



UNITED STATES
PATENT AND
TRADEMARK
OFFICE

FISCAL YEAR

20
14



PERFORMANCE &
ACCOUNTABILITY REPORT

FINANCIAL AND RELATED HIGHLIGHTS

(Dollars In Thousands)	% Change 2014 over 2013	For the year ended September 30, 2014	For the year ended September 30, 2013
Fund Balance with Treasury	25.5%	\$ 2,504,977	\$ 1,996,736
Property, Plant, and Equipment, Net	27.7%	328,290	257,008
Other Assets	(7.9%)	14,041	15,240
Total Assets	25.5%	<u>\$ 2,847,308</u>	<u>\$ 2,268,984</u>
Deferred Revenue	17.0%	\$ 1,089,812	\$ 931,548
Accounts Payable	40.3%	112,809	80,399
Accrued Payroll, Benefits, and Leave	13.9%	202,362	177,630
Other Liabilities	12.9%	146,917	130,170
Total Liabilities	17.6%	\$ 1,551,900	\$ 1,319,747
Net Position	36.5%	1,295,408	949,237
Total Liabilities and Net Position	25.5%	<u>\$ 2,847,308</u>	<u>\$ 2,268,984</u>
Total Program Cost	7.6%	\$ 2,732,378	\$ 2,540,427
Total Earned Revenue	11.0%	(3,018,044)	(2,719,972)
Net Income from Operations	59.1%	<u>\$ (285,666)</u>	<u>\$ (179,545)</u>
Budgetary Resources Available for Spending	24.5%	\$ 3,648,414	\$ 2,931,558
Total Collections, Net of Outlays	80.1%	<u>\$ (494,974)</u>	<u>\$ (274,909)</u>
Federal Personnel	5.8%	12,450	11,773
Disbursements by Electronic Funds Transfer (EFT)	-	100%	100%
On-Time Payments to Vendors	-	99%	99%

PERFORMANCE HIGHLIGHTS

Performance Measures	FY 2014 Target	FY 2014 Actual	Performance Results ¹
Patent Average First Action Pendency (months)	17.4	18.4	Not Met
Patent Average Total Pendency (months)	26.7	27.4	Slightly Below
Patent Quality Composite Score	83-91	75.0	Not Met
Trademark Average First Action Pendency (months)	2.5-3.5	3.0	Met
Trademark Average Total Pendency (months)	12.0	9.8	Met
Trademark First Action Compliance Rate	95.5%	95.8%	Met
Trademark Final Compliance Rate	97.0%	97.2%	Met
Exceptional Office Action	28.0%	43.0%	Met
Trademark Applications Processed Electronically	78.0%	80.7%	Met
<i>Percentage of prioritized countries for which country teams have made progress on at least 75% of action steps in the country-specific action plans along the following dimensions:</i>			
<ul style="list-style-type: none"> ▪ Institutional improvements of intellectual property (IP) office administration for advancing IP rights, ▪ Institutional improvements of IP enforcement entities, ▪ Improvements in IP laws and regulations, and ▪ Establishment of government-to-government cooperative mechanisms. 	75.0%	100.0%	Met
Number of Foreign Government Officials Trained on Best Practices to Protect and Enforce IP	4,300	4,960	Met

¹The performance result of a given measure is either met (100% or greater of target), slightly below (95-99% of the target), or not met (below 95% of target).

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MESSAGE

MESSAGE FROM THE DEPUTY UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DEPUTY DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE



Michelle K. Lee

The U.S. Patent and Trademark Office (USPTO) is a leader in promoting effective and balanced intellectual property (IP) protection worldwide. In the past year, we have continued to implement the Leahy-Smith America Invents Act (AIA), reduced the pendency of unexamined patent applications, established new programs and initiatives, and engaged actively with the public.

As we diligently implement the new *Strategic Plan for 2014–2018*, our focus remains on the agency’s mission to foster innovation, competitiveness, and economic growth, domestically and abroad by delivering high quality and timely examination of patent and trademark applications, guiding domestic and international intellectual property policy, and delivering intellectual property information and education worldwide, with a highly-skilled, diverse workforce.

Reducing the backlog and pendency of unexamined patent applications while improving quality is of the utmost importance, and we are making great progress thanks to expanded training, improved technology, and the dedication of our highly capable employees. Our backlog of unexamined patent applications at the end of fiscal year (FY) 2014 was 605,646, down from 750,596 in 2009 (a 19.3% decrease), despite an average of approximately 5% increase in filings each year. In terms of processing applications, our first action pendency has been reduced to approximately 18.4 months, whereas average total pendency has fallen to approximately 27.4 months. Our current plan is to reduce those periods to 11.3 and 21.0 months, respectively, by FY 2018.

Our trademark organization maintains record low pendency while meeting or exceeding forecasts for new applications and renewals. The USPTO continues to maintain consistent first office action trademark pendency figures within the target range of 2.5–3.5 months, with disposal pendency running at 9.8 months, lower than the 12-month performance target.

In a time of increased demand for patents and trademarks, we are taking advantage of the latest in modern information technology to facilitate our work and to improve our provision of services to the public. By transitioning to next-generation information systems using cloud and open-source technology, we are operating more nimbly, delivering better and faster services, while minimizing costs.

I am very proud to be part of an agency that was ranked Number 1 out of 300 agency subcomponents in the 2013 *Best Places to Work in the Federal Government*[®] report of the Partnership for Public Service. We owe this success in large part to our talented and well-trained employees. This past year, our employees again demonstrated their dedication by maintaining their productivity even during federal closures and adverse weather. During the January 2014 snowstorm and the February and March Federal closures, patent examiners and trademark employees maintained production rates ranging between 81 and 103 percent.

We are pushing forward on the implementation of the provisions of the AIA. One of the provisions is to establish USPTO regional satellite offices, which are vital in providing assistance to inventors, entrepreneurs,

and small businesses and serve as hubs of innovation, education, and outreach. The Elijah J. McCoy Satellite Office in Detroit, MI, opened for business in July 2012 and is busy processing patent applications and managing appeals and trials. On June 30, 2014, we opened our permanent satellite office in Denver, CO. In April 2014, the city council of San Jose, CA, unanimously approved the terms and conditions for our permanent facility in the City Hall to serve the Silicon Valley, and we are planning to open our doors for business there in the Spring of 2015. Lastly, in the Fall of 2015, we expect to open our satellite office in Dallas, TX.

We are dedicated to hiring the best and brightest at the USPTO. In FY 2014, we hired new patent examiners, administrative judges, and staff for our satellite offices. The Patent Trial and Appeal Board (PTAB) received nearly 1,500 petitions for AIA trials in FY 2014, which was three times the expected number. The PTAB met every deadline in face of this large volume. Also, the PTAB continued extensive administrative patent judge hiring, adding 61 judges across four offices. Additionally, we acknowledge the importance of hiring highly qualified veterans for positions throughout the agency, as patent examiners, information technology specialists, and in other mission-critical positions. As of the end of FY 2014, nearly 29 percent of all non-patent examiner hires and nearly nine percent of patent examiner hires had veterans' preference status.

The USPTO recognizes that the public can and should play an important role in creating a better patent system, which is why we have been holding events such as public roundtables and workshops nationwide. These include the Glossary Pilot Program to promote Patent Claim Clarity, Software Partnership Meetings, Internet Policy Taskforce Roundtables, Roundtable on Crowdsourcing Access to Prior Art, AIA Trial Proceedings Roadshows, and Additive Manufacturing Partnership Meeting. Through these events, which also help support the White House's Executive Actions to improve the patent system, we are gaining important

insights on how to improve our processes while educating the public on the resources we provide.

We have also engaged with the public on the important issue of digital copyright policy, building on the release of the "Copyright Policy, Creativity, and Innovation in the Digital Economy" Green Paper in July 2013. Together with the U.S. Department of Commerce's National Telecommunications and Information Administration, we held four roundtables across the country, drawing over 800 participants in person and online, and have established a multistakeholder forum to improve the operation of the Digital Millennium Copyright Act's notice and takedown system.

Over the past year, the USPTO has made significant and exciting achievements on the international front. We opened a new Office of International Patent Cooperation to help protect American innovations and to make it easier for them to do business abroad. We likewise launched the China Resource Center to help U.S. officials make meaningful progress on key IP issues with China. Our overseas IP rights attachés, located in eight countries, are helping U.S. stakeholders by promoting high-quality IP protection across the globe.

We are committed to global patent harmonization, continuously working with the IP5—the world's five largest IP offices—to optimize work sharing among offices and to eliminate duplicate work to enhance efficiency. We introduced the Global Patent Prosecution Highway, a streamlined network replacing dozens of existing bilateral arrangements, speeding up the examination process among participating offices. Finally, as part of transitioning from the United States Patent Classification System to the Cooperative Patent Classification System (CPC), examiners will complete their CPC training by January 2015, enabling them to effectively search in CPC and place CPC symbols on published patent applications and granted patents. We are expanding our efforts to encourage other countries to adopt this increasingly global classification system.

The Office also conducted extensive patent examiner training in FY 2014 on important matters including functional training; the CPC system; key intellectual property cases such as the Supreme Court's 2012 *Myriad* decision and *Alice Corporation v. CLS Bank* on patent eligible subject matter; and the first-inventor-to-file statutory provision.

We face challenges ahead. As a fee-funded, performance based organization in a time of increased budgetary pressures, we face the challenge of attaining full, sustainable funding. We also face the challenge of increased demand for our services as we work to optimize patent quality and timeliness by reducing the excess inventory of unexamined patent applications and pendency.



Michelle K. Lee

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

November 13, 2014

We are confident that the USPTO's financial and performance data are complete, reliable, accurate, and consistent as we improve our ability to measure progress toward our performance goals. For the 22nd consecutive year, we earned an unmodified audit opinion on our annual financial statements. For fiscal year 2014 financial reporting, the independent auditors did not identify any material weaknesses, or instances of non-compliance with laws and regulations.

With the skill and efficiency of our talented employees, we look forward: (a) to meeting and possibly exceeding our goals in the coming year; (b) to tackling the challenges ahead in our effort to build a world-class intellectual property system; and (c) to doing so in collaboration with all of our stakeholders. The United States is a leader in innovation, and we are committed to protecting its IP and supporting its inventors.

INTRODUCTION

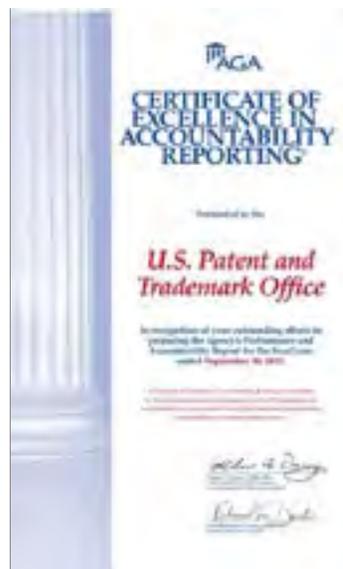
ABOUT THIS REPORT

The U.S. Patent and Trademark Office (USPTO) Performance and Accountability Report (PAR) provides information on the USPTO's programs and the results of the agency's programmatic and financial performance for fiscal year (FY) 2014. This report demonstrates to Congress, the Administration, and to the public the USPTO's efforts to promote transparency and accountability over the resources entrusted to the agency.

This [report](#) is available on the USPTO's website at www.uspto.gov/annualreport and satisfies the reporting requirements contained in the following legislation:

- Title 35 U.S.C. § 13;
- Leahy-Smith America Invents Act (AIA);
- Federal Managers' Financial Integrity Act of 1982;
- Government Performance and Modernization Act of 2010;
- Government Management Reform Act of 1994;
- Accountability of Tax Dollars Act of 2002;
- Improper Payments Information Act of 2002, as amended;
- Reports Consolidation Act of 2000;
- Federal Financial Management Improvement Act of 1996; and
- Chief Financial Officers Act of 1990.

The USPTO's program and financial performance is summarized in the USPTO Citizen Centric Report, available on the USPTO website at www.uspto.gov/annualreport.



Last year's PAR cover and AGA's Certificate of Excellence in Accountability Reporting

YOUR GUIDE TO USING THIS REPORT

This report is organized into four major sections, plus a glossary.

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

This section provides an overview of the USPTO's historical facts, mission, organization, and its strategic framework. A summary of the agency's FY 2014 program and financial performance is also provided along with management's assessment of the challenges the USPTO faces and assurances on the USPTO's internal controls. The program performance information is provided in more detail in the **Performance Information Section** and the financial information is provided in more detail in **Financial Section**.

PERFORMANCE INFORMATION SECTION

The Performance Information Section details the USPTO's performance accomplishments relative to [the agency's strategic plan \(www.uspto.gov/annualreport\)](http://www.uspto.gov/annualreport) as required by Office of Management and Budget (OMB) Circular A-11, "Preparation, Submission, and Execution of the Budget." This section identifies the USPTO's key and supporting performance metrics and results achieved under the strategic goals and objectives. An overview is also provided of how the performance data are verified and validated.

FINANCIAL SECTION

A message from the USPTO's Chief Financial Officer opens this section, followed by the agency's audited financial statements, accompanying notes, required supplementary information, and the independent auditors' report.

OTHER INFORMATION SECTION

This section provides a Schedule of Spending, which ties back to the Statement of Budgetary Resources in the **Financial Section**, detailing resources available and how and where the money was spent. This section also provides the top management challenges facing the USPTO, as identified by the Inspector General; a summary table of financial statement audit and management assurances; information on the agency's efforts to eliminate improper payments; information on the government-wide effort to freeze the federal footprint; and reporting requirements required under USPTO legislation (FY 2014 Workload Tables and the Nature of Training Provided to the USPTO examiners).

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

The glossary details and lists the acronyms used throughout this report.

THE USPTO IN HISTORY

The patent office is an agency with origins dating back to the earliest days of the nation.

The [first patent law](#) was enacted on April 10, 1790, by President George Washington, and the office became a distinct bureau in 1802.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSION AND ORGANIZATION OF THE USPTO

USPTO Named One of the Best Places to Work

The U.S. Department of Commerce's United States Patent and Trademark Office (USPTO) was named *number one out of 300 agency subcomponents in the 2013 Best Place to Work in the Federal Government* rankings. The annual report is based on a survey of more than 700,000 civil servants from 371 federal agencies and subcomponents conducted by the Office of Personnel Management (OPM). The USPTO has consistently risen in the Best Places to Work rankings since 2009.

The USPTO's mission is derived from Article I, Section 8, Clause 8, of the Constitution "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writing and discoveries," and the Commerce Clause of the Constitution (Article 1, Section 8, Clause 3) supporting the federal registration of trademarks.

For most of the last century, the United States has been the clear leader in developing new technologies, products, and entire industries that provide high-value jobs for Americans, enabling the USPTO to maintain its economic and technological leadership.

USPTO MISSION: "Fostering innovation, competitiveness and economic growth, domestically and abroad by delivering high quality and timely examination of patent and trademark applications, guiding domestic and international intellectual property policy, and delivering intellectual property information and education worldwide, with a highly-skilled, diverse workforce."

As an agency of the U.S. Department of Commerce, the USPTO is uniquely situated to support the accomplishment of the Department's mission to create the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship.

OUR ORGANIZATION

As shown in Figure 1, the USPTO is led by the Under Secretary of Commerce for Intellectual Property and Director of the USPTO, who consults with the Patent Public Advisory Committee (PPAC) and the Trademark Public Advisory Committee (TPAC). The USPTO is comprised of two major components, the Patent Business Line and the Trademark Business Line, both of which are teamed with several other supporting units, as shown in the organization chart on page 10.

Headquartered in Alexandria, VA, the USPTO also has satellite offices in Detroit, MI, and in Denver, CO (the Denver office opened on June 30, 2014). The USPTO is in the process of establishing two more permanent offices in Dallas, TX, and San Jose, CA (Figure 2). Finally, the USPTO has two storage facilities located in Virginia and Pennsylvania.

The USPTO has evolved into a unique government agency. In 1991, under the Omnibus Budget Reconciliation Act (OBRA) of 1990, the USPTO became fully supported by user fees to fund its operations. In 1999, the American Inventors Protection Act (AIPA) established the USPTO as an agency with performance-based attributes, for example, a clear mission statement, measurable services, a performance measurement system, and known sources

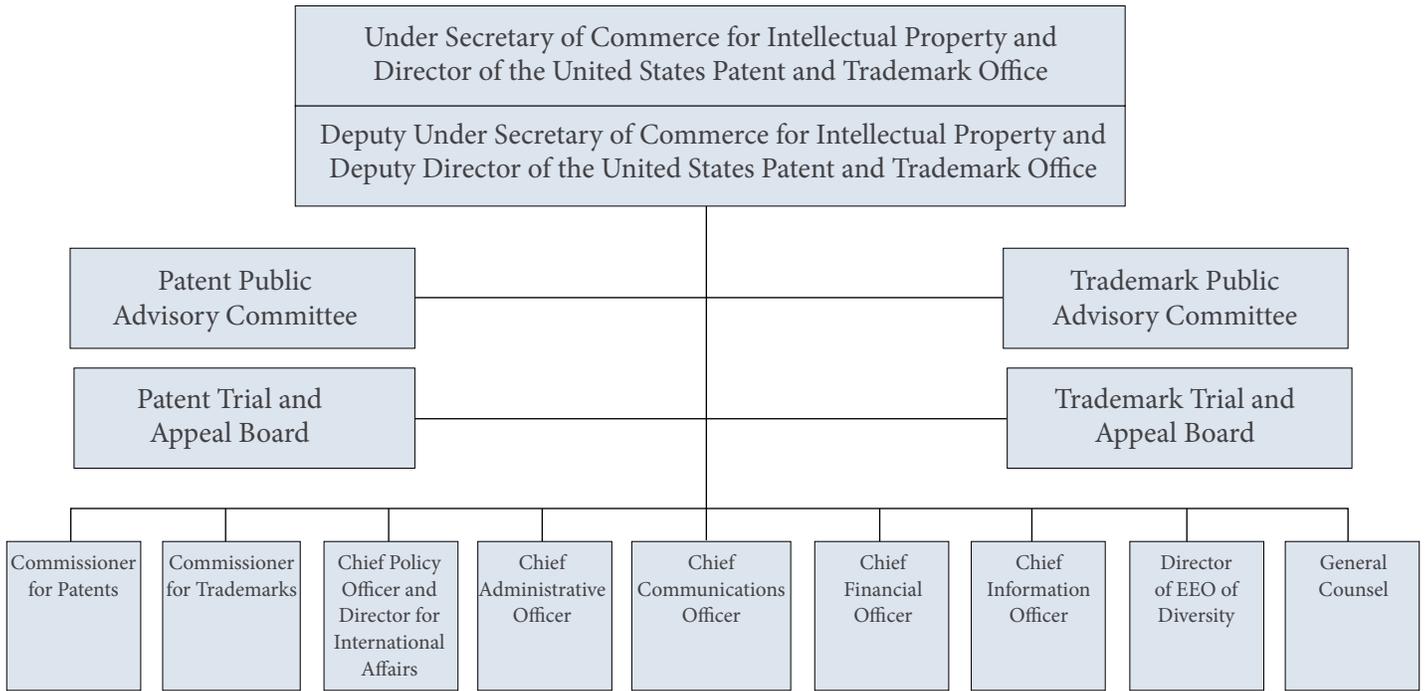


Figure 1. U.S. Patent and Trademark Office organizational chart

of funding. In 2011, President Obama signed into law the Leahy-Smith America Invents Act (AIA). The AIA promotes innovation and job creation by improving patent quality, clarifying patent rights, reducing the application backlog, and offering effective alternatives to costly patent litigation. It also provides temporary fee-setting authority that is essential to the USPTO's sustainable funding model.

As the clearinghouse for U.S. patent rights, the USPTO is an important catalyst for U.S. economic growth, because it plays a key role in fostering the innovation that drives job creation, investment in new technology, and economic recovery. Through the prompt granting of patents, the USPTO promotes the economic vitality of American business, paving the way for investment, research, scientific development, and the commercialization of new inventions. The USPTO

also promotes economic vitality by ensuring that only valid patent applications are granted, thus providing certainty that enhances competition in the marketplace.



Figure 2. Map of the USPTO and satellite offices

PATENT ORGANIZATION

The Patent organization examines patent applications to compare the scope of claimed subject matter with a large body of technological information to determine whether the claimed invention is new, useful, and non-obvious. Patent examiners also provide answers on applications appealed to the Patent Trial and Appeal Board (PTAB); prepare initial memoranda for interference proceedings, post-grant proceedings, etc., to determine priority of invention; and prepare preliminary examination reports for international applications filed under the Patent Cooperation Treaty (PCT). The patent process includes performing an administrative review of newly filed applications, publishing pending applications, issuing patents to successful applicants, and disseminating issued patents to the public.

TRADEMARK ORGANIZATION

The Trademark organization registers marks (trademarks, service marks, certification marks, and collective membership marks) that meet the requirements of the Trademark Act of 1946, as amended, and provides notice to the public and businesses of the trademark rights claimed in the pending applications and existing registrations of others. The core process of the Trademark organization is the examination of applications for trademark registration. As part of that process, examining attorneys make determinations of registrability under the provisions of the Trademark Act, which includes searching the electronic databases for any pending or registered marks that are confusingly similar to the mark in a subject application, preparing letters informing applicants of the attorney's findings, approving applications to be published for opposition, and examining statements of use in applications filed under the Intent-to-Use provisions of the Trademark Act.

