will be registered, and thus they are crucial to businesses making decisions on commercializing their products or services. Although pendency increased in FY 1997, examining attorneys completed more first actions and disposals this year than last, even as the number of examining attorney positions decreased, from 232 to 225 positions. This increase in efficiency, combined with an increase in examining attorney positions in FY 1998, will permit the Trademark business to pursue its pendency goal.

Improvements in pre-examination helped increase productivity and helped contain the increase in pendency to first action. Pre-examination processing time decreased 30 percent, even as the number of filings increased an average of more than 12 percent annually over the last five years. Trademark Services continued to achieve its customer service goals throughout the year. The Post-Registration and Pre-Examination Offices overcame several years of rising backlogs to achieve their goals for the second year in a row. They achieved this excellent result by focusing on Intent to Use processes, by reducing the backlog of unprocessed Statements of Use and requests for extensions of time, and by paying attention to their customer service goals.

	FY 1997	Change from FY 1996
Applications received	224,355	+11.8%
Registrations	112,509	+23.2%
Trademark pendency to first action	6.4 months	+8.5%
Pendency to registration	16.9 months	+2.4%
Expenses	\$ 67.2 million	N/A*
Staff-years	598	+4.9%
* Because FY 1997 was the first year of the PTO's cost accounting program, FY 1996 numbers are not available for comparison.		



Several factors contributed to the increase in examiner productivity, including

- Increasing performance standards for all examiners;
- Introducing new technology; and
- Reviewing the attorneys' final work product against set standards, which include production, quality, timeliness, professionalism, and attention to customer and business goals.

The Trademark business must increase examination staff and acquire additional office space to achieve its pendency goal. Fortunately, and for the first time since FY 1992, the FY 1998 budget restores staff to the levels needed to handle incoming filings.

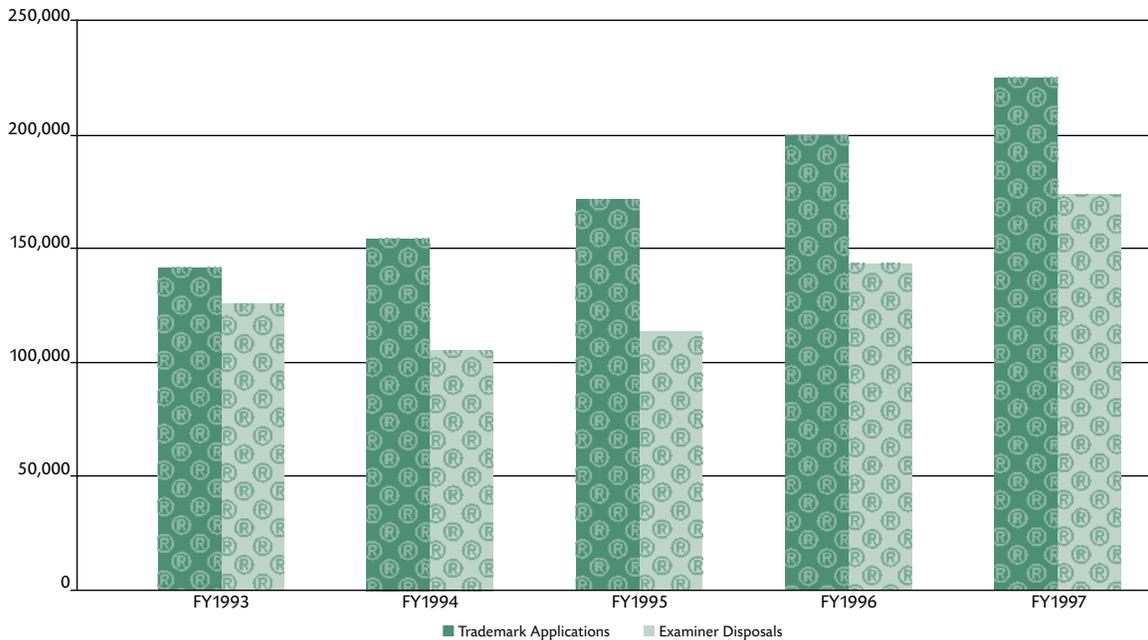
Goal Two—Transform trademark processing into a fully electronic operation in FY 2002.

The Trademark business is committed to conducting all business with its customers electronically early in

the twenty-first century. In 1997 we began implementing a number of changes to automate our trademark operations. These changes are being implemented in stages over the next several years.

- Trademark Applications Monitoring (TRAM) system—PC-TRAM allows users to view TRAM information through desktop personal computers (PCs).
- TRADEUPS—Trademark's new data entry system will allow users to create an electronic copy of the original application text rather than key entering selected data into the TRAM database. TRADEUPS is the first step toward a paperless examination process.
- Electronic Filing—In November 1997 a prototype of the Trademark Electronic Application System was made available on the PTO Web site for public view and comment. A pilot project will allow selected participants to submit their applications electronically, using the Internet, beginning in late 1997. We plan to fully implement electronic filing in FY 1999.

Trademark Applications and Production: FY 1993-1997*



* Examiner disposals reflect first examination only.

- Trademark Information System (TIS)—TIS will allow complete electronic processing and file management of applications and related materials in 2003.
- Trademark Search System—The PTO gave examining attorneys access to the system from their desktop PCs and expanded access to selected Patent and Trademark Depository Libraries. We will enhance the system further in 1999 by replacing the search system software.

Once we have fully implemented the planned process changes, the Trademark business will focus on reducing first action pendency to one month or less. We can make such improvements when we have replaced paper files with a fully integrated electronic file management system, together with electronic filing and electronic data interchange among applicants, registrants, and the PTO.

Further expanding its automation projects, the PTO implemented a pilot project in March 1997 to allow 18 trademark examiners to work at home three days

a week. The pilot is a two-year project under the National Performance Review. Examiners may complete most of their work from home by accessing search systems and manuals from a PC.

REENGINEERING

The greatest potential for Trademark performance improvement is in reengineering the current examination process to reduce cycle time. Since trademark fees, by statute, are available only for trademark purposes, the Trademark business projected that it would have sufficient funds to continue its reengineering efforts in FY 1997.

As an interim step to complete reengineering, the Trademark business has focused its efforts on projects that offer the most improvement in the near term. (A description of these near-term projects and their status may be found in the section entitled Supplemental Information.) Designated as Phase I of Trademark reengineering, these projects require Automated Information Systems development and support for implementation.³

³ The full set of Trademark reengineering plans support President Clinton's Framework for Global Electronic Commerce. These plans include: testing electronic filing using the Internet to determine requirements for future electronic filing; providing the status of applications, access to trademark information, and trademark products over the Internet; creating an option for all trademark applicants to conduct all business with the PTO electronically; allowing examiners to use e-mail to communicate with applicants; and implementing the "trademark mailbox" proposal, under which U.S. inventors could file an application with the PTO for forwarding to any country with which the United States has a "mailbox" agreement.



INFORMATION DISSEMINATION ORGANIZATIONS

“Full access by the public to, and dissemination of, patent and trademark information”

Title 35, United States Code, chapter 4

The PTO's Information Dissemination Organizations (IDO) provide worldwide access to patent and trademark information and deliver patent and trademark information products and services when, where, and in the format needed by customers. The dissemination of patent and trademark information provides for full disclosure of the invention and gives information regarding current trademarks in use by the business community. The availability of this information stimulates scientific inquiry, promotes research and innovation, and enhances public awareness of technological advances. This access is provided by the IDO's four service groups: the National Library Services Group, the Technology Services Group, the Customer Services Group, and the Public Records Services Group.

IDO's Goal—To promote awareness of, and access to, patent and trademark information.

To measure how well it achieves its goal, and to ensure its continued focus on customer needs, IDO surveyed customers for its nine key products and services. Of approximately 3,500 respondents, 84 percent of customers were either very satisfied or somewhat satisfied with key IDO products and services. In addition, overall ease of access to patent and trademark information

was also rated quite good (84 percent). IDO used preliminary data summaries in planning for FY 1999 and will use more detailed analyses of survey results for each key product to form the foundation for future program improvement strategies.

NATIONAL LIBRARY SERVICES GROUP

IDO's National Library Services Group serves customers in major metropolitan areas and regional locations by providing access to patent and trademark information products and services at the PTO's public search facilities in Arlington, Virginia, and at Patent and Trademark Depository Libraries (PTDLs) across the country.

The PTO's public search facilities provide free access to patents, pending and registered trademarks, the Trademark Applications Monitoring system, the Patent and Trademark Assignment Search Systems, and PTO CD-ROM products. We provide access to automated search systems, such as APS-Text, APS-Image, and X-Search at a low cost. In response to high public demand, the PTO expanded access to the APS-Image search system and the CD-ROM network. We also established a public training center to provide better training to customers on the X-Search and APS search systems.

The PTDL network covers all 50 states, Washington, DC, and Puerto Rico. During FY 1997 the PTDL network expanded to 81 libraries, as the Bailey Howe Library of the University of Vermont and the Engineering Library of the State University of New York at Stony Brook joined the PTDL system.

In addition to the nationwide PTDL network, the PTO has entered into formal business partnerships with

	FY 1997	Change from FY 1996
Expenses	\$ 37.5 million	N/A*
Staff-years	209	-15.0%
* Because FY 1997 was the first year of the PTO's cost accounting program, FY 1996 numbers are not available for comparison.		

libraries in Detroit, Michigan, and Sunnyvale, California. Over the past two years, these libraries became regional centers for patent and trademark information dissemination and began taking on PTO branch office responsibilities. Both sites are evolving to address the needs of their distinct client bases. In FY 1997 the PTO designated a third Partnership Library at Rice University in Houston, Texas. In recognition of this innovative partnership program to provide enhanced services to patent and trademark customers, the Secretary of Commerce presented the prestigious Hammer Award to the Sunnyvale Partnership Team as part of President Clinton's Reinventing Government Initiative.

TECHNOLOGY SERVICES GROUP

IDO's Technology Services Group serves as both information provider and developer. It offers a variety of products and services: copies of PTO databases for the information industry, on-line and electronic information products for individual users, and analysis and statistical reports of patent and trademark data to other Federal agencies and international organizations.

Our Internet publishing continued to grow as IDO explored new ways to distribute information via the

Internet. The PTO Web site (<http://www.uspto.gov>) was accessed an average of 400,000 times a month in FY 1997, and several publications this year rated the site as one of the best on the Internet.

IDO also administers two popular patent information databases, both of which may be accessed via the PTO home page. The *Acquired Immune Deficiency Syndrome (AIDS) Database*, a collection of U.S. and foreign patent documents related to AIDS, is accessed approximately 69,000 times per month. The *Patent Bibliographic Database*, providing access to more than 20 years of searchable patent bibliographic text, is accessed more than 1.6 million times a month.

The PTO uses CD-ROM technology to provide the public with patent and trademark information. PTO CD-ROMs contain searchable text, indexes, and search tools and are updated bimonthly and quarterly. In addition, the PTO produces weekly patent image CD-ROMs that provide electronic document delivery to the public, PTDs, and other intellectual property offices around the world. All CD-ROM products can be used, at no cost, in PTO public search facilities and PTDs and are sold to the public on an annual subscription basis.

Hammer Award

The Hammer Award is Vice President Al Gore's special recognition only to teams who have made significant contributions in support of the President's National Performance Review (NPR) principles. This award recognizes new standards of excellence achieved by teams helping to reinvent government.





This year IDO joined with the Government Printing Office to reproduce the PTO's CD-ROMs. As a result, patent and trademark information is disseminated throughout the United States; approximately 380 Federal Depository Libraries now receive CD-ROM collections.

CUSTOMER SERVICES GROUP

IDO's Customer Services Group answers public inquiries for general patent and trademark information at 1-800-PTO-9199 and 703-308-HELP. These public services are provided via phone, walk-in service, and general information mailings. In FY 1997 this service area experienced a 52 percent workload increase and, with the deployment of improved call center technology, served almost 800,000 customers while decreasing the average call hold time to 50 seconds. This team received the Secretary of Commerce Award for Customer Service Excellence in 1997 for its significant improvements in serving patent and trademark customers.

Customer Services expanded its 1997 *Catalog of Patent and Trademark Information Products and Services* and

developed new information brochures on Provisional Applications and the Disclosure Document Program. We also have a new sample disk, entitled *CASSIS Sampler*, which contains fully functional samples of CD-ROM offerings available from IDO's product line. We also provide informational exhibits at conferences across the country to promote the patent and trademark systems.

PUBLIC RECORDS SERVICES GROUP

The Public Records Services Group records changes in ownership of patents and trademarks, and sells both certified and uncertified copies of patent and trademark documents. Although funding reductions challenged this group's ability to meet customer cycle time requirements consistently throughout the year, the group nevertheless recorded almost 437,000 patent and trademark properties in FY 1997. This group also provided 208,000 certified copies to PTO customers, a 31 percent increase over the total for FY 1996. Worldwide, we sold more than 546,000 uncertified copies of patents, trademarks, and other PTO records.

CD-ROM Products

The Cassis series of CD-ROM products began publication in 1987 in response to the needs of the public to identify the appropriate classifications for their inventions. In the ten years since then, the series has grown to twelve products encompassing all phases of patent and trademark searching both for professionals and the general public. Over 184,000 Cassis discs were distributed worldwide in FY 1997.

INTELLECTUAL PROPERTY POLICY

“Advise the Secretary of Commerce, the President of the United States, and the Administration on . . . intellectual property.”

PTO Mission Statement

The PTO’s Corporate Offices are the policy arm that helps protect, promote, and expand intellectual property rights systems throughout the United States and abroad.

DOMESTIC ACTIVITIES

In the first session of the 105th Congress, the PTO worked closely with members of the House and Senate Judiciary Committees, as well as other members of Congress and their staffs, on a variety of legislative proposals.

In addition to the omnibus PTO reform bills discussed in the Commissioner’s letter, the following bills were introduced or acted upon in FY 1997:

Implementing Legislation for WIPO Treaties

S. 1121, the WIPO Copyright and Performances and Phonograms Treaty Implementation Act of 1997, and H.R. 2281, the WIPO Copyright Treaties Implementation Act, would implement the treaties negotiated at the WIPO Diplomatic Conference in December 1996. These treaties, which address the problems copyright holders face in the new digital environment, were transmitted by the President to the Senate on July 28, 1997, for ratification. The Commissioner testified in

support of the implementing legislation before the House Judiciary Committee’s Subcommittee on Courts and Intellectual Property on September 16, 1997.

Trademark Legislation

H.R. 567, the Madrid Protocol Implementation Act, and H.R. 1661, the Trademark Law Treaty Implementation Act, would implement treaties to provide one-stop, low-cost, efficient systems for the international registration of trademarks and to simplify and harmonize the requirements for acquiring and maintaining trademark registrations in member countries. The Administration objects to certain voting provisions in the Madrid Protocol, but continues to work with the European Community to seek a solution that would permit the United States to accede to the Protocol. H.R. 1661 passed the House on July 22, 1997. The House Judiciary Committee approved H.R. 567 on June 18, 1997.

Other Legislation Related to Intellectual Property

The PTO consulted with Congress and provided Administration testimony on many other pieces of legislation, including bills to address proposed on-line copyright liability limitations, music licensing revisions, expanded protection for plant patents, and copyright law amendments. Legislation enacted in the first session of the 105th Congress strengthens our copyright law. Public Law 105-80 (H.R. 672) provides full protection for certain pre-1978 musical recordings and makes various technical changes to copyright law. P.L. 105-147 (H.R. 2265), the No Electronic Theft Act, creates criminal penalties for willful copyright infringement that does not involve financial gain.

	FY 1997	Change from FY 1996
Corporate Expenses	\$ 8.4 million	N/A*
Staff-years	27	+8.0%
* Because FY 1997 was the first year of the PTO’s cost accounting program, FY 1996 numbers are not available for comparison.		



INTERNATIONAL ACTIVITIES

In support of efforts by the United States Trade Representative and other Administration representatives, the PTO participated in a wide variety of international negotiations and consultations to improve intellectual property rights around the world.

Wire the World Project

PTO representatives developed the U.S. proposal to help WIPO member countries take full advantage of modern information and communication technology. The project will aid the transfer of records and correspondence electronically, and will promote access to reference and operational databases by member country offices and their customer bases.

Patent Law Treaty

The PTO continued its participation in a WIPO effort to harmonize the formal requirements associated with different nations' patent applications and patents. This effort will simplify patent applicants' and holders' formal obligations and reduce their costs for obtaining and preserving their rights internationally.

Patent Cooperation Treaty (PCT)

The PCT Assembly met under the auspices of WIPO to refine amendments to the PCT regulations to correspond to PCT developments. The amendments pertain to the language of international applications, the publication of a bilingual gazette, priority claims and priority documents, fees, nucleotide and amino acid sequence listings, and electronic filing.

Visiting Scholars Program

Since 1985, the PTO has offered the Visiting Scholars Program to intellectual property officials from around the world. In 1997, 28 intellectual property professionals from 16 countries participated in two weeks of classroom and hands-on study to learn about the administration of intellectual property law, patent and trademark examination, and copyright protection as a tool for economic development.



Trilateral Patent Cooperation

The PTO continued to work with the European and Japanese patent offices to take advantage of improving information and communication technologies, and to develop patent search tools, share patent information, cooperate on search and examination, and encourage electronic filing.

Internet Domain Names

PTO trademark experts participated in an interagency group that is developing an Administration position on registering Internet domain names. PTO experts have also been involved in WIPO consultations and meetings on the international aspects of Internet domain name registration.

Visiting Scholars Program

Since 1985 the PTO has offered the Visiting Scholars Program to intellectual property officials from more than 30 foreign countries. Through two weeks of classroom and hands-on study, participants gain an understanding of the important role of intellectual property protection as a tool for economic development.

Agreements on Trade-Related Aspects of Intellectual Property (TRIPs)

PTO officials reviewed the progress developed countries have made in bringing laws into compliance

with TRIPs obligations. All developed countries were required to submit their laws and regulations governing intellectual property to the TRIPs Council in early 1996.

North American Free Trade Agreement (NAFTA)

PTO officials participated in several meetings of the U.S.-Mexico Intellectual Property (IP) Working Group to address implementation of NAFTA's IP chapter. Discussions focused on enforcement of copyright and trademark laws and on Mexico becoming a party to the International Convention for the Protection of New Varieties of Plants.

Free Trade Area of the Americas

PTO experts participated in the ongoing planning for this hemisphere-wide initiative, which may include provisions on intellectual property rights.

The Hague Agreement

Consultations have continued on drafting a new Act of the Hague Agreement Concerning the International Registration of Industrial Designs. The U.S. delegation, led by PTO experts, has moved discussions toward a system similar to the one in the United States for protecting design patents.



GENERAL AND ADMINISTRATIVE OFFICES

“The administration of the Patent and Trademark Office”

Title 35, United States Code, chapter 1

The PTO’s General and Administrative offices support the PTO’s business areas and its policy experts.

OUR PEOPLE

Our employees are the foundation of the PTO. They need to have the proper skills, have access to the best automated systems, and receive the best direction if they are to do their best, for themselves as well as for the PTO.

The Office of Human Resources (OHR) is responsible for ensuring that we have the number of qualified employees with the requisite knowledge and skills to meet PTO mission objectives. As the PTO transforms itself into a twenty-first century workplace, OHR will ensure that human resource systems are aligned with our vision, business strategies, and core competencies.

Reengineering efforts in the PTO’s three business areas indicate a need for changes in OHR’s operations to directly support new reengineered systems. OHR’s report on its own initial reengineering efforts,

Transforming Human Resources, published in March 1997, makes a strong case for OHR working jointly with the Office of Civil Rights and the Office of Public Affairs to create a new human resource management system. The proposed system would support organizational change and promote the competitive advantage essential in a high-performance organization. OHR completed work on the new system’s first two phases, effective workforce staffing and career enhancement, in late January and has begun work on the other four phases.

Human Resources Automation—Human Resource Information System (HRIS)

Successfully integrating OHR’s diverse and independent databases into a shared database is vital to our reengineering plans. HRIS will offer the PTO’s business units the ability to receive HR services through alternative methods and will permit the decentralization of HR functions, outsourcing, and team-based systems to give managers greater flexibility to adapt their offices to their changing needs.

On-site Review

The Office of Personnel Management (OPM) completed its onsite review of OHR in March 1997 with very positive results. OPM found OHR a well-run organization with well-trained professional staff and found that OHR systems struck a balance between day-to-day operational issues and transformational twenty-first century activities. OHR’s Workforce Effectiveness Division received OPM’s special recognition for having no deficiencies.

	FY 1997
General and Administration Expenses*	\$ 70.4 million
Staff-years	506
* These figures illustrate the expenses and personnel associated with PTO administration. They are not in addition to the expenses and numbers of personnel shown for the business areas of the PTO and they are included in the businesses’ expense and personnel figures shown in each business section.	

Workfare Achievement Development Center (WADC)

The PTO responded to President Clinton's Welfare to Work initiative with a three-pronged approach reflecting our commitment to hire; commitment to train and develop; and commitment to partner with PTO contractors to hire and train from this applicant source. The WADC program was established in July to provide participants with the skills necessary to attain life-long economic self-sufficiency. We successfully piloted this unique curriculum during the last quarter of FY 1997, giving 20 trainees an overall orientation to the PTO, technical training, and life skills management techniques. The PTO subsequently hired five, and three were successfully referred to a PTO contractor. The program also featured a training component for supervisors and mentors. OHR plans to begin offering the WADC program to other Federal entities via a reimbursable agreement during the second quarter of FY 1998.

PTO University

The PTO University (PTO-U), founded in 1994, continues to provide quality instruction to PTO employees. PTO-U is dedicated to providing life-long learning opportunities for employees to enhance professional career growth and contribute to the PTO's competitive place in the global economy.

Graduates report that their participation in PTO-U has led them to new job and career opportunities within the agency.

PTO-U is attracting attention outside the PTO. The Defense Intelligence Agency and the National Aeronautics and Space Administration are following PTO-U's

PTO-U	FY 1997	FY 1996
Enrollment	573	537
Registrations	1,528	1,344
Matriculations to date	110	

lead in establishing their own advanced learning centers. Several private industry organizations are examining PTO-U as a model for their own operations.

Community Service

The PTO continued its drive to become a good corporate citizen. Fifty summer interns represented three student organizations: the National Association for Equal Opportunity in Education, the Hispanic Association of Colleges and Universities, and the American Indian Science and Engineering Society.

The PTO also piloted a student employment program. The program focused on placing college students and former interns as summer interns at the PTO and at the PTDLs throughout the United States.

Quality of Work-Life

Following the successful 1996 opening of our self-funded fitness center, in FY 1997 the PTO began developing a wellness program. The program focuses on postural screening, nutrition, stress reduction, and weight management.

In September 1997 the Office of Human Resources held its second annual Child Care Fair Seminar to offer PTO employees the latest information on Emergency Caregivers, Day Care Providers/Centers, and Fitness for Kids. Other presentations provided information on Latchkey Children, Balancing Work and Family Life, and Maternity/Paternity Leave.

MANAGING RESOURCES

This past year we improved the way we manage the PTO's resources. We used a streamlined procurement process to procure five large contracts, and we found that processing time dropped by more than 55 percent, administrative costs went down, and customers were more satisfied with the vendor chosen. In FY 1998 we will use the new process for most new contracts over \$100,000.



We worked hard to improve our property management system, which the Office of Inspector General had previously identified as a material weakness. Responding to this finding, we developed and began implementing new property management procedures.

We continued to integrate our planning, budget, and evaluation processes, and we designed and submitted an integrated planning/budget document, the PTO Corporate Plan, in place of the standard budget submission. We presented resources by business line rather than by budget activity and line item, which allows us to link the goals, objectives, and planned activities for the three PTO businesses—Patents, Trademarks, and Information Dissemination—with the PTO’s mission and strategic goals.