In the domestic arena, the USPTO provides technical advice and information for executive branch agencies

on Intellectual Office (IP) matters and trade-related aspects of IP rights. In the international arena, the USPTO works with foreign governments to establish regulatory and enforcement mechanisms that meet international obligations relating to the protection of IP.

The financial and program performance information presented in this report is the joint effort of the Under Secretary's office, the Patent organization, the Trademark organization, the Office of Policy and International Affairs (OPIA), the Office of the Chief Information Officer (OCIO), the Office of the Chief Administrative Officer, the Office of Equal Employment Opportunity and Diversity (OEEOD), the Office of the Chief Communications Officer (OCCO), the Office of the General Counsel (OGC), and the Office of the Chief Financial Officer (OCFO).

OUR PEOPLE

At the end of FY 2014, the USPTO workforce (Figure 3) was composed of 12,450 federal employees (including 9,302 patent examiners and 429 trademark examining attorneys).

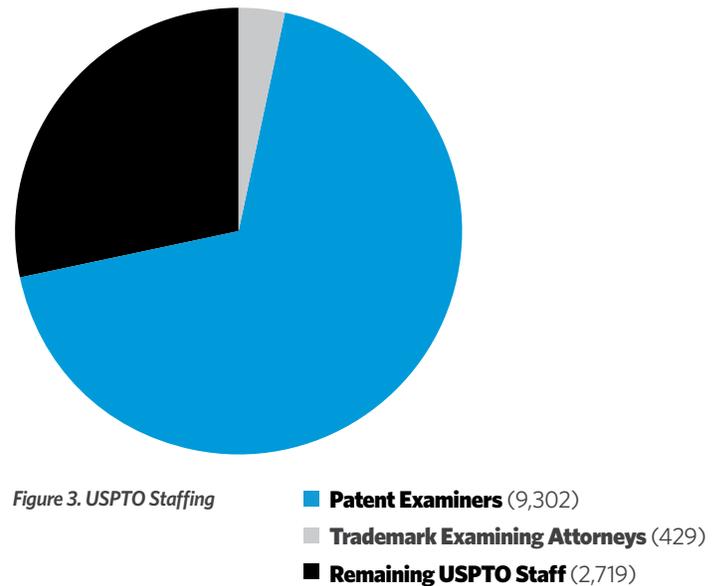


Figure 3. USPTO Staffing

SIGNIFICANT CASE LAW DEVELOPMENTS

RECENT DECISIONS

The USPTO continues to play a critical role in the development of IP case law, particularly as the U.S. Supreme Court continues to expand its legal precedent in the IP arena. The agency's IP litigation responsibilities fall primarily on the Office of the Solicitor within the USPTO's OGC. The Solicitor's Office defends among other things the decisions of the agency's two administrative boards (i.e., the PTAB and Trademark Trial and Appeal Board (TTAB)), decisions of the Director, and the agency's rulemaking and policies in court. These decisions involve a wide variety of issues, affecting both agency practice and substantive patent and trademark law and impacting a broad spectrum of issues.

The Solicitor's Office has been heavily involved in litigation to clarify the standards for patent eligibility under 35 U.S.C. § 101 in a series of very high profile cases over the past several years. Perhaps the most significant IP case of 2014 is *Alice Corporation v. CLS Bank*, which considered whether claims to computer-implemented inventions—including claims to systems, machines, processes, and manufactured items—are directed to patent-eligible subject matter under 35 U.S.C. § 101. The

USPTO's Solicitor's Office worked with the U.S. Solicitor General's Office to formulate the government's amicus (non-party, friend of the Court) position that Alice's patent claims to a method of computer-implemented mediated settlement represent a patent-ineligible abstract idea. The U.S. Supreme Court agreed with the government's position, holding that an otherwise patent-ineligible concept cannot be "transformed" into a patent-eligible invention simply because the idea is implemented by using a computer. Since the Supreme Court's June 2014 decision in *Alice Corp.*, the Solicitor's Office has worked with the USPTO's Patent corps to develop and further refine agency patent examination policies concerning computer-implemented inventions.

The USPTO's Solicitor's Office also recently played a major role in the development of patent-eligibility case law in the biotechnology arena in *In re Roslin Institute*. *Roslin Institute* concerned the patent eligibility of claims to "a live-born clone of a pre-existing, non-embryonic, donor mammal," as famously exemplified by Dolly the Sheep. Dolly was the first mammal ever cloned from an adult somatic cell. To create Dolly, the inventors at the Roslin Institute fused the nucleus of an adult, somatic

THE USPTO IN HISTORY

The first three patent examiners in the United States were the Secretary of State, Secretary of War and the Attorney General.

cell with an enucleated (i.e., without a nucleus) oocyte. Although Roslin's cloning technique was considered a major scientific breakthrough, and Roslin received a patent on its method, the USPTO rejected Roslin's claims to cloned animals based primarily on the U.S. Supreme Court's 2012 decision in *Myriad*, which held that claims to isolated DNA are patent-ineligible products of nature, because they do not "markedly differ" from naturally occurring DNA. The Solicitor's Office defended the rejection of Roslin's claims before the U.S. Court of Appeals for the Federal Circuit this past spring. The Federal Circuit agreed with the agency that, because the DNA of a cloned animal is identical to the DNA of its donor parent, the claimed clones do not markedly differ from their naturally occurring parents and thus are patent-ineligible products of nature, regardless of whether produced by nature or created in a lab.

The USPTO continues to play a major IP litigation role outside the patent-eligibility realm, both as an amicus and as a party. For example, the USPTO and U.S. Solicitor General worked together to file an amicus brief in *Nautilus v. Biosig Instruments*, urging that the U.S. Supreme Court reject the Federal Circuit's stringent "insolubly ambiguous" standard for determining whether a patent claim violates the definiteness requirement of 35 U.S.C. § 112(b) and adopt a standard for determining definiteness founded on how a person skilled in the relevant art would reasonably understand the disputed claim language. In keeping with the government's brief, the U.S. Supreme Court rejected the "insolubly ambiguous" standard in favor of a standard closely

resembling that urged by the government. While *Nautilus* was awaiting final resolution, the USPTO defended a challenge to its ability to make lack of definiteness rejections to pending claims—this time as a party—in *In re Packard* before the Federal Circuit. The appellant in *Packard* argued that only claims found to be "insolubly ambiguous" may be properly rejected under § 112(b). Without directly addressing *Packard*'s argument, the Court held that the USPTO can properly reject claim language that is "ambiguous, vague, incoherent, opaque, or otherwise unclear in describing and defining the claimed invention," and expressly approved of the review standard that the Board used in this case as set forth in § 2173.05(e) of the Manual of Patent Examining Procedure (MPEP), namely, "[a] claim is indefinite when it contains words or phrases whose meaning is unclear."

PERFORMANCE HIGHLIGHTS

INTRODUCTION TO PERFORMANCE

This section of the Management's Discussion and Analysis describes the USPTO's strategic and performance planning framework and provides highlights of the agency's FY 2014 performance results. In FY 2014, the USPTO issued its *2014-2018 Strategic Plan*. The Plan demonstrates the progress made to date by building on the tangible successes of recent years with a focus on achieving the USPTO's vision as a global IP leader by:

- Establishing the optimal pendency and quality levels for both patents and trademarks that will enable the USPTO to operate efficiently and effectively within the expectations of the IP community;
- Effectively administering the provisions of the AIA;
- Continuing to transform the USPTO with next-generation technology and services;
- Maintaining a strong and diverse leadership team, agile management structure, and a diverse and engaged cadre of employees in achieving the agency's mission and vision;
- Continuing to work with other government agencies, Congress, and USPTO's global partners to establish IP systems that benefit innovation, create jobs, and lead to strong economies around the world; and
- Recruiting and retaining the highest quality employees to accomplish the agency's important work.

The USPTO's *2014-2018 Strategic Plan* recognizes that innovation has become the principal driver of the modern economy by stimulating economic growth and creating high-paying jobs. America's innovators rely on the U.S. patent and trademark systems to secure investment

capital and to bring their products and services to the marketplace as soon as possible. As a result, it is critical that the USPTO thrive for American innovation to succeed.

STRATEGIC PERFORMANCE FRAMEWORK

To fulfill the mission and goals included in the [FY 2014-2018 Strategic Plan](#), the USPTO developed a comprehensive Strategic Performance Framework that guides and monitors implementation of its objectives, initiatives, and performance measures and indicators. The comprehensive Framework also includes the balanced scorecard that is included as [Accompanying Information](#) in the *2014-2018 Strategic Plan*. Each responsible business unit prepared action plans for implementing each of the initiatives, and results are documented semiannually and reported to the Deputy Director and Executive Staff.

The USPTO's strategic goals are aligned to the U.S. Department of Commerce's strategic goals and objectives. These priorities support the U.S. Department of Commerce's strategic objectives of increasing opportunities for U.S. companies by opening markets globally, increasing the capacity of U.S. regional economies to accelerate the production of value-added goods and services, strengthening the Nation's digital economy by championing policies that maximize the potential of the Internet, expanding broadband capacity, enhancing cybersecurity, and accelerating growth of innovation-intensive economic sectors by building public and private capacity to invent, improve, and commercialize new products and services.

TABLE 1: Summary of FY 2014 Key Performance Measure Results

Strategic Goal	Total Number of Objectives	Total Number of Key Performance Measures	Key Performance Measures that Met Target	Key Performance Measures that Were Slightly Below Target	Key Performance Measures Where the Target was Not Met
Goal I: Optimize Patent Quality and Timeliness	7	3	-	1	2
Goal II: Optimize Trademark Quality and Timeliness	5	6	6	-	-
Goal III: Provide Domestic and Global Leadership to Improve Intellectual Property Policy, Protection, and Enforcement Worldwide	2	2	2	-	-
Management Goal: * Achieve Organization Excellence	5	-	-	-	-
TOTAL	19	11	8	1	2

* At the USPTO, the Management Goal enables the two primary strategic goals for patent and trademark pendency and quality. Management Goal performance measures are subsets of the performance indicators contained within the first two strategic goals. Moreover, the cost of these Management Goal activities is rolled into the expense of executing the agency's primary strategic goals. It is for this reason that financial splits are reported in only three, rather than four ways. The USPTO does, however, ensure that major or significant accomplishments and challenges in the Management Goal area are faithfully reported in its Performance Accountability Reports.

There are 11 Strategic Plan key performance outcome measures all designed to achieve the USPTO's strategic goals. Annual performance targets were developed for each measurable outcome. Supporting measures are metrics that support or facilitate progress on the key performance measures. In FY 2014, the USPTO met or exceeded its targets for 8 out of 11 key performance metrics. A summary of the key performance measurement results is provided in Tables 1 and 3.

The FY 2014 USPTO performance results are illustrated in Table 1 and Figure 4. The goals and objectives for these performance commitments are outlined in the strategic framework presented in Table 2. A summary of strategic goal results by strategic goal is presented in Figure 4.



Figure 4. 2014 Performance Results by Strategic Goal

TABLE 2

2014–2018 Strategic Plan	
MISSION	
Fostering innovation, competitiveness and economic growth, domestically and abroad by delivering high quality and timely examination of patent and trademark applications, guiding domestic and international intellectual property policy, and delivering intellectual property information and education worldwide, with a highly-skilled, diverse workforce.	
VISION	
Leading the Nation and the World in Intellectual Property (IP) Protection and Policy	
Strategic Goals with Resources Invested	Objectives
Goal I: Optimize Patent Quality and Timeliness Obligations: \$2,682.7 million Total Program Cost: \$2,461.6 million	Refine Optimal Patent Pendency
	Increase Efficiencies and Patent Examination Capacity to Align with the Optimal Patent Pendency
	Increase International Cooperation and Work Sharing
	Continue to Enhance Patent Quality
	Ensure Optimal Information Technology (IT) Service Delivery to All Users
	Continue and Enhance Stakeholder and Public Outreach
	Maintain the Patent Trial and Appeal Board's (PTAB's) Ability to Provide Timely and High-Quality Decisions
Goal II: Optimize Trademark Quality and Timeliness Obligations: \$262.3 million Total Program Cost: \$225.4 million	Maintain Trademark First Action Pendency on Average Between 2.5–3.5 Months with 12 Months Pendency
	Maintain High Trademark Quality
	Ensure Optimal IT Service Delivery to All Users
	Continue and Enhance Stakeholder and Public Outreach
	Enhance Operations of the Trademark Trial and Appeal Board (TTAB)
Goal III: Provide Domestic and Global Leadership to Improve Intellectual Property Policy, Protection, and Enforcement Worldwide Obligations: \$52.5 million Total Program Cost: \$45.4 million	Provide Leadership and Education on IP Policy and Awareness
	Provide Leadership and Education on International Agreements and Policies for Improving the Protection and Enforcement of IP Rights
MANAGEMENT GOAL: Achieve Organizational Excellence *	Leverage IT Investments to Achieve Business Results
	Continue to Build and Maintain a Flexible, Diverse, and Engaged Workforce
	Enhance Internal and External Relations
	Secure Sustainable Funding to Deliver Value to Fee-Paying Customers and the Public
	Establish Satellite Offices and a Regional Presence

* The cost associated with Management Goal activities is distributed among the agency's primary Strategic Goals I, II, and III.

SUMMARY OF STRATEGIC GOAL RESULTS

Table 3 highlights the FY 2014 actual performance results for the USPTO's key performance measures against established goal objectives and performance targets. For those measures that have been retained from prior fiscal years, the table also includes actual performance results for the past four fiscal years. For the latest updated status

of these and other performance measures, please visit the USPTO's Data Visualization Center at www.uspto.gov/annualreport/dashboards.jsp. Measures that were discontinued or changed since the FY 2013 PAR was published are detailed on page 141. More complete performance data are included in the Performance Information Section.

TABLE 3

Summary of Key Strategic Goal Results for FY 2010-2014						
Strategic Goals Key Performance Measures	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Target	FY 2014 Actual
GOAL I: Optimize Patent Quality and Timeliness						
Average First Action Pendency (in months)	25.7	28.0	21.9	18.2	17.4	18.4
Average Total Pendency (in months)	35.3	33.7	32.4	29.1	26.7	27.4
Patent Quality Composite Score	N/A	30.7	72.4	71.9	83-91	75.0
GOAL II: Optimize Trademark Quality and Timeliness						
Average First Action Pendency (in months)	3.0	3.1	3.2	3.1	2.5 -3.5	3.0
Average Total Pendency (in months)	10.5	10.5	10.2	10.0	12.0	9.8
First Action Compliance Rate	96.6%	96.5%	96.2%	96.3%	95.5%	95.8%
Final Compliance Rate	96.8%	97.0%	97.1%	97.1%	97.0%	97.2%
Exceptional Office Action	N/A	23.6%	26.1%	35.1%	28.0%	43.0%
Trademark Applications Processed Electronically	68.1%	73.0%	77.0%	79.0%	78.0%	80.7%
GOAL III: Provide Domestic and Global Leadership to Improve Intellectual Property Policy, Protection, and Enforcement Worldwide						
Percentage of prioritized countries for which country teams have made progress on at least 75% of action steps in the country-specific action plans along the following dimensions: <ul style="list-style-type: none"> ▪ Institutional improvements of intellectual property (IP) office administration for advancing IP rights, ▪ Institutional improvements of IP enforcement entities, ▪ Improvements in IP laws and regulations, and ▪ Establishment of government-to-government cooperative mechanisms. 	75.0%	100.0%	75.0%	100.0%	75.0%	100.0%
Number of Foreign Government Officials Trained on Best Practices to Protect and Enforce Intellectual Property	N/A	N/A	N/A	N/A	4,300	4,960

These are preliminary data and are expected to be final after the publication of this report and will be reported in the FY 2015 Performance Accountability Report.

■ Met (100% of target)
 ■ Slightly below (95-99% of target)
 ■ Not met (below 95% of target)

THE USPTO IN HISTORY

Since its formation, the USPTO has been a part of the State Department, the Department of Interior, and in 1925, became a part of the U.S. Department of Commerce.

MANAGEMENT CHALLENGES AND WHAT'S AHEAD

Achieving success is not without its challenges. The USPTO will engage and overcome all challenges in its implementation of strategic goals, objectives, and initiatives as enumerated in the 2014–2018 Strategic Plan. These challenges are detailed in the following section.

SUSTAINABLE FUNDING

Attaining full sustainable funding continues to be a challenge, particularly in this era of increased budgetary pressures. The USPTO will continue to pursue full access to all fee collections, establish operating reserves, stay current with business-oriented financial tools, optimize the fee structure under existing authorities, and seek permanent fee-setting authority. Failure could mean loss of fee-payer confidence if the USPTO cannot fulfill the performance commitments it makes when setting fees.

As a fully user-fee-reliant government entity, the USPTO must not only justify its annual budget requirements, but it also must plan for and project the fee collections that will be used to fund those requirements. Because its business activities cross fiscal year lines, the USPTO conducts multiyear planning at both the strategic and operational levels. Multiyear planning and budgeting help to identify long-term trends, develop long-term operational goals supported by long-term financial strategies, and address long-term issues. This process reinforces the commitment to financial stability by looking beyond the 1-year time horizon in funding operating programs and capital improvements and promotes more orderly spending patterns, which are a critical component for successful achievement of performance targets, revenue planning, and fee-setting.

MANAGING THE PATENT BUSINESS' TRANSITION TO MAINTENANCE MODE

As the patent business comes closer to achieving its pendency and inventory targets, it will become increasingly more challenging to effectively manage the transition to a steady-state operation. These challenges include aligning workforce size with workload and addressing the reality of achieving pendency targets in certain technology areas sooner than in others.

PROPOSED TRADEMARK FEE REDUCTION

The USPTO has issued a Notice of Proposed Rule Making that would offer lower cost fee options for filing electronic trademark applications and renewals of registrations. The fee reduction is possible due to efficiencies that have reduced the cost of providing some services and good financial management practices. Under the proposal, trademark application filing fees and renewal fees would be reduced by 15 to 25 percent depending on how the application is filed. Implementation is scheduled for January 2015 following completion of the rulemaking process and changes to Trademark Electronic Application System forms.

The proposed fee reductions will reduce processing costs and promote efficiency for the USPTO and its customers. Lower fees benefit new and existing

businesses by providing lower costs for those seeking and maintaining federal registration to protect their investment, which is of particular benefit to small business and individual filers, who make greater use of lower cost filing options. The proposal supports the USPTO's strategic objective to increase the end-to-end electronic processing of trademark applications by offering additional electronic application processing options and promoting online filing, electronic file management, and workflow.

ADMINISTERING AIA PROVISIONS

The AIA significantly affected the operations of the PTAB. Success in implementing the patent dispute resolution portions of the AIA could make the PTAB the preferred tribunal, drive business away from district courts, and thereby increase the PTAB's case workload to levels whereby it would be challenging to maintain reasonable pendency.

RELATIONSHIPS WITH OVERSIGHT ENTITIES

As a fully fee-funded performance-based organization, the USPTO operates differently from traditional agencies. The challenge for the USPTO is to raise awareness among oversight entities of these differences.

RELIANCE ON INFORMATION TECHNOLOGY

The core mission of information technology (IT) at the USPTO is to utilize technology to find ways to help the agency run more smoothly as a business. With that in mind, IT is a mission-critical enabler for every aspect of its operations. The challenge is to manage employee and customer expectations, implement changes brought on by new legislation and the adoption of new technology, address evolving cybersecurity requirements, and plan long-term projects.

IT systems must scale with the business need, support a nationwide workforce with "24/7/365" operational capability, improve examination and revenue collection capabilities, provide recovery needs to sustain the

business, make successful and reliable IT deployments, and enhance the understanding of the interactions between IT and performance, business functions, services, and data.

The USPTO will continue to enhance the IT capabilities offered for both patent and trademark business areas. These include implementing core electronic examination tools for document management and searching, improving interactions with the office for filing, searching, payment, and communication; and making doing business with the USPTO easier and more secure.

LEGAL CHALLENGES

The USPTO has seen a wave of legal challenges to its interpretation of the AIA and the regulations implementing the AIA, and it expects further legal challenges over the next few years as cases implementing many of the new procedures put in place by the AIA become ripe for review. The USPTO has already begun to see the first of these challenges with respect to the new post-grant patent review proceedings established by the AIA. Specifically, by the end of FY 2014, the agency will have intervened in more than 20 appeals from PTAB decisions in AIA post-grant proceedings.

In addition to litigation concerning the new PTAB proceedings established under the AIA, an upsurge of litigation is expected with respect to the USPTO's implementation of the transition from a first-to-invent system to a first-inventor-to-file system, perhaps the most significant change to U.S. patent law brought on by the AIA. The first of these cases has begun to trickle in. As the primary litigator for the USPTO, the Solicitor's Office in the USPTO's OGC has expanded the number of attorneys and paralegals on its staff and is in a good position to successfully meet the challenges associated with what is expected to be a continued growth in agency litigation.

MANAGEMENT ASSURANCES AND COMPLIANCE WITH LAWS AND REGULATIONS

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

- Federal Managers' Financial Integrity Act
- Improper Payments Elimination and Recovery Act
- Federal Financial Management Improvement Act
- Federal Information Security Management Act
- Agency's Financial Management Systems Strategy
- Inspector General Act, as amended
- OMB Financial Management Indicators
- Prompt Payment Act
- Civil Monetary Penalty Act
- Debt Collection Improvement Act
- Biennial Review of Fees

MANAGEMENT ASSURANCES

Federal Managers' Financial Integrity Act (FMFIA)

The FMFIA requires federal agencies to provide an annual statement of assurance regarding management controls and financial systems. USPTO management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. The objectives of internal control are to ensure:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with laws and regulations.

The statement of assurance that follows is based on the wide variety of evaluations, control assessments, internal analyses, reconciliations, reports, and other information, including the U.S. Department of Commerce's Office of the Inspector General (OIG)

audits, and the independent public accountants' opinion on the USPTO's financial statements and their reports on internal control and compliance with laws and regulations. In addition, the USPTO is not identified on the U.S. Government Accountability Office's High Risk List related to controls governing various areas.

Improper Payments Elimination and Recovery Act

We continue to maintain internal control procedures that help monitor disbursement of federal funds for valid obligations. The USPTO continues to assess improper payment risks covering all programs and activities, as required by OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments. These improper payment risk assessments include assessments of the control and procurement environments and are now in the continuous process stage of being updated annually. Additional details can be found in the Other Information section of this report (see page 134).

Federal Financial Management Improvement Act (FFMIA)

The FFMIA requires federal agencies to report on an agency's substantial compliance with federal financial management system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level. In accordance with OMB Circular A-123, Appendix D, substantial compliance is achieved when an agency's financial management systems routinely provide reliable and timely financial information for managing day-to-day operations as well as to produce reliable financial statements, maintain effective

On the basis of the USPTO's comprehensive internal control program during FY 2014, the USPTO can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2014, was operating effectively. Accordingly, I am pleased to certify with reasonable assurance that our agency's systems of internal control, taken as a whole, comply with Section 2 of the Federal Managers' Financial Integrity Act of 1982. Our agency also is in substantial compliance with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level and with federal financial system requirements. Accordingly, our agency fully complies with Section 4 of the Federal Managers' Financial Integrity Act of 1982, with no material non-conformances.

In addition, the USPTO conducted its assessment of the effectiveness of our agency's internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the USPTO provides reasonable assurance that its internal control over financial reporting as of June 30, 2014 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting. In addition, no material weaknesses related to internal control over financial reporting were identified between July 1, 2014 and September 30, 2014.



Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office
October 6, 2014

internal control, and comply with legal and regulatory requirements. The USPTO complied substantially with the FFMIA for FY 2014.

OTHER COMPLIANCE WITH LAWS AND REGULATIONS

Federal Information Security Management Act (FISMA)

The USPTO remains vigilant in reviewing administrative controls over information systems and is always seeking methods of improving our security program. During FY 2014, the USPTO continued its dedicated efforts in support of compliance with FISMA standards and improvement of our security program. The USPTO IT Security Program includes a strategy for continuous monitoring, which conducts credentialed compliance and vulnerability scans on servers, network devices,

databases, and Web applications on a quarterly basis. The quarterly analysis is being performed to ensure that operating systems have been configured in accordance with their security baseline and appropriate software patch levels. New secure baseline configuration guides are being developed with current configuration settings based on the addition of the newer operating systems devices. In addition, the IT Security program has integrated artifacts to support Security Impact Analysis within the systems development life cycle that allow assessment of testing requirements for systems undergoing new developments, enhancements, or maintenance. This proactive approach to security within the development process has successfully assessed changes and enabled security compliance for systems as they are being developed or updated.

As a result, the Chief Information Security Officer and the OCIO staff working together made a concerted effort to meet the compliance requirements of FISMA, while also meeting the reporting requirements to OMB. These endeavors were a complete success. All USPTO systems achieved a 100 percent FISMA compliance reporting level for FY 2014. There were no deficiencies identified that are considered to be the result of any material weaknesses in internal control. As a result of the work accomplished, the USPTO was able to continue with continuous monitoring and provide an accurate summary of information consistent with OMB reporting requirements for year-end reporting.

The Inspector General's Statement of Management Challenges for the the U.S. Department of Commerce (referred to in the Other Information section of this report) identifies IT security as a cause for concern department-wide, to include the USPTO. While the OIG continues to report IT security as a Commerce-wide concern, USPTO management has concluded that IT security issues within the agency have been sufficiently resolved beginning in FY 2009 to remove the material weakness. As indicated above, the USPTO's continuous monitoring and proactive approach to security compliance for systems provides the support for removing the material weakness at the USPTO.

The USPTO continues to coordinate closely with the OIG throughout the year, as well as review annual assessments with the OIG, to gain additional insight and ensure compliance with requirements.

Agency's Financial Management Systems Strategy

The USPTO's Consolidated Financial System (CFS) provides support for financial management, fee collections, procurement, and travel management

functions to the USPTO. CFS leverages several Commercial-off-the-shelf (COTS)/Government-off-the-shelf (GOTS) products, including a core financial and acquisition system (Momentum Financials), an eTravel system (Concur), a budget execution and compensation projection system (Corporate Planning Tool using the Cognos Planning tool), a cost accounting system (Activity Based Information System built using the Profitability and Cost Management tool), and a data warehouse (Enterprise Data Warehouse accessed using the Business Objects tool). Additionally, CFS includes an internally developed fee collection system (Revenue Accounting and Management (RAM)), an imaging system (Office of Finance Imaging System built using the Documentum tool), and an internally developed application to automate the transit subsidy program (Transit Subsidy System).

The Fee Processing Next Generation (FPNG) investment will replace RAM, the USPTO's legacy fee collection system, currently scheduled for implementation in FY 2016. FPNG will use a combination COTS, GOTS, and open source code, as well as a custom user interface that has the same look-and-feel as other USPTO websites. Developing and implementing FPNG supports USPTO's Strategic Priority, "Leverage IT Investments to Achieve Business Results," and will replace legacy RAM with modern 21st century technology that has more automated internal controls, electronic commerce capabilities, and will be able to meet the patent and trademark fee collection needs of the future. As the USPTO progresses with its Patent and Trademark IT strategies (Patents End-to-End (PE2E) and Trademarks Next Generation (TMNG)), the fee processing system also needs to progress to the next generation. The lack of modern technology in legacy RAM hinders the USPTO from taking full advantage of the potential benefits from Patents End-to-End and Trademarks Next Generation initiatives.

Inspector General Act, as amended

The Inspector General Act, as amended, requires semi-annual reporting on Inspector General (IG) audits and related activities, as well as any requisite agency follow-up. The report is required to provide information on the overall progress on audit follow-up and internal management controls, statistics on audit reports with disallowed costs, and statistics on audit reports with funds put to better use. The USPTO did not have audit reports with disallowed costs or funds put to better use in FY 2014.

The USPTO's follow-up actions on audit findings and recommendations are essential to improving the effectiveness and efficiency of our programs and

operations. As of September 30, 2014, management had resolved three recommendations outstanding from a report issued in FY 2013 (OIG-13-032-A, "USPTO Successfully Implemented Most Provisions of the America Invents Act, but Several Challenges Remain"). Three recommendations were outstanding as of September 30, 2014.

One new audit report was issued during FY 2014 (OIG-14-024-A, "Rapid Rise in the Request for Continued Examination Backlog Reveals Challenges in Timely Issuance of Patents"). For details on this audit, refer to page 42. Four recommendations were outstanding as of September 30, 2014.

STATUS OF IG ACT AUDIT RECOMMENDATIONS AS OF SEPTEMBER 30, 2014

Report for Fiscal Year	Status	Recommendation	Action Plan	Completion Date
FY 2013	Closed	Strengthen project planning and execution between OCIO and PTAB and, looking forward, with other USPTO units lacking a working relationship with the OCIO by adhering to USPTO's System Development Lifecycle policies for risk management practices, requirements collection, and communications and reevaluating whether waivers to specific project requirements should apply if initial funding and scope assumptions change.	<ul style="list-style-type: none"> a) Create a division within PTAB with specific knowledge and experience in IT system development who will interface with the IT staff in OCIO and ensure that PTAB IT needs are met while also ensuring proper development principles are followed. b) Have the USPTO's CPIC Review Board (CRB) review all planned IT projects for FY 2014 thru FY 2015, to identify which projects should not be required to comply with USPTO's CPIC process. Establish CRB review of these projects on a quarterly basis, to reflect changes in funding and scope. 	January 2014
FY 2013	Closed	Develop a multiyear plan that comprehensively addresses PTAB's IT requirements, including internal IT staffing and training needs, to support its expanded responsibilities under the AIA.	Identify PTAB's out-year IT requirements and develop a multiyear plan that comprehensively addresses PTAB's IT requirements.	February 2014
FY 2013	Open	Ensure the quality of first inventor to file (FITF) application processing by soliciting feedback from examiners after they have taken substantive FITF training and after they have reviewed their first FITF applications, and oversample recently filed FITF applications included in USPTO's established quality assurance reviews.	<ul style="list-style-type: none"> a) Survey and solicit feedback from examiners after they have taken substantive FITF training. b) Solicit feedback from examiners after they have reviewed their first FITF applications. c) Include a sample of recently filed FITF applications in USPTO's established quality assurance reviews. 	Estimated December 2014

STATUS OF IG ACT AUDIT RECOMMENDATIONS AS OF SEPTEMBER 30, 2014

Report for Fiscal Year	Status	Recommendation	Action Plan	Completion Date
FY 2013	Open	Provide Congress with an updated assessment of the agency's ability, or not, to establish satellite offices that meet the provisions outlined in the AIA and provide a plan to establish its remaining satellite offices as resources become available.	<ul style="list-style-type: none"> a) Provide quarterly website postings in a blog or press release format that reports progress of the satellite offices. b) Create a project plan to establish the Denver Satellite office. c) Create a project plan to establish the Silicon Valley Satellite office. d) Create a project plan to establish the Dallas Satellite office. 	Estimated October 2014
FY 2013	Closed	<p>Strengthen the management of the satellite office program to develop a consistent and coordinated approach to establish and operate satellite offices by taking the following actions:</p> <ul style="list-style-type: none"> a) Develop a consistent and centralized approach to effectively manage the planning and opening of currently planned satellite offices and assess whether this approach should continue if additional satellite offices are needed. b) Determine a standardized position description for the satellite office regional director whose documented responsibilities are commensurate with and reflect their responsibilities and grade level, or develop a single, centralized managerial function at USPTO headquarters responsible for operating and evaluating satellite offices. 	<ul style="list-style-type: none"> a) Develop a centralized approach to effectively manage the planning and opening of the currently planned satellite offices and assess whether this approach should continue if additional satellite offices are needed. b) Develop a standardized position description for the satellite office regional director. 	February 2014
FY 2013	Open	Prepare a comprehensive implementation plan for the issuance of the overall AIA Implementation report, to include milestones for completing the six other remaining AIA reports, and individual implementation plans to address the operational oversight needed to carry out its Pro Bono and Diversity of Applicants programs.	<ul style="list-style-type: none"> a) Develop milestones and implementation plans for issuance of the AIA reports still remaining to be completed. b) Develop implementation plans to address the operational oversight needed to carry out the Pro Bono and Diversity of Applicants programs. c) Develop a plan and milestones for completion of the issuance of the overall AIA Implementation report. 	Estimated December 2014

STATUS OF IG ACT AUDIT RECOMMENDATIONS AS OF SEPTEMBER 30, 2014

Report for Fiscal Year	Status	Recommendation	Action Plan	Completion Date
FY 2014	Open	Mitigate the impact of Requests for Continued Examination (RCE) structural issues and examiner-specific issues and take corrective action where necessary by (a) researching the reasons for the variance in after-final amendment approval rates and the precipitous decline in after-final amendment filings; (b) assessing why applications handled by lower- and higher-grade examiners have different RCE filing rates; and (c) assessing the reasons for variance among art units, identifying best practices that promote efficiency, and then developing strategies to minimize patent term adjustment.	<p>a) Analyze available data to determine the following:</p> <ul style="list-style-type: none"> ▪ if areas within the Technology Centers (TC) exhibit noticeable variances in after-final amendment approval rates; ▪ if there has been a decline in the filing of after-final amendments; and, ▪ if lower- and higher-grade examiners within similar technology areas have different RCE filing rates. <p>b) Based on the results of the analysis in a), assess reasons, if any, for variances noted by the analysis.</p> <p>c) After completion of a) and b), identify best practices within the TCs which promote examination efficiencies as they relate to RCE applications and after-final amendment processing and further which promote the minimization of the granting of patent term adjustment.</p>	Estimated March 2015
FY 2014	Open	Determine whether a stratified sample of patent applications targeting risk areas, such as applications with new prior art applied in a final rejection, would enhance quality assurance tests and the overall determination of patent examiner quality.	<p>a) Evaluate whether enhanced reviews of applications where an examiner cited new prior art in a final rejection would enhance current quality assurance checks and overall examination quality.</p> <p>b) Based on the results of the evaluation in a), determine next steps for performing such reviews if a need to do so is identified.</p>	Estimated January 2015
FY 2014	Open	Establish a risk management plan that ensures timely, situation-specific analysis and solutions are documented and implemented to minimize patent-term adjustments when rebalancing is needed to meet statutory requirements and public expectations for prompt processing.	<p>a) Develop a draft plan for monitoring RCE application inventory levels that will ensure timely, situation-specific solutions are developed and implemented to minimize patent-term adjustment in RCE applications.</p> <p>b) Circulate the developed draft plan within Patents management for review and comment.</p> <p>c) Incorporate any review comments received responsive to b) and finalize the plan incorporating suggested comments as appropriate.</p>	Estimated December 2014
FY 2014	Open	Develop ways to increase participation in the compact prosecution initiatives, especially AFCP 2.0 (After Final Consideration Pilot 2.0) and continue efforts to engage all stakeholders.	<p>a) Analyze participation in current USPTO compact prosecution initiatives.</p> <p>b) Based on the results of a), develop plans to increase participation levels, as needed, in current USPTO compact prosecution initiatives and plans for continued stakeholder engagement.</p>	Estimated December 2014

OMB Financial Management Indicators

The OMB prescribes the use of quantitative indicators to monitor improvements in financial management. The USPTO tracks other financial performance measures as well. The table below shows the USPTO's performance during FY 2014 against performance targets established internally and by OMB and the government-wide Metric Tracking System (MTS).

Financial Performance Measure	FY 2014 Target	FY 2014 Performance
Percentage of Timely Vendor Payments (MTS)	98%	99%
Percentage of Payroll by Electronic Transfer (OMB)	90%	100%
Percentage of Treasury Agency Locations Fully Reconciled (OMB)	95%	100%
Timely Reports to Central Agencies (OMB)	95%	100%
Audit Opinion on FY 2014 Financial Statements (OMB)	Unmodified	Unmodified
Material Weaknesses Reported by OIG (OMB)	None	None
Timely Posting of Inter-Agency Charges (USPTO)	30 days	17 days
Average Processing Time for Travel Payments (USPTO)	8 days	4 days

Prompt Payment Act

The Prompt Payment Act requires federal agencies to report on their efforts to make timely payments to vendors, including interest penalties for late payments. In FY 2014, the USPTO did not pay interest penalties on 99.0 percent of the 9,388 vendor invoices processed, representing payments of approximately \$676.8 million. Of the 109 invoices that were not processed in a timely manner, the USPTO was required to pay interest penalties on 90 invoices. The USPTO paid \$9 in interest penalties for every million dollars disbursed in FY 2014. Virtually all recurring payments were processed by EFT in accordance with the EFT provisions of the Debt Collection Improvement Act of 1996.

Civil Monetary Penalty Act

There were no Civil Monetary Penalties assessed by the USPTO during FY 2014.

Debt Collection Improvement Act

The Debt Collection Improvement Act prescribes standards for the administrative collection, compromise, suspension, and termination of federal agency collection actions, and referral to the proper agency for litigation. Although the Act has no material effect on the USPTO since it operates with minimal delinquent debt, all debt more than 120 days old has been transferred to the U.S. Department of the Treasury for cross-servicing.

Biennial Review of Fees

The Chief Financial Officers Act of 1990 requires a biennial review of agency fees, rents, and other charges imposed for services and things of value it provides to specific beneficiaries as opposed to the American public in general. The objective of the review is to identify such activities and to begin charging fees, where permitted by law, and to periodically adjust existing fees to reflect current costs or market value so as to minimize general taxpayer subsidy of specialized services or things of value (such as rights or privileges) provided directly to identifiable non-federal beneficiaries. The USPTO is a fully fee-funded agency without subsidy of general taxpayer revenue. The USPTO uses Activity Based Costing (ABC) to calculate the cost of activities performed for each fee, and uses this information to evaluate and inform when setting fees. When appropriate, fees are adjusted to be consistent with legislative requirements to recover full cost of the goods or services provided to the public.

Consistent with the provisions of the AIA, the USPTO will continuously assess fees, on at least a biennial basis following the initial fee adjustments published in January 2013. Section 10(c) of the AIA directs the USPTO to consult the PPAC and TPAC, respectively, annually on the advisability of reducing fees set or adjusted under Section 10(a).

FINANCIAL DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The USPTO received an unmodified (clean) audit opinion from the independent public accounting firm of KPMG LLP on its FY 2014 financial statements, provided in the Financial Section of this report. This is the 22nd consecutive year that the USPTO received a clean opinion. Our unmodified audit opinion provides independent assurance to the public that the information presented in the USPTO financial statements is fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. In addition, KPMG LLP reported no material weaknesses or significant deficiencies in the USPTO's internal control, and no instances of non-compliance with laws and regulations affecting the financial statements. Refer to the Other Information section for the Summary of Financial Statement Audit and Management Assurances.

The summary financial highlights presented in this section provide an analysis of the information that appears in the USPTO's FY 2014 financial statements. The USPTO financial management process ensures that management financial decision-making information is dependable, internal controls over financial reporting are effective, and that compliance with laws and regulations is maintained. The issuance of these financial statements is a component of the USPTO's objective to continually improve the accuracy and usefulness of its financial management information.

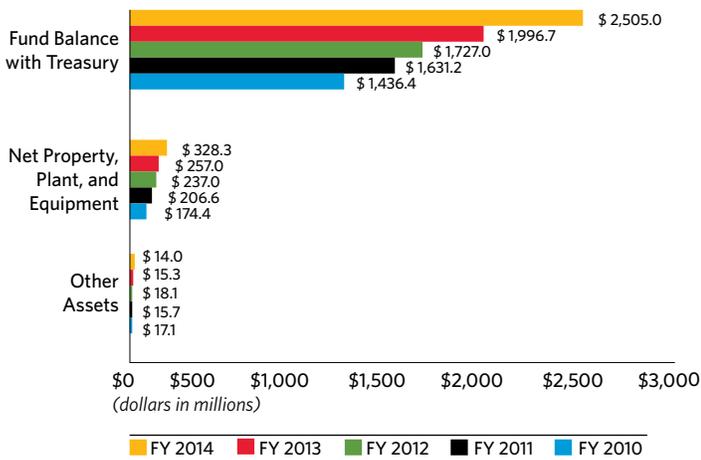
Balance Sheet and Statement of Changes in Net Position

At the end of FY 2014, the USPTO's consolidated Balance Sheet presents total assets of \$2,847.3 million, total liabilities of \$1,551.9 million, and a net position of \$1,295.4 million.

Total assets increased 74.9 percent over the last four years, resulting largely from the increase in Fund Balance with Treasury. The following graph shows the changes in assets during this period.

Fund Balance with Treasury is the single largest asset on the Balance Sheet and represents 88.0 percent of total assets at the end of FY 2014. Over half of the Fund Balance with Treasury represents fees the USPTO has collected, but has not been authorized to spend through the annual appropriation process—this includes temporarily unavailable fees of \$937.8 million and unavailable special fund receipts under OBRA of \$233.5 million, which total \$1,171.3 million in unavailable fees. This asset is also comprised of unpaid obligated funds of \$549.8 million, other funds held on deposit for customers of \$132.9 million, and unobligated funds carried over from one year to the next (operating reserve, which is comprised of funds from the Salaries and Expenses fund and the Patent and Trademark Fee Reserve Fund) of \$651.0 million.

Composition of Assets



The temporarily unavailable funds and the unavailable special fund receipts require Congressional appropriation before they will be available for USPTO’s use. These funds, together with amounts obligated and held on deposit, represent 74.0 percent of the Fund Balance with Treasury.

The operating reserve is available for use without further Congressional appropriation and is maintained to permit the USPTO to plan for long-term financial stability, as well as temporary changes in our cash flow. As such, the operating reserve is not tied to a specific event and enables the USPTO to address fluctuations in revenues or unexpected demands on resources. In addition, the operating reserve is used to manage cash flow at the beginning of the fiscal year to ensure the agency has adequate resources to sustain current operations.

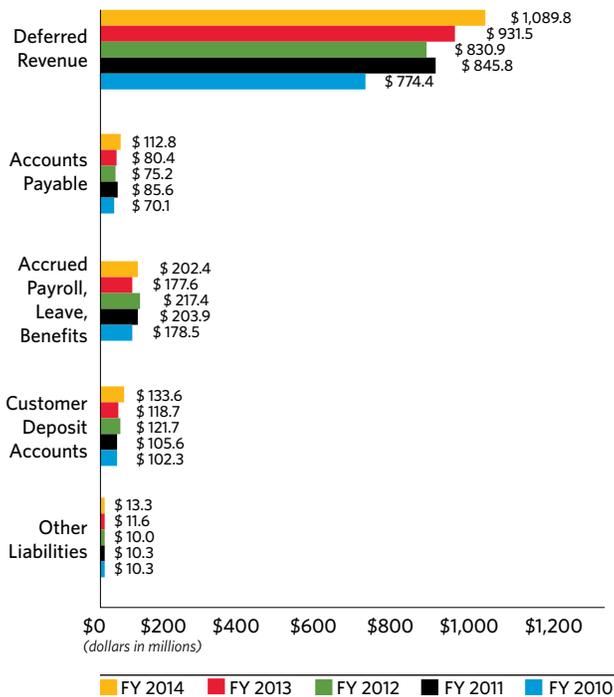
Total fee collections are lower than operating requirements early in the year, and do not fully cover the necessary expenses such as payroll and contractual obligations that occur close to the fiscal year start. The operating reserve is intended to provide sufficient resources to continue current operations until the collection of fees builds over the subsequent months.