Space 2000

The PTO’s leases on our office space are expiring, and we are required by Federal law to conduct competitive bidding on new leases for our office space. The process continued in FY 1997, with four offerors and sites selected for final bidding. The four sites are all located within a few miles of the PTO’s current location, with the PTO’s current site one of the finalists. The deadline for final offers was February 1998, with lease award in October 1998.

Resource Management Automation

We increased our use of automation to improve the PTO’s resource management:

- Revenue Accounting and Management (RAM) System—RAM was on-line and fully functional in



June 1997. Replacing the Cash Receipts/Deposit Account system, RAM ensures continued compliance with Federal requirements for automated financial systems.

- Program Office Desktop (POD)—POD will be used as the main planning, budgeting, spending, and data entry tool. In FY 1997 POD was installed for a limited number of users, and we began a pilot session for the Office of Finance.
- Executive Information System (EIS)—EIS provides its users with access to corporate-wide information for strategic decision making and planning.
- Data Warehouse—The data warehouse provides information to PTO managers and analysts for analysis and support in decision-making. We will continue to implement this project over the next five years.

PUBLIC AFFAIRS

The PTO's Office of Public Affairs continued to expand its outreach and informational efforts. Efforts in FY 1997 included:

Mind Matters '97

Designed as a celebration of American invention and creativity, this exhibition combined aspects of the former Trademark and Inventors Expos. We expanded the event to place more emphasis on corporate innovation. Like its predecessors, Mind Matters '97 sought to educate the public about the importance of patent, trademark, and copyright protection. The PTO, the U.S. Copyright Office, and Intellectual Property Owners, Inc. jointly sponsored the three-day event.

Three Part Harmony

The "Three Part Harmony: Patents, Trademarks, and Copyrights in a Musical World" exhibition showcased American musical inventions, including music boxes, phonographs, compact discs, the electronic music synthesizer, a Wurlitzer jukebox, and numerous other musical instruments. The exhibition opened in the Patent and Trademark Museum in July 1997.

The Patent and Trademark Museum is a unique resource that reflects America's progress of the useful arts and the intellectual property system. The museum is accessible to all and provides an opportunity for visitors to broaden their knowledge about the products they use and encounter daily.





The Patent and Trademark Museum

In its third year of operation, the museum has played host to thousands of visitors from all over the United States and numerous foreign countries. During FY 1997 two special exhibits were featured in the museum—"Art of the Toy" and "Three Part Harmony: Patents, Trademarks, and Copyrights in a Musical World." The "Art of the Toy" exhibition focused on the history of patents and trademarks in the development of America's toy industry and the creation of childhood memories. The "Three Part Harmony" exhibition showcased American musical inventions, including music boxes, phonographs, compact discs, the electronic music synthesizer, a Wurlitzer jukebox, and numerous musical instruments.

The Ronald H. Brown American Innovator Award

The Ronald H. Brown American Innovator Award recognizes today's heroes of invention. Receiving the award in 1997 were: Dr. Robert W. Bower, inventor of the field-effect transistor with insulated gate, or MOS-FET, Dr. Mark Dean and Mr. Dennis Moeller, inventors of the system to control microcomputer peripheral devices through a bus, and Dr. Robert H. Dennard, who invented the single chip dynamic random access memory, known as DRAM.

Project XL

We continued to encourage student ingenuity and creativity through Project XL, the PTO's educational outreach program. The PTO also works with the National Inventive Thinking Association and the U.S. Copyright Office to promote the popular Young Inventors and Creators Program.

National Inventors Hall of Fame

The PTO works with and supports the National Inventors Hall of Fame at Inventure Place in Akron, Ohio. The PTO provided support for the annual induction ceremony and loaned Inventure Place more than 50 patent models, which will be on display in Akron through 1998.

Inventors Expo

Ninety-seven independent American inventors participated in this three-day event and conference, which was hosted by DisneyWorld and co-sponsored by Intellectual Property Owners, Inc.

Consumer Education

The PTO, together with the Federal Trade Commission (FTC) and the Justice Department, launched Operation Mousetrap, a national public awareness campaign on the dangers of invention development companies. The PTO and the FTC are providing national distribution for a brochure developed in conjunction with the campaign.

Ronald H. Brown American/ Innovator Award

Inventors are heroes. At one time, they were also icons with household names: Edison, Bell, McCormick, and Marconi. Today's innovators possess the same vision as their predecessors, but their names are seldom known even when their inventions are widely appreciated.

The Department of Commerce and the Patent and Trademark Office established the American Innovator Award in 1995 to recognize today's heroes of invention. Last year, the Award was renamed in memory of the late Secretary of Commerce Ronald H. Brown, who made the establishment of this honor possible. The American Innovator Award will stand as a lasting tribute to his leadership and his enthusiastic support of the American intellectual property system.





PTO Community Day



The Patent and Trademark Office (PTO) celebrated its Second Annual Community Day on August 7, 1997. Community Day commemorates the tenet that inclusion means all cultures. This event, sponsored by the Office of Civil Rights, provides PTO employees and PTO's Crystal City neighbors an opportunity to learn more about the agency, its employees and what it has to offer.



The 1997 theme was "Shades of the Same Rainbow." Thousands of participants gathered in the Crystal Mall Park to see African, Korean, Hispanic, Irish, and Native American cultural performances; to see a fashion show expo; to visit more than 40 exhibits; to sample delectable dishes from around-the-world; and to learn more about the PTO.



GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

The PTO continues to move forward with early implementation of GPRA, the primary legislative framework through which Federal agencies will be required to establish strategic goals, measure their performance, and report on how well they have met their goals.

The PTO is developing and implementing a strong performance measurement system that will support our mission and strategy, enhance our focus on our cus-

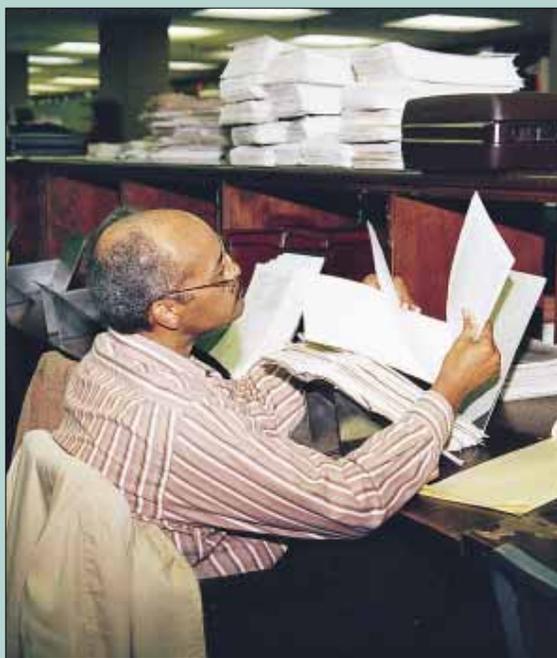
tomers, and provide the measures we need to help us continuously improve our products and services. The PTO's FY 1998 annual review will compare the goals we've set for ourselves against our actual performance.

The tables included on the pages that follow summarize the PTO's GPRA performance goals, measures, and indicators for each of its three major business areas as well as for the executive, or policy, area.

Patent Searches

Many inventors perform patent searches to make sure that their idea has not been patented. They do this, or hire someone to do it for them, at the Public Search Room of the Patent and Trademark Office in Arlington, Virginia. The Public Search Room is open to the public from 8 a.m. to 8 p.m., Monday through Friday, except for holidays.

A Patent and Trademark Depository Library Program system has been established throughout the country for researchers to examine collections of patents using computerized search tools.





PATENT BUSINESS

The Patent business established the following measures to track progress toward achieving our performance goal. We aim, through these performance

improvements, to provide our patent customers with the highest level of quality and service.

Performance Goal: Grant exclusive rights, for limited times, to inventors for their discoveries.	Baseline	FY 1999 Target
Effectiveness Measures		
<ul style="list-style-type: none"> Number of original inventions* filed Number of UPR applications filed 	158,427 119,116	201,300 243,000
Customer Satisfaction Measure		
<ul style="list-style-type: none"> Overall percentage of customer satisfaction 	50%	65%
Employee Satisfaction Measure		
<ul style="list-style-type: none"> Overall percentage of satisfaction from culture survey 	41%	70%
Productivity Measure		
<ul style="list-style-type: none"> Number of weighted applications disposed (per examiner FTE) 	87.2	89.4
Efficiency Measure		
<ul style="list-style-type: none"> Workload cost indicator—unit cost of weighted applications disposed** 	\$2,497.58	\$2,496.35
Quantity Measures		
<ul style="list-style-type: none"> Number of total applications (UPR) disposed per year (includes SIRs) Number of UPR patents issued per year 	180,196 105,529	218,700 144,971
Quality of Output Measures—Quality of the process		
<ul style="list-style-type: none"> Cycle time of original inventions* processed (average months) Percentage of original inventions* achieving 12-month or less cycle time 	14.6 47	13.8 75

* Original inventions exclude Rule 60 and 62 continuations and requests for continuing prosecution under Rule 129.

** Baseline measures are derived from FY 1996 actual performance results except for the workload cost indicator estimates, which are based on preliminary Activity Based Costing models of FY 1997 actual cost accounting data.

TRADEMARK BUSINESS

The Trademark business established the following performance measures to assess its progress in achieving its goals. Where results do not appear to influence the

PTO or Trademark Business Area goals directly, the measures will be redefined to match business goals and objectives more closely.

Performance Goal: Enhance trademark protection.	Baseline	FY 1999 Target
Effectiveness Measure		
<ul style="list-style-type: none"> • Trademark Applications Filed—classes 	200,640	264,000
Productivity Measure		
<ul style="list-style-type: none"> • Disposals per FTE (including contractors) 	221	204
Efficiency Measure		
<ul style="list-style-type: none"> • Workload cost indicator—unit cost per disposal* 	\$385.20	\$402.25
Quality of Output Measures		
<ul style="list-style-type: none"> • Actual Pendency to first action (months) • Actual Pendency to disposal/registration (months) 	5.9 16.5	3.9 15.5
Customer Satisfaction Measure		
<ul style="list-style-type: none"> • Overall percentage of customer satisfaction 	64%	80%
Employee Satisfaction Measure		
<ul style="list-style-type: none"> • Overall percentage of employee satisfaction 	42%	75%
* Baseline measures are derived from FY 1996 actual performance results except for the workload cost indicator estimates, which are based on preliminary Activity Based Costing models of FY 1997 actual cost accounting data.		



INFORMATION DISSEMINATION BUSINESS

The Information Dissemination business is committed to evaluating the performance of all new and existing programs in order to improve our performance. All programs will be monitored continuously to assess

their effectiveness. We will also review the process we use to collect and manage performance data to determine if we can improve data reliability, collection, and access.

Performance Goal: Promote awareness of, and access to, patent and trademark information.	Baseline	FY 1999 Target
Quality Measure		
<ul style="list-style-type: none"> Timeliness—percentage of key products and services meeting schedules or cycle time standards 	63%	80%
Efficiency Measure		
<ul style="list-style-type: none"> Workload cost indicator—unit cost of key products* 	\$8.97	\$9.07
Effectiveness Measures		
<ul style="list-style-type: none"> Customer evaluation of ease of access—the overall level of customer satisfaction with ease of accessing patent and trademark information products and services as determined by responses to a customer satisfaction survey 	84%	90%
<ul style="list-style-type: none"> Metropolitan areas served by Patent and Trademark Depository Libraries—percentage of top 100 most populated areas served by PTDLs 	55%	58%
Customer Satisfaction Measure		
<ul style="list-style-type: none"> Overall percentage of customer satisfaction with key products and services as determined by responses to a customer satisfaction survey 	84%	90%
Employee Satisfaction Measure		
<ul style="list-style-type: none"> Overall percentage of employee satisfaction as measured by Office-wide culture survey 	54%	65%
<small>* Baseline measures are derived from FY 1996 actual performance results except for the workload cost indicator estimates, which are based on preliminary Activity Based Costing models of FY 1997 actual cost accounting data.</small>		

POLICY AREA

The PTO’s Policy Area specialists are instrumental in carrying out the PTO’s strategic goal to play a leadership role in intellectual property rights policy as well as the area’s performance goal. The PTO’s Policy Area aims to have a competitive America in the global

marketplace, a strong and unimpeded economic infrastructure, and effective management and stewardship of intellectual property rights that contribute to sustainable economic opportunities.

Performance Goal: Help protect, promote, and expand intellectual property rights systems throughout the United States and abroad.	Baseline	FY 1999 Target
Effectiveness Measures		
<ul style="list-style-type: none"> Number of countries provided technical assistance 	47	52
<ul style="list-style-type: none"> Number of technical assistance activities completed 	59	64

MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER



During 1997, I assumed the role of Acting Chief Financial Officer (CFO) of the Patent and Trademark Office (PTO) and the responsibilities for the fiscal management and stewardship of its assets and resources. During this time,

the PTO has continued to provide quality products and services to hundreds of thousands of customers all around the world.

As we conclude FY 1997, I am pleased to report that the PTO also continued its financial successes. The Statements of Financial Position reveal that our assets increased 22 percent during FY 1997, rising from \$568 million to \$694 million. At the same time, our liabilities increased 10 percent, rising from \$360 million to \$398 million. The Statements of Operations and Changes in Net Position demonstrate a 30 percent return on equity during the year, despite a 61 percent increase in the cumulative amount of revenues withheld. This statement also shows that our revenues climbed to more than \$733 million, a more than 18 percent increase from the previous year. However, Congress withheld \$54 million of these revenues and restricted their use by the PTO. The amount of customer-paid revenues withheld is scheduled to increase to \$92 million in FY 1998.

As we progress into the new fiscal year and closer to the start of the new millennium, we find ourselves managing a multitude of operational changes and financial management reforms. At the same time, we remain committed to providing our customers with the highest level of quality and service. Our financial management organization consists of a solid group of finance, procurement, budget and accounting professionals whose dedication to fiscal accountability and sound management practices is unparalleled. Our financial management organization has made—and continues to make—significant improvements to our

financial management, reporting and accounting systems. Most significantly, we continue to re-engineer our resource management processes, which will facilitate our planned transition to a performance-based organization. An important key to this transition is the implementation of the Government Performance and Results Act of 1993 (GPRA).

During FY 1997, we continued to enhance our technological capabilities through various financial management system modifications. Significant accomplishments include deployment of a new revenue accounting system, and upgrades to the property subsystem, the procurement subsystem, and the travel subsystem. In addition, enhancements were planned for the budget formulation and allocation subsystems. We successfully awarded several contracts using the reengineered contracting process known as ReMap/Conops, thus paving the way for it to be our standard method of conducting procurements. We are on course to realizing the goal of a fully integrated financial management system that provides reliable, accurate, timely, and accessible financial information.

As CFO, I am committed to providing effective financial planning, management, and reporting to ensure increased productivity and sustainable economic successes. Our FY 1997 financial statements have demonstrated this commitment by earning an unqualified opinion from the Office of Inspector General for the Department of Commerce. I want to thank our customers, employees, and stakeholders for their continuing support. We look forward to the future with confidence.

A handwritten signature in black ink, appearing to read "E. R. Kazenske". The signature is fluid and cursive.

Edward R. Kazenske
Acting Associate Commissioner and
Chief Financial Officer

PATENT AND TRADEMARK OFFICE AT THE CLOSE OF FY 1997

Main Offices: Arlington, Virginia, distributed through 16 buildings and 1,723,465 square feet of space

Other locations: Two storage facilities in Springfield, Virginia; leased storage in Boyers, Pennsylvania

Number of employees: 5,134 full-time equivalent staff

Phone number: 1-800-786-9199

Funding sources: The PTO is funded entirely through user fees

Statutory Authorities:

- 15 U.S.C. 1051-1127 contain provisions of the Trademark Act of 1946 that govern the administration of the trademark registration system.
- 15 U.S.C. 1511 places the PTO under the jurisdiction and supervision of the Department of Commerce.
- 35 U.S.C. contains basic authorities for administering patent law, derived from the Act of July 19, 1952, and subsequent Acts. Revenues from fees are available to the PTO to the extent provided for in appropriations Acts.
- 44 U.S.C. 1337-1338 contain the PTO's authority to print patents, trademarks, and other matters related to the PTO's businesses.

Creating a Patent and Trademark System for the 21st Century

Fiscal Year 1997

A Patent and Trademark Office Review



FINANCIAL REVIEW

The PTO administers U.S. patent and trademark laws, protecting the inventions and ideas of inventors, businesses, and the public. Patent and trademark products serve to bolster domestic and international markets, fuel American business expansion and exports, encourage advancements in technology, and improve the quality of everyday life.

For the past decade, the PTO has been streamlining its operations and incorporating advances in information management technology in its processes. The PTO is determined to make its quality products and services more affordable, and to keep pace with burgeoning demand. The PTO is striving to improve the automated patent and trademark application examination processes by replacing paper applications with electronic submissions. In fact, the prototype of the trademark electronic application is available for review on the PTO's Internet web site. The PTO is also continuing all efforts to increase the speed of patent searches, and to expand accessibility to patent and trademark information.

During FY 1997, the PTO continued its significant technological and developmental efforts. The PTO's FY 1997 cash outlays for new property and equipment—primarily computer hardware and software—totaled \$83.4 million, exceeding amounts expended in any previous year. Such investments in new information technologies and advanced communications enable the PTO to provide the flexibility and service that patent and trademark customers demand—ready access to information and the ability to interact electronically with the PTO. Customer demand for high-quality, timely protection of intellectual property rights continues to increase significantly each year. In fact, the PTO's earned fee revenues and reimbursements for FY 1997 reached \$733.9 million, an all-time high.

FY 1997 was a notable year, not just at the PTO, but throughout the Federal government, as agencies continued striving to produce audited financial statements in compliance with the requirements of the Chief Financial Officers Act of 1990 (CFO Act), as amended by the Government Management Reform Act of 1994

(GMRA). These two acts have resulted in the promulgation of a body of generally accepted Federal financial accounting and reporting standards that impose numerous financial management requirements upon Federal entities. These include developing cost management and accounting systems, developing integrated financial management and accounting systems, and improving capital asset reporting and accountability. Also, the Government Performance and Results Act of 1993 (GPRA) requires agencies to develop effective strategic plans and performance measures that demand more reliable financial information.

In recent years, the PTO has made significant progress in implementing Federal financial management reforms. For FY 1996, only four out of the 24 departments and major agencies subject to the CFO Act received both unqualified and timely audit opinions. The PTO, a bureau of the Department of Commerce (DOC), also received a timely unqualified opinion for FY 1996. Only 45 percent of Federal agencies required to use the U.S. Standard General Ledger (SGL) do so at the transaction level. The PTO has been SGL compliant at the transaction level since FY 1992. The PTO is also one of 14 agencies which will pilot the Federal Agencies' Centralized Trial-Balance System (FACTS) II, budgetary accounting reporting. Notwithstanding the fact that the PTO is on the forefront of Federal financial management reform, it has also completed numerous substantive initiatives to further improve its operations, ensure operational and financial accountability, provide accurate and reliable financial reporting, and ensure compliance with Federal financial accounting and reporting standards. These initiatives have included: (1) conducting major process re-engineering efforts in the patent area to achieve pendency goals;

(2) developing a new revenue accounting system that enhances the processing of cash receipts and customer deposit account transactions; (3) developing comprehensive procedures for asset management and accountability; (4) strengthening internal controls in all aspects of equipment and software acquisitions and accounting, including implementation of an automated fixed asset subsidiary system and related property management database; and (5) developing cost management methodologies and cost accounting models that can capture and distribute costs associated with the PTO's operations, business units, and specific products.

These initiatives have contributed to enhanced financial accounting and reporting and have substantially improved the PTO's ability to produce meaningful, accurate financial statements annually. Indeed, this is the sixth year the PTO has provided its customers and stakeholders a comprehensive set of financial statements with related footnote disclosures.

The PTO's FY 1997 financial statements were compiled in accordance with guidance issued by the Office of Management and Budget (OMB) and supplementary guidance provided by the DOC. The DOC Office of Inspector General (OIG) audited the PTO's FY 1997 financial statements. In the OIG's Report on Internal Control Structure, the OIG made recommendations for improving certain internal controls and promoting operating efficiencies. Substantive actions have been initiated by the PTO's management officials to implement these recommendations. As in past years, the PTO was issued an unqualified opinion on its financial statements.

Although the PTO prepares and publishes financial statements on an accrual basis in accordance with the CFO Act requirements, it still operates on the cash basis required by appropriations law. The PTO has no investment authority, no borrowing authority, and no lines of credit. For the PTO to spend a single dollar, it must have already collected that dollar. By the end of the fiscal year, there must be collected fees in the Fund Balance with the U.S. Department of the Treasury (Treasury) account to cover all outstanding obligations and commitments (for goods or services not yet delivered). However, under generally accepted accounting and reporting requirements, these commitments, or outstanding contracts, do not appear on the accrual basis financial statements until the goods or services have been provided, and are only referenced in footnotes to the financial statements.

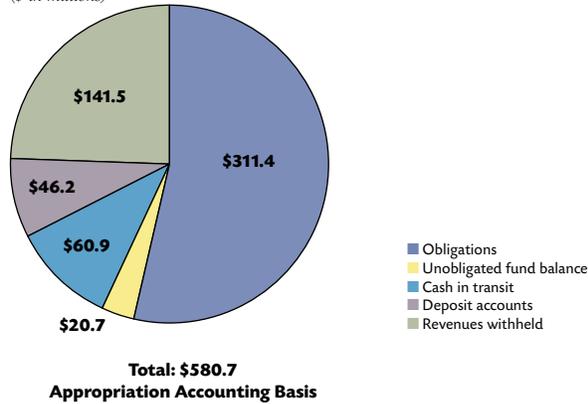
The unobligated balance of total funds available to the PTO amounted to \$20.7 million at the end of FY 1997. This is only a small percentage of the PTO's total cash and Fund Balance with Treasury. The nature of the CFO Act financial statements, if interpreted on a cash basis, for an appropriated government entity, may lead the reader to the conclusion that the PTO's cash and Fund Balance with Treasury are funds available for obligation, rather than funds that have previously been obligated and that will be used to liquidate current outstanding contractual commitments. Private enterprises would not have these outstanding obligations and commitments outside of the financial statements and would not keep such large fund balances on hand; rather, fund balances would be invested.



The charts below illustrate the differences between accounting for fund balances on the appropriations accounting basis used in the budgeting process, and the financial accounting basis as reported under the requirements of the CFO Act.

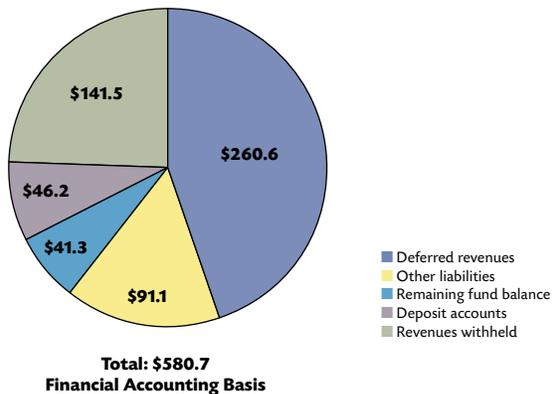
Claims Against Fund Balance with Treasury

(\$ in millions)



Claims Against Fund Balance with Treasury

(\$ in millions)



The Omnibus Budget and Reconciliation Act (OBRA) of 1990, as amended in 1993, provided for a 69 percent increase in statutory fees to allow the PTO to become fully funded by its customers through the collection of user fees. This customer fee increase was initially collected by the PTO and placed in a special restricted account at the Treasury. Although the fees were collected by the PTO, the use of the funds was controlled by Congress. Subsequent legislation removed the percentage requirement, requiring the

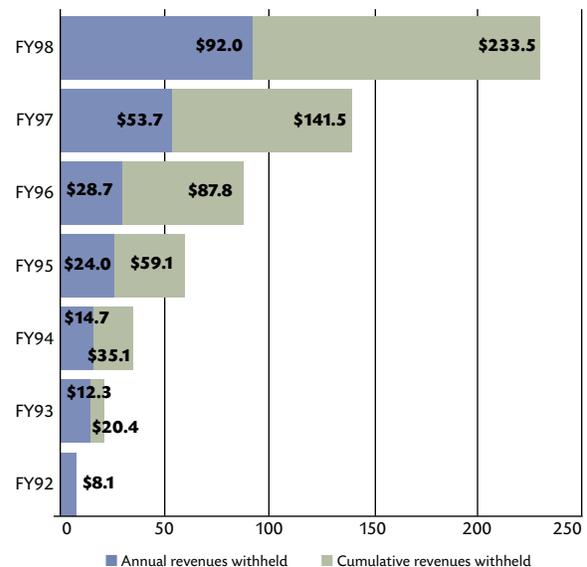
PTO to deposit specified amounts of fees into the special account each year. Budget authority must be appropriated in order for the PTO to use these fees.