As required by 35 U.S.C. §42(c)(3), the USPTO maintains and tracks two separate and distinct operating reserve balances—one for Patent operations and one for Trademark operations. At the end of FY 2014, the Patent operating reserve was \$493.7 million and the Trademark operating reserve was \$157.3 million, or 2.2 and 6.7 months of operating expenses, respectively.

The other major asset is property, plant, and equipment. The net balance of this asset has increased by \$153.9 million during the past four years, with the acquisition values of property, plant, and equipment increasing by \$335.8 million. The USPTO is beginning to completely re-invent our IT systems from end-to-end, which will lead to future increases in IT hardware, software, and software in development values. This was evidenced by an increase of \$345.9 million from FY 2011 through FY 2014 for IT hardware, software, and software in development.

Total liabilities increased from \$1,319.8 million at the end of FY 2013 to \$1,551.9 million at the end of FY 2014, representing an increase of \$232.1 million, or 17.6 percent. The following graph shows the composition of liabilities during the past five years.

Composition of Liabilities

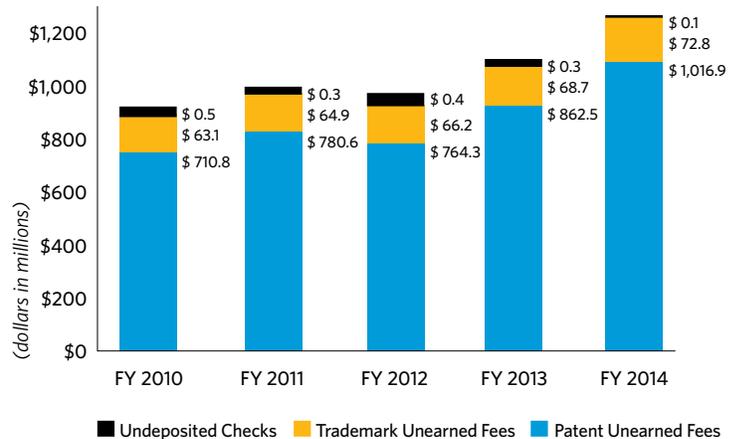


The USPTO's deferred revenue is the largest liability on the Balance Sheet. The liability for deferred revenue is calculated by analyzing the process for completing each fee service provided. The percent incomplete based on the inventory of pending work and completion status is applied to fee collections to estimate the amount for deferred revenue liability.

FY 2014 resulted in an increase to the deferred revenue liability of \$158.3 million, or 17.0 percent from FY 2013. The deferred revenue liability includes unearned patent and trademark fees, as well as undeposited checks. The unearned patent fees, which increased 17.9 percent as a result of the increased fee rates associated with the more recent applications, represented 93.3 percent of this liability for FY 2014. The following graph depicts the composition of the deferred revenue liability, in addition to the change in this liability during each of the past five years.

Deferred revenue at the USPTO is largely impacted by the change in patent and trademark filings, changes in the first action pendency rates, and changes in fee rates. Increases in patent and trademark filings, first action pendency rates, and fee rates result in increases in deferred revenue.

Deferred Revenue



The following table depicts the changes in the filings and pendencies during the past five years.

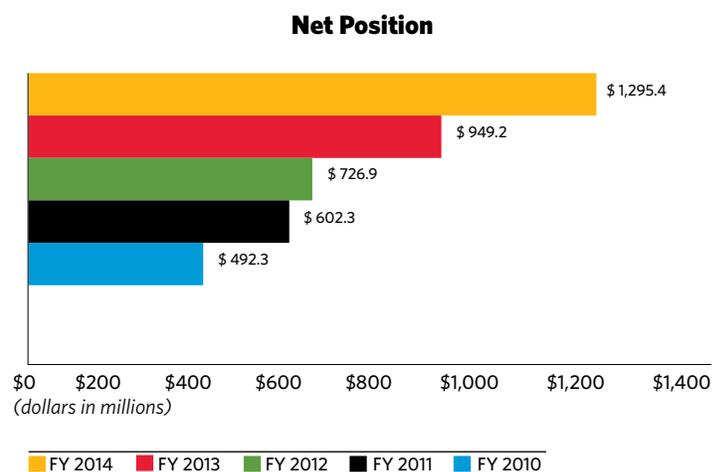
Filings and Pendencies	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Patent Filings	510,060	537,171	565,566	601,464	618,330*
Percentage Change in Patent Filings	4.8%	5.3%	5.3%	6.3%	2.8%
Patent First Action Pendency (months)	25.7	28.0	21.9	18.2	18.4
Percentage Change in Patent First Action Pendency	(0.4)%	8.9%	(21.8)%	(16.9)%	1.1%
Total Patent Pendency (months)	35.3	33.7	32.4	29.1	27.4
Percentage Change in Total Patent Pendency	2.0%	(4.5)%	(3.9)%	(10.2)%	(5.8)%
Trademark Filings	368,939	398,667	415,026	433,654	455,017
Percentage Change in Trademark Filings	4.8%	8.1%	4.1%	4.5%	4.9%
Trademark First Action Pendency (months)	3.0	3.1	3.2	3.1	3.0
Percentage Change in Trademark First Action Pendency	11.1%	3.3%	3.2%	(3.1)%	(3.2)%
Total Trademark Average Pendency (months)	10.5	10.5	10.2	10.0	9.8
Percentage Change in Total Trademark Average Pendency	(6.2)%	-%	(2.9)%	(2.0)%	(2.0)%

* Preliminary data

In FY 2014, despite a slight increase in first action pendency of 0.2 months, unearned patent fees increased 17.9 percent as a result of the increased fee rates associated with the more recent applications. Deferred revenue associated with the patent process is expected to decrease in the upcoming years due to the anticipated decreases in pendencies. In the FY 2015 President's Budget, the number of patent applications filed from FY 2015 through FY 2019 is expected to gradually increase, with first action pendency decreasing to 10.9 months and total pendency to 19.8 months by FY 2019. The pendency decreases will result in patent deferred revenue decreases.

The deferred revenue associated with the trademark process increased in FY 2014. Trademark deferred revenue increased by \$4.1 million, or 6.0 percent, from FY 2013, with an overall 15.4 percent increase over the past four years. The FY 2014 increase was consistent with the increase in trademark applications, offset by total trademark average pendency decreasing to 9.8 months and trademark first action pendency decreasing to 3.0 months. Estimates included in the FY 2015 President's Budget project the pendencies to remain constant in the upcoming years.

The Statement of Changes in Net Position presents the changes in the financial position of the USPTO due to results of operations and unexpended appropriations. The movement in net position is the result of the net income or net cost for the year. The change in the net position during the past five years is presented in the following graph.



The increase in net position from \$949.2 million at the end of FY 2013 to \$1,295.4 million at the end of FY 2014, or 36.5 percent, is attributable to the results of operations.

Net Income (dollars in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Earned Revenue	\$ 2,101.7	\$ 2,236.4	\$ 2,427.1	\$ 2,719.9	\$ 3,018.1
Program Cost	(2,007.0)	(2,148.1)	(2,321.0)	(2,540.4)	(2,732.4)
Net Income	<u>\$ 94.7</u>	<u>\$ 88.3</u>	<u>\$ 106.1</u>	<u>\$ 179.5</u>	<u>\$ 285.7</u>

Statement of Net Cost

The Statement of Net Cost presents the USPTO's results of operations by the following responsibility segments —Patent, Trademark, and Intellectual Property Policy, Protection and Enforcement Worldwide. The above table presents the total USPTO's results of operations for the past five fiscal years. In FY 2014, USPTO generated a net income of \$285.7 million due to an increase in fees received and revenue recognition of previously deferred revenue collected as we work off the backlog.

The Statement of Net Cost compares fees earned to costs incurred during a specific period of time. It is not necessarily an indicator of net income or net cost over the life of a patent or trademark. Net income or net cost for the fiscal year is dependent upon work that has been completed over the various phases of the production life cycle. The net income calculation is based on fees earned during the fiscal year being reported, regardless of when those fees were collected. Maintenance fees also play a large part in whether a total net income or net cost is recognized. Maintenance fees collected in FY 2014 are a reflection of patent issue levels 3.5, 7.5, and 11.5 years ago, rather than a reflection of patents issued in FY 2014. Therefore, maintenance fees can have a significant impact on matching costs and revenue.

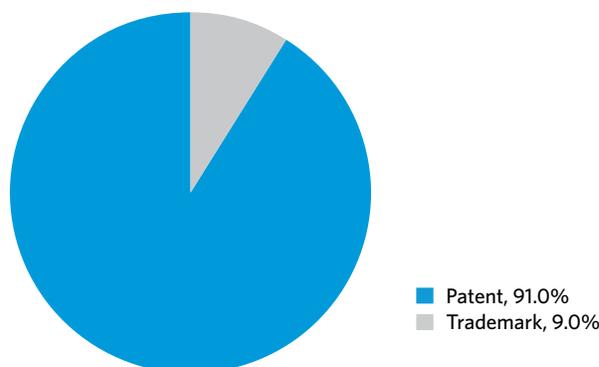
During FY 2014, the number of patent filings increased by 2.8 percent over the prior year. Despite this increase, the Patent organization disposed 5.2 percent more applications than were disposed of during FY 2013. This, combined with increased fee collections, resulted in an increase in patent deferred revenue and a decrease in earned revenue.

During FY 2014, with the number of trademark applications increasing by 4.9 percent over the prior year, the Trademark organization was able to continue to address the existing inventory and maintain pendency between 2.5 and 3.5 months. The Trademark organization was able to do this while recognizing a slight increase in deferred revenue and corresponding decrease in revenue earned.

Earned Revenue

The USPTO's earned revenue is derived from the fees collected for patent and trademark products and services. Fee collections are recognized as earned revenue when the activities to complete the work associated with the fee are completed. The earning process is the same for all collections even though a certain portion of the fees may not be made available to the USPTO for spending. Temporarily unavailable fee collections occur when the USPTO is not appropriated the authority to spend all fees collected during a given year. The USPTO did not collect any fees that were designated as unavailable during FY 2014. However, during FY 2013, due to sequestration, the USPTO collected \$147.7 million in fee collections that were designated as temporarily unavailable.

FY 2014 Earned Revenue



Earned revenue totaled \$3,018.1 million for FY 2014, an increase of \$298.2 million, or 11.0 percent, over FY 2013 earned revenue of \$2,719.9 million. Of revenue earned during FY 2014, \$615.1 million related to fee collections that were deferred for revenue recognition in prior fiscal years, \$1,247.1 million related to maintenance fees collected during FY 2014, which were considered earned immediately, \$1,150.1 million related to work performed for fees collected during FY 2014, and \$5.8 million were not fee-related.

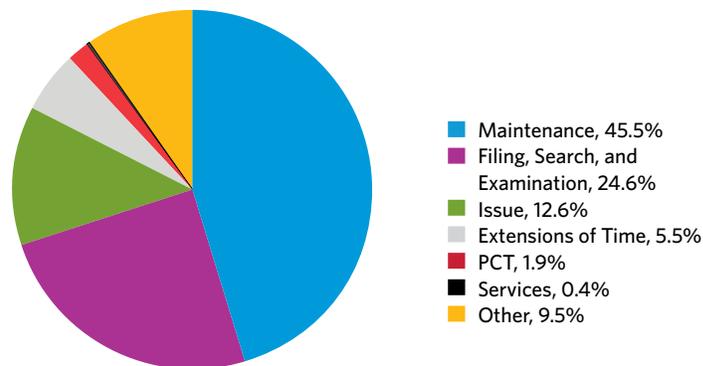
For fees collected and earned during FY 2014, there was a decrease of \$128.4 million over these same fees earned during FY 2013. This decrease can primarily be attributed to the decrease in Patent post-allowance (issue and post-grant publication) fee rates effective in January 2014, offset by the increase in overall Patent fee rates effective in March 2013.

Patent

Traditionally, the major components of earned revenue derived from patent operations are maintenance fees, initial application fees for filing, search, and examination, and issue fees. These fees account for approximately 83 percent of total patent income. The accompanying chart depicts the relationship among the most significant patent fee types.

Patent maintenance fees are the largest source of earned revenue by fee type. During FY 2014, maintenance fees collected increased \$410.5 million, or 49.1 percent, from FY 2013. Since these fees are recognized immediately as earned revenue, any fluctuations in the rates of renewal have a significant impact on the total earned revenue of the USPTO. To some extent, renewals recoup costs incurred during the initial patent process. As shown

FY 2014 Patent Revenue by Fee Type



below, the renewal rates for all three stages of maintenance fees increased or remained stable this year.

Application fee revenue earned upon filing decreased from \$119.5 million in FY 2013 to \$101.6 million in FY 2014 (decrease of 15.0 percent), with the number of applications increasing from 601,464 to 618,330 over the same period (increase of 2.8 percent). The decrease in application fee revenue is in line with the fee rate restructuring effective in March 2013. The FY 2015 President's Budget projects a 5.0 percent increase in patent applications filed beginning in FY 2015 through FY 2019, which will contribute to continued budgetary resources, as well as earned fee revenue.

Earned issue fee revenue decreased from \$525.5 million in FY 2013 to \$345.8 million in FY 2014 (decrease of 34.2 percent), with the number of patents issued increasing from 290,083 to 329,613 over the same period (increase of 13.6 percent). The decrease in issue fee revenue is in line with the fee rate decreases specific to

Patent Renewal Rates*	FY 2010	FY 2011**	FY 2012**	FY 2013	FY 2014
First Stage	99.4%	101.3%	78.3%	92.0%	91.8%
Second Stage	71.2%	80.6%	55.7%	63.3%	78.8%
Third Stage	50.0%	60.0%	47.0%	47.0%	50.7%

* Note: The *First Stage* refers to the end of the 3rd year after the initial patent is issued; the *Second Stage* refers to the end of the 7th year after the initial patent is issued; and the *Third Stage* refers to the end of the 11th year after the initial patent is issued. For example, in FY 2014, 91.8 percent of the patents issued three years ago were renewed, 78.8 percent of the patents issued seven years ago were renewed, and 50.7 of the patents issued 11 years ago were renewed.

** Note: Due to the implementation of the 15 percent fee surcharge on September 26, 2011, the FY 2011 renewal rates include some early renewals that would otherwise have been renewed in FY 2012.

Trademark Renewal Rates*	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014†
Renewals	29.3%	29.3%	30.2%	31.5%	31.0%

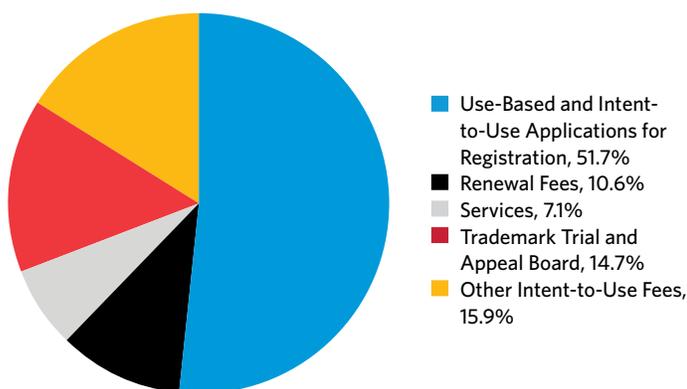
* Note: The renewals occur every 10th year for registered trademarks. For example, in FY 2014, 31.0 percent of the trademarks granted ten years ago were renewed.
† Preliminary data

issuances effective in January 2014. The increase in patent issues is in line with the increases in production and the patent allowance rate. The FY 2015 President’s Budget projects that patents issued will increase an average of 4.8 percent each fiscal year through FY 2019, which will result in increases in maintenance fees in future years.

Trademark

Trademark fees are comprised of application filing, renewals, services, and Trademark Trial and Appeal Board fees. Additional fees are charged for intent-to-use filed applications, as additional requirements must be met for registration. The above chart depicts the relationship

FY 2014 Trademark Revenue by Fee Type



among the most significant trademark fee types. Earned revenue for trademark applications increased from \$137.7 million in FY 2013 to \$140.4 million in FY 2014, with the number of trademarks registered increasing from 259,681 to 279,282 over the same period, increases of 2.0 percent and 7.5 percent, respectively. The FY 2015 President’s Budget projects that trademark applications filed will continue to increase, which will contribute to the continued growth in

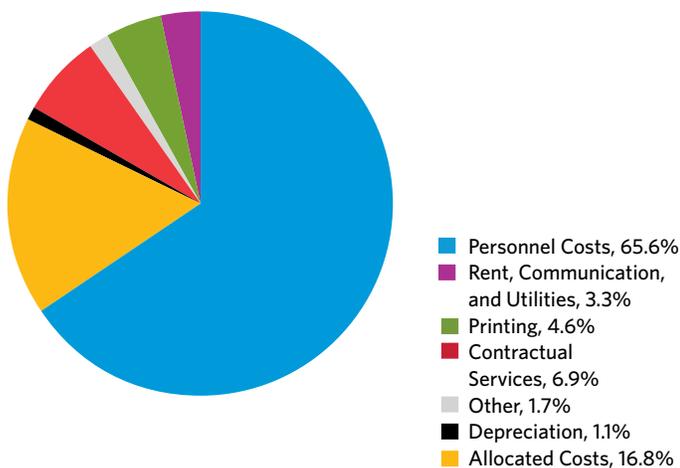
budgetary resources, as well as earned fee revenue. Trademark registration can be a recurring source of revenue. To some extent, renewal fees recoup costs incurred during the initial examination process. As shown below, the renewal rates for trademarks have remained fairly stable over the last five years, indicating continued earned revenue from this source. Further, in the FY 2015 President’s Budget, earned revenue from trademark renewals is expected to continue in the future.

Program Costs

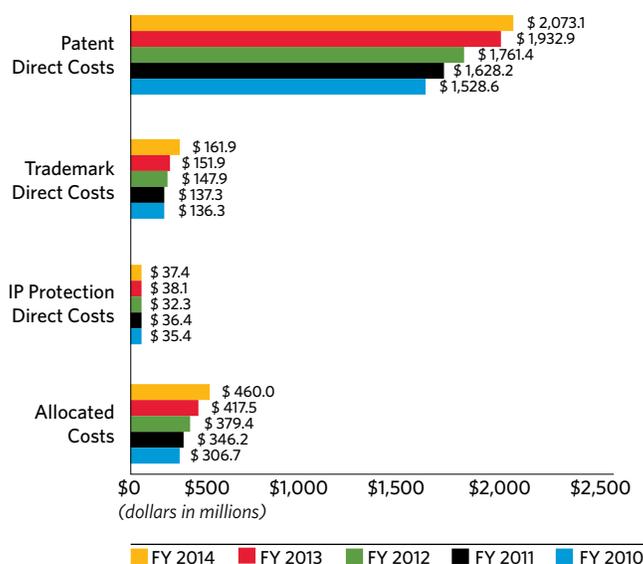
Program costs totaled \$2,732.4 million for the year ended September 30, 2014, an increase of \$192.0 million, or 7.6 percent, over FY 2013 program costs of \$2,540.4 million. The USPTO’s most significant program cost is personnel services and benefits, which comprise approximately 66 percent of USPTO’s total program costs. Any significant change or fluctuation in staffing or pay rate directly impacts the change in total program costs from year-to-year. Total personnel services and benefits costs for the year ended September 30, 2014, were \$1,943.0 million, an increase of \$128.2 million, or 7.1 percent, over FY 2013 personnel services and benefits costs of \$1,814.8 million. This change was predominantly the result of a net increase of 677 personnel, from 11,773 at the end of FY 2013 to 12,450 at the end of FY 2014.

The USPTO directs maximum resources to the priority functions of patent and trademark examination, as well as IP policy, protection, and enforcement worldwide. For FY 2014, costs directly attributable to the Patent, Trademark, and IP protection business areas represent 83.2 percent of total USPTO costs. The remaining costs, representing support costs, are allocated to the business areas using ABC accounting. Allocated costs increased 10.2 percent over the past year in line with increased IT investments.

FY 2014 Program Costs



USPTO Program Costs



Patent

Total costs for the Patent business unit increased \$683.7 million, 38.5 percent, from FY 2010 through FY 2014. The Patent organization’s most significant program costs relate to personnel services and account for 68.5 percent of the increase in total cost of Patent operations during the past four years. Patent personnel costs for the year ended September 30, 2014, were \$1,640.6 million, an increase of \$108.4 million, or 7.1 percent, over FY 2013 personnel costs of \$1,532.2 million. Rent, communications, and utilities, printing and reproduction, and contractual service costs represent 15.2 percent of the Patent program costs for FY 2014. During FY 2014, contractual and printing costs increased in line with the overall increase in Patent costs due to increases in the number of patents issued.

Patent costs were predominantly spread over two patent products: utility patents and 371 filings (an international application designated to the United States that has

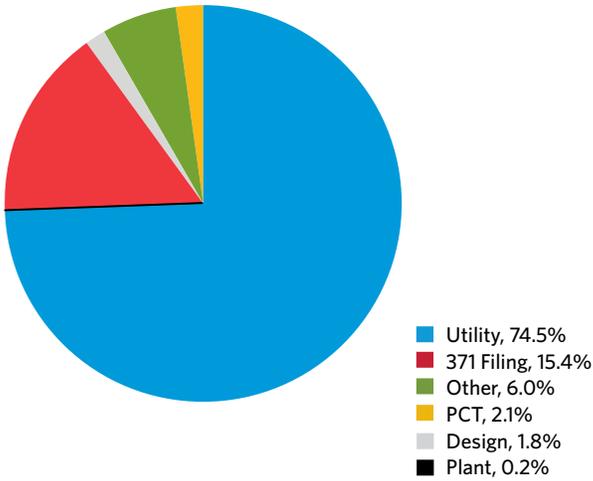
entered the national stage). The cost percentages presented are based on direct and indirect costs allocated to patent operations and are a function of the volume of applications processed in each product area.

Trademark

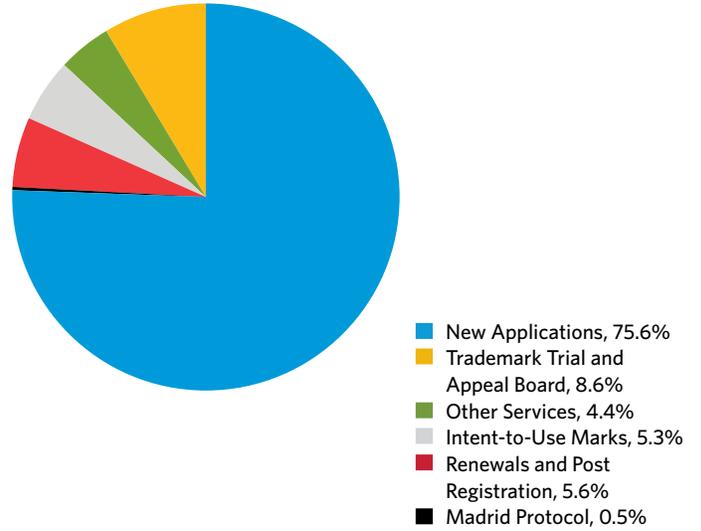
Total costs for the Trademark business unit increased \$42.8 million, 23.4 percent, from FY 2010 through FY 2014. The Trademark organization’s most significant program costs relate to personnel services, and account for most of the increase in total cost of Trademark operations during the past four years. This increase of \$17.0 million was offset by other minor cost increases and decreases.

The overall cost percentages presented are based on both direct costs and indirect costs allocated to trademark operations and are a function of the volume of applications processed in each product area.

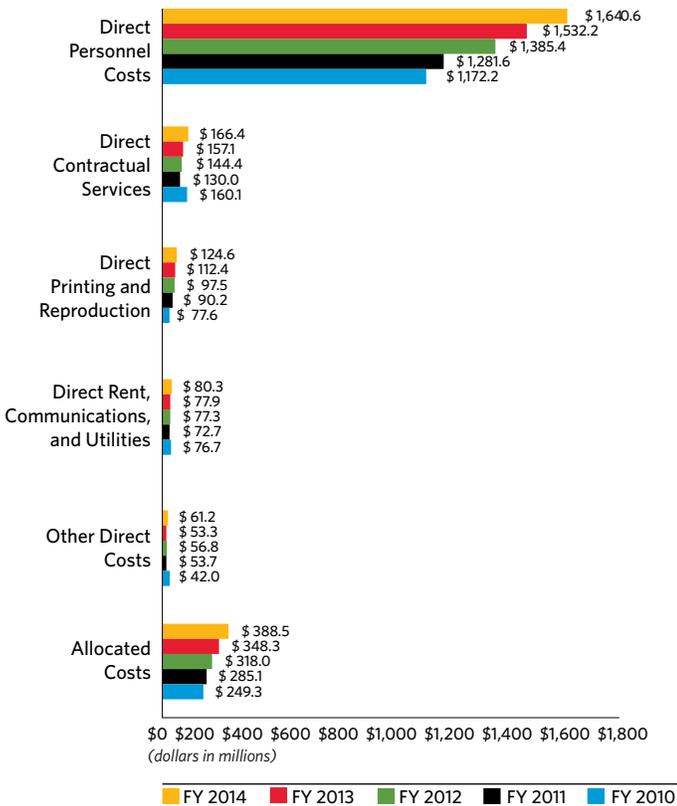
FY 2014 Patent Cost by Product



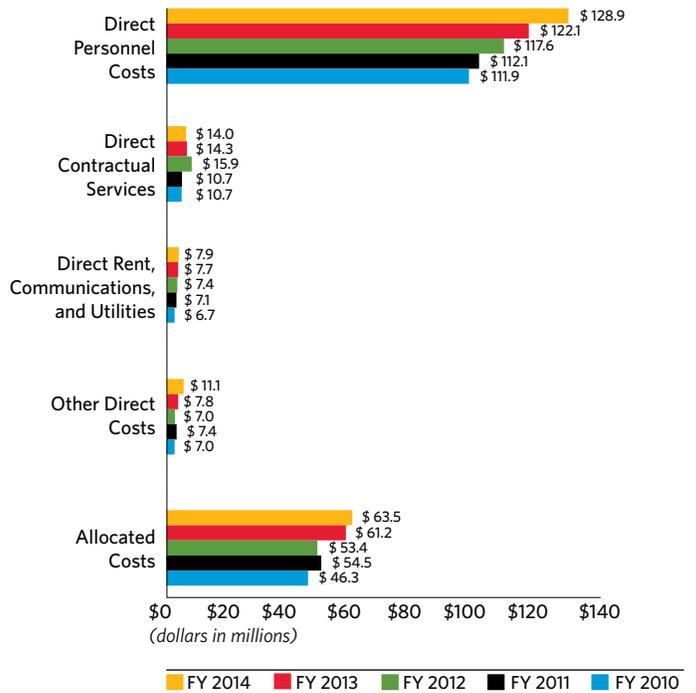
FY 2014 Trademark Cost by Product



Patent Costs

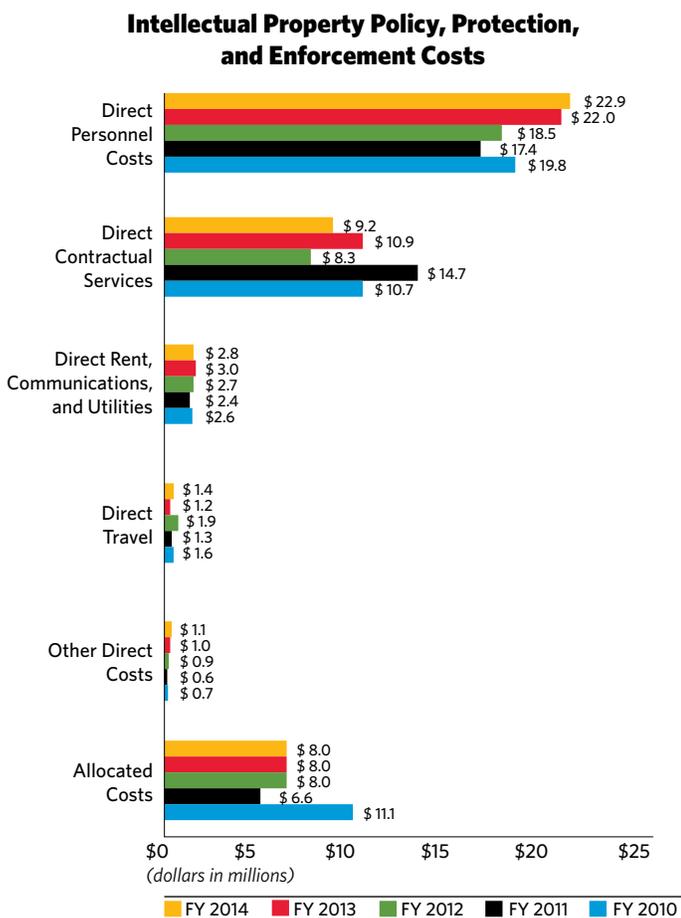


Trademark Costs



Intellectual Property Policy, Protection, and Enforcement Worldwide

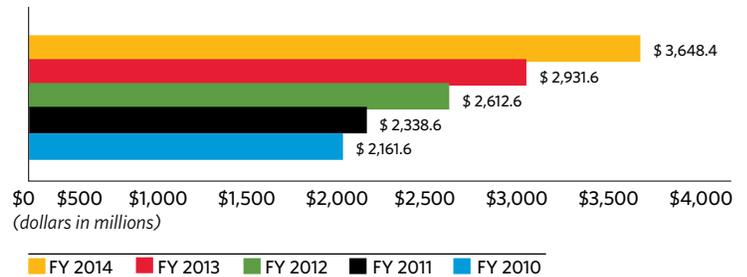
Total costs for IP Protection decreased \$1.1 million, or 2.4 percent, from FY 2010 through FY 2014. The most significant program costs for IP Protection in FY 2014 relate to personnel services, and account for 50.4 percent of the total cost for IP Protection operations. The next largest cost associated with the policy, protection, and enforcement of intellectual property worldwide is contractual services, which include joint project agreements. These costs were incurred in line with the activities discussed on pages 68 to 76.



Statement of Budgetary Resources

During FY 2014, total budgetary resources available for spending was 24.5 percent over the amount available in the preceding year, with a 68.8 percent increase over the past five fiscal years. The increase in budgetary resources available for use is depicted by the graph in the right column.

Annual Growth in Available Budgetary Resources

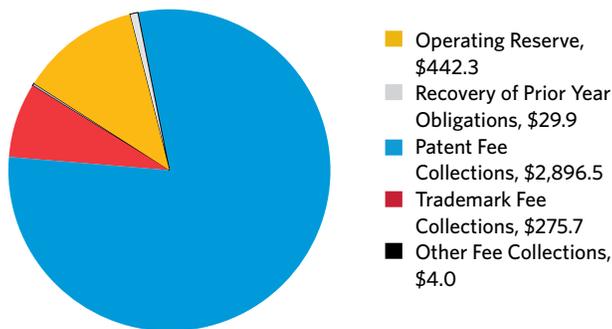


The USPTO was provided appropriation authority to spend anticipated fee collections in FY 2014 for an amount up to \$3,024.0 million. This was less than the amount of total fees collected in FY 2014. In past years, when the USPTO has not been appropriated the authority to spend all fees collected, the excess has been recognized as temporarily unavailable fee collections. In addition, in FY 2013, sequestration was enacted government-wide to effect an annual five percent reduction in spending, which restricted full access to agency fee collections. As we are an agency funded entirely by user fees, this affects our operations significantly. However, the AIA established a statutory provision allowing the USPTO to collect and deposit in the Patent and Trademark Fee Reserve Fund fees collected in excess of the appropriated levels for each fiscal year. During FY 2014, the USPTO collected \$148.2 million of user fees that were deposited in the Patent and Trademark Fee Reserve Fund. The FY 2014 appropriation provided the authorization for the USPTO to spend those fees and are available without fiscal limitation until expended.

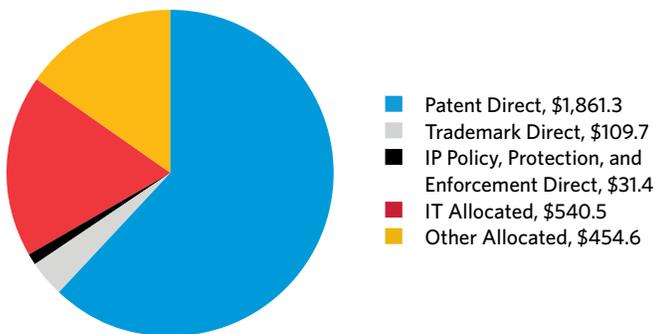
In FY 2013, we used the new authority in the AIA to set fees so that we are able to have sufficient resources to reduce the backlog of patent applications, improve our information technology, and manage patent and trademark revenue fluctuations and properly align fees in a timely, fair, and consistent manner. During FY 2014, we continued to assess fees to assure that we are using the fee setting authority in a responsible manner.

The following charts present the source of funds made available to the USPTO in FY 2014, and the use of such funds representing FY 2014 total obligations incurred, as reflected on the Statement of Budgetary Resources.

Sources of Funds (dollars in millions)



Uses of Funds (dollars in millions)



USPTO operations rely on patent maintenance fees to fund a portion of the work being completed each fiscal year. During FY 2014, maintenance fees collected increased \$410.5 million, or 49.1 percent, from FY 2013. As maintenance fees are one of the largest sources of budgetary resources and are recognized immediately as earned revenue, any fluctuations in the rates of renewal have a significant impact on the total resources available to the USPTO. To some extent, renewals recoup costs incurred during the initial patent process. As shown on page 32, the renewal rates for all three stages of maintenance fees increased during FY 2014.

As defined earlier, temporarily unavailable fee collections occur when the USPTO is not appropriated the authority to spend all fees collected during a given year. During FY 2014, the USPTO did not collect any fee collections that were designated as temporarily unavailable. As a result, the \$937.8 million in temporarily unavailable fee collections at the end of FY 2013 remained the same through FY 2014.

The chart on the opposite page illustrates amounts of fees that Congress has appropriated to the USPTO for spending over the past five fiscal years, as well as the cumulative unavailable fee collections.

These cumulative unavailable fee collections remain in the USPTO's general fund account at the U.S. Department of the Treasury (Treasury) until appropriated for use by Congress. In addition to these annual restrictions, collections of \$233.5 million are unavailable in accordance with the OBRA of 1990, and deposited in a special fund receipt account at the Treasury.

Temporarily Unavailable Fee Collections (dollars in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Fiscal year fee collections	\$ 2,068.5	\$ 2,298.9	\$ 2,406.8	\$ 2,815.7	\$ 3,172.2
Fiscal year collections appropriated	<u>(2,016.0)</u>	<u>(2,090.0)</u>	<u>(2,406.8)</u>	<u>(2,668.0)</u>	<u>(3,172.2)</u>
Fiscal year unavailable collections	\$ 52.5	\$ 208.9	\$ -	\$ 147.7	\$ -
Prior year collections unavailable	<u>528.7</u>	<u>581.2</u>	<u>790.1</u>	<u>790.1</u>	<u>937.8</u>
Subtotal	\$ 581.2	\$ 790.1	\$ 790.1	\$ 937.8	\$ 937.8
Special fund unavailable receipts	<u>233.5</u>	<u>233.5</u>	<u>233.5</u>	<u>233.5</u>	<u>233.5</u>
Cumulative temporarily unavailable fee collections	<u>\$ 814.7</u>	<u>\$ 1,023.6</u>	<u>\$ 1,023.6</u>	<u>\$ 1,171.3</u>	<u>\$ 1,171.3</u>

Statement of Cash Flows

The Statements of Cash Flow, while not a required financial statement, are audited and are presented for purposes of additional analysis. The Cash Flow statement records the company's cash transactions (the inflows and outflows) during the given period. The document provides aggregate data regarding all cash inflows received from both its ongoing operations and external investment sources, as well as all cash outflows that pay for business activities and investments during the period. Cash flow is calculated by making certain adjustments to net income/cost by adding or subtracting differences in revenue and expense transactions (appearing on the Balance Sheet and Statement of Net Cost) resulting from transactions that occur from one year to the next. These adjustments are made because non-cash items are included in preparing the net income/cost (Statement of Net Cost) and total assets and liabilities (Balance Sheet). Since not all transactions involve actual cash items, many items have to be adjusted when calculating cash flow.

The USPTO receives fees for its primary activities of issuing patents and registering trademarks and chooses to include information on the sources and amounts of cash provided to assist report users in understanding its operating performance. While the fees received are an increase in cash flow, they may not necessarily be available for spending based on budgetary restrictions. Over half of the Fund Balance with Treasury represents

fees the USPTO has collected, but has not been authorized to spend through the annual appropriation process—this includes cumulative temporarily unavailable fees of \$937.8 million and unavailable special receipt funds under OBRA of \$233.5 million, which total \$1,171.3 million in unavailable fees. Cash flow is determined by looking at three components by which cash enters and leaves the USPTO: operations, investing, and financing.

Historically at the USPTO, cash flow adjustments to **operational** activities result in an increase to net income. Depreciation and Accrued Payroll, Leave, and Benefits operate similarly, as the accrued expenses that do not affect the cash flow are adjusted for, thereby increasing net income. Deferred revenue is also a significant factor, as the USPTO has received the fees, but not completed all of the work; in a year when the deferred revenue liability decreases, such as FY 2013, net income increases without a corresponding increase in the cash flow; the increase to net income is removed for determining cash flow. Other adjustments are predominantly comprised of changes in accounts payable balances; in a year when the overall liability balance decreases, then a reader can conclude that an increased amount of cash was disbursed, thereby requiring a reduction to net income/cost; alternately, in a year when the overall liability balance increases, a reader can conclude that a lesser amount of cash was disbursed.

Composition of USPTO Cash Flow (dollars in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Cash Flow from Operations					
Net Income	\$ 94.7	\$ 88.3	\$ 106.1	\$ 179.5	\$ 285.7
Operating Adjustments					
Depreciation	\$ 59.1	\$ 52.7	\$ 67.9	\$ 71.9	\$ 90.6
Accrued Payroll, Leave, and Benefits	43.6	47.2	32.9	5.0	87.4
Deferred Revenue	(25.9)	71.4	(14.8)	100.6	58.3
Other Adjustments	(17.3)	20.0	4.1	7.3	39.6
Total Adjustments	\$ 59.5	\$ 191.3	\$ 90.1	\$ 184.8	\$ 375.9
Net Cash Provided by Operating Activities	\$ 154.2	\$ 279.6	\$ 196.2	\$ 364.3	\$ 661.6
Net Cash Used in Investing Activities					
Property, Plant, and Equipment	\$ (27.6)	\$ (84.9)	\$ (98.2)	\$ (91.4)	\$ (151.7)
Financing Activities					
Non-Expenditure Transfer	\$ -	\$ -	\$ (1.0)	\$ (2.0)	\$ (2.0)
Net Cash Used in Investing Activities	\$ -	\$ -	\$ (1.0)	\$ (2.0)	\$ (2.0)
Net Cash Provided	\$ 126.6	\$ 194.7	\$ 97.0	\$ 270.9	\$ 507.9

The investment of property, plant, and equipment is a cash transaction that has not been accounted for in net income/cost. This investment reduces net income/cost further for calculating cash flow. Investments decreased in FY 2010 as the USPTO chose to refocus IT investing modifications. Since FY 2010, the USPTO has been focused on upgrading our IT systems from end-to-end, which resulted in increases beginning in FY 2011 in IT software and software in development values. In addition, the USPTO began deploying Universal Laptops agency-wide in FY 2011, replacing outdated desktop computers and work-at-home laptops.

Adjustments to financing-type activities are infrequent at the USPTO. Non-expenditure transfers at the USPTO are the movement of appropriated fee collections to other federal governmental entities, without an impact to net income/cost.

Limitation on Financial Statements

The principal financial statements included in this report have been prepared by USPTO management to report the financial position and results of operations of the USPTO,

pursuant to the requirements of 31 U.S.C. §3515(b). While the statements have been prepared from the books and records of the USPTO in accordance with Generally Accepted Accounting Principles (GAAP) for federal entities and the formats prescribed by OMB in OMB Circular A-136 (revised), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity.

Management Responsibilities

USPTO management is responsible for the fair presentation of information contained in the principal financial statements, in conformity with GAAP, the requirements of OMB Circular A-136, and guidance provided by the Department of Commerce. Management is also responsible for the fair presentation of the USPTO's performance measures in accordance with OMB requirements. The quality of the USPTO's internal control rests with management, as does the responsibility for identifying and complying with pertinent laws and regulations.

PERFORMANCE INFORMATION

INTRODUCTION TO THE USPTO'S PERFORMANCE GOALS AND RESULTS

The Performance Section presents a detailed discussion of the USPTO's performance results by objectives within each strategic goal based upon the USPTO 2014-2018 Strategic Plan. This is the first year that USPTO has operated under this plan. In accordance, some prior fiscal year results for new performance metrics developed under this new plan will not be available for reporting in this year's report and will be available in the USPTO's FY 2015 PAR. [The 2014-2018 Strategic Plan](#) is available at www.uspto.gov/about/stratplan/. The USPTO's FY 2016 President's Budget will be aligned with the new USPTO 2014-2018 Strategic Plan.

The USPTO strategic performance framework, provided in the Performance Highlights section of the Management's Discussion and Analysis, is designed to strengthen the capacity of the USPTO by focusing on a specific set of goals and the steps we must take to reach them, which include:

- Provide timely examination of patent applications— Reduce the average time to first office action for patent applications to 10 months (average time from filing until an examiners initial determination on patentability) and average total pendency to 20 months (average time from filing until the application is issued as a patent or abandoned);

<p>THE USPTO MISSION Fostering innovation, competitiveness and economic growth, domestically and abroad by delivering high quality and timely examination of patent and trademark applications, guiding domestic and international intellectual property policy, and delivering intellectual property information and education worldwide, with a highly-skilled, diverse workforce.</p>
Mission-Focused Strategic Goals
Goal I: Optimize Patent Quality and Timeliness
Goal II: Optimize Trademark Quality and Timeliness
Goal III: Provide Domestic and Global Leadership to Improve Intellectual Property Policy, Protection, and Enforcement Worldwide
Management Goal: Achieve Organizational Excellence
External Factors Impacting the USPTO*
Growth of IP Worldwide
Economic Volatility
Continuation of Patent Reform
White House Legislative Priorities and Executive Actions
Court Decisions
International Discussions
Counterfeiting, Piracy and Failure to Respect IP Rights
Growing IP Backlash

* Refer to USPTO's Strategic Plan (www.uspto.gov/about/stratplan/) for additional information on the external factors impacting the USPTO.