Since FY 1992, Congress has continued to withhold increasing amounts of the PTO's customer fees. Initially, the amounts withheld were small compared with the PTO's revenues. They ranged from \$8.1 million in FY 1992 to \$53.7 million in FY 1997. The PTO was able to absorb these revenue restrictions in its operating budget with controlled adverse effects on its programs. In fact, the annual amount of fees withheld has risen more than 563.0 percent since FY 1992, and the cumulative total of fees collected by, but unavailable to, the PTO as of the end of FY 1997 was \$141.5 million. In FY 1998, the customer fees withheld will increase 71.3 percent, from \$53.7 million to \$92.0 million.

This revenue restriction of \$92.0 million can be absorbed only in the operating budget of the PTO. For FY 1998, the cumulative amount of fees withheld will reach \$233.5 million, according to current appropriations and apportionment schedules. By law, these restricted revenues are available to the PTO only through the appropriations process.

Trends in Annual and Cumulative Revenues Withheld

(\$ in millions)



SELECTED ASSET ACCOUNT ANALYSES are presented to assist the reader in understanding the nature of the assets included in the statements of financial position, the current trends, and the extent of the future economic benefit to the PTO. The most significant assets owned and managed by the PTO are cash, Fund Balance with Treasury, and property and equipment.

Cash and Fund Balance with Treasury

User fees are the source of most revenues earned by the PTO. Patent and trademark rights, grants, registrations, and related products and services are sold to the public for fees assessed. As demand for the PTO's products and services has increased, fee collections have continued to climb, with a concurrent increase in workload.

The PTO began the year with a total of \$492.4 million in its cash accounts and Fund Balance with Treasury. Of this amount, \$288.4 million was set aside for the payment of obligations, \$87.8 million was withheld from the PTO as required by the OBRA, \$47.7 million represented checks in transit, \$41.5 million represented moneys held in trust for the PTO's customers, and \$0.9 million was reserved for a rescission of restricted funds. Only \$26.1 million—or 5.3 percent—of the PTO's cash accounts and Fund Balance with Treasury was available to meet patent and trademark program needs arising in FY 1997 and future years.

During FY 1997, the PTO generated a net of \$171.6 million in cash from patent and trademark fees and other sources, as indicated by the net cash provided by operating activities in the statements of cash flows. This represents a \$37.1 million increase over the \$134.5 million in net cash provided by operating activities for

FY 1996. As indicated by the net cash used in investing activities in the statements of cash flows, \$83.4 million of the \$171.6 million generated from operating activities was used solely for the purchases of new property and equipment, principally automation technology. This amount represents an increase of \$34.4 million over the \$49.0 million net cash used in investing activities for FY 1996. Total cash provided during FY 1997 by both operating activities and investments in property and equipment was \$88.2 million, an increase of 3.2 percent over the \$85.5 million provided during FY 1996.

The PTO ended FY 1997 with a total of \$580.7 million in its cash accounts and Fund Balance with Treasury, a 17.9 percent increase from the \$492.4 million balance at the end of FY 1996. Of this FY 1997 year-end amount, \$310.5 million was set aside for the payment of obligations, \$141.5 million was withheld from the PTO as required by the OBRA, \$60.9 million represented checks in transit, \$46.2 million represented moneys held in trust for the PTO's customers, and \$0.9 million was reserved for a rescission of restricted funds. Only \$20.7 million—or 3.6 percent—of the PTO's ending cash accounts and Fund Balance with Treasury is available to meet patent and trademark program needs arising in FY 1998 and future years.

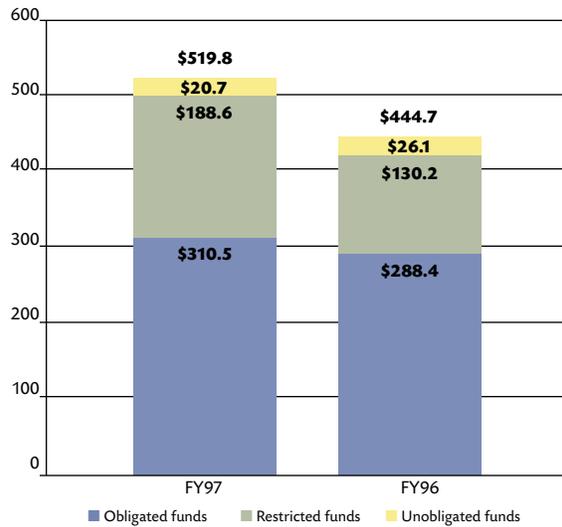
While the PTO operates as a fully customer fee-funded operation, it remains a U.S. Government entity subject to Federal appropriations law and is not authorized to freely invest its cash and fund balances. The PTO's Fund Balance with Treasury includes amounts set aside for the payment of outstanding obligations and restricted funds for the customer deposit accounts, nonentity funds, and revenues withheld by Congress.



The following chart indicates the portions of the Fund Balance with Treasury that represent obligated funds, unobligated funds, and restricted funds.

Fund Balance with Treasury

(\$ in millions)



Property and Equipment

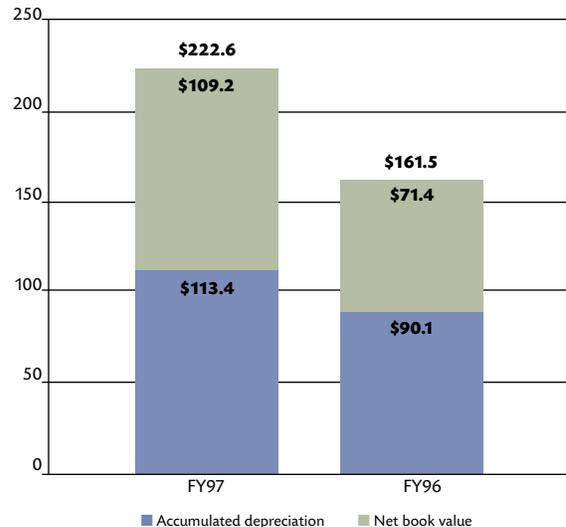
The PTO’s property and equipment (P&E) include hardware, software, and office furniture and equipment. The PTO’s investment in automation technology has increased substantially in recent years, as many processes transform from paper-based to electronic systems, as old equipment is replaced with newer technology, and as operating and application software are purchased and upgraded to keep pace with equipment capabilities and emerging technology. Significant automated data processing (ADP) equipment acquisitions, software purchases, and software development activities were made or were continued throughout FY 1997.

One of the PTO’s largest automation efforts is the Automated Patent System (APS). Although a portion of the costs associated with the APS is expensed as incurred, other costs, such as software design and development as well as purchased hardware and software, are capitalized and depreciated over the useful life of the system.

At the end of FY 1997, the PTO’s P&E are stated at a net book value of \$109.2 million, which represents the original acquisition value of \$222.6 million less accumulated depreciation of \$113.4 million. Annual depreciation of P&E provides for the economic distribution of the cost of using these assets over time. The net book value increase of 52.9 percent from the FY 1996 net P&E balance of \$71.4 million is the result of continued purchases of APS equipment and software (such as storage devices, routers, printers, and examiner workstations), purchases of other ADP equipment and software (such as personal computers, equipment upgrades, and network upgrades), and purchases of office furniture and fixtures.

Property and Equipment

(\$ in millions)



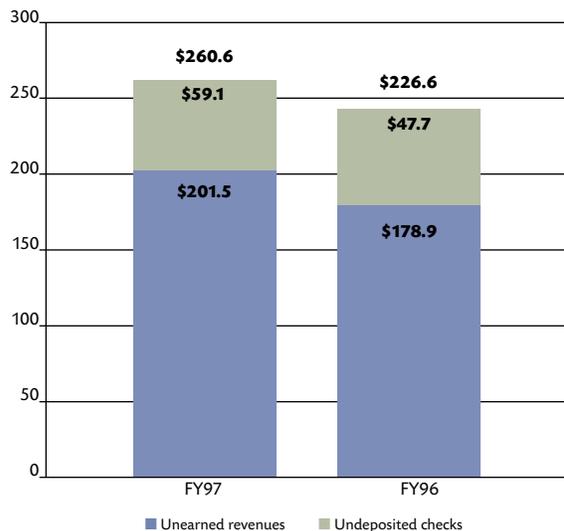
SELECTED LIABILITY ACCOUNT ANALYSES are provided to assist the reader in understanding the nature of liabilities included in the statements of financial position. Liabilities are classified into two categories: governmental liabilities and intragovernmental liabilities. Most PTO liabilities result from deferred revenues, that is, fees received for services requested, but not fully earned, and undeposited checks at year-end. Other significant PTO liabilities include customer deposit accounts and accounts payable.

Deferred Revenues

Deferred revenues represent fees received for services requested, but not fully earned, and undeposited checks at year-end. The PTO's deferred revenue calculation distinguishes between fees collected and income realized as application files pass through the various examination/processing stages. During FY 1997, the PTO continued to enhance its financial and operational systems with the implementation of the Revenue Accounting and Management (RAM) system and greater use of the Patent Application and Location Monitoring (PALM) and the Trademark Reporting and Monitoring (TRAM) systems. While the RAM system records the receipt of fees for which the PTO renders services, the PALM and TRAM systems track the progression of application files from office to office. Reports generated from each system, as well as other documentation, provide the bases for matching revenues with the expense of processing those files and for identifying checks to be deposited at year-end.

Deferred Revenues

(\$ in millions)

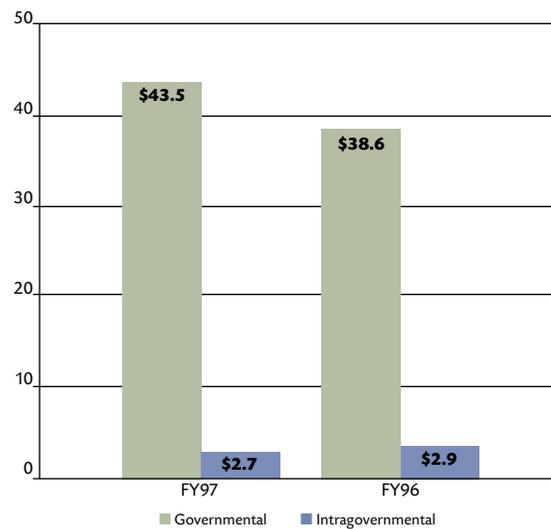


Total deferred revenues at the end of FY 1997 were \$260.6 million, an increase of 15.0 percent from the FY 1996 balance of \$226.6 million. This increase in

deferred revenue is consistent with both the increase in fees processed during FY 1997 and the increase in demand for patents and trademarks. During FY 1997, the PTO received 220,773 utility, plant and reissue (UPR) patent applications and 16,272 design applications. The UPR application filings workload increased by 15.5 percent from the previous year and design applications increased by 7.3 percent. As for trademarks, during FY 1997, the PTO received 224,355 trademark applications, an increase of 11.8 percent from the previous year's filing level of 200,640.

Deposit Account Liability

(\$ in millions)



Customer Deposit Accounts

Customer deposit accounts are maintained by the PTO as a service to its customers. The associated liability results from moneys paid to the PTO in anticipation of a future demand for services. Upon receipt of a service request from a customer maintaining a deposit account, the PTO deducts the appropriate fee from the respective account. At the end of FY 1997, the liability was \$46.2 million, an increase of 11.3 percent over the FY 1996 balance of \$41.5 million. As discussed in the preceding paragraph, the increase in customer deposit accounts is also consistent with the overall increase in demand for patents and trademarks.

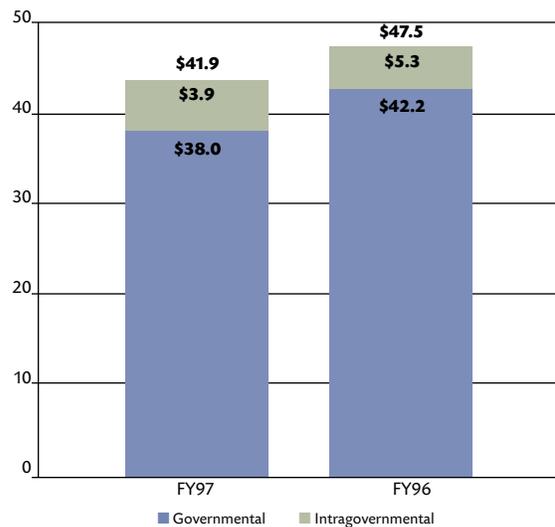


Accounts Payable

The PTO's accounts payable balances include Federal and non-Federal accounts payable for goods and services received for which the PTO has not yet made payment. At the end of FY 1997, payments owed to other Federal agencies (intragovernmental) totaled \$3.9 million, a \$1.4 million decrease from the \$5.3 million owed at the end of FY 1996. In addition, \$38.0 million was owed to non-Federal entities (governmental), a \$4.2 million decrease from the \$42.2 million owed at the end of FY 1996. The decrease in accounts payable is the result of the PTO's continuing efforts to comply with the Prompt Payment Act of 1982, as well as an increase in the volume of vendor payments processed during the fourth quarter of FY 1997.

Accounts Payable

(\$ in millions)

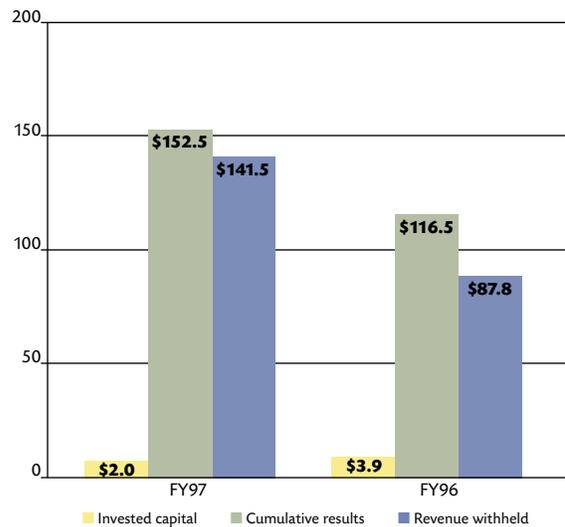


NET POSITION is reported by the PTO in three components: invested capital, cumulative results of operations, and revenues withheld. In the aggregate, the various components of the net position section in

the statements of financial position are also referred to as "equity." Equity is the residual interest in the assets of the entity that remains after deducting liabilities. The total net position increase of \$87.8 million from FY 1996 to FY 1997 includes \$53.7 million that is not available for use because the PTO has not been granted the authority by Congress.

Equity Accounts

(\$ in millions)



Invested Capital

Invested capital is the net book value of capitalized fixed assets that were purchased with appropriations from general taxpayer revenue. Because the PTO is no longer funded from an annual appropriation from general taxpayer revenue, the balance in the invested capital account (an appropriated fund account) will decrease each year by the amount of depreciation associated with the respective capitalized assets, eventually going to zero. At the end of FY 1997, the balance in this account was \$2.0 million, a decrease of 48.7 percent from the balance of \$3.9 million as of the end of FY 1996.

Cumulative Results of Operations

The cumulative results of operations (CRO) represents the cumulative unrestricted net operating gain recognized by the PTO since its inception. CRO increases or decreases each year by the excess of revenues and financing sources over total expenses, in the statements of operations and changes in net position. However, in practice, not all of that amount is allocated to the CRO. Instead, a portion of the amount is diverted each year into a restricted revenues withheld account at Treasury. These fee collections are used by Congress to offset increased spending in other Federal programs, which reduces the PTO's budget authority and restricts its ability to spend all of its customers' fees to accomplish patent and trademark program work.

At the end of FY 1997, the PTO's CRO was \$152.5 million. Thus, of the total assets presented in the PTO's statements of financial position, a portion of the government's interest consists of net P&E, as there are no outstanding liens against any of these assets. Net P&E appears on the statements of financial position in the amount of \$109.2 million. However, \$2.0 million of this was purchased with appropriated funds classified as invested capital, leaving \$107.2 million in CRO. The accounts receivable of \$4.0 million also represent a portion of the CRO. The remaining balance of \$41.3 million is the PTO's interest in the Fund Balances. However, this \$41.3 million interest is a financial accounting basis amount that does not reflect the impact of \$258.6 million in unpaid undelivered orders (goods and services ordered, but not yet received) on the appropriation accounting basis. The PTO's current interest in the Fund Balances will be used to liquidate a portion of the current commitments the PTO possesses in these unpaid undelivered orders, and future funding requirements will have to be earned to liquidate the remainder of its unpaid undelivered orders and to meet its liabilities, both funded and unfunded, at September 30, 1997.

Revenues Withheld

Revenues withheld is segregated as a portion of the equity balance because of restrictions associated with the availability of the customer-paid fees. Although these fees were earned, additional action by Congress is required to make these balances available for use by the PTO.

During FY 1997, the PTO collected and deposited \$115.0 million in customer fees into the special restricted account. Congress provided budget authority for the PTO to spend \$61.3 million, with \$53.7 million remaining in the restricted Treasury account. Although the cumulative amount of the withheld fees appears on the statements of financial position, it is a restricted account and the PTO has not been given the authority to use the funds. Revenues withheld reached \$141.5 million at the end of FY 1997, an increase of 61.2 percent over the FY 1996 balance of \$87.8 million.

SELECTED REVENUES AND EXPENSES are discussed below to assist the reader in understanding the PTO's statements of operations.

Revenues and Financing Sources

The PTO's fee collections have continued to climb as demand for the PTO's products and services has increased. Customers pay user fees when they order products and services. The current patent fee structure allows for lower initial fees that 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 (e.g., patent documentation and quality review). Total earned income (financial accounting basis) from fee collections (patents, trademarks, and reimbursements) in FY 1997 was \$733.9 million, an increase of 18.6 percent from FY 1996 fee income of \$618.9 million. Maintenance fees accounted for \$252.3 million of the FY 1997 collections. Patent maintenance fees are



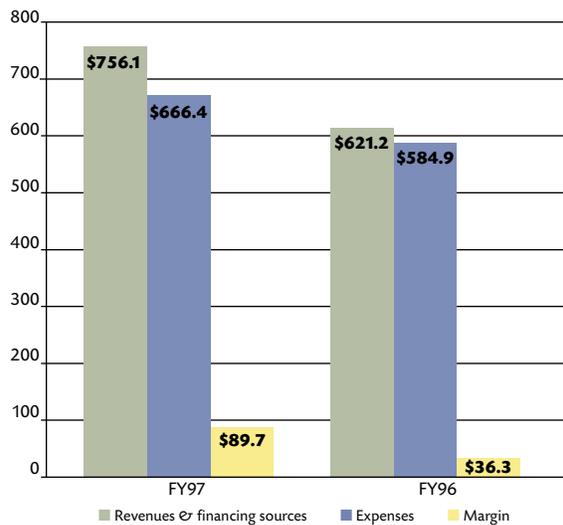
collected over the life of the patent from owners of those patents. If maintenance fees are not remitted at each of the three stages, patent protection expires. Since the maintenance fees are the largest category of fee income, fluctuations in rates of renewal can significantly affect revenues. Renewal rates are currently: 80.3 percent at the first stage (at the end of the third year after a patent is issued); 55.8 percent at the second stage (at the end of the seventh year after a patent is issued); and 35.4 percent at the third stage (at the end of the eleventh year after a patent is issued).

The PTO's revenues and financing sources are primarily derived from the sale of goods and services. For FY 1997 an additional \$1.9 million was from appropriated capital used during the year, and \$20.3 million was from an imputed financing source primarily resulting from the PTO's recognition of its share of the cost to the Federal government of providing pension and post-retirement health and life insurance benefits to all eligible employees.

The chart below illustrates the PTO's revenues, expenses, and margin for FY 1997 and FY 1996.

Revenues, Expenses and Margin

(\$ in millions)



Expenses

The PTO's total expenses for FY 1997 amounted to \$666.4 million, of which program or operating expenses accounted for \$619.9 million. This is a 12.0 percent increase in operating expenses from FY 1996, primarily the result of increases in personal services and benefits and contractual services. As the PTO is a service provider, personnel costs are its largest expense. In FY 1997, personal services and benefits were \$353.0 million, an increase over the \$330.8 million in FY 1996. The increase in personnel costs reflects government-wide salary increases and increases in overtime requirements. In addition, expenses for contractual services increased in FY 1997 by \$9.4 million. The increase in contractual services is consistent with the PTO's need to procure outside support services to accommodate increased workload. Although personnel costs rose during FY 1997, personal services and benefits represented 56.9 percent of total operating expenses, a decrease from 59.7 percent of total operating expenses in FY 1996. The decrease in personnel costs as a percentage of total operating expenses reflects the overall increase in other operating expenses. In addition to increases in components of operating expenses, depreciation expense rose \$14.9 million. This is due to an increase in capital investments during FY 1997 and FY 1996.

SIGNIFICANT ACTIONS, ACCOMPLISHMENTS, AND RESULTS

Financial Management: Quantitative indicators, as prescribed by the OMB, monitor improvements in financial management. The following chart

depicts the goals or target performance established by OMB for FY 1997 and the performance of the PTO during that period.

Significant Actions, Accomplishments and Results		
Measure	Target Performance	PTO Performance
Percent of Timely Vendor Payments	95%	98%
Percent of Payroll by Electronic Transfer	90%	97%
Percent of "Treasury Agency Locations" Fully Reconciled	95%	100%
Timely Posting of Inter-agency Charges	30 days	31 days
Timely Reports to Central Agencies	95%	100%
Timely Travel Payments Average Processing Time	15 days	1 day
Audit Opinion on FY 1997 Financial Statements	Unqualified	Unqualified
Material Weaknesses FY 1997 Reported by OIG	None	None

Financial Systems: 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. Improvements during FY 1997 and enhancements planned for FY 1998 to the PTO's financial management systems are described below:

- Completed interim upgrade to the procurement sub-system that had been implemented in FY 1996.
- Defined and reviewed the business workflow requirements and technical architecture for the subsequent major upgrade to the procurement subsystem scheduled for mid-FY 1998.
- Implemented the Revenue and Accounting Management System in June 1997.
- Completed improvements to the travel subsystem, including continued deployment of Travel Manager.
- Deployed the enterprise-wide Data Warehouse for the Financial Subject Area in October 1997.
- Scheduled upgrade of FFS for year 2000 compliance for FY 1998.
- Scheduled implementation of the Program Office Desktop for FY 1998.
- Planned for enhancements to the Budget Formulation Module for preparing budget estimates.
- Identified improvements to enhance the Electronic Commerce capability of the procurement subsystem.



Management Controls: For FY 1997, the PTO provided reasonable assurance of compliance with the provisions of the Federal Managers' Financial Integrity Act. Weaknesses in subsystems previously identified and reported to the DOC

were corrected. The weaknesses below were identified by the OIG during its audit of the FY 1996 financial statements. Reported weaknesses and anticipated dates for full correction are indicated in the table that follows.

Management Controls: Federal Managers' Financial Integrity Act	
Section 2 Material Weaknesses	Anticipated Correction Date
None	N/A
Section 4 Material Nonconformance	Anticipated Correction Date
Procedures for Accounting for Capital Assets Should Be Improved	FY 1998
Preparation, Analysis, and Monitoring of Financial Information Should Be Improved	FY 1998

Limitations of Financial Statements

Pursuant to the requirements of the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, the financial statements that follow have been prepared to report the financial position and results of operations of the Patent and Trademark Office. The FY 1997 financial statements consist of the Statements of Financial Position, the Statements of Operations and Changes in Net Position, and the Statements of Cash Flows. The following limitations apply to the preparation of the FY 1997 financial statements:

- The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b).

- 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, the statements are different from the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of 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 for contracts can be abrogated by the sovereign entity.

FINANCIAL STATEMENTS

U. S. Department of Commerce Patent and Trademark Office
STATEMENTS OF FINANCIAL POSITION

As of September 30, 1997 and 1996

(Dollars in Thousands)

	1997	1996 <i>(Restated)</i>
ASSETS		
Entity Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 3)	\$518,944	\$443,806
Accounts Receivable	3,466	4,088
Governmental Assets:		
Accounts Receivable	549	544
Cash	60,856	47,765
Property and Equipment, Net (Note 4)	<u>109,236</u>	<u>71,409</u>
Total Entity Assets	<u>693,051</u>	<u>567,612</u>
Non-Entity Assets		
Intragovernmental Assets		
Fund Balance with Treasury (Note 3)	<u>871</u>	<u>871</u>
Total Non-Entity Assets	<u>871</u>	<u>871</u>
Total Assets	<u><u>\$693,922</u></u>	<u><u>\$568,483</u></u>
LIABILITIES		
Liabilities Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Accounts Payable	\$ 3,871	\$ 5,314
Accrued Postemployment Compensation	929	804
Customer Deposit Accounts	2,648	2,915
Other Liability Due to Treasury (Note 3)	871	871
Actuarial Liability (Note 5)	4,033	3,086
Governmental Liabilities:		
Accounts Payable	38,020	42,175
Accrued Payroll and Benefits	25,105	22,955
Accrued Leave	18,290	16,985
Customer Deposit Accounts	43,515	38,564
Deferred Revenues (Note 6)	<u>260,556</u>	<u>226,603</u>
Total Liabilities	<u>397,838</u>	<u>360,272</u>
NET POSITION		
Invested Capital	1,982	3,876
Cumulative Results of Operations	152,573	116,554
Revenues Withheld	<u>141,529</u>	<u>87,781</u>
Total Net Position	<u>296,084</u>	<u>208,211</u>
Total Liabilities and Net Position	<u><u>\$693,922</u></u>	<u><u>\$568,483</u></u>

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



U. S. Department of Commerce Patent and Trademark Office

STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION

For the years ended September 30, 1997 and 1996

(Dollars in Thousands)

	1997	1996
REVENUES AND FINANCING SOURCES		
Revenues from Sales of Goods and Services		
To the Public	\$729,285	\$614,702
Intragovernmental	4,574	4,218
Appropriated Capital Used	1,894	2,281
Imputed Financing Sources (Note 8)	<u>20,380</u>	<u>—</u>
Total Revenues and Financing Sources	<u>756,133</u>	<u>621,201</u>
EXPENSES		
Program or Operating Expenses (Note 9)	619,863	553,676
Depreciation and Amortization	45,556	30,658
Change in Actuarial Liability (Note 5)	<u>947</u>	<u>599</u>
Total Expenses	<u>666,366</u>	<u>584,933</u>
Excess of Revenues and Financing Sources Over Total Expenses	<u>\$ 89,767</u>	<u>\$ 36,268</u>
Net Position, Beginning Balance	\$208,211	\$174,224
Excess of Revenues and Financing Sources Over Total Expenses	89,767	36,268
Decrease in Invested Capital	<u>(1,894)</u>	<u>(2,281)</u>
Net Position, Ending Balance	<u>\$296,084</u>	<u>\$208,211</u>

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

U. S. Department of Commerce Patent and Trademark Office
STATEMENTS OF CASH FLOWS (INDIRECT)

For the years ended September 30, 1997 and 1996

(Dollars in Thousands)

	1997	1996 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenues and Financing Sources Over Total Expenses	\$ 89,767	\$ 36,268
Adjustments Affecting Cash Flow:		
Appropriated Capital Used	(1,894)	(2,281)
Decrease in Accounts Receivable	617	2,172
Increase/(Decrease) in Accounts Payable	(5,598)	9,679
Increase in Customer Deposits	4,684	5,671
Increase in Deferred Revenues	33,953	53,214
Increase in Accrued Leave and Postemployment Compensation	1,430	1,205
Depreciation and Amortization	45,556	30,658
Increase in Actuarial Liability	947	599
Increase in Accrued Payroll and Benefits	2,150	2,919
(Decrease) in Other Liability Due to Treasury	-	(5,049)
(Decrease) in Capital Lease Liability	-	(625)
Capital Lease Liability Cancellations	-	116
Total Adjustments	<u>81,845</u>	<u>98,278</u>
Net Cash Provided by Operating Activities	171,612	134,546
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	<u>(83,383)</u>	<u>(48,977)</u>
Net Cash Provided by Operating and Investing Activities	<u>\$ 88,229</u>	<u>\$ 85,569</u>
Fund Balances with Treasury and Cash, Beginning	\$492,442	\$406,873
Net Cash Provided by Operating and Investing Activities	<u>88,229</u>	<u>85,569</u>
Fund Balances with Treasury and Cash, Ending	<u>\$580,671</u>	<u>\$492,442</u>
Entity Fund Balance with Treasury	\$518,944	\$443,806
Non-Entity Fund Balance with Treasury	871	871
Entity Cash	<u>60,856</u>	<u>47,765</u>
Fund Balances with Treasury and Cash, Ending	<u>\$580,671</u>	<u>\$492,442</u>

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



NOTES TO FINANCIAL STATEMENTS

NOTE 1. Summary of Significant Accounting Policies

Basis of Presentation

As required by the Chief Financial Officers Act of 1990 (CFO Act), the accompanying financial statements present 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 serve as the source of the information contained herein. These financial statements were prepared in accordance with the guidance specified by the Office of Management and Budget (OMB) in Bulletins 97-01 and 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 PTO is a bureau of the U.S. Department of Commerce (DOC) promoting the use of intellectual property rights—patents, trademarks, and copyrights—as a means of achieving economic prosperity. The PTO administers the laws relevant to patents and trademarks, and advises the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection and the trade-related aspects of intellectual property policy.

The PTO has three core business activities—processing patent applications, registering trademarks, and disseminating information about patents and trademarks. These activities not only give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, but provide protection for their inventions and trademarks.

The financial position and results of operations for these core business activities are presented in the

accompanying financial statements and include the accounts for salaries and expense (13X1006), surcharge (revenue withheld) (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

Since the passage of the Omnibus Budget Reconciliation Act of 1990 (OBRA), the PTO programs have been substantially funded by user fees. Since 1990, the appropriated funds from general taxpayer revenues gradually decreased until the PTO became fully fee funded in FY 1993.

Revenue withholding on statutory patent fees was established by the OBRA. Subsequent pieces of legislation removed the reference to a specific surcharge withholding of 69 percent, required the PTO to withhold and deposit exact amounts of revenue, and extended the revenue withholding through the end of FY 1998. These revenues withheld constitute offsetting receipts and are deposited into a restricted account at the U.S. Department of the Treasury (Treasury). The PTO is only authorized to use moneys from this account to the extent appropriated by Congress. Thus, 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 moneys not appropriated to the PTO by Congress are not available and are retained in a restricted receipt account by Treasury.

Fees other than the restricted revenue withholding 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,

Note 1: Summary of Significant Accounting Policies (continued)

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.

Under the authority of the CFO Act, the Federal Accounting Standards Advisory Board (FASAB) was established to recommend Federal accounting standards to the Secretary of the Treasury, the Director of OMB and the Comptroller General, co-principals of the Joint Financial Management Improvement Program (JFMIP). Specific standards agreed upon by the three principals will be issued by the Director of OMB and the Comptroller General. Pending issuance of final accounting standards, FASAB has recommended, and the JFMIP principals have agreed, that agencies adopt for use in preparing financial statements an other comprehensive basis of accounting. The accounting principles and standards applied in preparing these financial statements are in accordance with this other comprehensive basis of accounting and the following hierarchy of accounting principles, as recommended by the FASAB and agreed to by the JFMIP principals:

- Individual standards agreed to and published by the JFMIP principals.
- Requirements contained in the OMB's Form and Content Bulletins in effect for the period covered by the financial statements.
- Accounting standards contained in agency accounting policy, procedures manuals or related guidance.
- Accounting principles published by other authoritative standard-setting bodies and other authoritative sources (a) in the absence of other guidance in the first three parts of this hierarchy, and (b) if the use of such accounting standards improve the meaningfulness of the financial statements.

Revenues and Other Financing Sources

The PTO's user fee rates are established by rule and law. Since 1993, the PTO funding has been primarily received through the collection of user fees. Fees that are remitted with initial applications and other services are recorded as revenue when received, with an adjustment at year-end to defer revenues for services that have not yet been performed. Revenues withheld pursuant to the OBRA are also recognized as income by the PTO. Advance payments made by customers for services not yet requested are recorded as liabilities in customer deposit accounts until services are rendered.

A financing source is recognized to the extent of the annual depreciation expense for property and equipment purchased in prior years with funds appropriated from general taxpayer revenues. Also, an imputed financing source is recognized to represent the PTO's share of the cost to the Federal government for providing pension and other post-retirement benefits to eligible PTO employees and for amounts paid from the Treasury Judgment Fund for certain claims assessed to the PTO.

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 objectives of the PTO. The results of these transactions are not reflected in the PTO's statements, but are included in the consolidated Gifts and Bequests Fund statements prepared by the DOC.

Fund Balance with Treasury

Commercial bank accounts are maintained to deposit revenues collected. All moneys 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



Note 1: Summary of Significant Accounting Policies (continued)

by the Financial Management Service of the Treasury. With the exception of those that are restricted, funds with the Treasury are available to pay current liabilities and to finance duly authorized purchases. All disbursements are processed by the Treasury's Philadelphia Regional Finance Center.

Accounts Receivable

Governmental accounts receivable represent amounts due from non-Federal entities, the majority of which are due from former employees for the reimbursement of education expenses. Intragovernmental accounts receivable represent amounts due from other Federal entities, of which \$3,086 thousand and \$3,935 thousand in FY 1997 and FY 1996, respectively, are due to a financing agreement entered into during FY 1995 with the DOC to fund the Commerce Administrative Management System.

Cash

The majority of the PTO's cash balance consists of undeposited checks that are the result of fees collected by the PTO that were not processed at the end of the fiscal year due to the lag time between receipt and initial review. All such undeposited cash amounts are considered to be cash equivalents. Immaterial cash balances are also held outside the Treasury and are used as imprest funds to facilitate small purchases, local travel, and emergency salary advances. The cash balances include undeposited

checks of \$60,841 thousand and \$47,750 thousand in FY 1997 and FY 1996, respectively, and an imprest fund of \$15 thousand 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—intended to approximate commercial rental rates—are levied by GSA and paid by the PTO. The arrangements with GSA are considered operating leases.

Effective for property and equipment acquired during FY 1997, the PTO revised its capitalization policies. These revisions included increasing the capitalization thresholds and refining the bulk purchases policy. These changes are prospective and do not require retroactive application.

Previously, the capitalization threshold for individual purchases was \$5 thousand for equipment and other assets, and \$25 thousand for automated data processing (ADP) software. Equipment and other assets acquired through a major contract or in connection with the installation of a major system were also capitalized.

The PTO's revised capitalization policies are summarized below:

Property and Equipment Capitalization Policy		
Classes of Property and Equipment	Capitalization Threshold Individual Purchases	Capitalization Threshold Bulk Purchases
ADP Equipment	\$25 thousand or greater	\$500 thousand or greater
Software	\$25 thousand or greater	\$500 thousand or greater
Software in Progress	\$25 thousand or greater	\$500 thousand or greater
Furniture	\$25 thousand or greater	\$ 50 thousand or greater
Equipment	\$25 thousand or greater	\$500 thousand or greater

Note 1: Summary of Significant Accounting Policies (continued)

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

All other property and equipment acquisitions are expensed upon receipt. Fully depreciated assets are written off against accumulated depreciation.

Liabilities

The PTO records as liabilities all amounts or other resources that are likely to be paid as the direct result of events that have already occurred. All such liabilities presented for FY 1997 and FY 1996 have been classified as fully funded. No liabilities can be paid by the PTO unless funding is available and authorized by Congress. Also, liabilities of the PTO arising from other than contracts can be abrogated by the government acting in its sovereign capacity.

Postemployment Compensation

Claims brought by employees of the PTO for on-the-job injuries fall under the Federal Employees Compensation Act (FECA) administered by the Department of Labor (DOL). DOL bills each agency annually as its claims are paid; however, payment on these bills is deferred two years to allow for funding through the budget process. As of September 30, 1997, the PTO recorded a liability for \$891 thousand for claims paid on its behalf during the benefit periods of July 1, 1995 through September 30, 1997. At September 30, 1996, the PTO recorded a liability for \$804 thousand for claims paid on its behalf during the benefit periods of July 1, 1994 through September 30, 1996.

Employees of the PTO who lose their jobs through no fault of their own may receive unemployment compensation benefits under the Unemployment Insurance program administered by DOL. DOL bills each agency quarterly as its claims are paid. As of September 30, 1997, the PTO recorded a liability for \$38 thousand

for claims paid on its behalf for the quarters ended June and September 1997.

Annual, Sick, and Other Leave

Annual leave and compensatory time are accrued as earned, with the accrual being reduced as leave is taken. An adjustment is made at the end of each fiscal year to ensure that the balances in the accrued leave accounts reflect current pay rates. Accrued annual leave and compensatory time are 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 pay for leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

Employee Retirement Systems and Benefits

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.

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. Also, while the PTO reports no liability for future payments to employees under these programs, the Federal government is liable for future payments to employees through the various agencies administering the programs. The PTO does not fund post-retirement benefits such as Federal Employees Health Benefit (FEHB) Program and the Federal Employees Group Life Insurance



Note 1: Summary of Significant Accounting Policies (continued)

(FEGLI) Program. The PTO also is not required to fully fund the CSRS pension liabilities. For FY 1997, the PTO recognized an imputed financing source and corresponding expense to represent its share of the cost to the Federal government of providing pension and post-retirement health and life insurance benefits to all eligible PTO employees.

For those employees covered by the CSRS, the PTO makes contributions equivalent to 7 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 1 percent contribution to this plan. In addition, the PTO makes matching contributions, ranging from 1 to 4 percent, for FERS eligible employees who contribute to their thrift savings plans. No matching contributions are made to the thrift savings plans for employees participating in CSRS. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA) for which the PTO contributes a matching amount to the Social Security Administration.

The PTO's total contributions for CSRS and FERS participants during FY 1997 and FY 1996 were \$25,933 thousand and \$24,057 thousand, respectively. The PTO's contributions to the Social Security Administration during FY 1997 and FY 1996 were \$10,659 thousand and \$9,691 thousand, respectively.

As required by the Federal Workforce Restructuring Act of 1994, the PTO contributed 80 dollars per position on the rolls as of March 31, 1996, to the Civil Service Retirement and Disability Fund.

Deferred Revenues

Deferred revenues represent fees that have been received by the PTO for requested services, but will not be earned until the related service is provided. Two types of deferred revenues are recorded. The first results from checks received with a request for a service that were not deposited because of a backlog in receipt processing. The second relates primarily to fees for applications that have been partially processed and issue fees collected for which the patent has not been issued.

Application fees received that have undergone the initial processing phase but have not been reviewed by a patent examiner or trademark attorney are deferred and revenues recognized to the extent costs are incurred in the initial processing phase. The balance of application fees received is considered unearned. Issue fees are earned over a 10-week processing cycle. Revenue is earned to the extent costs are incurred in the processing cycle, with the remaining issue fees considered unearned.

Comparative Data

Certain FY 1996 financial statement amounts were reclassified to conform with the FY 1997 presentation. Also, SFFAS No. 5, "Accounting for Liabilities of the Federal Government," has an effective date for periods beginning after September 30, 1996. In compliance with this new standard, the PTO reported for FY 1997 its share of pension and other post-retirement benefits. Likewise, in compliance with the Interpretation of Federal Financial Accounting Standards No. 2, "Accounting for Treasury Judgment Fund Transactions," the PTO recognized an imputed financing source and corresponding expense to represent amounts paid from the Judgment Fund for certain claims assessed to the PTO. The PTO also disclosed no contingencies for claims and assessments which may be paid from the

Note 1: Summary of Significant Accounting Policies (continued)

Treasury Judgment Fund. Implementation of SFFAS No. 5 did not require retroactive application. Therefore, the PTO's FY 1996 financial statements were not restated to present these comparable balances.

**NOTE 2.
Restatement of FY 1996 Cash from Undeposited Checks**

The PTO restated cash balances from undeposited checks in the Statement of Financial Position at September 30, 1996. The Statement of Cash Flows has also been restated to present the effect of this change. This restatement results from more detailed

data that became available during FY 1997 as a result of the deployment of the Revenue and Accounting Management (RAM) system. RAM has the ability to differentiate between fees earned from undeposited checks and fees earned from charging customers' deposit accounts. The conversion to RAM from the system utilized prior to FY 1997 separated the data for the two methods of processing, allowing for a more refined reporting of fees to be processed from undeposited checks as of September 30, 1996. The restatement of undeposited checks at the end of FY 1996 decreased both assets (cash) and liabilities (deferred revenue) by \$17,173 thousand. This restatement has no effect on the Statement of Operations and Changes in Net Position, and no effect on the PTO's net position.

**NOTE 3.
Fund Balance with Treasury**

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

	<i>(Dollars in Thousands)</i>			1996
	1997		Total	
	Available Funds	Restricted Funds		
Appropriated Funds—Obligated	\$310,584	\$ —	\$310,584	\$288,489
Appropriated Funds—Unobligated	20,669	—	20,669	26,056
Deposit Accounts	—	46,162	46,162	41,480
Revenues Withheld	—	141,529	141,529	87,781
Entity Funds	331,253	187,691	518,944	443,806
Non-Entity Funds	—	871	871	871
Total Fund Balances	<u>\$331,253</u>	<u>\$188,562</u>	<u>\$519,815</u>	<u>\$444,677</u>

Funds amounting to \$5,920 thousand had been permanently canceled and rescinded in FY 1995 in accordance with P.L. 103-317 and P.L. 104-19. During FY 1996 a portion of these non-entity funds

were returned to the Treasury. The balance of \$871 thousand remains in restricted surcharge funds, is not available to the PTO, and is also recognized as an other liability due to Treasury.

**NOTE 4.****Property and Equipment**

Property and equipment consisted of the following as of September 30, 1997:

Classes of Fixed Assets	Depreciation Method	Service Life (Years)	<i>(Dollars in Thousands)</i>		
			Acquisition Value	Accumulated Depreciation	Net Book Value
ADP Equipment	SL	3-10	\$147,633	\$ 72,662	\$ 74,971
Software	SL	3-11	50,297	30,959	19,338
Software in Progress	–	–	7,975	–	7,975
Furniture	SL	5	9,345	4,510	4,835
Equipment	SL	3-5	7,427	5,310	2,117
Total			<u>\$222,677</u>	<u>\$113,441</u>	<u>\$109,236</u>

Property and equipment consisted of the following as of September 30, 1996:

Classes of Fixed Assets	Depreciation Method	Service Life (Years)	<i>(Dollars in Thousands)</i>		
			Acquisition Value	Accumulated Depreciation	Net Book Value
ADP Equipment	SL	3-10	\$106,021	\$62,582	\$43,439
Software	SL	3-11	36,629	20,538	16,091
Software in Progress	–	–	3,643	–	3,643
Furniture	SL	5	7,786	2,818	4,968
Equipment	SL	3-5	7,444	4,176	3,268
Total			<u>\$161,523</u>	<u>\$90,114</u>	<u>\$71,409</u>

NOTE 5.**Actuarial Liability**

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 under FECA for the PTO's employees are administered by the DOL and are ultimately paid by the PTO. The DOL generated future workers' compensation (FWC) estimates 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 a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the OMB's June 10, 1997 economic assumptions for 10-year

Note 5: Actuarial Liability (continued)

Treasury notes and bonds. Interest rate assumptions utilized for discounting were as follows:

1997	1996
6.24% in year 1,	6.21% in year 1,
5.82% in year 2,	5.97% in year 2,
5.60% in year 3,	5.60% in year 3,
5.45% in year 4,	5.32% in year 4,
5.40% in year 5, and thereafter	5.15% in year 5, and 5.10% thereafter

In FY 1997, the FWC actuarial model was revised to include additional features that would provide a more accurate estimation of the FECA FWC liability. Both a wage inflation factor and medical inflation factor were added and applied to the calculation of projected future payments. In addition, the adoption of a discounting formula to recognize the timing of actual compensation payments was incorporated into the model.

Also, the number of projected years used by the model was extended from 23 to 37 years. All changes to the FWC actuarial model were treated prospectively.

Based on information provided by the DOL, the DOC determined that the estimated liability of the PTO as of September 30, 1997 and 1996, was \$4,033 thousand and \$3,086 thousand, respectively.

**NOTE 6.
Deferred Revenues**

Deferred revenues consisted of the following as of September 30:

<i>(Dollars in Thousands)</i>	1997	1996 <i>(Restated)</i>
Undeposited Checks	\$ 59,091	\$ 47,684
Unearned Fees	<u>201,465</u>	<u>178,919</u>
Total Deferred Revenues	<u>\$260,556</u>	<u>\$226,603</u>

**NOTE 7.
Leases**

The operating lease agreements negotiated by the GSA for the PTO's office buildings expire at various dates between FY 1998 and FY 2007. Under existing commitments, the minimum lease payments through FY 2002 are as follows:

<i>Fiscal Year</i>	<i>(Dollars in Thousands)</i>
1998	\$ 49,894
1999	52,124
2000	53,425
2001	54,757
2002	<u>56,128</u>
Total Future Minimum Lease Payments	<u>\$266,328</u>

Rent expense was \$45,742 thousand and \$41,305 thousand in FY 1997 and FY 1996, respectively.

**NOTE 8.****Imputed Financing Sources**

For FY 1997, in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," the PTO recognized an imputed financing source and corresponding expense to represent its share of the cost to the Federal government of providing pension and post-retirement health and life insurance benefits (Pension/ORB) to all eligible PTO employees. In accordance with the Interpretation of Federal Financial Accounting Standards No. 2, "Accounting for Treasury Judgment Fund Transactions," the PTO also recognized an imputed financing source and corresponding expense to represent amounts paid from the Judgment Fund for certain claims assessed to the PTO. The components of the FY 1997 imputed financing sources and corresponding expenses are below:

	<i>(Dollars in Thousands)</i>
CSRS/FERS	\$ 8,739
FEHB	11,541
FEGLI	<u>42</u>
Subtotal Pension/ORB	20,322
Judgment Fund	<u>58</u>
Total Imputed Financing Sources	<u><u>\$20,380</u></u>

NOTE 9.**Program or Operating Expenses**

Program or operating expenses consisted of the following for the years ended September 30:

<i>(Dollars in Thousands)</i>	1997	1996
Personal Services and Benefits	\$353,004	\$330,792
Travel and Transportation	1,591	1,826
Rental, Communication and Utilities	54,096	52,190
Printing and Reproduction	34,210	30,885
Contractual Services	102,556	93,250
Training	5,105	6,346
Maintenance and Repair	18,671	19,139
Supplies and Materials	8,610	8,699
Equipment not Capitalized	8,901	7,357
Insurance Claims and Indemnities	282	31
Other Services	12,515	3,161
Imputed Post-Retirement Expense	<u>20,322</u>	<u>—</u>
Total Program or Operating Expenses	<u><u>\$619,863</u></u>	<u><u>\$553,676</u></u>

NOTE 10. Commitments and Contingencies

Commitments

In addition to the future lease commitments discussed in Note 7, the PTO is committed under obligations for goods and services that have been ordered but not yet received at fiscal year-end. Total unpaid undelivered orders for all of the PTO's activities amounted to \$258,616 thousand and \$244,110 thousand as of September 30, 1997 and 1996, respectively.