- Improve quality of patent examination;
- Improve patent appeal and post grant processes;
- Optimize trademark quality and maintain pendency;
- Demonstrate global leadership in all aspects of IP policy development;
- Improve IT infrastructure and tools;
- Implement a sustainable funding model for operations; and
- Continue to improve relations with employees and stakeholders.

These steps also support the U.S. Department of Commerce's focus on economic growth and its goal of delivering the tools, systems, policies, and technologies critical to transforming our economy, fostering U.S. competitiveness, and driving the development of new businesses.

The USPTO has also been implementing [seven Executive Actions](#) related to the White House Task Force on High-Tech Patent Issues. They are:

- [Executive Action 1: Attributable Patent Ownership \(formerly "Real Party in Interest"\)](#)
- [Executive Action 2: Clarity in Patent Claims \(formerly "Tightening Functional Claiming"\)](#)
- [Executive Action 3: Empowering Downstream Users](#)
- [Executive Action 4: Expanded Outreach and Focused Study](#)
- [Executive Action 5: Crowdsourcing Prior Art](#)
- [Executive Action 6: More Robust Technical Training and Expertise](#)
- [Executive Action 7: Patent Pro Bono and Pro Se Assistance](#)

These actions are being addressed by the implementation of the USPTO's [2014-2018 Strategic Plan](#). Progress to date on these actions is discussed in detail in the Goals I and III sections on the following pages and at http://www.uspto.gov/patents/init_events/executive_actions.jsp.

The Balanced Scorecard included in the USPTO's [2014-2018 Strategic Plan](#) aligns the agency's goals and objectives with the associated performance indicators that provide meaningful information on the status and performance of every initiative provided in the plan.

PERFORMANCE AUDITS AND EVALUATIONS

The U.S. Department of Commerce OIG completed one new final report in FY 2014, [OIG-14-024-A](#), "Rapid Rise in the Request for Continued Examination Backlog Reveals Challenges in Timely Issuance of Patents." The audit focused on the reasons for the increase in average Request for Continued Examination (RCE) pendency and the RCE backlog, and USPTO's efforts to monitor and address the RCE backlog/pendency and review specific programs intended to resolve issues during the initial prosecution of the patent application. The OIG recommended that USPTO mitigate the impact of RCE structural issues and examiner-specific issues and take corrective action where necessary. Also, the OIG recommended that USPTO determine whether a stratified sample of patent applications targeting risk areas would enhance quality assurance tests and the overall determination of patent examiner quality. Further, the OIG recommended establishing a risk management plan that ensures timely, situation-specific analysis and that solutions are documented and implemented to minimize patent-term adjustments when rebalancing is needed to meet statutory requirements and public expectations for prompt processing. Finally, the OIG recommended developing ways to increase participation in the compact prosecution initiatives and continue efforts to engage all stakeholders.

The USPTO concurred with the OIG's audit findings and began to address all recommendations. As of September 30, 2014, the USPTO has four outstanding findings in the final report. This evaluation was performed in support of Goal I: Optimize Patent Quality and Timeliness.

PERFORMANCE DATA VERIFICATION AND VALIDATION

In accordance with the Government Performance and Results Act Modernization Act of 2010 requirements, the USPTO is committed to making certain the performance information it reports is complete, accurate, and consistent. The USPTO developed a strategy to validate and verify the quality, reliability, and credibility of USPTO performance results as follows:

ACCOUNTABILITY—Responsibility for providing performance data lies with managers of USPTO programs who are held accountable for making certain that procedures are in place to ensure the accuracy of data and the performance measurement sources are complete and reliable.

QUALITY CONTROL—Automated systems and databases that collect, track, and store performance indicators are monitored and maintained by USPTO program managers, with systems support provided by the OCIO. Each system, such as the Patent Application Location and Monitoring or Trademark Reporting and Application Monitoring, incorporates internal program edits to control the accuracy of supporting data. The edits typically evaluate data for reasonableness, consistency, and accuracy. Crosschecks between other internal automated systems also provide assurances of data reasonableness and consistency. In addition to internal monitoring of each system, experts outside of the business units routinely monitor the data collection methodology. The OCFO is responsible for monitoring the agency's performance, providing direction and support on data collection methodology and analysis, ensuring that data quality checks are in place, and reporting performance management data.

DATA ACCURACY—The USPTO conducts verification and validation of performance measures periodically to ensure quality, reliability, and credibility. At the beginning of each fiscal year, and at various points throughout the reporting or measurement period,

sampling techniques and sample counts are reviewed and adjusted to ensure data are statistically reliable for making inferences about the population as a whole. Data analyses are also conducted to assist the business units in interpreting program data, such as the identification of statistically significant trends and underlying factors that may be impacting a specific performance indicator. For examination quality measures, the review programs themselves are assessed in terms of reviewer variability, data entry errors, and various potential biases.

COMMISSIONER'S PERFORMANCE FOR FY 2014

The AIPA, Title VI, Subtitle G, the Patent and Trademark Office Efficiency Act, requires that an annual performance agreement be established between the Commissioner for Patents and the Secretary of Commerce, and the Commissioner for Trademarks and the Secretary of Commerce. The Commissioners for Patents and Trademarks have FY 2014 performance agreements with the Secretary of Commerce, which outline the measurable organizational goals and objectives for which they are responsible. They may be awarded a bonus, based upon an evaluation of their performance as defined in the agreement, of up to 50 percent of their base salary. The results achieved in FY 2014 are documented in this report. FY 2014 bonus information was not available at publishing time. That information will be provided in next year's PAR. For FY 2013, the Commissioner for Patents was awarded a bonus of 13.9 percent of base salary, and the Commissioner for Trademarks was awarded a bonus of 13.9 percent of base salary.

THE USPTO IN HISTORY

On July 31, 1790, Samuel Hopkins was issued the first patent for a process of making potash, an ingredient used in fertilizer. The patent was signed by President George Washington.

PATENTS: STRATEGIC GOAL I

WHAT IS A PATENT?

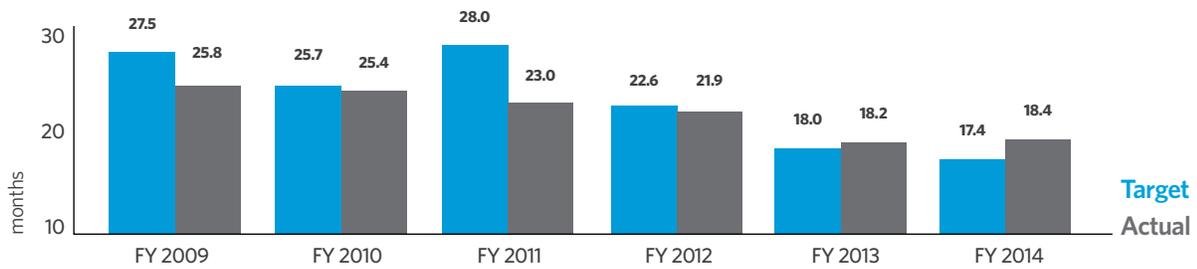
A patent is an intellectual property right granted by the government of the United States of America to an inventor “to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States” for a limited time in exchange for public disclosure of the invention when the patent is granted.

There are three types of patents: utility, design, and plant. Utility patents may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof.

Design patents may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture. Plant patents may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.

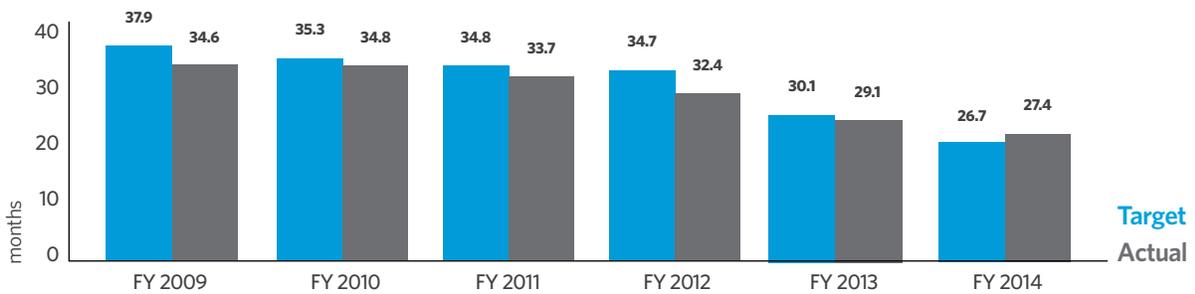
For a detailed look at how the patent application examination process works, please visit www.uspto.gov/patents/process/.

What follows are those Strategic Goal I key measures for which enough data are available to establish performance trends. The Patent Quality Composite Score has only 3 years of recorded results, and as such, the measure is presently unsuitable for trend analysis.



Patent Average First Action Pendency

Trend: The trend line indicates that the performance trend is positive with some variability of the direction of the trend line in predicting future results. Additional discussion for this measure can be found on page 48.



Patent Average Total Pendency

Trend: The trend line indicates that the performance trend is positive with little variability of the direction of the trend line in predicting future results. Additional discussion for this measure can be found on page 48.

STRATEGIC GOAL I:

OPTIMIZE PATENT QUALITY AND TIMELINESS

Strategic Goal I recognizes the importance of innovation as the foundation of American economic growth and national competitiveness, as documented in the [Strategy for American Innovation](#).¹ Through this goal, the USPTO has committed to reducing the excess inventory of unexamined patent applications and pendency, both of which affect the delivery of innovative goods and services to market and the related economic growth and creation of high-paying jobs.

Over the next 4 years, the USPTO's strategic goal will be achieved via the following seven objectives and related initiatives. FY 2014 was a year of notable accomplishments and challenges for the agency and the Patent organization.

FY 2014 was one of notable accomplishments and challenges for the agency and the Patent organization. The USPTO is proud of its ongoing, concurrent efforts to improve the patent examination process and to more quickly move important innovations to the marketplace. The USPTO has implemented important initiatives that impact production in the short term. In particular, since 2009, the backlog of unexamined RCEs have risen from

about 20,000 to a high of about 110,000 in 2013. As a result, the USPTO has implemented a number of measures to address this increasing backlog of RCEs, including new incentives for patent examiners to more promptly act on these RCEs.

Due to implementation of some significant new incentives in 2013, the backlog of unexamined RCEs has dropped to 46,441 at the end of FY 2014. The effort to reduce the RCE backlog was more than what had been anticipated; however, the temporary redirection of resources to RCEs limited the extent to which the new case backlog could be reduced. In accordance, while in the short term some of the USPTO's annual pendency targets may not be achieved, the agency is on track to meet its stakeholders' expectation of achieving the USPTO's long-term 10/20 pendency targets while also addressing their other concerns. It is worth noting, however, that the USPTO has reduced the backlog of unexamined patent applications from a high of 750,596 in January 2009, to approximately 605,646 at the end of FY 2014, a 19.3 percent reduction. The USPTO's total pendency was reduced to 27.4 months, much lower than it what it was the previous year, and its first action pendency was reduced to 18.4 months.

¹ Published by the President's Economic Council in February 2011, available at <http://www.whitehouse.gov/sites/default/files/uploads/InnovationStrategy.pdf>

In addition, the USPTO this year commemorated the issuance of the 700,000th design patent during a ceremony with U.S. Secretary of Commerce Penny Pritzker at Langdon Education Campus in Washington, DC. The patent for the ornamental design for a “Hand-Held Learning Apparatus” was issued to Jason Avery of Berkeley, CA, and is currently assigned to Emeryville, CA-based LeapFrog Enterprises, Inc.



U.S. Secretary of Commerce Penny Pritzker watches a student work with a newly patented LeapFrog Leapster GS™ during a ceremony commemorating the USPTO's issuance of the 700,000th design patent at the Langdon Education Campus in Washington, DC, on March 26, 2014.

A design patent is directed to the visual ornamental characteristics embodied in, or applied to, an article of manufacture. Because a design is manifested in appearance, the subject matter of a design patent application may relate to the configuration or shape of an article, to the surface ornamentation applied to an article, or to the combination of configuration and surface ornamentation. The current most active areas for filings include design applications for recording, communication, or information retrieval equipment. Applications in this area will cover designs of computer equipment, cell phones, and other handheld electronic devices, such as the LeapFrog Design Patent No. 700,000.

OBJECTIVE 1: REFINE OPTIMAL PATENT PENDENCY

The USPTO is realizing benefits from the success of various initiatives, pilots, and operational improvements. The agency has moved from a one-track patent examination process to a multitrack process by adopting procedures and initiatives that incentivize abandoning applications that are not important to applicants, accelerating critical technologies, permitting an applicant to accelerate applications, and exploring other incentive and accelerated examination options. Specific initiatives include [Quick Path Information Disclosure Statement](#) pilot program, the [After Final Consideration Pilot 2.0](#), and [Track One Prioritized Examination](#) program.

Patent processing times are primarily gauged by two measures: Average First Action Pendency (Table 4) and Average Total Pendency (Table 5). *Average First Action Pendency* is the average length of time it takes from filing until an examiner's initial determination of the patentability of an invention. *Average Total Pendency* is the average length of time it takes from filing until the application is issued as a patent or abandoned by the applicant.

THE USPTO IN HISTORY

The current numbering system for patents began in 1836. Patent No. 1 was granted to John Ruggles of Maine on July 13, 1836. <http://www.uspto.gov/main/glossary/index.html#x>

TABLE 4

Measure: Patent Average First Action Pendency (Months)		
Fiscal Year	Target	Actual
2010	25.4	25.7
2011	23.0	28.0
2012	22.6	21.9
2013	18.0	18.2
2014	17.4	18.4
2015	16.6	
2016	14.6	
Target Not Met.		

The USPTO has implemented important initiatives that impact production in the short term. As previously stated, in response to customer feedback, the USPTO redirected a portion of its resources to reducing the backlog of RCEs. This backlog was successfully reduced by approximately 50,000 RCEs since the end of FY 2013; however, the temporary redirection of resources to RCEs and the implementation of the Cooperative Patent Classification (CPC) system have limited the extent to which the new case backlog and pendency could be reduced.

Public Input on Optimum Patent First Action and Total Pendency Target Levels

The USPTO sought and is currently evaluating public input on [optimum patent first action and total pendency](#)

[target levels](#). As noted in the new [2014-2018 USPTO Strategic Plan](#), the USPTO is committed to working with stakeholders to refine long-term patent pendency goals while considering the need for quality examination and other requirements of the intellectual property (IP) community. The purpose of this effort is to gather stakeholder input on optimal patent pendency levels. This information will be used to help the USPTO plan for patent pendency targets that are optimal for the USPTO, stakeholders, and the public at large. Reaffirming or refining the optimal pendency levels also will provide the USPTO with targets to use in planning for patent examination staffing levels and other agency resource requirements. In turn, these resource requirements will inform patent fee levels and revenue estimates.

TABLE 5

Measure: Patent Average Total Pendency (Months)		
Fiscal Year	Target	Actual
2010	34.8	35.3
2011	34.5	33.7
2012	34.7	32.4
2013	30.1	29.1
2014	26.7	27.4
2015	27.8	
2016	24.6	
Slightly Below Target.		

THE USPTO IN HISTORY

Patents issued before 1836 start with an X in their number due to a fire that destroyed all the previous records. The Patent Office reached out and was able to recover many of the lost records from the patent holders. *For more information, see: [Press release #01-60](#).*

OBJECTIVE 2: INCREASE EFFICIENCIES AND PATENT EXAMINATION CAPACITY TO ALIGN WITH THE OPTIMAL PATENT PENDENCY

Through this second objective, the USPTO will put in place those initiatives needed to meet and maintain the pendency and inventory targets established via the first objective. Of particular importance is the need to retain experienced examiners and to continue establishment of a nationwide workforce.

The USPTO continues to increase its examination capacity by employing new recruitment and development models to hire, train, and retain a highly skilled and diverse workforce. For example, the USPTO's satellite offices support the agency's mission to foster the growing contribution that IP makes to the growing economy. With the signing of the AIA into law by President Obama in 2011, the USPTO moved forward with the establishment of regional satellite offices as part of a larger effort to modernize the U.S. patent system. The satellite offices create a regional presence for the USPTO and give inventors, entrepreneurs, and small businesses the added benefit of a USPTO presence in every time zone in the United States. Staff in these offices can work closely with IP services, start-ups, and job-growth accelerators in their regions. They will collaborate

with local science, technology, engineering, and mathematics organizations.

In FY 2014, the USPTO settled on permanent office space in Denver, CO; Dallas, TX; and the Silicon Valley area, specifically San Jose, CA. The USPTO has opened the Denver office, and the San Jose and Dallas offices are on track to open in FY 2015 in the San Jose City Hall and Terminal Annex Federal Building, respectively.

Denver, CO

The Rocky Mountain Satellite Office in Denver, CO, was opened on June 30, 2014. It is the USPTO's second permanent satellite office location. Located in the Byron G. Rogers Federal Building in Denver's central business district, the new office will help the region's entrepreneurs advance their cutting-edge ideas to the marketplace, grow their businesses, and more efficiently navigate the world's strongest IP system.

The Denver area provides the USPTO with a Mountain Time zone hub of innovation and creativity from which to operate. It will help protect and foster American innovation in the global marketplace, help businesses cut through red tape, and create new economic opportunities in each of the local communities. As of the end of FY 2014, this office currently employs 32 patent examiners.

THE USPTO IN HISTORY

- Patent No. 1,000,000—Puncture resistant tires (1911)
- Patent No. 2,000,000—Railway car pneumatic tire with a retaining flange (1935)
- Patent No. 3,000,000—Automatic Reading system to allow conversion of the human language to machine language (1961)
- Patent No. 4,000,000—Process for recycling roadway surfaces (1976)
- Patent No. 5,000,000—Means of using E. Coli bacteria to produce ethanol (1991)
- Patent No. 6,000,000—Means of synchronizing files on one computer with those found on another (1999)
- Patent No. 7,000,000—Biodegradable fibers for use in textiles (2006)
- Patent No. 8,000,000—Visual prosthesis apparatus (2011)

OBJECTIVE 3: INCREASE INTERNATIONAL COOPERATING AND WORK SHARING

The third objective will help attain the goal of issuing quality, timely patents through international collaboration, which is a critical component of an increasingly global IP system. Although countries continue to maintain sovereign control over their patent laws and systems, collaboration among the various offices is increasingly important in fulfilling the needs of the global IP community.

Several key initiatives were launched over the past 4 years, and progress will continue under this strategic plan. Duplication and redundant efforts are neither cost-effective nor efficient. To better serve the fee-paying public, the USPTO is committed to pursuing avenues of potential efficiency and effectiveness. The USPTO will fully implement CPC and turn the U.S. Patent Classification system into a static art collection (i.e., it will be maintained but not updated). The USPTO will continue to leverage work-sharing opportunities through programs like PCT and Patent Prosecution Highway (PPH) to contribute to reduced processing time. The USPTO's implementation of the Global Dossier (a system to simplify the viewing and management of applications filed in the IP5 Offices) will incorporate ongoing activities under the IP5, such as work sharing and data exchange.

PPH continues to be a successful work sharing vehicle, delivering prosecution advantages to both users and IP offices. PPH provides users reduced numbers of office actions, lower costs, higher grant rates, and faster prosecution, and they are all factors that drive the growth of the program.

PPH metrics to highlight include:

- An allowance rate of approximately 77 percent, significantly higher than the overall USPTO average of 53 percent; and
- A lower average appeal rate of 1.1 percent versus the overall USPTO average appeal rate of 3.0 percent.

Because of the aforementioned benefits, the USPTO continues its goal of growing the program through partnering with new offices and conducting stakeholder outreach to increase its usage. The USPTO currently has PPH agreements with 27 other IP offices and is continuing negotiations with other offices. As of the end of FY 2014, approximately 27,000 applications at the USPTO had been received within the PPH program since its inception, with approximately 7,200 of these arriving in FY 2014. This is a 37 percent increase over the cumulative totals from the prior fiscal year.

The key milestone in FY 2014 was the joining of many jurisdictions into a single global PPH (GPPH) standard that sets a common framework for the requirements to enter into PPH and eliminates the need for multiple bilateral agreements. Signatories to the GPPH system agreed to accept work for other signatories without the need to negotiate a separate agreement with each participating office. The United States is one of 19 offices currently accepting PPH requests by using this framework. In addition, the USPTO has entered in to nine bilateral agreements, some of which also use the global standard. These offices may not wish to engage in PPH agreements with all other GPPH signatories and therefore may maintain a distinct agreement with the USPTO. The GPPH program also removed the distinction between the Paris route and the PCT route, simplifying processing of requests. In 2015 and beyond, the USPTO will continue to collaborate with other offices in joining GPPH with a goal of having a single set of PPH requirements for the USPTO.

The USPTO will be hosting and participating in educational forums on PPH. The educational forums will provide information on the PPH program in general, how to use it, and will convey its benefits. The goal is to increase usage of PPH in 2015 and beyond.

Cooperative Patent Classification (CPC)

This year, the USPTO continued the process toward full implementation of the [CPC system](#).

As the USPTO progresses through its transitional period to full implementation of CPC, by January 2015 examiners will complete training, enabling them to effectively search in CPC and place CPC symbols on published patent applications and granted patents. Over 8 million U.S. patent documents that already contain CPC symbols result in a more comprehensive search of prior art. Once fully implemented, USPTO examiners will classify and search exclusively in CPC. In addition, almost a million hours of training time has been used by patent examiners transitioning to CPC.