Contingencies

The PTO is a party to various routine administrative proceedings, legal actions, and claims brought by or against it, including threatened or pending litigation involving labor relations claims, some of which may ultimately result in settlements or decisions adverse to the Federal government. Management expects that it is probable that there will be awards or damages for four labor relations claims, but the amount of the contingent liability cannot be reasonably estimated.

Management also expects that it is reasonably possible that approximately \$3,105 thousand will be owed for awards or damages involving an additional 53 labor relations claims.

Judgment Fund

Certain legal matters to which the PTO is named a party may be administered and, in some instances, litigated and paid by other Federal agencies. These primarily relate to tort claims and contract disputes. Generally, amounts paid in excess of \$2.5 thousand for Federal Tort Claims Act settlements or awards pertaining to these litigations are funded from a special appropriation called the Judgment Fund. Although the ultimate disposition of these proceedings is not presently determinable, management does not expect that any liability or imputed cost that might ensue would be material to the PTO's financial statements.

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

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 Statements of Financial Position of the Patent and Trademark Office (PTO) as of September 30, 1997 and 1996, and the Statements of Operations and Changes in Net Position, and Cash Flows 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*, as amended. 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 December 29, 1997.

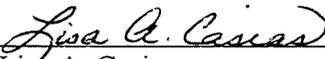
As required by Office of Management and Budget Bulletin No. 94-01, *Form and Content of Agency Financial Statements*, Note 1 to the Principal Statements describes the accounting policies used by PTO to prepare these statements, which is a comprehensive basis of accounting other than generally accepted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

***Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996***

In our opinion, the Statements of Financial Position of PTO as of September 30, 1997 and 1996, and the Statements of Operations and Changes in Net Position, and Cash Flows for the years then ended, present fairly, in all material respects, the financial position of PTO as of September 30, 1997 and 1996, and the results of its operations and changes in net position, and cash flows for the years ended September 30, 1997 and 1996, in conformity with the accounting policies described in Note 1.

Our audits were made for the purpose of forming an opinion on the Principal Statements. The information in the other sections of the *Fiscal Year 1997 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 of 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.


for Frank DeGeorge
Inspector General


Lisa A. Casias
Deputy Assistant Inspector General for
Financial Statement Audits

December 29, 1997

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

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, D.C.

We have audited the Statement of Financial Position of the Patent and Trademark Office (PTO) as of September 30, 1997, and the Statements of Operations and Changes in Net Position, and Cash Flows for the year then ended, and have issued our report thereon dated December 29, 1997.

We conducted our audit 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*, as amended. 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, 1997, 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

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

are safeguarded against loss from unauthorized use or disposition; transactions are properly recorded and accounted for to permit the preparation of reliable 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, as amended. 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.

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 20, 1998, transmitting our audit report to PTO, includes the complete Report on Internal Control Structure which discusses each of the control weaknesses in more detail and provides specific recommendations or actions PTO should consider taking.

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

Controls Surrounding Property Should Be Improved

PTO has not fully addressed the weaknesses surrounding property to properly account for and safeguard its assets. Prior to fiscal year 1997, PTO did not have a property and equipment subsidiary ledger that directly tied to the general ledger. To address this issue, for fiscal year 1997, PTO hired a contractor to upload the Fixed Asset Subsystem (FAS) with all prior year purchases that were still owned and being depreciated by PTO. This subsystem was populated utilizing the spreadsheets from prior fiscal years and now represents the subsidiary ledger that supports the capital asset balances in the general ledger. PTO maintains two property systems: the Office of Finance maintains FAS for capitalized assets, and the Office of Administrative Services uses the National Finance Center Personal Property System (NFC/PPS) to perform annual accountability procedures as required by the Department of Commerce.

In addition, during fiscal year 1997, PTO established a Fixed Asset Management Team to ensure the proper accountability of its assets. This team is composed of members from the Office of Finance, Office of Administrative Services, Office of the Chief Information Officer, Office of the Assistant Commissioner for Patents, and Office of the Assistant Commissioner for Trademarks. The team meets weekly to address current issues related to the ongoing inventory and maintenance of PTO property. In addition, during fiscal year 1997, PTO drafted capitalization policies and accountable property procedures that resulted in more consistent treatment of property throughout PTO. As a result of these focused efforts, we were able to classify the effectiveness of the controls surrounding property as a reportable condition rather than a material weakness as in the fiscal year 1996 and 1995 audits. However, as a result of current audit procedures, we identified several issues relating to capital assets where controls were not sufficient. These issues are summarized below:

Controls Over Property

The Office of Administrative Services is responsible for coordinating an annual inventory of PTO property and updating the NFC/PPS subsidiary property ledger. During the previous and current year audits, we noted several deficiencies in this process. As a result of the deficiencies noted, in fiscal years 1997 and 1996, PTO hired a contractor to perform an inventory of all PTO assets, including accountable property, and to update the tracking system (Services, Technicians, and Assets Tracking System, or STATS) that had been implemented in fiscal year 1996. The inventory count was expected to be uploaded to the NFC/PPS subsidiary property ledger and

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

maintained from that point on. However, the reconciliation of the inventory counts within STATS has taken longer than anticipated, and the database has not yet been uploaded to the NFC/PPS, which is the Department's official subsidiary property ledger.

Furthermore, all additions, deletions, and movement of property are still not being tracked with the hand-held units. It is imperative that the database be maintained and routinely updated. Otherwise, the system, once fully implemented, will become unreliable, requiring another full inventory of PTO assets.

Based on the results of our procedures, it appears that PTO's accountable property is at risk of misuse, waste, loss, or theft without detection. Furthermore, although PTO was able to provide an adequate reconciliation of individual fiscal year 1997 purchases to the inventory database, representing the material portion of the capital asset balance as of September 30, 1997, the general ledger is at risk of misstatement due to the poor controls over PTO property.

Supporting Documentation Used to Populate the Fixed Asset Subsystem

As stated above, PTO hired a contractor to populate the Fixed Asset Subsystem during fiscal year 1997. This task was accomplished by manually inputting numerous spreadsheets prepared in prior years into FAS by asset category and fiscal year. Before testing acquisitions for the current fiscal year, we attempted to verify the accuracy of FAS for all assets acquired prior to fiscal year 1997 by reconciling the total net book value as recorded in FAS to the amounts documented in the OIG permanent records. In performing this reconciliation, we encountered numerous differences that affected depreciation expense and accumulated depreciation. Although some differences resulted from adjustments subsequent to our audit, numerous adjustments were required by PTO to reach the accurate balances by asset category and fiscal year. After the adjustments were made, we deemed FAS materially accurate, enabling us to test from that system for fiscal year 1997.

Although the majority of adjustments made by PTO were considered immaterial to the property and equipment balance, the property subsidiary ledger would not have been accurate for assets acquired prior to FY 1997 had PTO not utilized the OIG's documentation.

Receipt and Accountability of Assets

PTO needs to evaluate whether controls relating to the receipt and accountability of goods are operating effectively. During fiscal year 1997, PTO was involved in a dispute with a major vendor over the quantity of goods received. The vendor claimed that it had delivered more

***Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996***

computer workstations than accounted for by PTO. Due to the poor controls over the receipt and accountability of assets, PTO paid the vendor for the workstations under dispute; however, PTO is uncertain whether all of these workstations were received because it was not able to fully reconcile how many workstations had in fact been delivered and accepted. For example, in its reconciliation, PTO was unable to account for 15 out of 140 workstations. In addition, nine of the 15 workstations were accounted for as stolen, but no documentation was provided to show that the thefts had been reported to PTO's Property Review Board.

Due to the lack of controls over the receipt and accountability of assets at the time of delivery of the workstations, PTO's property and equipment balance is at risk of being misstated.

Bulk Purchase Analysis

PTO determined that all bulk purchases of automated data processing (ADP) and office equipment having an individual acquisition cost of less than \$25,000 each, but totaling over \$500,000 in the aggregate, should be capitalized. This dollar threshold was established by PTO and incorporated into its capitalization policies without determining the potential impact on the financial statements. To ensure that expenses are not distorted as a result of high-dollar, infrequent purchases, we requested that an analysis be performed by applying several different thresholds to fiscal year 1997 purchases. However, PTO responded that such an analysis was not considered cost beneficial, as all fiscal year 1997 purchases would have to be reviewed a second time.

Based on our current year audit procedures, we noted one purchase that was capitalized even though it did not meet PTO's new bulk purchase threshold. Although we agree that the purchase should be capitalized, as expenses would have been distorted if it had been expensed due to its infrequent nature, the purchase illustrates that the bulk purchase threshold established by PTO may not be appropriate. We believe that PTO should perform a more in-depth analysis to support the current threshold.

Review of Purchase Documentation

By establishing capitalization policies during fiscal year 1997, PTO has made progress towards properly and consistently treating capitalized assets. However, we noted several deficiencies in the treatment of fiscal year 1997 purchases. For example, PTO improperly capitalized \$2.1 million in software maintenance agreements that were separate from the related software.

***Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996***

Additionally, in four instances, PTO paid the full amount of mathematically inaccurate or incorrectly billed invoices. In three of these instances, the overpayments were immaterial. However, one invoice resulted in an overpayment of approximately \$220,000. These errors indicate that the invoices are not being properly reviewed prior to payment and, as a result, the true value of the capitalized assets is misstated.

As mentioned above, PTO has made significant progress in improving its controls over property, in part due to the hiring of additional staff, the establishment of the Financial Reporting and Analysis Division within the Office of Finance, and the involvement of the major PTO offices. It is important to note that none of the above issues currently indicate material deficiencies in and of themselves; however, they each represent areas for improvement to ensure effective property management and to prevent potential misstatements of the capital asset balances that are a result of control weaknesses.

Analysis and Monitoring of Financial Information Should Be Improved

The main objective of financial reporting is to provide management with clear, concise, and useful information on which to base financial management decisions. We identified the following issues pertaining to PTO's analysis and monitoring of financial information that could inhibit management's decision-making process.

Deferred Revenue

Calculations for deferred revenue were not sufficiently reviewed. As a result, we noted that PTO used incorrect figures and fee codes in its calculation. In addition, the methodology documented as being used by PTO was inconsistent with the actual calculation.

Although the issues noted did not have a material impact on the financial statements, we believe that management may have identified them if a more detailed review of the calculations had been performed.

Open Obligations

Although the Office of Finance performs a monthly review of the open obligation report, we noted that eight of 20 items sampled, or 40 percent, were not valid as of September 30, 1997. In addition, we were informed that 19 of the 20 individuals responsible for purchasing had not

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

received the open obligations report as of September 30, 1997 to review. These reports are provided to the program offices once a year, in the spring. We believe that the program offices should be more involved in the review process throughout the fiscal year. Perhaps the reports should be forwarded to them quarterly rather than annually.

Deposit Accounts

PTO continues to have recording errors to its customer deposit accounts. As a result of our audit, we noted that an account holder was erroneously using another holder's account number, duplicate charges were erroneously charged to two customer accounts, a deposit was credited to the wrong account, and PTO was unable to provide sufficient documentation supporting adjustments requested for two accounts.

Duplicate Payments

PTO's procedures surrounding identification of duplicate payments are reactive rather than preventative. As a result, of 20 items sampled, we noted two, or 10 percent, duplicate payments that were not identified during PTO's review. Management had identified and corrected several duplicate payments as a result of its review. However, PTO's procedures are not sufficient to eliminate the risk of loss of funds.

Fluctuation Analyses

PTO has implemented procedures that require monthly analyses of account balances, however, the fluctuation analyses did not contain sufficient detail to provide management with the true cause for an increase or decrease between years. Instead, the initial analysis of the variance between the prior year's balances and the current year's balances merely reflected the fact that an account increased or decreased. Although management subsequently prepared a better analysis, we believe that management should be using the analysis throughout the fiscal year for monitoring purposes, rather than just at year end for audit purposes.

In addition, PTO has unfilled positions in key financial management areas. Specifically, the positions of Associate Commissioner and Chief Financial Officer and the Director for the Office of Budget are currently filled by acting officials. Permanently filling these positions is pertinent to the continued success of PTO's operations.

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

As stated above, we recognize that PTO has begun to hire individuals, which we believe will help address the lack of resources needed to perform the necessary review and monitoring of financial information. However, improvement is still needed.

Cash Receipts Should Be Deposited Timely

PTO continues to have delays in the deposits of its cash receipts. At September 30, 1997, checks not deposited amounted to approximately \$60.8 million. This was a \$13 million increase from the September 30, 1996 balance of approximately \$47.8 million. Approximately \$10.2 million, or 17 percent, of these unearned fees had a lag time of two to three months. The majority of the unearned fees with a lag time of two to three months consisted of patent application fees. The remaining 83 percent of undeposited checks, \$50.6 million, had a lag time for patents and trademarks of approximately 20 and 9 working days, respectively. The trademark figure represented a decrease from the 13 day lag time at September 30, 1996. However, the lag time for patents remained the same as the prior year. The time elapsed from the receipt of fees until their deposit results in a loss of interest earned to the U.S. Government.

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. However, we believe none of the reportable conditions described above is a material weakness.

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 Department of Commerce directives.

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

We also noted other matters involving the internal control structure and its operation that we have reported to PTO's Acting Associate Commissioner and Chief Financial Officer in a separate letter dated December 29, 1997.

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.

for 
Frank DeGeorge
Inspector General

December 29, 1997

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

**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, 1997, and the Statements of Operations and Changes in Net Position, and Cash Flows for the year then ended and have issued our report thereon dated December 29, 1997.

We conducted our audit 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, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

The management of PTO is responsible for complying with laws and regulations applicable to the bureau. As part of obtaining reasonable assurance about whether PTO's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations designated by the Office of Management and Budget and PTO, including the requirements referred to in the Federal Financial Management Improvement Act of 1996.

The results of our tests of compliance with the laws and regulations described above disclosed no material instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we did note one immaterial instance of noncompliance that we have reported to management of PTO in a separate letter dated December 29, 1997.

Under FFMIA, we are required to report whether the agency's financial management systems substantially comply with Federal financial management systems requirements, applicable accounting standards, and the United States Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance using the implementation guidance for FFMIA issued by OMB on September 9, 1997.

*Audit of the Patent and Trademark
Office's Financial Statements
as of September 30, 1997 and 1996*

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

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

December 29, 1997



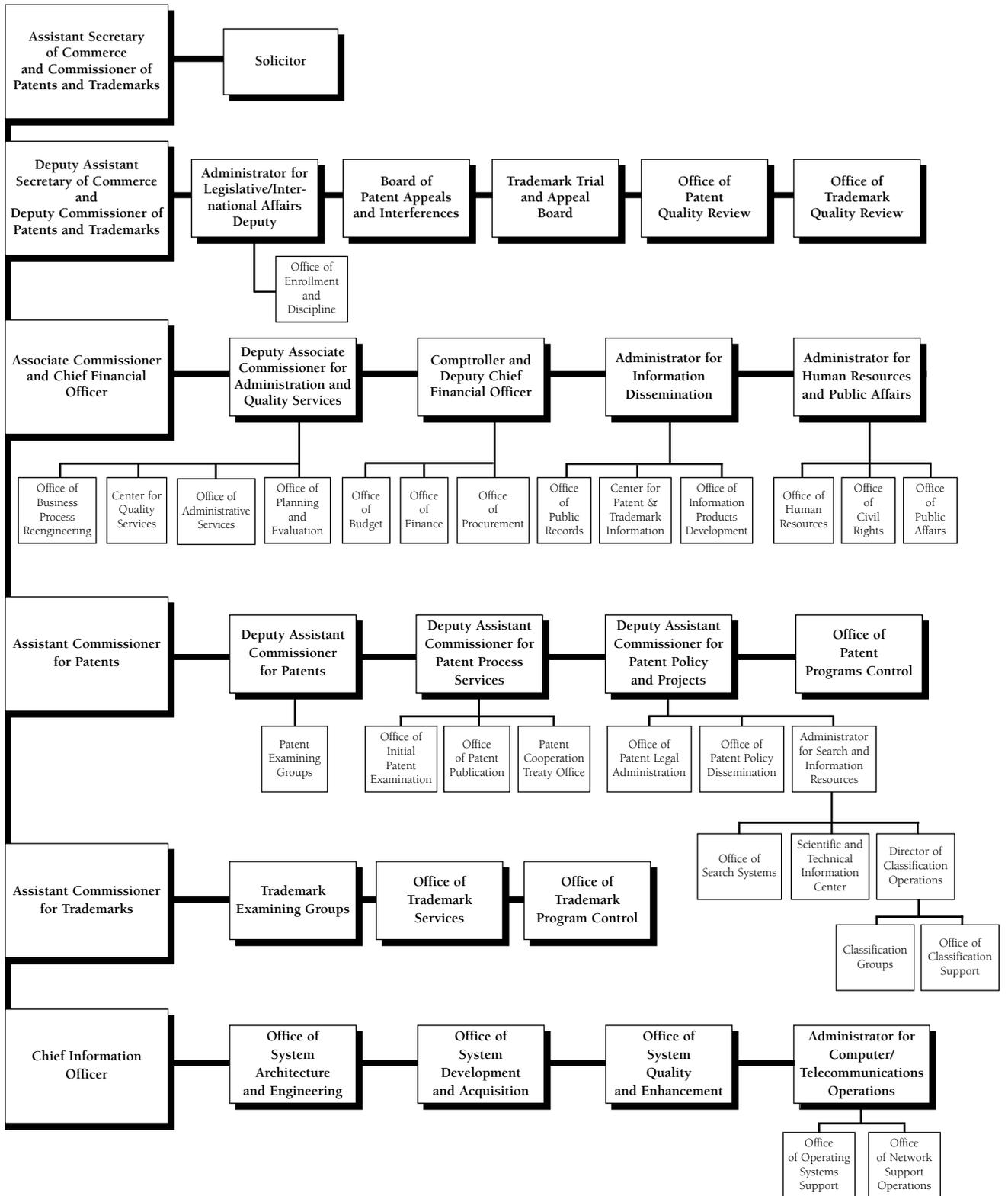
SUPPLEMENTAL INFORMATION

INDEX

Page

72	U.S. Patent and Trademark Office Organizational Chart
73	FY 1997 Fee Collections by Category, Cash Basis (unaudited)
74	Expenses by Program (unaudited)
75	FY 1997 Trademark Reengineering Projects
76	Patent and Trademark Litigation
80	Glossary
83	FY 1997 PTO Workload Tables

U.S. PATENT AND TRADEMARK OFFICE ORGANIZATIONAL CHART



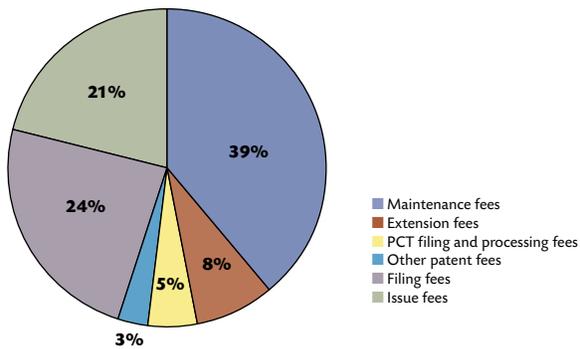


Patent and Trademark Office

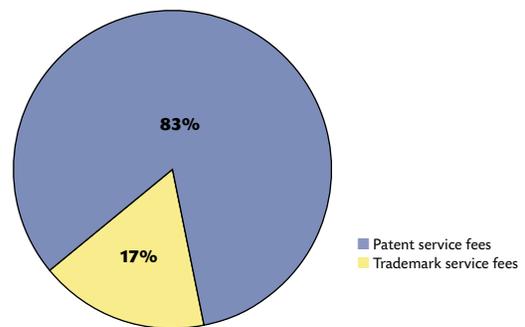
FY 1997 FEE COLLECTIONS BY CATEGORY, CASH BASIS (unaudited)

Patent Fee Collections	651,970,066	86.3%
Trademark Fee Collections	76,681,084	10.1%
Information Dissemination Fee Collections	26,859,056	3.6%
Total Fee Collections	755,510,206	100.0%

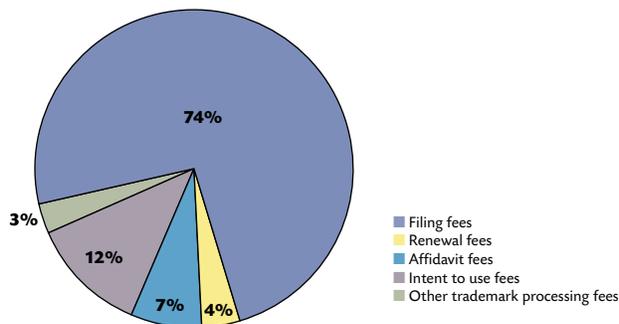
Patent Fee Collections



Information Dissemination Fee Collections



Trademark Fee Collections



U.S. Department of Commerce Patent and Trademark Office

EXPENSES BY PROGRAM (unaudited)

For the Year Ended September 30, 1997

(Dollars in Thousands)

Expense Category	Patents	Trademarks	Information Dissemination	Total
Direct Expenses				
Personal Services and Benefits	\$262,991	\$31,766	\$ 9,589	\$304,346
Unfunded Personnel Benefits	16,659	3,045	694	20,398
Travel and Transportation	248	67	86	401
Rental, Communication and Utilities	60	71	502	633
Printing and Reproduction	31,137	1,913	815	33,865
Contractual Services	30,112	3,853	5,751	39,716
Training	1,376	153	92	1,621
Maintenance and Repairs	1,210	74	1,983	3,267
Supplies and Materials	5,446	387	656	6,489
Equipment not Capitalized	2,754	285	972	4,011
Insurance Claims and Indemnities	91	–	–	91
Other Services	–	–	23	23
Subtotal Direct Expenses	<u>352,084</u>	<u>41,614</u>	<u>21,163</u>	<u>414,861</u>
Allocated Expenses				
Intra-Entity Transfers	(961)	(294)	1,255	–
Rent	30,609	3,762	2,987	37,358
Depreciation	36,181	3,714	1,377	41,272
Telecommunications	3,473	475	176	4,124
Reproduction	627	87	125	839
Program Automation	39,707	2,871	1,371	43,949
Files Maintenance	1,127	145	1,446	2,718
Office of Enrollment and Discipline	2,180	–	–	2,180
Subtotal Allocated Expenses	<u>112,943</u>	<u>10,760</u>	<u>8,737</u>	<u>132,440</u>
Allocated Indirect Expenses				
Allocated Automation	34,118	4,399	1,799	40,316
Corporate	7,043	939	376	8,358
General and Administrative	54,126	10,437	5,828	70,391
Subtotal Allocated Indirect Expenses	<u>95,287</u>	<u>15,775</u>	<u>8,003</u>	<u>119,065</u>
Total Expenses	<u>\$560,314</u>	<u>\$68,149</u>	<u>\$37,903</u>	<u>\$666,366</u>



FY 1997 TRADEMARK REENGINEERING PROJECTS

These projects, completed during 1997, are considered Phase I of Trademark reengineering:

- In March 1997, the file wrapper label was redesigned with on-site printing. Labels are now generated from stock supplies at lower cost, with improved legibility, including a printed bar code label. Processing time has been reduced at least a day, and delays for reprints have been eliminated.
- In March 1997, filing receipts were redesigned to include more data, which improves database quality by providing applicants more complete notice of data contents.
- In March 1997, a system was implemented for scanning the drawing page for marks scheduled for publication and registration. Under the new system, scanned copies rather than originals are sent to the Government Printing Office (GPO) subcontractor for printing in the Trademark Official Gazette. The change has improved the process of managing files, eliminating lost pages and extra work.
- Starting in July 1997, refunds for applications, petitions, and, post registration fees have been processed on-site within 24 to 72 hours of the request. The process change followed the implementation of the Revenue Accounting and Management (RAM) system to improve customer service and reduce processing delays. Additional information is provided to the customer to identify the reason for a refund, reducing the number of inquiries for explanations.
- In August 1997, a new system was implemented for generating printed bar code labels that include the notice of publication and notice of allowance date on files. Later, registration dates and numbers were added to the system. Labels are generated on site, saving process time by eliminating the hand stamping of dates on files, and improving accuracy and file management.

- Beginning November 1997, final agency decisions on petitions and Trademark Trial and Appeal Board decisions became available over the Internet, increasing public access to information.
- In October 1997, the Trademark business implemented PC-based TRAM data entry. Application papers are keyed as they are submitted, with coding and capture of data elements performed on line. The change in data capture is a first step toward creating an electronic file wrapper.

These projects will be completed in 1998:

- In 1998, the drawing page and application papers will be captured in a digital format by scanning as a step toward eliminating key entry of newly filed applications.
- In 1998, a system will be set up to capture full text and image for publication of the Trademark Official Gazette, with the capability for in-house printing of the Trademark registration certificate. The change will eliminate all manual preparation of drawings for publication. Delays for reprints of registration certificates will be eliminated.
- In 1998, following the conclusion of a pilot project, electronic filing will be expanded to include more forms and credit card payments.
- Rules and procedures manuals are now available in an electronic searchable format from all desktop PCs, improving access to information and increasing quality and performance efficiency.

PATENT AND TRADEMARK LITIGATION

During FY 1997, the number of *ex parte* appeals taken from decisions of the Board of Patent Appeals and Interferences (BPAI), the Trademark Trial and Appeal Board (TTAB), and the number of civil actions filed against the Commissioner of Patents and Trademarks totaled 75. There were 14 *inter partes* cases taken to the Federal Circuit in FY 1997. 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 not precedential. This section highlights some of the significant rulings of FY 1997.

Supreme Court—Doctrine of Equivalents:

The PTO assisted the Department of Justice in filing an amicus brief on behalf of the United States in *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S.Ct. 1040 (1997). The brief set out the government's position on the doctrine of equivalents, consistent with its interest in assuring that patents provide a meaningful scope of protection but are also properly confined to the scope of the claimed invention.

The Court affirmed the viability of the doctrine of equivalents, noting that it should be applied on an element-by-element basis and limited by prosecution history estoppel. *Id.* at 1049. The Court noted that “prosecution history estoppel was tied to amendments made to avoid the prior art, or otherwise to address a specific concern—such as obviousness—that arguably would have rendered the claimed subject matter unpatentable.” *Id.* In its analysis, the Court specifically acknowledged the government's brief, stating “as the United States informs us, there are a variety of other reasons why the PTO may request a change in claim language ... [a]nd if the PTO has been requesting changes in claim language without the intent to limit equivalents or, indeed, with the expectation that language it required would in many cases allow for a range of equivalents, we should be extremely reluctant to upset the basic assumptions of the PTO without substantial reason for doing so.” *Id.* at 1050. The Court further noted that “claims do indeed serve both a defi-

nitional and a notice function, we think the better rule is to place the burden on the patent-holder to establish the reason for an amendment required during patent prosecution.” *Id.* at 1051. “Where no explanation is established, however, the court should presume that the PTO had a substantial reason related to patentability for including the limiting element added by amendment,” adding that in such cases “prosecution history estoppel would bar the application of the doctrine of equivalents as to that element.” *Id.*

Standard of Review:

In *In re Zurko*, 111 F.3d 887, 42 USPQ2d 1476 (Fed. Cir. 1997), *reh'g in banc granted*, 116 F.3d 874 (Fed. Cir. 1997), the Federal Circuit reversed a decision of the BPAI, holding that its fact findings were clearly erroneous. 111 F.3d at 889, 42 USPQ2d at 1478. The court also suggested that an argument by the Commissioner concerning a more deferential standard of review for findings by the BPAI would be appropriate in a petition suggesting rehearing in banc, since the court had decided that clear error by the BPAI required reversal. *Id.* at 889 n.2, 42 USPQ2d at 1478 n.2. The PTO filed a petition and the court granted in banc review on the issue of whether the APA standard of review should be applied to PTO factual findings rather than the clearly erroneous standard currently applied by the court. Oral argument was heard on December 2, 1997. The case is pending awaiting a decision.

Reexamination:

The Federal Circuit addressed the proper scope of reexamination proceedings in two cases this year, one further restricting the definition of “substantial new question of patentability” and one affirming the PTO's current use of obviousness-type double patenting rejections during reexamination.

The first case, *In re Portola Packaging Inc.*, 110 F.3d 786, 42 USPQ2d 1295 (Fed. Cir. 1997), involved a patent directed to a flexible bottle neck/cap combination. During original examination of the application, certain claims were rejected under § 102 over



Hunter and other claims were rejected under § 103 over Faulstich and two other references. After amendments, the rejections were overcome. Reexamination was granted based on a third-party request. The examiner rejected all claims as anticipated by a new reference to Von Hagel. In response, Portola canceled two claims, incorporated their subject-matter into remaining claims, and added further limitations. The examiner then rejected the remaining claims as obvious over the combination of Faulstich and Hunter. The BPAI affirmed, solely on the obviousness ground.

The Federal Circuit reversed. The court declined to consider the merits of the rejection, instead basing its decision on the conclusion that the PTO had exceeded the permissible scope of reexamination. *Id.* at 792 n.1, 42 USPQ2d at 1300 n.1. Relying on *In re Recreative Technologies Corp.*, 83 F.3d 1394, 38 USPQ2d 1776 (Fed. Cir. 1996), the court held that “a rejection made during reexamination does not raise a substantial new question of patentability if it is supported only by prior art previously considered by the PTO in relation to the same or broader claims.” *Portola*, 110 F.3d at 791, 42 USPQ2d at 1300. The rejection was held to be improper despite the fact that Portola amended its claims, since under 35 U.S.C. § 305 the scope of a patent claim may not be enlarged by amendment during reexamination. *Id.* at 791, 42 USPQ2d at 1299. The court reasoned: “It naturally follows then that when the original examiner examined the original claims in light of the cited prior art, the subject matter of the narrower, amended claims was necessarily considered in relation to the cited prior art.” *Id.* at 791, 42 USPQ2d at 1300. Thus, the BPAI should have terminated the reexamination once it became apparent that the sole remaining ground for rejection was based on previously considered references. *Id.*

PTO requested a rehearing in banc that was denied by the court. *In re Portola Packaging Inc.*, 122 F.3d 1473, 44 USPQ2d 1060 (Fed. Cir. 1997).

In another case, *In re Lonardo*, 119 F.3d 960, 43 USPQ2d 1262 (Fed. Cir. 1997), the court addressed the use of double patenting rejections during reexamination. Restorative Care owned two patents, an application to Lonardo, and an expired reissue patent, all directed to a therapeutic leg and foot device with an L-shaped restraint and a cut-out heel portion. The PTO declared reexamination based on a third party request citing new art. The examiner rejected the pending claims of both patents and the application on the ground of obviousness-type double patenting over the expired reissue patent. The BPAI affirmed the rejections.

The Federal Circuit affirmed, concluding that obviousness-type double patenting was properly raised during reexamination and that the BPAI did not err in its determination of double patenting. *Id.* at 968, 42 USPQ2d at 1268. The court noted: “Under section 303(a), the Commissioner has authority ‘[o]n his own initiative’ to consider a substantial new question of patentability over ‘patents and publications discovered by him.’” *Id.* at 966, 43 USPQ2d at 1266. “That provision of the statute is not specifically limited to prior art patents or printed publications.” *Id.* The court specifically declined to consider any other type of double patenting rejection that could possibly be raised. *Id.* at 967, 42 USPQ2d at 1267. Judge Newman dissented. *Id.* at 968, 42 USPQ2d at 1268.

Claim Interpretation:

In *In re Morris*, 127 F.3d 1048, 44 USPQ2d 1023 (Fed. Cir. 1997), the Federal Circuit addressed the proper methodology of claim construction to be applied during prosecution before the PTO. *Id.* at 1053, 44 USPQ2d at 1027. Morris argued that the Federal Circuit’s in banc decisions in *Markman v. Westview Instruments*, 52 F.3d 967, 34 USPQ2d 1321 (Fed. Cir. 1995)(in banc), *aff’d*, 116 S. Ct. 1384, 38 USPQ2d 1461 (1996), and *In re Donaldson*, 16 F.3d 1189, 29 USPQ2d 1845 (Fed. Cir. 1994)(in banc), require the PTO to construe claims during prosecution in the same

manner as courts are required to do during infringement proceedings. The Solicitor argued that past Federal Circuit decisions permit the PTO to give claim language its “broadest reasonable interpretation” during prosecution, citing *In re Zletz*, 893 F.2d 319, 13 USPQ2d 1320 (Fed. Cir. 1989), *In re Yamamoto*, 740 F.2d 1569, 222 USPQ 934 (Fed. Cir. 1984), and *Burlington Indus. v. Quigg*, 822 F.2d 1581, 3 USPQ2d 1436 (Fed. Cir. 1987). The court held: “The Solicitor is correct, and we reject appellants’ invitation to construe either of the cases cited by appellants so as to overrule, sub silentio, decades old case law.” *Morris*, 127 F.3d at 1054, 44 USPQ2d at 1027. The court further clarified that “as an initial matter, the PTO applies to the verbiage of the proposed claims the broadest reasonable meaning of the words in their ordinary usage as they would be understood by one of ordinary skill in the art, taking into account whatever enlightenment by way of definitions or otherwise that may be afforded by the written description contained in the applicant’s specification.” *Id.*

The court held that *Markman* did not apply in this situation because it would be “inconsistent with the role assigned to the PTO in issuing a patent to require it to interpret claims in the same manner as judges who, post-issuance, operate under the assumption the patent is valid.” *Id.* at 1054, 44 USPQ2d at 1028. Additionally, because of the interactive nature of prosecution, the court noted: “Once the PTO has made an initial determination that specified claims are not patentable, ... the burden of production falls upon the applicant to establish entitlement to a patent.” *Id.* “This promotes the development of the written record before the PTO that provides the requisite written notice to the public as to what the applicant claims as the invention.” *Id.* Furthermore, the court noted that *Donaldson* “considered the question of how the PTO was required to interpret claims drafted pursuant to 35 U.S.C. § 112 ¶ 6.” *Id.* The court stated: “There is no comparable mandate in the patent statute that relates the claim scope of non-§ 112 ¶ 6 claims to

particular matter found in the specification.” *Id.* at 1055, 44 USPQ2d at 1028. Therefore, the ultimate question in the case becomes “whether the PTO’s interpretation of the disputed claim language is ‘reasonable.’” *Id.* On the merits, the court held that the PTO interpretation of “integral” to cover more than a unitary construction was reasonable. *Id.* at 1055, 44 USPQ2d at 1029.

35 U.S.C. § 135(b):

In *In re McGrew*, 120 F.3d 1236, 43 USPQ2d 1632 (Fed. Cir. 1997), the court addressed the issue of whether 35 U.S.C. § 135(b) could be the basis for a substantive rejection in *ex parte* prosecution. Section 135(b), which is normally applied in the interference context, provides that a claim “which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted.” During prosecution, McGrew conceded that the claims at issue in his application were for “the same or substantially the same subject matter” as the claims of a patent to Takeuchi which issued more than one year before the claims were made by McGrew. *Id.* at 1238, 43 USPQ2d at 1634. McGrew relied on language from *In re Sasse*, 629 F.2d 675, 207 USPQ 107 (CCPA 1980), in which the court stated: “We agree that a procedural statutory bar arises proscribing the instigation of interferences after a specified interval. But we do not agree that a substantive bar is raised by § 135(b) in an *ex parte* context.” *Id.* at 1238, 43 USPQ2d at 1635 (emphasis original). The Federal Circuit held that the language in *Sasse* was dicta and, therefore, the BPAI properly declined to follow it. *Id.* The court further noted that if persons were allowed to “copy claims from issued patents beyond the time when an interference could be declared and obtain patents on them simply on the grounds that they are prior inventors and did not know about the patent in time to contest an interference, section 135(b) would not be effective as a statute of repose.” *Id.*

**Patent Term Extension:**

In *Hoechst-Roussel Pharmaceuticals Inc. v. Lehman*, 109 F.3d 756, 42 USPQ2d 1220 (Fed. Cir. 1997), the Federal Circuit upheld the PTO's interpretation of the term "claims" in 35 U.S.C. § 156, governing patent term extensions. The statute reads in relevant part: "The term of a patent which claims a product ... shall be extended in accordance with this section ... if the product has been subject to a regulatory review period before its commercial marketing or use."

Hoechst applied for a patent term extension for U.S. Patent No. 4,631,286 (the '286 patent) claiming the compounds 1-hydroxy-tacrine and a method of treating a patient in need of memory enhancement by administering an effective amount of that compound. The extension was based on Warner-Lambert's application for FDA approval of the drug COGNEX® having an active ingredient of tacrine hydrochloride, which when ingested breaks down into the compound claimed in the '286 patent. In an infringement litigation, Warner-Lambert conceded that COGNEX® infringed the '286 patent. The PTO denied Hoechst's application because (1) Hoechst was not involved in the regulatory approval process, and thus not a proper applicant; and (2) the '286 patent did not "claim" tacrine hydrochloride, the compound that was the subject of FDA approval.

Before the district court, Hoechst argued that a patent "claims" an FDA-approved product within the meaning of the statute if the FDA-approved product would infringe a claim of that patent. The Department of Justice argued on behalf of the Commissioner that the term "claims" should be given its common meaning in patent law. The district court granted summary judgment in favor of the Commissioner. Hoechst appealed.

The Federal Circuit affirmed, holding that the "concept of a claim is related to, but distinct from, the concept of infringement." *Id.* at 759, 42 USPQ2d at 1223. "Claims define the patent owner's property rights whereas infringement is the act of trespassing upon

those rights." *Id.* Here, Hoechst's infringement rights stem not from claiming the compound that was subject to FDA approval, but from the fact the approved compound metabolizes into the claimed compound. *Id.* Additionally, Hoechst failed to establish that Congress intended the term "claims" to have anything other than its plain meaning. *Id.* at 761, 42 USPQ2d at 1224. Therefore, the court held that the meaning of the term "claims" in section 156 should be given "its ordinary meaning from the patent law." *Id.* The court did not address the issue of whether Hoechst was a proper applicant for patent term extension. *Id.* at 761 n. 5, 42 USPQ2d at 1224 n.5.

Trademarks:

In *In re Hacot-Colombier*, 105 F.3d 616, 41 USPQ2d 1523 (Fed. Cir. 1997), the Federal Circuit addressed the PTO's rules governing amendments in applications seeking priority of a foreign registration under 37 C.F.R. §§ 2.51(a)(3) and 2.72(d), and material alteration under 37 C.F.R. § 2.72(a). The court noted that the central inquiry of the case was whether a mark was a "substantially exact representation" of another mark, which was a factual inquiry that would not be overturned unless clearly erroneous. 105 F.3d at 618, 41 USPQ2d at 1525. The court added that "it defers to the agency's reasonable statutory interpretation." *Id.* (citing *Eastman Kodak Co. v. Bell & Howell Document Management Prods.*, 994 F.2d 1569, 1571-72, 26 USPQ2d 1912, 1915-16 (Fed. Cir. 1993)). In *Eastman Kodak*, the Federal Circuit applied *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984) to a TTAB decision, reviewing the TTAB's interpretation of an ambiguous provision of the trademark statute under the reasonableness standard rather than under the de novo standard. *Hacot-Colombier*, 105 F.3d at 618, 41 USPQ2d at 1525. In this case, the court held that the TTAB's interpretation that Rule 2.72 includes "both a prohibition against material alterations and a requirement that any alteration conform to the foreign registration" deserved deference. *Id.* at 619, 41 USPQ2d at 1526. The TTAB's decision on the merits was affirmed. *Id.* at 621, 41 USPQ2d at 1527.

GLOSSARY

GLOSSARY OF OFFICE-SPECIFIC TERMS

ALLOWANCE: examiners determine whether a patent can be allowed by searching previous art, which includes previously issued U.S. and foreign patents and nonpatent 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, DISPOSED (DISPOSAL): patent examiner completes action on the application.

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, 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 that of another.

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

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, DISPOSED: an application that is registered or abandoned.

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

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 owed 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, specifies 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 moneys 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.

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.

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

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.

OBLIGATIONS: spending commitments by the Federal Government that will require outlays either immediately or in the future.

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. If credited to an agency's expenditure account, the offsetting collection is usually available for spending by the agency.

OFFSETTING RECEIPTS: an offsetting collection that is deducted from budget authority and outlays when calculating total budget authority and outlays for the Federal Government. Offsetting receipts are generally not available for spending by an agency without further Congressional action.

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 1-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.



FY 1997 PTO WORKLOAD TABLES

INDEX OF TABLES

Page	
84	Table 1. Summary of Patent Examining Activities
85	Table 2. Patent Applications Filed
85	Table 3. Patents Pending Prior to Allowance
86	Table 4. Patent Pendency and Cycle Time Statistics
87	Table 5. Summary of Pending Patent Applications
87	Table 6. Patents Issued
88	Table 7. Patent Applications Filed by U.S. Residents, by State
88	Table 8. Patents Issued to U.S. Residents, by State
89	Table 9. U.S. Patent Applications Filed by non-U.S. Residents, by Country
91	Table 10. U.S. Patents Issued to non-U.S. Residents, by Country
92	Table 11. Statutory Invention Registrations (SIRs) Published
92	Table 12. U.S. Government Agency Patents
93	Table 13. Reexamination
93	Table 14. Summary of Contested Patent Cases
94	Table 15. Summary of Trademark Examining Activities
95	Table 16. Trademark Applications and Trademark Affidavits
95	Table 17. Summary of Pending Trademark Applications
95	Table 18. Trademarks Registered, Renewed, and Published
96	Table 19. Trademarks Applications Filed by U.S. Residents, by State
96	Table 20. Trademarks Registered to U.S. Residents, by State
97	Table 21. Trademark Applications Filed by non-U.S. Residents, by Country
99	Table 22. Trademarks Registered to non-U.S. Residents, by Country
100	Table 23. Summary of Contested Trademark Cases
101	Table 24. Actions on Petitions to the Commissioner of Patents and Trademarks
102	Table 25. Cases in Litigation
103	Table 26. Notices to the PTO of Lawsuits Involving Patents and Trademarks
103	Table 27. Patent Classification Activity
104	Table 28. Scientific and Technical Information Center Activity

Table 1.
Summary of Patent Examining Activities

(As of September 30 of each fiscal year)

Patent examining activity	1993	1994	1995	1996	1997
Applications filed, total	188,099	201,554	236,679	206,276	237,045
Utility ¹	173,619	185,087	220,141	189,979	219,453
Reissue	572	430	647	573	606
Plant	362	606	516	564	714
Design	13,546	15,431	15,375	15,160	16,272
First Actions:					
Design	16,074	16,832	18,223	15,465	15,038
Utility, plant, and reissue	171,799	168,722	176,220	179,391	193,635
PCT/Chapter 1	7,459	8,363	9,454	11,224	12,268
Patent application disposals, total	181,741	189,646	189,520	197,244	212,763
Allowed², total	116,151	119,609	119,621	135,321	148,802
Design	11,800	12,388	13,055	13,627	13,562
Utility, plant, and reissue	104,351	107,221	106,566	121,694	135,240
Abandoned, total	65,444	69,909	69,796	61,819	63,878
Design	4,681	4,977	3,336	3,461	2,511
Utility, plant, and reissue	60,763	64,932	66,460	58,358	61,367
Statutory invention registrations, total	146	128	103	104	83
PCT/Chapter II examinations completed	5,851	6,918	8,040	8,403	11,582
Patents issued³, total	107,332	113,268	114,241	116,875	122,977
Utility	96,676	101,270	101,895	104,900	111,979
Reissue	302	347	294	291	267
Plant	408	513	390	338	400
Design	9,946	11,138	11,662	11,346	10,331
Allowed applications, issue fee not paid ⁴	5,778	5,883	5,294	5,408	5,599
Pendency time of average patent application ⁵	19.5	19.0	19.2	20.8	22.2
Reexamination requests	359	379	392	418	376
Reexamination certificates issued	293	309	281	298	334
PCT search reports prepared	8,714	10,813	10,440	11,078	12,048
PCT international applications, USPTO as receiving office	12,389	14,265	15,941	20,106	22,767
National requirements, USPTO as receiving office	7,441	9,076	10,582	11,662	13,858
International preliminary examination reports	5,955	8,005	7,456	7,571	11,738
Patents renewed under P.L. 102-204	114,367	121,104	140,512	⁶ 127,806	138,695
Patents expired under P.L. 102-204	38,475	38,859	48,604	60,392	54,485

¹Utility patents include chemical, electrical and mechanical applications.

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

³Excludes withdrawn numbers.

⁴35 U.S.C. 151 (includes design applications).

⁵Average time (in months) between filing and issuance or abandonment of utility, plant, and reissue applications. This average does not include design patents.

⁶Corrected from FY 1996.

Table 2.
Patent Applications Filed

(FY 1978 - FY 1997)

Year	Utility ¹	Design	Plant	Reissue	Total
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	185,087	15,431	430	606	201,554
1995	220,141	15,375	516	647	236,679
1996	189,979	15,160	564	573	206,276
1997	219,453	16,272	714	606	237,045

¹Chemical, electrical, and mechanical applications.

Table 3.
Patents Pending Prior to Allowance¹

(FY 1978 - FY 1997)

Year	Awaiting action by examiner	Total applications pending ²
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
1995	124,275	298,522
1996	139,943	303,720
1997	112,430	275,295

¹Includes patents pending at end of period indicated, and includes utility, reissue, plant, and design applications. Does not include allowed applications.

²Applications under examination, including those in preexamination processing.

Table 4.
Patent Pendency and Cycle Time Statistics

(FY 1997)

Utility, plant & reissue (UPR) applications	Number of applications	Average pendency (in months)	
Issued	112,646	24.3	
Abandoned	61,367	20.0	
Total	174,013	22.2	
Applications in process	349,540	16.1	
UPR pendency by technology center ¹ (in months)			
	To issue	Abandoned	In process
Sector 1 - Biotechnology, Organic Chemistry & Designs	27.4	22.3	19.4
Sector 2 - Chemical and Material Engineering	24.0	19.6	15.6
Sector 3 - Transportation, Construction & Agriculture	22.5	18.1	14.4
Sector 4 - Mechanical Engineering, Manufacturing & Products	22.7	17.2	14.7
Sector 5 - Communications and Information Processing	28.0	23.1	17.9
Sector 6 - Physics, Optics, System Components & Electrical Engineering	23.2	19.9	14.9
UPR pendency by technology center (in months)			
	From original filing date ²	From most recent filing date ²	
Sector 1	31.7	25.3	
Sector 2	26.4	22.3	
Sector 3	23.4	21.2	
Sector 4	23.6	20.9	
Sector 5	31.5	26.0	
Sector 6	25.1	22.3	
Total UPR pendency	26.5	22.2	
Cycle time by technology center (in months)			
	PTO time	Applicant time	
Sector 1	17.8	13.8	
Sector 2	15.2	11.0	
Sector 3	14.4	8.6	
Sector 4	14.6	8.9	
Sector 5	19.6	11.8	
Sector 6	15.6	9.4	
Total UPR pendency	16.0	10.4	

¹From most recent filing date. The Patent Examining Corps is currently in transition from sixteen groups into six technology centers. These centers did not yet exist as of the end of the fiscal year. This data is a conversion to show what pendency and cycle time for technology centers in FY 97 would have been, and to allow for easy comparison with subsequent years.