CPC is the future of classification for the USPTO and the European Patent Office (EPO). Together, we are engaging other IP offices to expand the usage of CPC and to explore future enhancements to the CPC system. By joining together and sharing resources with the EPO, CPC will provide far-reaching benefits to its employees, stakeholders, and the international patent classification community.

Office of International Patent Cooperation (OIPC)

The establishment of the Office of International Patent Cooperation (OIPC) in FY 2014 reflects the USPTO's strong commitment to working with global stakeholders and IP offices to increase quality and efficiency within the complex processes of international patent rights acquisition. The USPTO is committed to global patent harmonization, which both protects America's ideas and makes it easier to do business abroad.

Patents for Humanity Program

Patents for Humanity is being renewed as an annual program. Started as a 1-year pilot in 2012, the program recognizes businesses, inventors, non-profits, and universities who leverage their IP portfolio to tackle global humanitarian challenges. The renewal was first announced on February 20, 2014, as part of the Obama administration's ongoing commitment to strengthen the U.S. patent system.

The Patents for Humanity program supports American businesses and inventors who are helping solve some of today's toughest global challenges. The USPTO is

committed to helping foster the innovation that protects and promotes America's ideas-driven economy, which is essential to economic growth.

OBJECTIVE 4: CONTINUE TO ENHANCE PATENT QUALITY

Quality means accurate and consistent results in examination. The USPTO has a long-standing commitment to patent quality, and over the past 4 years, its quality measurement has been expanded and made increasingly more transparent. For example, the [Patent Quality Composite Score](#) is now part of the U.S. Department of Commerce's Priority Goal for the USPTO. In addition, the agency has redoubled its efforts to train its patent examiners, to ensure they stay abreast of the latest developments in the law and technology.

In providing more effective training, the USPTO further enhances patent examination fundamentals, communication, and cooperation between the examiner and applicant. The USPTO utilizes a highly successful training and refresher training program that encompasses over 20 modules designed to enhance examiners' knowledge and skills in procedural and legal topics pertaining to patent examination. In addition, as part of [Executive Action No. 6](#), the USPTO expanded its Patent Examiner Technical Training Program (PETTP), which provides patent examiners with direct access to experts who are able to share their technical knowledge on prior art and industry standards in areas of emerging technologies and established technologies. The PETTP provides an excellent opportunity for communication between patent examiners and the experts who work in the various technologies that are examined throughout the USPTO. This enhanced communication contributes to improving overall patent quality and decreasing patent pendency.

In addition, the Office of Patent Training (OPT) provided a two-phase training program to new supervisory patent examiners, which offers coaching and mentoring, leadership, and software training modules in an effort to help patent examiners reach their full potential. Patent managers and supervisors will continue to participate in

a Leadership Development Program, which focuses on educating and creating leaders.

In response to recent Supreme Court decisions impacting the standards for patent eligibility under 35 U.S.C. § 101, the USPTO issued preliminary guidance documents and provided training to the examining corps on patent subject matter eligibility. In addition, as part of [Executive Action No. 2](#), we have implemented four training modules focused on functional claiming under 35 U.S.C. § 112(f), a type of claiming frequently used in software patents. The training also provides tools for examiners to clarify the examination record to positively affect the clarity of the claims.



USPTO Patent Reform Coordinator Janet Gongola (center) speaks with John Vandenberg, partner with Klarquist Sparkman LLP, and David Jones, Microsoft's Assistant General Counsel for intellectual property policy, at the USPTO's Software Partnership Meeting in Alexandria, VA, on July 22, 2014. The meetings provide an informal forum for software industry stakeholders to discuss key patent and intellectual property topics.

As another effort relating to [Executive Action No. 2](#), the USPTO established a glossary pilot, which began on June 2, 2014, and will run through December 31, 2014. The pilot is designed to enhance claim clarity in the specification of software-related patent applications by encouraging and gauging the use of glossaries by patent applicants. To participate in the Glossary Pilot Program, an applicant is required to include a glossary section in the patent application specification to define terms used in the patent application. The pilot is attempting to determine

whether definitions in the glossary section enhance patent quality and improve the clarity of patent claims by enabling the USPTO and the public to more fully understand the meaning of the patent claims.

The USPTO continues to leverage a more robust quality measure, the Patent Quality Composite Score. The composite quality metric is composed of seven total factors that take into account stakeholder comments.

The following factors measure (a) the quality of the action setting forth the final disposition of the application; (b) the quality of the actions taken during the course of the examination; (c) the perceived quality of the patent process as measured through external quality surveys of applicants and practitioners; (d) the quality of the examiner's initial search; (e) the degree to which the first action on the merits follows best examination practices; (f) the degree to which global USPTO data are indicative of compact, robust prosecution; and (g) the degree to which patent prosecution quality is reflected in the perceptions of the examination corps as measured by internal quality surveys. Table 6 exhibits the USPTO's recent progress on this measure. Note that FY 2011 was the baseline year.

Although the quality composite rate increased from 72.7 during the third quarter in FY 2014 to 75.0 during the fourth quarter in FY 2014, the USPTO missed its end-of-year composite target range. Although the USPTO achieved 100 percent of the goal in six of the seven metrics that comprise the Quality Composite Score, there was one metric that underperformed during FY 2014. The underperforming metric is a relatively new metric that was developed concurrent with the implementation of the Quality Composite Score at the start of FY 2011. As part of its new Quality Initiative, the USPTO believes that further refinements are needed in this metric and intends to work with the PPAC and USPTO stakeholders to reassess the target originally established for this metric.

Although in the early planning stages, the USPTO is developing a quality initiative that will focus on providing

the best work products and services possible. This will be done by expanding and refining examiner training and guidance, improving the customer experience, and engaging the public by creating partnerships that educate and seek input. The sustainable funding model, with enhanced financial tools provided by the AIA, allows the USPTO to adjust fees to recover the costs of planning for, implementing, and maintaining such long-term initiatives. See Table 6 for the USPTO's FY 2014 Patent Quality Composite Score results.

TABLE 6

Measure: Patent Quality Composite Score		
Fiscal Year	Target	Actual
2011	N/A	30.7
2012	48-56	72.4
2013	65-73	71.9
2014	83-91	75.0
2015	83-91	
2016	100	
Target Not Met.		

Table 7 provides the relative cost effectiveness of the entire patent examination process over time, or the efficiency with which the organization applies its resources to production.

TABLE 7

Total Cost Per Patent Production Unit		
Fiscal Year	Target	Actual
2011	\$4,041	\$3,594
2012	\$3,970	\$3,617
2013	\$4,041	\$3,686
2014	\$4,633	\$3,940
2015	\$4,680	
2016	\$4,699	
Target Met.		

(Executive Action No. 6)—In providing more effective training, the USPTO further enhances patent examination fundamentals, communication, and cooperation between the examiner and applicant. The USPTO utilizes a highly successful training and refresher training program that encompasses over 20 modules designed to enhance examiners' knowledge and skills in procedural and legal topics pertaining to patent examination. The USPTO also implemented the PETTP, which provides patent examiners with direct access to experts who are able to share their technical knowledge on prior art and industry standards in areas of emerging technologies and established technologies. The PETTP provides an excellent opportunity for communication between patent examiners and the experts who work in the various technologies that are examined throughout the USPTO. This enhanced communication contributes to improving overall patent quality and decreasing patent pendency.

In addition, the OPT provided a two-phase training program to new supervisory patent examiners, which offers coaching and mentoring, leadership, and software training modules to help patent examiners reach their full potential. Patent managers and supervisors will continue to participate in a leadership development program that focuses on educating and creating leaders.

**OBJECTIVE 5:
ENSURE OPTIMAL INFORMATION TECHNOLOGY
SERVICE DELIVERY TO ALL USERS**

An important component of Objective 5 is to leverage IT to accomplish the mission-related objectives. This objective reaffirms the USPTO's commitment to PE2E processing and lays out its plans for ensuring optimal IT service delivery to both internal and external users.

In FY 2014, the USPTO continued its efforts to improve patent reporting systems for examiners and patent managers and to increase the Patent Application Locating and Monitoring (PALM) services. The Patent

organization implemented a study improving technical architecture for an automated biological sequence search system, and external stakeholder feedback was compiled regarding the filing of text patent application documents. The USPTO also investigated and analyzed internal IT capabilities to increase the quality of searchable published or issued patent data and to increase quality of a data subset, that is, patents before 1971 in Redbook format. The Text2PTO projects aim to allow and promote text submissions of patent applications from applicants. It will provide applicants with a suite of pre-submission tools to analyze and validate applications. Planning for Text2PTO began in 2012, and outreach to the IP community has been conducted to vet different approaches, understand applicant needs, and communicate the advantages of text-based submission.

The USPTO created a demonstration prototype of a text-submission website to fuel further outreach efforts. As the first major step in allowing examiners to search a broad range of international patent data, the OCIO deployed functionality in 2013 to enable searching of Chinese patents provided by the Chinese State Intellectual Property Office (SIPO) in Extensible Markup Language (XML) format from 2008 to 2011. The search results include the original text of the patents, the machine-translated text of the patents, and an image of the original patent (available at <http://gpsn.uspto.gov>). In addition to providing a framework for broader international patent search capabilities, the project provides a test bed for deployment of the [PE2E](#) search system.

OBJECTIVE 6: CONTINUE AND ENHANCE STAKEHOLDER AND PUBLIC OUTREACH

By leveraging the USPTO's presence in the satellite office regions, the agency's commitment to promoting the availability of educational resources for applicants and other users has been continued and enhanced. This will enable the USPTO to engage with its stakeholders to refine the agency's patent policies and processes. The USPTO is expanding outreach around the country by

holding roundtables for and engaging stakeholders in an open discussion with the USPTO patent staff, for example, to discuss the use of crowdsourcing concepts to enhance the third-party submission of prior art and to share ideas, feedback, experiences, and insights on RCE-related prosecution strategies.

The AIA established the Ombudsman Program for Small Business Concerns, which enhances the USPTO's ability to assist small businesses and independent inventors. This program combines the efforts of the Office of Innovation and Development and the Patent Ombudsman Program. Together these programs offer a full range of services at all stages of the patenting process, including before an application is filed as well as when issues arise during patent application prosecution.

In FY 2014, the USPTO continued to reach out to its stakeholders through a series of over 30 legal, technical, and outreach efforts. Software partnership meetings were held in Berkeley, CA, in October 2013 and in Alexandria, VA, in December 2013. In addition, a Biotechnology/Chemical Customer Partnership meeting was held in Alexandria, VA, in April 2014, and in conjunction with our temporary satellite office in Silicon Valley, a Bi-Coastal Biotechnology, Chemical, Pharmaceutical (BCBCP) meeting in September 2014 was simultaneously broadcast in California and Virginia. This inaugural BCBCP expands the USPTO's long-standing partnership in this industry sector to customers across the country. The BCBCP is intended to be informal in nature and will include participants from across the industry.

Software Partnership meetings are an opportunity to bring stakeholders together to share ideas, experiences, and insights and to provide a forum for an informal discussion of many topics specific to the software community.

The USPTO hosted a roundtable discussion on the details of four [examiner training modules](#) on functional language that were delivered in the past year and provided an opportunity for an interactive discussion on the goals and effectiveness of the training. A stakeholder presentation on claim clarity followed.

First Inventor to File Roadshows

The USPTO hosted seven roadshows across the country from September through October 2014 to increase the understanding of the First Inventor to File (FITF) provisions of the AIA. In prosecuting patent applications according to the FITF provisions since March 16, 2013, the USPTO has recognized some complications in the administrative processes as well as a need for a better understanding of the FITF provisions. These roadshows endeavored to remedy these difficulties.

The public meetings served as an opportunity for USPTO subject matter experts and stakeholders to discuss the FITF provisions and updates since its implementation. At each roadshow, the USPTO presented an identical agenda that included FITF statistics to date, the applicability of the FITF provisions on patent applications filed today, the FITF statutory framework and its exceptions, and AIA evidentiary declaration practice useful to invoke these exceptions. The experts presented a variety of example scenarios to illustrate both the applicability of the FITF provisions as well as tips for prosecuting applications filed under the FITF provisions.

America Invents Act Trial Roundtables

The PTAB of the USPTO is hosting roundtables to share information about the new AIA trials (i.e., inter partes reviews, post grant reviews, covered business method reviews, and derivations), including statistics, lessons learned, and techniques for successful motions practice.

Crowdsourcing Roundtable

The USPTO is continually reaching out to its stakeholders for feedback. Recent roundtable discussions and partnership meetings provided opportunities for stakeholders to improve their understanding of the facts, and perhaps to reconsider their own activities. Moreover, this form of outreach enabled the USPTO to obtain input to further advance its efforts toward continuous improvement and to ensure both consistency and correctness at the individual case level. Town hall meetings with examination staff and management

present helped to pinpoint where the USPTO could benefit from additional training. Such outreach efforts continue to ensure correct examination decisions across the board.

To make it easier for the experts to share information with the USPTO, the agency is investigating a series of improvements to its processes, including refining the third-party submission process and updating examiner guidance on the use of crowd-sourced prior art.

Crowdsourcing access to prior art ([Executive Action No. 5](#)) will strengthen patent quality by harnessing the tremendous potential of private sector subject matter expertise, making it easier for the public to provide relevant prior art for consideration in patent applications. It will also help the USPTO update its guidance and training for patent examiners to help them more effectively use crowd-sourced prior art.

OBJECTIVE 7: MAINTAIN PTAB'S ABILITY TO PROVIDE TIMELY AND HIGH-QUALITY DECISIONS

In September 2012, the AIA re-established the Board of Patent Appeals and Interferences as the PTAB. At that time, the PTAB began accepting petitions for some of the new AIA post grant proceedings. The PTAB has been increasing the size of its staff to address both the appeals inventory and the new AIA proceedings.

In FY 2014, the PTAB received nearly 1,500 petitions under the AIA, meeting all statutory deadlines, while deciding nearly 9,900 appeals, maintaining the PTAB Ex Parte Appeal² backlog at around 25,600. To keep pace with this rapidly increasing workload, PTAB aggressively recruited and hired 61 administrative patent judges (APJs) by emphasizing geographical diversity as a strategy to expand the talent pool. In support of its management operations, the PTAB hired a Board Executive, a Chief Clerk, and a Deputy Chief Clerk for Hearing Operations. In addition,

² For more information about Ex Parte Appeals, please visit our website at http://www.uspto.gov/ip/boards/bpai/ptab_appeals.jsp

PTAB judges now occupy the newly renovated permanent USPTO offices in Detroit, MI, and Denver, CO.

In conjunction with the OCIO, PTAB began its development of the PTAB End-to-End (PTAB E2E) project, a fully integrated IT system that is being designed to meet the specific business needs of its stakeholders. The PTAB E2E project will be designed and built to interface with the [Patents End-to-End](#) (PE2E) system and leverage the technical and business lessons learned in the development of other USPTO systems. Development efforts will continue with database development and migration targeted for release early FY 2015.

The PTAB formed a training committee to provide comprehensive training to all new judges and to continue legal training in emerging areas of the law to all PTAB judges to ensure consistency. The PTAB also instituted formal and recurring meetings of the judges to discuss Supreme Court and Federal Circuit opinions that may have an impact on matters before the PTAB. The

Published Cases Committee convened regularly to identify appropriate opinions to be designated as precedential or informative. As a result, the PTAB recently issued as precedential a decision in *SecureBuy, LLC v. CardinalCommerce Corp.* ([CBM2014-00035, Paper 12](#); www.uspto.gov/ip/boards/bpai/decisions/prec/). In addition, the PTAB has implemented procedures for reviewing trial and appeals decisions ensuring quality and consistency in PTAB opinions.

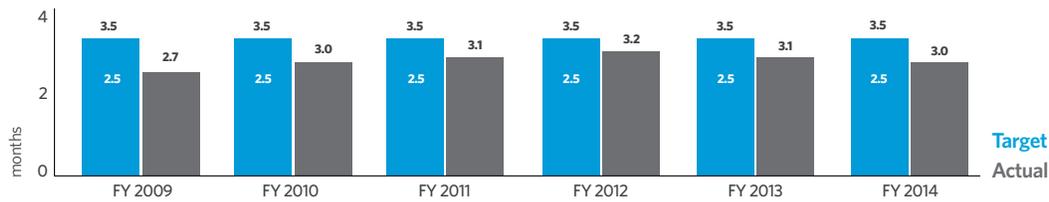
During FY 2014, the PTAB made presentations or participated in panel discussions in numerous IP events and presented a series of eight roundtables across the nation during April and May 2014. The roundtables served as a vehicle for sharing information about the new AIA trials and for receiving feedback ([Executive Action No. 3](#)). Each roundtable featured a panel discussion to elicit public input, and in response to input received during the roundtables, the PTAB published a [request for comments](#) in June 2014 on possible changes to the AIA trial rules.

TRADEMARKS: STRATEGIC GOAL II

WHAT IS A TRADEMARK OR SERVICE MARK?

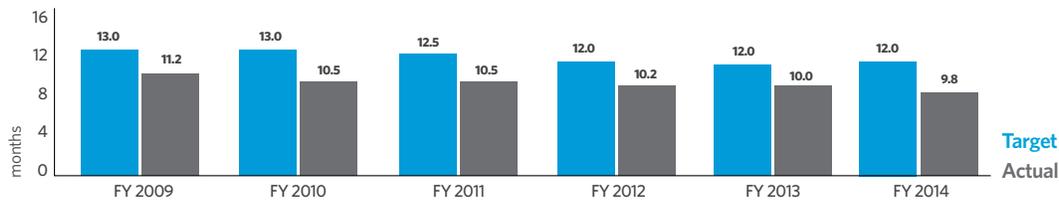
A trademark or service mark is a word, name, symbol, device, or any combination thereof, used to identify and distinguish the goods and services of one seller or provider from those of others and to indicate the source of the goods and services. Although federal registration of a mark is not mandatory, it has several advantages, including notice to the public of the registrant's claim of ownership of the mark, legal presumption of ownership nationwide, and a presumption of the exclusive right to use the mark on or in connection with the goods and services listed in the registration. Recordation of a registered trademark with U.S. Customs and Border Protection enables the owner to stop infringing goods from entering the United States. For a look at the steps involved for obtaining a trademark from the USPTO, please visit www.uspto.gov/trademarks/process/.

What follows are those Strategic Goal II measures for which enough data are available to establish performance trends. The Exceptional Office Action measure is relatively new and has insufficient data to demonstrate a trend.



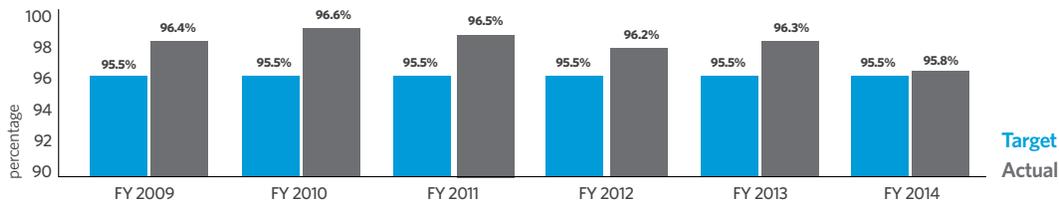
Trademark Average First Action Pendancy

Trend: The trend line indicates that the performance trend is maintaining standards with slight variability of the direction of the trend line in predicting future results. Additional discussion for this measure can be found on page 60.



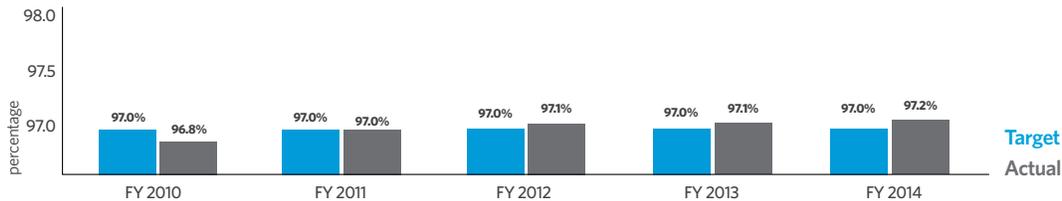
Trademark Average Total Pendancy

Trend: The trend line indicates that the performance trend is maintaining standards with slight variability of the direction of the trend line in predicting future results. Additional discussion for this measure can be found on page 61.



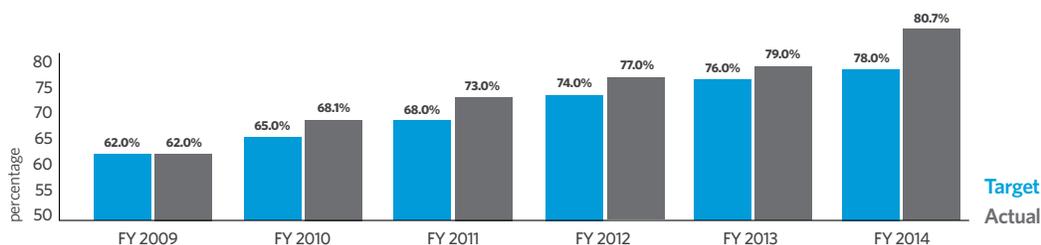
Trademark First Action Compliance Rate

Trend: This measure is the percentage of applications reviewed meeting the criteria for decisionmaking conducted on random sample of applications including first office actions to determine the soundness of decisionmaking under the Trademark Act. Additional discussion for this measure can be found on page 61.



Trademark Final Compliance Rate

Trend: The trend line indicates that the performance trend is maintaining standards with slight variability of the direction of the trend line in predicting future results. Additional discussion for this measure can be found on page 62.