²“Pendency from original filing date” and “pendency from most recent filing date” differ in that the former is composed of continuing applications descending from the original, or parent invention. Pendency is calculated based on the most recent filing date, while cycle time is based on the original filing date.

Table 5.
Summary of Pending Patent Applications

(As of September 30, 1997)

Stage of processing	Utility, plant and reissue applications	Design applications	Total patent applications
Pending patent applications, total	349,540	24,364	373,904
In preexamination processing, total	26,150	2,156	28,306
Under examination, total	235,255	11,734	246,989
Awaiting first action by examiner	77,931	6,193	84,124
Rejected, awaiting response by applicant	107,609	3,533	111,142
Amended, awaiting action by examiner	30,528	790	31,318
In interference	1,765	19	1,784
On appeal and other ¹	117,422	1,199	18,621
In postexamination processing, total	88,135	10,474	98,609
Awaiting issue fee	47,355	5,222	52,577
Awaiting printing ²	37,397	5,252	42,649
D-10s (secret cases in condition for allowance)	3,383	-	3,383

- Represents zero.

¹Includes cases on appeal and undergoing petitions.

²Includes withdrawn cases.

Table 6.
Patents Issued¹
(FY 1978 - FY 1997)

Year	Utility ²	Design	Plant	Reissue	Total
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
1995	101,895	11,662	390	294	114,241
1996	104,900	11,346	338	291	116,875
1997	111,979	10,331	400	267	122,977

¹Excludes withdrawn numbers.

²Includes chemical, electrical, and mechanical applications.

Table 7.
Patent Applications Filed by U.S. Residents, by State¹

(FY 1997)

State/territory	1997	State/territory	1997	State/territory	1997
Total	134,796	Kentucky	679	Oklahoma	730
Alabama	109	Louisiana	800	Oregon	2,115
Alaska	663	Maine	238	Pennsylvania	5,797
Arizona	2,388	Maryland	2,255	Rhode Island	508
Arkansas	308	Massachusetts	5,676	South Carolina	945
California	27,046	Michigan	5,325	South Dakota	118
Colorado	2,849	Minnesota	4,159	Tennessee	1,338
Connecticut	2,900	Mississippi	289	Texas	9,692
Delaware	670	Missouri	1,418	Utah	1,195
District of Columbia	111	Montana	222	Vermont	515
Florida	4,632	Nebraska	352	Virginia	1,779
Georgia	2,318	Nevada	663	Washington	2,937
Hawaii	139	New Hampshire	886	West Virginia	301
Idaho	1,576	New Jersey	6,370	Wisconsin	2,787
Illinois	6,094	New Mexico	486	Wyoming	86
Indiana	2,115	New York	9,855	Puerto Rico	55
Iowa	992	North Carolina	2,739	Virgin Islands	6
Kansas	665	North Dakota	110	U.S. Pacific Islands ²	1
		Ohio	5,780	United States ³	14

¹Data include utility, design, plant, and reissue applications.

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

³No State indicated in database.

Table 8.
Patents Issued to U.S. Residents, by State¹

(FY 1997)

State/territory	1997	State/territory	1997	State/territory	1997
Total	69,294	Kentucky	365	Oklahoma	473
Alabama	367	Louisiana	424	Oregon	1,049
Alaska	69	Maine	108	Pennsylvania	2,987
Arizona	1,195	Maryland	1,283	Rhode Island	286
Arkansas	152	Massachusetts	2,799	South Carolina	489
California	12,676	Michigan	3,178	South Dakota	54
Colorado	1,311	Minnesota	2,015	Tennessee	706
Connecticut	1,624	Mississippi	174	Texas	4,486
Delaware	389	Missouri	831	Utah	634
District of Columbia	62	Montana	118	Vermont	284
Florida	2,495	Nebraska	179	Virginia	941
Georgia	1,111	Nevada	245	Washington	1,421
Hawaii	89	New Hampshire	473	West Virginia	150
Idaho	521	New Jersey	3,437	Wisconsin	1,523
Illinois	3,501	New Mexico	276	Wyoming	53
Indiana	1,343	New York	5,523	Puerto Rico	16
Iowa	438	North Carolina	1,486	Virgin Islands	3
Kansas	334	North Dakota	65	U.S. Pacific Islands ²	3
		Ohio	3,077	United States ³	3

¹Data include utility, design, plant, and reissue applications.

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

³No State indicated in database.

Table 9.
U.S. Patent Applications Filed by non-U.S. Residents, by Country¹

(FY 1993 - FY 1997)

Residence	1993	1994	1995	1996	1997	Residence	1993	1994	1995	1996	1997
Total	78,029	83,920	96,255	89,941	102,249	Guadeloupe	-	-	-	-	1
Afghanistan	-	-	-	-	1	Guatemala	1	2	4	2	5
Albania	-	-	-	-	2	Haiti	1	1	1	-	1
Andorra	-	1	1	1	-	Honduras	-	2	1	3	5
Anguilla	-	-	-	-	2	Hong Kong	303	385	324	467	448
Antigua & Barbuda	1	2	5	1	1	Hungary	61	73	73	63	42
Argentina	65	77	69	75	81	Iceland	4	6	6	8	13
Armenia	-	-	1	-	1	India	54	64	98	105	135
Aruba	-	-	1	2	-	Indonesia	11	5	7	22	1
Australia	853	1,078	1,150	1,090	1,270	Iran	9	4	7	14	16
Austria	507	637	684	532	590	Iraq	-	-	-	-	1
Azerbaijan	1	2	1	2	1	Ireland	102	152	135	119	130
Bahamas	8	8	18	8	12	Israel	833	998	1,183	1,081	1,220
Bahrain	-	-	-	1	-	Italy	2,159	2,160	2,512	2,152	2,472
Barbados	-	1	2	1	1	Jamaica	1	3	4	2	1
Belarus	6	5	8	6	6	Japan	36,148	36,912	42,944	39,810	44,318
Belgium	666	841	1,080	900	974	Jordan	-	1	5	6	1
Belize	-	-	-	1	1	Kazakhstan	1	1	-	-	1
Benelux Convention	-	-	-	-	1	Kenya	2	2	2	2	5
Bermuda	1	3	4	4	2	Korea, Dem. Republic of	-	2	11	19	67
Bolivia	-	1	2	1	1	Korea, Republic of	1,512	2,177	2,943	3,932	4,957
Bosnia & Herzegovina	-	-	-	1	-	Kuwait	1	1	4	3	19
Brazil	106	161	130	136	157	Kyrgyzstan	-	-	1	-	-
British Virgin Islands	1	1	-	5	3	Laos	-	-	-	1	-
Bulgaria	5	3	9	15	10	Latvia	-	-	-	2	1
Canada	4,196	4,638	5,420	4,893	4,972	Lebanon	2	1	-	3	2
Cayman Islands	1	1	1	15	4	Lesotho	-	-	-	-	1
Chile	13	8	16	24	13	Liechtenstein	14	19	13	20	21
China (mainland)	124	114	151	256	215	Lithuania	1	-	5	-	4
Columbia	4	16	19	11	9	Luxembourg	49	41	38	36	63
Cook Islands	-	1	-	-	-	Macau	1	1	2	-	1
Costa Rica	5	24	13	3	14	Macedonia	-	-	1	-	-
Croatia	3	11	15	14	20	Malaysia	18	44	36	43	61
Cuba	-	3	9	5	2	Maldives	-	-	-	-	1
Cyprus	2	2	1	-	4	Mali	-	-	1	5	1
Czech Republic	-	-	11	22	22	Malta	3	1	2	3	-
Czechoslovakia	28	30	26	14	14	Marshall Islands	1	-	-	1	-
Denmark	496	537	756	567	724	Mauritius	1	1	-	-	-
Djibouti	-	-	-	-	1	Mexico	92	117	97	116	146
Dominica	-	-	-	2	-	Moldova Republic	-	1	1	1	-
Dominican Republic	1	2	3	1	4	Monaco	6	3	11	13	11
Ecuador	5	1	4	1	8	Mongolia	-	1	-	3	-
Egypt	6	3	3	5	8	Montserrat	-	1	1	-	-
El Salvador	-	-	1	1	1	Morocco	2	3	1	5	1
Estonia	-	2	1	1	1	Myanmar	-	-	-	1	-
Ethiopia	-	-	-	-	1	Namibia	-	1	-	-	2
European Patent Office	-	-	-	-	28	Nauru	-	-	-	-	1
Falkland Islands	-	-	-	1	-	Nepal	-	-	1	-	-
Fiji	-	-	-	2	-	Netherlands	1,548	1,549	1,727	1,594	1,978
Finland	576	705	789	797	946	Netherlands Antilles	2	2	1	1	-
France	4,554	4,790	5,389	4,678	5,093	New Caledonia	1	-	1	1	1
French Guiana	-	-	-	1	-	New Zealand	103	148	170	191	218
Gabon	-	-	1	-	-	Nicaragua	1	-	-	-	1
Georgia	-	2	6	6	16	Niger	-	-	1	-	1
Germany	10,550	11,539	12,421	11,515	12,963	Nigeria	6	2	-	3	1
Ghana	1	-	-	1	4	Norway	198	196	251	244	312
Greece	23	25	39	22	21	Pakistan	-	1	3	1	8
						Panama	-	6	7	8	2

(continued on next page)

- Represents zero.

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

Table 9. (Cont'd)
United States Patent Applications Filed by Residents of Foreign Countries¹

(FY 1993 - FY 1997)

Residence	1993	1994	1995	1996	1997	Residence	1993	1994	1995	1996	1997
Paraguay	-	-	-	1	1	Switzerland	1,937	1,922	2,075	1,639	1,782
Peru	5	8	6	4	5	Syria	1	-	-	-	1
Philippines	6	6	17	10	42	Taiwan	3,370	3,847	4,729	5,108	6,349
Poland	24	26	19	21	29	Tanzania	-	-	-	-	1
Portugal	12	8	18	13	12	Thailand	13	24	33	25	32
Romania	4	5	7	9	13	Trinidad & Tobago	3	3	1	2	1
Russian Federation ²	185	222	247	246	244	Tunisia	-	1	-	-	-
Saudi Arabia	17	21	29	17	23	Turkey	4	4	6	6	2
Senegal	-	-	-	1	1	Turks and Caicos Islands	-	-	2	-	-
Seychelles	-	-	-	3	1	Uganda	4	-	1	-	1
Sierra Leone	-	-	-	1	2	Ukraine	18	17	17	16	26
Singapore	100	134	161	157	244	United Arab Emirates	-	4	2	1	5
Slovakia	1	5	14	2	3	United Kingdom	4,503	5,104	5,577	4,804	5,589
Slovenia	24	15	16	21	24	Uruguay	9	3	9	3	2
Solomon Islands	-	-	1	2	-	Uzbekistan	1	1	2	-	-
South Africa	228	238	230	189	197	Vatican City	-	1	-	1	-
Spain	285	367	384	369	458	Venezuela	30	51	38	39	35
Sri Lanka	1	1	3	1	2	Vietnam	-	1	-	1	2
St. Kitts and Nevis	-	1	1	-	-	Yemen	1	-	2	1	-
St. Vincent/The Grenadines	1	-	-	-	-	Yugoslavia	11	10	12	4	7
Suriname	-	-	-	1	-	Zaire	-	-	1	-	-
Swaziland	-	-	8	24	14	Zimbabwe	1	1	-	-	-
Sweden	1,162	1,492	1,674	1,439	2,062	Other ³	8	12	17	13	5

²FY 1993-1997 data for Russian Federation corrected to include applications attributed to the Soviet Union.

³Country of origin information not available.

Table 10.
U.S. Patents Issued to non-U.S. Residents, by Country¹

(FY 1993 - FY 1997)

Residence	1993	1994	1995	1996	1997	Residence	1993	1994	1995	1996	1997
Total	47,927	49,149	49,679	50,159	53,683	Korea, Dem. Republic of	1	1	-	-	-
Andorra	1	-	-	1	-	Korea, Republic of	789	941	1,175	1,428	1,828
Antigua	-	1	-	4	-	Kuwait	2	1	1	2	1
Argentina	30	27	38	28	41	Kyrgyzstan	-	-	-	-	1
Armenia	-	-	1	-	-	Lebanon	1	1	1	-	1
Aruba	-	-	-	-	2	Liechtenstein	14	11	21	15	10
Australia	433	533	572	534	592	Lithuania	-	-	1	-	2
Austria	320	337	356	370	391	Luxembourg	37	48	30	35	28
Azerbaijan	-	-	-	2	-	Macau	-	-	-	2	-
Bahamas	4	-	4	4	5	Malaysia	22	16	11	21	26
Bahrain	-	-	-	-	1	Malta	2	1	1	-	1
Belarus	-	-	5	2	4	Marshall Islands	-	-	1	-	-
Belgium	351	410	391	482	559	Mauritius	1	1	-	1	-
Bermuda	-	2	-	3	1	Mexico	44	56	43	45	48
Bolivia	-	-	-	1	-	Monaco	6	6	5	5	7
Brazil	58	57	66	65	72	Morocco	1	-	2	1	-
British Virgin Islands	1	2	-	-	-	Netherlands	961	944	929	882	878
Bulgaria	5	2	4	1	4	Netherlands Antilles	-	-	1	-	-
Canada	2,198	2,275	2,535	2,444	2,803	New Zealand	50	54	59	71	95
Cayman Islands	-	2	2	2	5	Nicaragua	1	-	-	-	-
Chile	11	6	10	4	4	Nigeria	-	-	1	-	2
China (Mainland)	58	41	69	51	59	Norway	120	128	142	142	156
Colombia	8	7	3	7	8	Oman	1	-	-	-	-
Cook Islands	-	-	-	1	-	Pakistan	-	1	2	1	1
Costa Rica	3	7	7	10	7	Panama	1	-	-	1	1
Croatia	-	3	6	4	8	Peru	2	2	3	5	2
Cuba	1	5	-	-	4	Philippines	6	1	4	1	15
Cyprus	1	2	3	1	2	Poland	7	6	10	12	15
Czech Republic	-	-	1	3	13	Portugal	2	6	5	3	6
Czechoslovakia	17	20	16	13	9	Romania	2	1	1	6	1
Denmark	288	260	333	326	362	Russian Federation	2	22	90	111	113
Dominican Republic	-	1	1	-	-	San Marino	-	1	-	-	-
Ecuador	1	3	-	-	-	Saudi Arabia	4	9	11	11	16
Egypt	1	4	1	4	2	Singapore	46	58	53	87	111
El Salvador	-	-	-	1	1	Slovakia	-	-	-	1	2
Estonia	-	-	2	2	-	Slovenia	1	10	8	11	9
Faroe Islands	-	1	-	-	-	South Africa	89	99	137	112	112
Finland	328	337	375	408	482	Soviet Union	68	63	18	14	7
France	3,165	3,051	2,991	2,972	3,121	Spain	160	181	185	177	176
French Guiana	-	-	-	1	-	Sri Lanka	3	-	1	2	1
Georgia	-	-	1	-	1	St. Kitts and Nevis	-	-	-	1	-
Germany	7,172	7,024	6,946	6,898	7,180	St. Vincent/The Grenadines	-	1	-	-	-
Ghana	-	-	1	-	-	Sweden	743	754	905	904	996
Greece	7	16	11	13	14	Switzerland	1,193	1,225	1,236	1,141	1,176
Guadeloupe	-	1	-	-	-	Taiwan	1,453	1,709	2,026	2,300	2,490
Guatemala	1	2	-	2	1	Tanzania	1	-	-	-	-
Haiti	-	-	-	-	1	Thailand	12	13	10	8	16
Honduras	1	-	2	1	1	Trinidad & Tobago	-	2	2	2	-
Hong Kong	174	200	238	237	255	Tunisia	-	1	-	-	-
Hungary	78	50	43	46	32	Turkey	-	1	3	2	5
Iceland	4	6	3	3	4	Turks and Caicos Islands	-	-	-	-	1
India	21	33	39	37	43	Uganda	-	3	-	-	-
Indonesia	7	9	8	2	12	Ukraine	-	5	9	14	11
Iran	1	1	3	-	-	United Arab Emirates	1	1	-	1	1
Ireland	63	53	56	84	77	United Kingdom	2,462	2,424	2,642	2,668	2,787
Israel	358	354	440	475	573	Uruguay	-	-	2	2	4
Italy	1,452	1,376	1,273	1,338	1,422	Uzbekistan	-	1	-	2	-
Jamaica	-	-	2	-	1	Venezuela	28	31	33	31	20
Japan	22,942	23,764	22,991	22,979	24,314	Yemen	-	1	-	-	-
Jordan	-	-	-	-	5	Yugoslavia	20	19	7	9	4
Kazakhstan	-	-	1	-	-	Zaire	-	-	-	-	1
Kenya	3	-	1	2	1	Zimbabwe	1	4	1	1	-

- Represents zero.

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

Table 11.
Statutory Invention Registrations (SIRs)
Published

(FY 1993 - FY 1997)

Assignee	1993	1994	1995	1996	1997
Total	124	124	130	104	83
Air Force	7	6	6	6	5
Army	26	21	20	16	5
Energy	9	6	6	2	-
Navy	13	14	17	9	11
USA ¹	2	3	4	5	5
Other than U.S. Government	67	74	77	66	57

- Represents zero.

¹United States of America—no agency indicated in database.

Table 12.
U.S. Government Agency Patents¹

(FY 1988 - FY 1997)

Agency	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Total
Total	791	837	897	1,137	1,185	1,153	1,225	1,135	921	923	10,204
Agriculture	37	36	44	52	48	57	38	44	48	39	443
Air Force	134	131	107	126	138	126	130	104	101	78	1,175
Army	116	146	145	129	172	147	194	163	138	169	1,519
Commerce	13	6	9	15	17	21	28	35	22	21	187
Energy	231	216	203	218	218	193	201	146	60	70	1,756
EPA	1	3	5	5	4	7	5	4	7	9	50
HEW/HHS	32	31	35	46	67	88	99	96	110	144	748
Interior	11	9	8	14	23	9	10	13	20	6	123
Library of Congress	-	-	-	-	-	-	-	1	1	-	2
NASA	100	125	125	124	166	155	148	157	102	92	1,294
Navy	104	117	200	384	314	333	360	352	299	279	2,742
NSA	4	5	2	3	3	5	6	4	3	1	36
Postal Service	-	-	-	1	-	-	-	1	1	1	4
State	-	-	-	-	-	-	-	1	-	-	1
Transportation	-	-	-	2	-	2	1	-	-	-	5
Treasury	-	-	-	-	-	-	-	-	-	1	1
TVA	7	4	9	8	5	1	2	5	4	4	49
USA ²	1	8	5	10	10	9	3	9	5	9	69

- Represents zero.

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

²United States of America - no agency indicated in database.

Table 13.
Reexamination
(FY 1993 - FY 1997)

Activity	1993	1994	1995	1996	1997
Requests filed, total	359	379	392	418	376
By patent owner	147	150	138	194	157
By third party	211	227	253	223	215
Commissioner-ordered	1	2	1	1	4
Determinations on requests, total	350	370	398	414	391
Requests granted:					
By examiner	311	334	372	386	357
By petition	10	6	-	8	4
Requests denied	29	30	26	20	30
Requests known to have related litigation	75	77	100	89	65
Court-ordered reexaminations	-	-	-	-	-
Average age of patents (years)	5.0	(¹)	(²)	(³)	(⁴)
Average references per request	9.5	9.6	(²)	(³)	(⁴)
Filings by discipline, total	359	379	392	418	376
Chemical	111	102	101	127	123
Electrical	138	146	131	127	100
Mechanical	110	131	160	164	153

- Represents zero.

¹Data for FY 1994 was not available.

²Data for FY 1995 was not available.

³Data for FY 1996 was not available.

⁴Data for FY 1997 was not available.

Table 14.
Summary of Contested Patent Cases

(Within the Patent and Trademark Office, as of September 30, 1997)

Item	Total
Ex parte cases, total	9,201
Appeals¹:	
Cases pending as of 9/30/96 ²	7,364
Cases filed during FY 1997	4,639
Disposals during FY 1997, total	2,802
Decided, total	2,132
Affirmed	949
Affirmed-in-part	274
Reversed	909
Other disposals, total	670
Dismissed/withdrawn	138
Remanded	532
Cases pending as of 9/30/97	6,399
Reconsiderations:	
Cases pending as of 9/30/97	24
Inter partes cases, FY 1997, total	563
Cases pending as of 9/30/96	276
Cases declared or reinstated during FY 1997	287
Cases terminated during FY 1997	115
Cases pending as of 9/30/97	448
Cases awaiting final board disposition as of 9/30/97, total	
Awaiting the scheduling of a final hearing	20
Scheduled for final hearing	2
Awaiting a final decision	2

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

²The pending number was adjusted to 7,364 from 6,505 due to an audit.

Table 15.
Summary of Trademark Examining Activities

(FY 1993 - FY 1997)

Item	1993	1994	1995	1996	1997
Applications for registration:					
Applications filed ¹	122,644	135,096	150,508	170,783	188,080
Applications including additional classes	139,735	155,376	175,307	200,640	224,355
Disposal of trademark applications:²					
Registrations	86,122	68,853	75,372	91,339	112,509
Abandonments	40,752	42,467	42,214	49,189	64,409
Trademark first actions²					
Applications approved for publication ²	131,191	147,343	176,764	198,160	226,651
	94,161	97,347	118,727	127,481	149,721
Certificates of registration issued,³ total					
1946 Act principal register	54,937	38,238	44,531	56,022	60,416
Principal register:					
ITU-Statements of Use register	17,174	19,563	18,513	19,683	33,131
1946 Act supplemental register	2,238	1,996	2,618	2,969	3,747
Total active certificates of registration (as of 9/30)	712,000	727,983	751,783	784,667	839,071
Renewal of registration:					
Applications filed	7,173	7,004	7,220	7,543	6,720
Registrations renewed	6,182	6,136	6,785	7,346	7,389
Affidavits, Sec. 8/15:					
Affidavits filed	21,999	20,850	23,497	22,169	20,781
Affidavits disposed	19,279	17,846	17,935	33,661	24,533
Affidavits for benefits under sec. 12(c):					
Affidavits filed	5	4	3	6	2
Affidavits abandoned	-	-	-	-	-
Published under sec. 12(c)	21	11	4	11	11
Amendments to Allege Use filed					
Statements of Use filed	3,138	4,033	5,169	6,232	7,292
Notices of Allowance (NOAs) issued	25,837	22,057	19,869	25,388	31,784
	53,053	40,741	51,473	71,117	80,693
Pendency—average months:					
Between filing and examiner's first action	4.0	5.2	5.3	5.9	6.4
Between filing, registration (Use Applications only) and abandonments, and NOAs	14.4	16.3	16.7	16.5	16.9
Between filing and issuing a NOA (Intent to Use applications only)	13.0	15.9	16.4	15.9	16.3

- Represents zero.

¹“Applications filed” refers simply to the number of individual trademark applications received by the PTO. There are, however, 47 different classes of items in which a trademark may be registered. An application must request registration in at least one class, but may request registration in multiple classes. ‘Applications including additional classes’ reflects this fact, and therefore more accurately reflects the Trademark business workload.

²Including additional classes.

³With the exception of Certificates of Registration, Renewal of Registration, Affidavits filed under Section 8/15 and 12(c), the workload count includes extra classes.

Table 16.
**Trademark Applications Filed for Registration
and Renewal and Trademark Affidavits Filed**

(FY 1978 - FY 1997)

Year	For registration	For renewal	Section 8 affidavit	Section 12(c) affidavit
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
1995	175,307	7,346	23,497	-
1996	200,640	7,543	22,169	6
1997	224,355	6,720	20,781	2

- Represents zero.

Table 17.
Summary of Pending Trademark Applications

(As of September 30, 1997)

Stage of processing	Applications
Pending applications, total	323,967
In preexamination processing	94,154
Under examination, total	170,400
Applications under initial examination	79,342
Amended, awaiting action by examiner	73,259
Awaiting first action by examiner	6,083
ITU applications pending Statement of Use	58,632
Applications under second examination	5,057
Administrative processing of Statements of Use	983
Undergoing second examination	4,074
Other pending applications ¹	27,369
In postexamination processing	59,413
(Includes all application in all phases of publication and issue)	

¹Includes application pending before the Trademark Trial and Appeal Board, and suspended cases.

Table 18.
**Trademarks Registered, Renewed, and Published
 Under Section 12(c)¹**

(FY 1978 - FY 1997)

Year	Certificates of registration issued	Renewed	Published under 12(c)
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
1995	65,662	6,785	-
1996	78,674	7,346	11
1997	97,294	7,389	11

- Represents zero.

¹Includes withdrawn numbers.

Table 19.
Trademark Applications Filed by U.S. Residents, by State
(FY 1997)

State/territory	1997	State/territory	1997	State/territory	1997
Total	191,275	Kentucky	1,110	Oklahoma	930
Alabama	997	Louisiana	769	Oregon	1,969
Alaska	109	Maine	423	Pennsylvania	6,583
Arizona	2,634	Maryland	3,363	Rhode Island	944
Arkansas	589	Massachusetts	6,828	South Carolina	1,384
California	38,065	Michigan	4,221	South Dakota	191
Colorado	4,072	Minnesota	4,179	Tennessee	2,411
Connecticut	3,758	Mississippi	377	Texas	9,575
Delaware	2,678	Missouri	3,386	Utah	2,221
District of Columbia	2,280	Montana	295	Vermont	410
Florida	10,758	Nebraska	850	Virginia	4,404
Georgia	4,811	Nevada	1,710	Washington	3,692
Hawaii	440	New Hampshire	803	West Virginia	257
Idaho	599	New Jersey	7,461	Wisconsin	3,076
Illinois	10,618	New Mexico	540	Wyoming	127
Indiana	2,111	New York	20,082	Puerto Rico	111
Iowa	974	North Carolina	3,412	Virgin Islands	23
Kansas	1,009	North Dakota	164	U.S. Pacific Islands ¹	8
		Ohio	6,480	United States ²	4

¹Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

²No State indicated in database, includes APO filings.

Table 20.
Trademarks Registered to U.S. Residents, by State

(FY 1997)

State/territory	1997	State/territory	1997	State/territory	1997
Total	85,834	Kentucky	386	Oklahoma	357
Alabama	373	Louisiana	299	Oregon	790
Alaska	41	Maine	191	Pennsylvania	2,212
Arizona	811	Maryland	1,090	Rhode Island	412
Arkansas	221	Massachusetts	2,079	South Carolina	333
California	10,002	Michigan	1,624	South Dakota	67
Colorado	1,175	Minnesota	1,908	Tennessee	728
Connecticut	862	Mississippi	116	Texas	3,032
Delaware	17,230	Missouri	1,313	Utah	670
District of Columbia	474	Montana	72	Vermont	216
Florida	3,095	Nebraska	273	Virginia	1,160
Georgia	1,395	Nevada	1,034	Washington	1,529
Hawaii	157	New Hampshire	234	West Virginia	104
Idaho	161	New Jersey	2,296	Wisconsin	1,191
Illinois	3,321	New Mexico	149	Wyoming	74
Indiana	1,009	New York	5,946	Puerto Rico	38
Iowa	590	North Carolina	1,266	Virgin Islands	8
Kansas	379	North Dakota	53	U.S. Pacific Islands ¹	3
		Ohio	2,411	United States ²	8,874

¹Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

²No State indicated in database.

Table 21.
Trademark Applications Filed by non-U.S. Residents, by Country

(FY 1993 - FY 1997)

Residence	1993	1994	1995	1996	1997	Residence	1993	1994	1995	1996	1997
Total	18,062	19,868	23,084	26,303	33,080	El Salvado	7	7	2	2	7
Algeria	1	-	-	-	-	European Patent Office	-	-	-	1	-
Andorra	-	-	-	1	7	Estonia	-	-	-	-	1
Anguilla	1	2	1	9	4	Faroe Islands	-	1	-	-	-
Antigua & Barbuda	1	3	1	-	7	Fiji	-	2	-	1	3
Argentina	43	57	80	106	98	Finland	129	106	194	186	181
Aruba	1	1	-	12	5	France	1,484	1,712	1,723	2,081	2,483
Australia	424	470	625	663	922	French Polynesia	1	4	2	-	2
Austria	131	178	169	192	226	Gabon	-	-	-	-	1
Bahamas	19	41	36	86	67	Germany	1,947	1,912	2,655	3,124	4,080
Bahrain	-	-	1	3	2	Ghana	-	-	-	-	1
Barbados	11	64	29	23	35	Gibraltar	5	2	4	8	-
Belarus	-	-	2	-	1	Greece	19	21	28	28	16
Belgium	121	177	184	269	278	Greenland	-	-	5	2	-
Belize	4	3	7	2	1	Grenada	1	-	-	1	-
Benelux Convention	4	2	4	26	13	Guadeloupe	1	-	-	3	-
Bermuda	51	21	53	81	186	Guatemala	2	5	8	3	7
Bolivia	-	1	2	-	1	Guinea	-	1	-	-	-
Botswana	-	1	-	-	-	Guyana	1	1	-	5	3
Brazil	137	108	109	157	191	Hague	-	-	-	-	3
British Virgin Islands	77	93	128	92	159	Haiti	1	2	1	-	4
Brunei	-	-	-	-	1	Honduras	17	4	-	-	7
Bulgaria	3	2	-	10	2	Hong Kong	319	396	456	456	437
Cambodia	-	-	-	-	1	Hungary	6	23	12	27	15
Canada	3,595	4,330	4,721	5,180	6,063	Iceland	11	12	6	8	8
Cayman Islands	16	24	20	37	65	India	23	33	39	69	93
Central African Republic	-	-	1	-	-	Indonesia	23	15	5	38	37
Channel Islands	33	31	36	53	75	Iran	19	16	29	65	77
Chile	46	29	31	43	58	Ireland	64	71	127	139	252
China (mainland)	67	97	116	128	308	Isle of Man	11	9	11	12	108
Colombia	43	52	57	40	72	Israel	173	242	247	257	333
Cook Islands	15	-	-	4	3	Italy	1,027	952	1,303	1,251	1,557
Costa Rica	15	19	15	18	26	Jamaica	14	15	23	34	10
Croatia	-	4	1	1	1	Japan	1,780	1,642	1,974	2,153	2,845
Cuba	-	11	10	17	5	Jordan	-	1	10	3	4
Cyprus	4	3	2	9	9	Kazakhstan	-	2	-	-	1
Czechoslovakia	51	34	43	39	38	Kenya	-	5	1	1	3
Denmark	142	142	176	281	260	Kiribati	-	-	-	-	2
Dominica	-	1	11	9	8	Korea, Dem. Republic of	8	5	20	8	10
Dominican Republic	8	5	38	53	59	Korea, Republic of	200	376	370	371	419
Ecuador	10	15	9	20	25	Kuwait	-	2	2	2	4
Egypt	1	-	5	2	1	Latvia	-	-	-	-	7

(continued on next page)

Table 21. (Cont'd)
Trademark Applications Filed by non-U.S. Residents, by Country
(FY 1993 - FY 1997)

Residence	1993	1994	1995	1996	1997	Residence	1993	1994	1995	1996	1997
Laos	-	-	-	-	1	Russian Federation	19	40	59	35	52
Lebanon	-	1	1	1	1	Saint Lucia	-	1	-	-	-
Liberia	-	4	-	-	3	Saint Pierre/Mique	-	-	-	2	2
Liechtenstein	79	36	42	70	47	Samoa	1	-	-	3	2
Lithuania	-	-	-	1	-	San Marino	-	-	1	-	1
Luxembourg	15	60	32	93	120	Saudi Arabia	7	6	9	15	5
Macau	1	1	2	2	4	Scotland	-	33	75	92	64
Macedonia	-	-	-	4	2	Seychelles	-	-	-	5	1
Malaysia	26	36	39	22	49	Sierra Leone	-	-	1	4	-
Mali	-	-	1	-	-	Singapore	97	172	138	110	203
Malta	1	1	1	-	3	Slovakia	-	-	5	3	2
Martinique	-	1	-	-	6	Slovenia	8	12	5	7	15
Mauritius	-	2	3	-	-	Solomon Islands	-	-	1	-	-
Mexico	351	435	488	566	669	Somalia	1	-	4	-	-
Micronesia	1	-	-	-	-	South Africa	54	99	87	84	144
Monaco	11	13	24	53	39	Spain	343	312	338	426	658
Mongolia	-	-	-	-	3	Sri Lanka	4	3	2	3	6
Morocco	2	1	1	-	1	Sudan	-	-	-	1	-
Myanmar	-	-	-	5	3	Swaziland	5	1	-	-	1
N. Mariana Islands	2	-	1	2	1	Sweden	456	398	506	575	798
Nauru	-	-	-	2	-	Switzerland	727	908	1,134	1,155	1,566
Navassa Island	-	-	1	-	-	Syria	1	-	-	-	-
Netherlands	478	632	709	904	1,062	Taiwan	460	504	508	563	724
Netherlands Antilles	35	20	63	30	77	Thailand	51	31	17	43	34
New Zealand	143	96	104	163	162	Tokelau Islands	-	-	-	1	2
Nicaragua	-	-	4	1	5	Trinidad & Tobago	5	22	20	4	10
Nigeria	3	1	1	1	1	Tunisia	-	-	7	1	7
Norfolk Island	1	-	-	-	-	Turkey	11	11	18	19	43
Norway	112	82	59	97	133	Turks and Caicos Islands	-	6	1	9	10
Oman	-	-	1	-	-	Uganda	1	1	2	12	1
Pakistan	11	6	5	1	5	Ukraine	-	6	-	2	-
Panama	26	23	27	16	30	United Arab Emirates	8	4	5	14	13
Papua New Guinea	2	-	2	-	-	United Kingdom	1,999	2,129	2,384	2,926	3,784
Paraguay	-	-	2	3	2	Uruguay	5	8	6	11	2
Peru	4	8	19	14	6	Uzbekistan	-	-	1	1	-
Phillippines	11	13	29	11	27	Vanuatu	4	-	-	-	-
Pitcairn Island	-	-	-	3	-	Venezuela	51	25	51	40	57
Poland	1	10	25	22	20	Vietnam	-	1	1	5	1
Portugal	52	23	28	35	57	Yemen	-	-	-	-	2
Qatar	-	-	-	1	-	Yugoslavia	8	1	1	2	9
Reunion	-	-	-	-	3	Zaire	-	-	-	1	-
Romania	-	4	1	-	7	Zimbabwe	-	7	2	1	8

- Represents zero.

Table 22.
Trademarks Registered to non-U.S. Residents, by Country

(FY 1993 - FY 1997)

Residence	1993	1994	1995	1996	1997	Residence	1993	1994	1995	1996	1997
Total	11,054	8,066	7,822	9,536	11,460	Kiribati	5	1	-	-	-
Anguilla	-	-	2	1	-	Korea, Dem. Republic of	-	-	-	2	2
Antigua & Barbuda	1	-	3	3	6	Korea, Republic of	129	103	108	183	172
Argentina	26	21	23	29	46	Kuwait	-	-	-	1	-
Australia	268	196	177	199	289	Lebanon	7	4	3	4	3
Austria	116	82	68	72	93	Liberia	5	3	5	4	2
Bahamas	14	10	18	11	14	Libya	-	1	-	-	-
Bahrain	2	-	-	-	-	Liechtenstein	29	15	15	20	35
Bangladesh	-	1	1	-	-	Luxembourg	21	18	11	9	26
Barbados	5	4	10	8	4	Macau	2	-	1	1	-
Belgium	110	64	67	96	80	Malaysia	4	9	8	5	6
Belize	-	1	-	1	1	Malta	2	-	2	-	-
Bermuda	11	16	15	27	40	Mauritius	-	-	-	2	-
Brazil	67	73	60	53	61	Mexico	152	137	142	183	220
British Virgin Islands	32	24	33	33	35	Monaco	7	5	5	9	13
Bulgaria	-	-	-	-	2	Morocco	-	-	-	-	5
Cambodia	-	-	-	1	-	Namibia	1	-	-	-	-
Canada	1,680	1,343	1,438	1,722	2,059	Netherlands	350	248	231	303	362
Cayman Islands	10	12	12	18	27	Netherlands Antilles	14	7	14	19	15
Channel Islands	-	-	1	4	7	New Zealand	58	44	37	43	61
Chile	19	13	17	18	14	Nicaragua	1	-	1	2	2
China (mainland)	67	38	45	60	81	Nigeria	2	2	1	7	-
Colombia	33	25	18	28	37	Norway	46	41	34	48	44
Cook Islands	1	3	8	1	5	Oman	-	-	1	-	1
Costa Rica	6	10	9	12	10	Pakistan	3	2	4	6	6
Cuba	-	4	1	7	6	Panama	31	23	15	23	26
Cyprus	2	3	5	4	2	Papua New Guinea	-	-	-	3	-
Czechoslovakia	6	13	6	6	2	Paraguay	1	-	-	-	2
Denmark	79	70	79	78	105	Peru	11	8	3	6	8
Dominica	-	-	2	-	1	Philippines	11	2	7	4	13
Dominican Republic	2	3	7	11	16	Poland	7	6	3	20	7
Ecuador	4	3	12	7	8	Portugal	25	17	8	18	27
Egypt	2	2	-	1	2	Romania	1	-	1	1	3
El Salvador	4	4	5	5	6	Russian Federation	13	4	-	1	2
Fiji	1	-	-	1	1	Saint Lucia	-	1	-	1	-
Finland	85	57	65	82	106	San Marino	-	-	-	1	-
France	1,334	797	754	907	966	Saudi Arabia	1	2	2	6	4
French Polynesia	2	-	-	2	-	Scotland	-	-	1	3	3
Germany	1,224	847	821	1,004	1,268	Senegal	-	-	1	-	1
Ghana	-	1	-	2	2	Sierra Leone	-	-	-	-	1
Gibraltar	-	-	1	2	5	Singapore	28	23	33	45	60
Greece	8	12	11	18	9	Slovenia	1	2	5	3	5
Greenland	-	-	-	1	-	South Africa	34	24	33	35	36
Grenada	-	-	-	-	1	Spain	301	197	154	200	222
Guadeloupe	1	-	-	-	-	Sri Lanka	1	2	7	3	6
Guatemala	10	-	4	2	3	St. Kitts and Nevis	-	-	-	2	1
Guyana	2	-	1	4	-	Sweden	224	192	169	228	239
Hague Agreement	-	-	-	1	-	Switzerland	486	258	327	460	495
Haiti	-	1	-	1	1	Syria	2	3	2	1	-
Honduras	-	1	6	4	-	Taiwan	357	290	234	285	342
Hong Kong	175	160	127	168	163	Thailand	29	16	20	9	12
Hungary	9	10	8	9	5	Trinidad & Tobago	7	8	7	7	12
Iceland	9	2	5	3	3	Turkey	4	2	6	4	9
India	16	26	21	32	30	Turks and Caicos Islands	-	1	1	3	2
Indonesia	7	11	7	13	7	United Arab Emirates	-	-	-	2	2
Iran	4	4	5	5	5	United Kingdom	1,113	826	799	957	1,248
Ireland	28	35	27	43	51	Uruguay	-	3	6	4	12
Isle of Man	1	-	2	1	4	Vatican City	-	-	-	-	1
Israel	82	70	83	132	151	Venezuela	46	25	17	20	29
Italy	789	469	486	517	771	Vietnam	2	3	1	2	1
Jamaica	10	5	4	7	16	Western Samoa	-	-	1	-	-
Japan	1,108	932	740	841	1,017	Yugoslavia	7	6	4	3	1
Jordan	-	1	-	1	1	Zimbabwe	1	-	3	1	-
Kenya	-	1	3	2	1	Other ¹	-	2	6	3	7

- Represents zero.

¹Country of origin information not available.

Table 23.
Summary of Contested Trademark Cases

(Within the Patent and Trademark Office, as of September 30, 1997)

Activity	Ex parte	Cancellations	Concurrent use	Interference	Opposition	Total
Cases pending as of 9/30/96	1,611	1,817	80	-	5,547	9,055
Cases filed during FY 1997	1,949	1,531	38	-	5,016	8,534
Disposals during FY 1997, total	1,157	1,568	51	-	4,370	7,146
Before hearing	845	1,546	51	-	4,295	6,737
After hearing	312	22	-	-	75	409
Cases pending as of 9/30/97, total	2,403	1,780	67	-	6,193	10,443
Awaiting decision	185	20	2	-	512	58
In process before hearing ¹	2,218	1,760	65	-	6,142	10,185
Requests for extension of time to oppose						33,372

- Represents zero.

¹ Includes suspended cases. Ex parte number reflects an inventory adjustment based on new automated TRAM reports.

Table 24.
Actions on Petitions to the Commissioner of Patents and Trademarks

(FY 1993 - FY 1997)

Nature of petition	1993	1994	1995	1996	1997
PATENT MATTERS					
Actions on patent petitions, total	36,355	46,456	34,840	33,489	34,556
Acceptance of:					
Amendments filed after payment of issue fee	76	52	45	52	71
Late assignments	54	52	66	59	245
Late issue fees	893	1,068	908	878	685
Late priority papers	57	75	70	66	65
Access	63	82	1	9	17
Certificates of correction	21,040	26,268	16,502	15,564	16,691
Deferment of issue	32	45	23	26	24
Filing date	1,105	3,195	2,748	2,302	1,442
Interference	1	1	-	1	-
Make Special:					
Infringement/manufacture	210	151	158	28	1
Other	1,073	1,026	1,056	1,234	1,179
Miscellaneous ¹	2,653	3,323	2,731	2,639	4,554
Maintenance fees	752	942	780	822	970
Public use	3	4	7	5	9
Reexamination proceedings	74	90	71	62	42
Restriction	61	73	59	88	54
Revivals	3,322	4,173	4,144	3,315	2,826
Rule 47 (37 CFR 1.47)	279	590	306	530	407
Supervisory authority	879	567	598	967	551
Suspend rules	194	780	791	727	838
Withdrawal of attorney	567	635	659	786	669
Withdrawal from issue	662	603	635	680	761
Change of inventorship	520	849	829	778	323
Withdrawals of holding of aband./pat. lapse	1,785	1,812	1,653	1,871	2,132
TRADEMARK MATTERS					
Actions on trademark petitions, total	879	1,107	2,226	3,019	4,657
Affidavits of use and extensions	71	140	118	80	128
Decision by examiner	-	14	8	12	12
Filing date restoration ²	-	-	-	397	1,408
Grant application filing date	51	63	111	51	61
Inadvertently issued registrations ³	-	-	178	214	237
Interferences	2	1	-	1	1
Make special	30	52	92	116	104
Miscellaneous	16	-	12	10	28
Oppositions and extensions	18	13	13	20	15
Record documents affecting title	5	-	-	1	4
Reinstatements ⁴	-	-	700	1,175	1,501
Restore jurisdiction to examiner	5	11	12	46	1
Review board decisions	9	13	2	15	21
Revive	562	709	839	762	977
Sections 7 correction/amendment	10	20	7	7	10
Section 9 renewal	7	9	6	1	7
Section 8 or 15	52	37	32	36	70
Waive fees/refunds	41	25	96	75	72
PETITIONS AWAITING ACTION					
AS OF 9/30/97					
Patent matters ⁵	15,671	404	976	872	3,779
Trademark petitions awaiting response	202	60	36	25	56
Trademark petitions awaiting action	183	104	97	180	560

- Represents zero.

¹FY 1993 data includes petitions under Rule 28 (37 CFR 1.28).

²Not reported in previous years; for applications entitled to a particular filing date.

³Not reported in previous years; for applications inadvertently abandoned by the office.

⁴Not reported in previous years.

⁵FY 1993 data includes pending certificates of correction.

Table 25.
Cases in Litigation

(Selected Courts of the United States, as of September 30, 1997)

Item	Pat- ents	Trade- marks	Total
UNITED STATES DISTRICT COURTS			
Civil actions pending as of 9/30/96	15	1	16
Filed during FY 97	16	3	19
Disposals, total	15	1	16
Remanded	1	-	1
Dismissed	14	1	15
Civil actions pending as of 9/30/97, total	16	3	19
UNITED STATES COURTS OF APPEALS¹			
Ex parte cases:			
Cases pending as of 9/30/96	31	33	4
Cases filed during FY 97	44	12	56
Disposals, total	56	10	66
Affirmed	29	73	6
Modified	1	-	1
Reversed	4	-	4
Remanded	4	1	5
Dismissed	18	2	20
Ex parte cases pending as of 9/30/97, total	19	5	24
Inter partes cases:			
Cases pending as of 9/30/96	57	102	159
Cases filed during FY 97	6	8	14
Disposals, total	11	4	15
Affirmed	5	2	7
Reversed	-	1	1
Remanded	1	-	1
Dismissed	5	1	6
Inter partes cases pending as of 9/30/97, total	52	106	158
United States Courts of Appeals cases, pending as of 9/30/97, total	71	111	182
SUPREME COURT			
Ex parte cases:			
Cases pending as of 9/30/96	1	-	1
Cases filed during FY 97	2	-	2
Disposals, total	1	-	1
Certiorari denied	1	-	1
Cases pending as of 9/30/97, total	2	-	2

- Represents zero.

¹ Includes Federal Circuit and others.

Table 26.
**Notices to the PTO of Lawsuits
Involving Patents and Trademarks¹**

(Other jurisdictions - reported cases)

Month	Patent suits	Trademark suits
Total for FY 1997	1,530	1,560
October (1996)	106	104
November	90	87
December	122	134
January (1997)	126	119
February	127	78
March	120	129
April	161	188
May	110	107
June	127	78
July	116	211
August	159	154
September (1997)	166	171

¹Notices received pursuant to 35 U.S.C. 290 and 15 U.S.C. 1116 for both suits filed and decisions.

Table 27.
Patent Classification Activity

(FY 1993 - FY 1997)

Activity	1993	1994	1995	1996	1997
Reclassified patents clerically processed, total	670,388	502,247	695,955	499,101	417,866
Original patents professionally reclassified—completed projects	127,702	138,467	104,078	125,296	114,895
Subclasses established	6,358	5,056	4,364	5,091	6,789
Original U.S. patents	124,758	131,062	129,642	122,706	141,518
Cross-reference U.S. patents	262,400	232,143	271,478	245,412	234,370
Foreign patents	283,230	139,042	294,835	130,983	41,978

Table 28.
**Scientific and Technical Information
Center Activity**

(FY 1997)

Activity	1997
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Literature Collections and Services

Additions to the literature collections:

Books purchased	2,291
Journal subscriptions purchased	2,044
Journal issues received	50,883
CD-ROM products purchased	48
Microfilm backfiles purchased	1,029

Literature services provided:

Documents circulated	6,499
Interlibrary loans processed	57,292
On-line commercial data base searches	10,105
Sequence searches completed	6,485
Number of sequences searched	48,782
Reference questions completed	12,054

Foreign Document Collections and Services

Additions to the foreign patent document collections:

Microfilm reels	30
Microfiche	39,399
CD-ROM	2,260
Documents in paper form (unique)	212,066
Journals	3,558

Foreign document services provided:

Words of foreign material translated (written)	20,224,030
Documents orally translated	4,064

Copies of foreign patents provided:

Self-service copies (from FPAS CD-ROM)	83,247
Copies purchased by the public	5,385
Copies provided to PTO staff	17,180
Microfilm reels furnished for copying	72,877
On-line and manual searches complete	6,685
Reference questions completed	10,593