Trademark Applications Processed Electronically

Trend: The trend line indicates that the performance trend is positive with slight variability of the direction of the trend line in predicting future results. Additional discussion for this measure can be found on page 63.

STRATEGIC GOAL II:

OPTIMIZE TRADEMARK QUALITY AND TIMELINESS

The USPTO's Trademark operations are guided by the strategic goal *to optimize trademark quality and timeliness*. The USPTO protects consumers and provides benefits to businesses by effectively and efficiently carrying out the trademark laws of the United States. Through federal trademark registrations, consumers can identify the source of products and services, and businesses have reliable indicators of the quality of their marks.

The USPTO has consistently delivered a strong performance with record low trademark pendency and high-quality results. Trademarks have been registered in less than 12 months on average since 2008. An indication of

registrability via a first action has been provided in less than 3.5 months every month since April 2007. First and final action compliance rates, which measure quality, have been more than 95 percent. The number of trademark applications processed completely electronically increased to 80.7 percent in 2014.

This high and sustained performance level will continue under the [2014-2018 Strategic Plan](#). The following objectives focus on the management actions required to continually ensure that staffing, resources, and refined processes are aligned with demand for products and services.

THE USPTO IN HISTORY

- In 1870, trademark registration was added to the functions of the Patent Office.
- The oldest U.S. registered trademark still in use is trademark reg. no 11210,[17] a depiction of the figure Samson wrestling a lion, registered in the United States on May 27, 1884, by the J.P. Tolman Company.
For more information, see: [USPTO Press Release 00-38](#).

**OBJECTIVE 1:
MAINTAIN TRADEMARK FIRST ACTION
PENDENCY ON AVERAGE BETWEEN 2.5-3.5
MONTHS WITH 12.0 MONTHS FINAL PENDENCY**

Trademark application filings can be volatile, and the USPTO will continue to align trademark examination capacity with incoming workloads through various management techniques, such as hiring, judicious use of overtime, production incentives, and the approval of career development details.



Members of the Trademark Public Advisory Committee at the TPAC meeting in Alexandria, VA, on February 27, 2014. L-R: Dee-Ann Weldon Wilson, Esq.; Anne Chasser; Linda McLeod, Esq.; Kathryn Barrett Park, Esq.; Howard Friedman (President of NTEU 245); Maury Tepper III, Esq. (Chairperson); William Barber, Esq.; Deborah Cohn (Commissioner for Trademarks); Deborah Hampton; Jody Haller Drake, Esq.; Ray Thomas Jr., Esq.

Over the past few years, economic uncertainty has persisted at high levels, affecting business decisions and investments. Economic recovery has been steady but unusually slow and fragile. Economic uncertainty contributes to inherently volatile application filing and the challenge of developing accurate forecasts. Despite the uncertainty and the volatility, the USPTO has adequately managed its resources and staffing to maintain the service timeliness that the agency's stakeholders have come to expect and receive from the USPTO.

First action pendency—the length of time between receipt of a trademark application and when the USPTO makes a preliminary decision—remains well within the optimum range of 2.5 to 3.5 months. Average total pendency—the average number of months from date of filing to notice of abandonment, notice of allowance, or registration—is equally impressive at 9.8 months. The USPTO believes that it has achieved optimal pendency (see Tables 8 and 9), but it will continue to make process and IT improvements to deliver quality service and enhanced capabilities to all its stakeholders. The USPTO is committed to continuing the revalidation of the agency's overall targets with its IP community.

TABLE 8

Measure: Trademark Average First Action Pendency (Months)		
Fiscal Year	Target	Actual
2010	2.5 to 3.5	3.0
2011	2.5 to 3.5	3.1
2012	2.5 to 3.5	3.2
2013	2.5 to 3.5	3.1
2014	2.5 to 3.5	3.0
2015	2.5 to 3.5	
2016	2.5 to 3.5	
Target Met.		

In addition to managing trademark examination capacity, the USPTO will continue to encourage its applicants to make greater use of electronic communication throughout the registration and maintenance processes. To achieve this, the USPTO will continue to reach out and solicit feedback from applicants and user groups to improve upon the current rate of applications that are processed and managed electronically.

USPTO FACT

Although not required, most applicants use private trademark attorneys for legal advice regarding use of their trademark, filing an application, and the likelihood of success in the registration process, since not all applications proceed to registration. Source: uspto.gov/faq/trademarks.jsp

TABLE 9

Measure: Trademark Average Total Pendency (Months)		
Fiscal Year	Target	Actual
2010	13.0	10.5
2011	12.5	10.5
2012	12.0	10.2
2013	12.0	10.0
2014	12.0	9.8
2015	12.0	
2016	12.0	
Target Met.		

OBJECTIVE 2: MAINTAIN HIGH TRADEMARK QUALITY

Quality measurement takes into consideration adherence to registrability standards and the comprehensive excellence of office actions, including research, writing, legal decisionmaking, and evidence. Trademark quality targets are routinely achieved, and the USPTO continues sustaining these high performance levels by improving training and feedback, promoting electronic filing and processing, making greater use of online tools and enhanced processes, and adopting more rigorous customer-centric measures.

All quality measures have been achieved. The more comprehensive exceptional office action measures have far exceeded their targets (see Tables 10 and 11), illustrating the commitment of the examiners and the office to provide and sustain excellence in constructing search strategy, preparing supporting evidence, writing the office action, and communicating the decision. The measure has proven to be a success, emphasizing a holistic approach to quality. Development of additional guidelines, as well as incentive awards, have motivated more examiners to strive for exceptional work products. The target has been raised consistently to reflect not only the new level of quality, but also to consider the impact of hiring a significant number of new examiners and implementing new procedures or processes.

TABLE 10

Measure: Trademark First Action Compliance Rate		
Fiscal Year	Target	Actual
2010	95.5%	96.6%
2011	95.5%	96.5%
2012	95.5%	96.2%
2013	95.5%	96.3%
2014	95.5%	95.8%
2015	95.5%	
2016	95.5%	
Target Met.		

The USPTO will continue its multifaceted training program for its trademark-examining attorneys and support staff. New hires are provided with classroom training and work with a mentor for an extended period. Experienced examiners are provided with continuing training resources to improve performance. This includes legal training by our offices of quality review, ongoing case law updates and examination guidelines by and our legal policy office, as well as the use of IT to provide new research resources and procedures to minimize errors. Users of the Trademark operation's services are another source for feedback and educational resources to maintain and enhance examination quality. The USPTO engages stakeholders in validating trademark quality findings, user groups provide industry-specific training, and the agency works with industry experts on updating identifications (IDs) for goods and services. Regular meetings with outside constituent groups, a customer call center, and an email box for customer problems also provide valuable information about examination quality.

Trademark examination quality is indicated by the first and final compliance rate, which is determined through an in-process review evaluation of the statutory bases for which the USPTO raises issues and/or refuses marks for registration based on the first office action and the examiner's approval or denial of the application.

Table 12 shows how the USPTO improves the efficiency of the trademark examination process as measured by the average cost of a trademark disposal compared with trademark direct and indirect costs. This efficiency measure is calculated by dividing total expenses associated with the examination and process of trademarks (including associated overhead and allocated expenses) by outputs or office disposals. Actual results are based on total trademark-related expenditures compared with office disposals.

TABLE 11

Measure: Trademark Final Compliance Rate		
Fiscal Year	Target	Actual
2010	97.0%	96.8%*
2011	97.0%	97.0%
2012	97.0%	97.1%
2013	97.0%	97.1%
2014	97.0%	97.2%
2015	97.0%	
2016	97.0%	

Target Met.
*Within the target range of 97.0% considering the margin of error of (+/- 0.6%)

**OBJECTIVE 3:
ENSURE OPTIMAL INFORMATION TECHNOLOGY
SERVICE DELIVERY TO ALL USERS**

In response to directions from the USPTO Director to separate the trademark IT infrastructure from the rest of the USPTO IT infrastructure and implement an integrated IT system for end-to-end electronic processing of trademark applications and trademark registration maintenance, work continues on the Trademark Next Generation (TMNG). TMNG will enable end-to-end processing that is faster, more practical, more feature-rich, and more reliable for the USPTO employees, trademark applicants, trademark owners, and the public at large. User-centered design (UCD) is a core component of the TMNG development effort that works with end users (both internal and external) to identify the features they

desire in the new system interface. Delivery of new TMNG examining attorney capabilities will occur in FY 2015.

TABLE 12

Total Cost Per Trademark Office Disposal		
Fiscal Year	Target	Actual
2010	\$607	\$520
2011	\$650	\$541
2012	\$607	\$560
2013	\$609	\$552
2014	\$650	\$559
2015	\$639	
2016	\$597	

Target Met.

TMNG development will take advantage of virtualization and cloud computing. Using this technology requires us to redesign our present system, which will give us the opportunity to improve functionality, flexibility, and mobility. The modernization effort is a multiyear investment that delivers enhancements to existing tools such as Trademark Status and Document Retrieval (TSDR), the internal search program known as X-search, and expanding search functionality for other tools, such as the Electronic Official Gazette (eOG). Work continues on the development and replacement of FAST 1, the online examination system used by examining attorneys and Trademark Reporting Data Mart (TRDM), which will enhance management tools for reporting and analysis of performance results.

While TMNG is under development, the USPTO is committed to providing optimal service on all current legacy Trademark systems for both employees and external users. In addition, these systems must be stabilized for use during TMNG development.

The electronic processing of trademark applications rose to 80.7 percent of applications were exclusively processed electronically from filing to disposition, as shown in Table 13.

TABLE 13

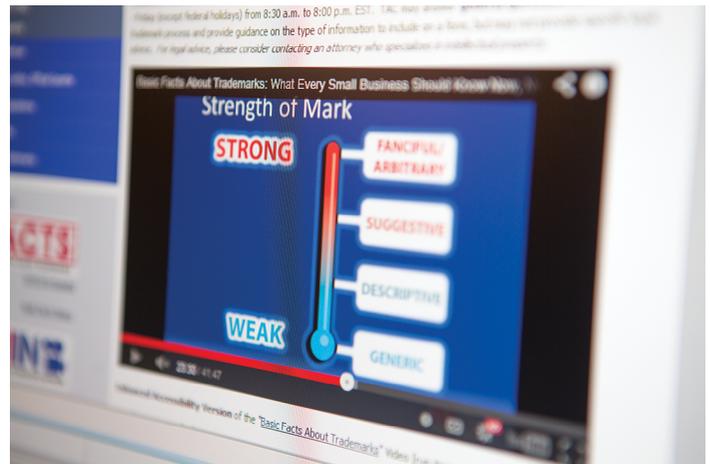
Measure: Trademark Applications Processed Electronically		
Fiscal Year	Target	Actual
2010	65.0%	68.1%
2011	68.0%	73.0%
2012	74.0%	77.0%
2013	76.0%	79.0%
2014	78.0%	80.7%
2015	80.0%	
2016	81.0%	
Target Met.		

OBJECTIVE 4: CONTINUE AND ENHANCE STAKEHOLDER AND PUBLIC OUTREACH

Objective 4 continues and enhances the USPTO's outreach to stakeholders and the public. The USPTO is expanding outreach to practitioners across the country by holding roundtables for open discussion to explore a number of topics, including the current state of trademark operations, updates, and improvements for entries in the Identifications and Classifications Manual for social media, finance, and computer terminology, and to address the impact of technology changes on descriptions of goods and services in registered marks.

The USPTO is also assisting patent and trademark applicants by providing pro bono services through our law school clinic program, which has been expanded to include 39 colleges and universities that have a trademark practice. The program benefits both law school programs and the business owners they represent in filing applications and obtaining trademark protection. This program allows law students enrolled in participating law schools to practice both patent and trademark law before the USPTO and under the strict guidance of a faculty supervisor.

The USPTO is reaching out to provide small businesses around the country with information about trademark basics, enforcement measures, and available tools for protecting and enforcing trademark rights. These educational programs and materials are geared to those generally not acquainted with trademark information, such as non-trademark attorneys, the small business community, the entrepreneurial community, and students. The USPTO partners with colleges and universities, entrepreneurship clubs, and similar groups to present informational lectures on trademarks and the importance of a strong mark that is both federally registrable and legally protectable.



The "Basic Facts About Trademarks: What Every Small Business Should Know Now, Not Later" video is featured on the USPTO website as part of Trademarks' educational outreach efforts.

The USPTO has also increased information available through its website by updating the [Basic Facts About Trademarks](#) booklet and videos, which are available in both English and Spanish languages. "What Every Small Business Should Know Now, Not Later" is one of several new informational videos designed specifically for anyone interested in starting a business. Since its debut in August

USPTO FACT

Rights in a federally registered trademark [can last indefinitely](#) if you continue to use the mark and file all necessary maintenance documents with the required fee(s) at the appropriate times. *Source:* [uspto.gov/trademarks/basics/BasicFacts.pdf](https://www.uspto.gov/trademarks/basics/BasicFacts.pdf)

2013, it has been viewed more than 172,000 times. The video highlights the important role of trademarks in starting a business, including a discussion of how trademarks, patents, copyrights, domain names, and business name registrations differ, and gives guidelines on how to select the right mark, one that is both federally registrable and legally protectable. The video also explains the benefits of federal registration and suggests resources if help is needed in preparing and filing an application. The video makes it clear why addressing trademarks in a business plan can be critical to success.

OBJECTIVE 5: ENHANCE OPERATION OF THE TRADEMARK TRIAL AND APPEAL BOARD

The TTAB is an administrative tribunal of the USPTO and is empowered to determine the right to register. The TTAB has jurisdiction over four types of inter partes (trial) proceedings, namely oppositions, cancellations, interferences, and concurrent use proceedings, as well as ex parte appeals from applicants whose marks have been refused registration. Concurrent use proceedings³ are few in number, relative to other types of trial cases, and interferences, though provided for by statute, have not been conducted in many years; therefore, oppositions, cancellations, and appeals comprise virtually all of the TTAB's workload.

The TTAB hosted a public roundtable discussion in December 2013 with representatives of stakeholder organizations regarding possible changes to appeal and trial case procedures that could result in reducing overall processing times in these cases. The discussion promoted transparency in relation to TTAB operations; provided stakeholders with the opportunity to discuss their respective experiences with appeal and trial cases, particularly with various aspects of those cases which can add to processing times; and included discussion of how the TTAB can pursue process improvements.

³ For more information about these processes, please consult our website at <http://www.uspto.gov/trademarks/process/appeal/guidelines/ttabfaq.jsp>

The TTAB's attorneys and judges also continued to emphasize and promote the benefits of Accelerated Case Resolution (ACR) options during speeches, panel discussions, and through webinars. These efforts were very successful: the TTAB decided 21 trial cases that involved the parties' agreement to utilize some form of ACR. This number far exceeds the previous high of nine ACR cases decided in FY 2012 and suggests that attorneys who practice before the TTAB are willing to embrace more efficient alternatives to traditional discovery and trial practice.

The TTAB continued to work closely with the TPAC and stakeholders to provide more and different forms of information on TTAB performance. The TTAB made amendments to a frequently used one-page summary of various performance measures already posted on the TTAB's Web page, which is updated on a quarterly basis. In addition, the TTAB continued to report data on its operations in dashboards that display such data in a visual manner on the TTAB's Web page. Stakeholders have the opportunity to comment on the dashboards via an email address established for that purpose.

In June 2014, the TTAB issued its annual revision of the Trademark Trial and Appeal Board Manual of Procedure (TBMP; http://www.uspto.gov/trademarks/process/appeal/Preface_TBMP.jsp). The manual was revised to incorporate new material related to amendments of the Trademark Act, the Trademark Rules of Practice, and the Federal Rules of Civil Procedure, as applicable, as well as many precedential decisions issued by the TTAB and the Court of Appeals for the Federal Circuit. This revision acknowledges developments in practice since the second revision of the third edition was posted on the TTAB's Web page in June 2013. The TTAB has maintained its commitment to make annual updates to the manual for 4 years, and in FY 2014, posted chapter 400 of the TBMP, which covers discovery practice in inter partes (trial) cases for public comment in the [IdeaScale](#) application.

Throughout the year, the TTAB fulfilled its commitment to developing the law by issuing a substantial number of precedential opinions and orders, with 45 such decisions issued on a wide variety of substantive and procedural matters. The TTAB's precedential decisions on ex parte appeals provide procedural and substantive guidance to the trademark examining attorneys,

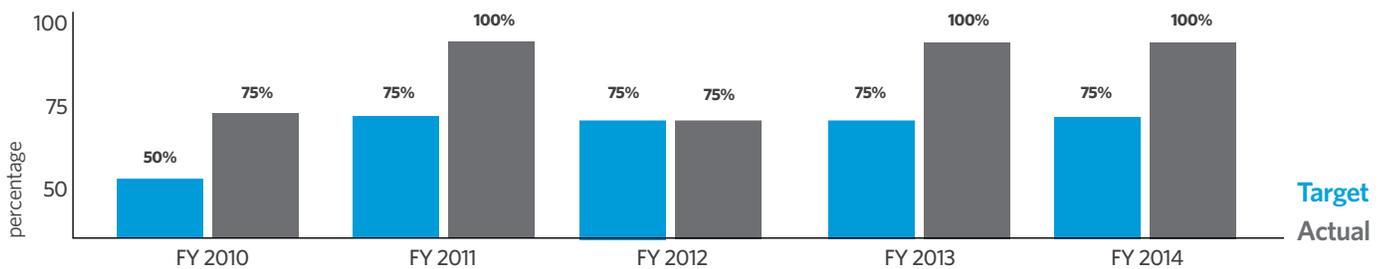
trademark owners, and the trademark bar. The TTAB's precedential decisions in opposition and cancellation proceedings provide guidance to trademark owners and the bar on procedural matters pertaining to the Trademark Rules of Practice, the application of the Federal Rules of Civil Procedure to TTAB cases, and on substantive legal matters.

INTELLECTUAL PROPERTY: STRATEGIC GOAL III

WHAT IS THE ROLE OF THE USPTO AND INTELLECTUAL PROPERTY POLICY?

The USPTO advises the President—through the Secretary of Commerce—and all federal agencies on national and international intellectual property policy issues, including IP protection in other countries. The USPTO’s strategic plan highlights these activities in the USPTO’s Strategic Goal III: Provide Domestic and Global Leadership to Improve Intellectual Property Policy, Protection, and Enforcement Worldwide. OPIA oversees and implements this policy role.

What follows is the Strategic Goal III measure for which sufficient data are available to establish performance trends. The measure, “Number of Foreign Government Officials Trained on Best Practices to Protect and Enforce Intellectual Property,” is new for this fiscal year, and as such, the measure is presently unsuitable for trend analysis.



Percentage of prioritized countries for which country teams have made progress on at least 75% of action steps in the country-specific action plans along the following dimensions:

1. Institutional improvements of IP office administration for advancing IP rights
2. Institutional improvements of IP enforcement entities
3. Improvements in IP laws and regulations
4. Establishment of government-to-government cooperative mechanisms.

Trend: The trend line indicates that the performance trend is maintaining standards with significant variability of the direction of the trend line in predicting future results. Additional discussion for this measure can be found on page 75.

STRATEGIC GOAL III:

PROVIDE DOMESTIC AND GLOBAL LEADERSHIP TO IMPROVE INTELLECTUAL PROPERTY POLICY, PROTECTION, AND ENFORCEMENT WORLDWIDE

The USPTO has a statutory mandate to advise the President and all federal agencies, through the Secretary of Commerce, on national and international IP policy issues, including IP protection in other countries. In addition, the USPTO is authorized by statute to provide guidance, to conduct programs and studies, and to interact with IP offices worldwide and with international intergovernmental organizations on matters involving IP.

The USPTO fulfills this mandate by working to meet Strategic Goal III. Through the OPIA, it leads negotiations on behalf of the United States at the World Intellectual Property Organization (WIPO); advises the Administration on the negotiation and implementation of the IP provisions of international trade agreements; advises the Secretary of Commerce and the Administration on a full range of IP policy matters, including in the areas of patent, copyright, trademarks, and trade secrets; conducts empirical research on IP; and provides educational programs on the protection, use, and enforcement of IP.

OBJECTIVE 1: PROVIDE LEADERSHIP AND EDUCATION ON INTELLECTUAL PROPERTY POLICY AND AWARENESS

The USPTO works to meet Objective 1 by conducting a wide variety of educational programs on IP, by leveraging technology to enhance those programs, by encouraging and enhancing empirical studies on the economic impacts of IP and innovation, and by improving access to IP-related data. In addition, the USPTO plays a leadership role in domestic and international IP initiatives and policy development for the Administration, and engages with Congress and U.S. government agencies on legislation that improves the IP system.

Provide Empirical Evidence on the Economic Impact of USPTO Operations

The U.S. economy relies on IP, because virtually every industry either produces or uses some form of it.⁴

⁴ As cited in the April 11, 2012, Secretary of Commerce released report titled “Intellectual Property in the U.S. Economy: Industries in Focus,” co-authored by the USPTO and the Economics and Statistics Administration.

One aspect of OPIA's mission of providing domestic leadership on IP policy issues is enhancing understanding of the economics of IP. Through the Office of Chief Economist, OPIA encourages and supports empirical studies of the economic impacts of IP and innovation.

This is achieved partly through the Thomas Alva Edison Distinguished Scholars Program, a program that enlists the services of academic researchers to study IP matters. The program was launched in 2012, and since then, Edison Scholars have studied ways to improve USPTO's efficiency and performance, decrease burdens on applicants, and improve patent quality and clarity, among other topics. Joshua Sarnoff, Professor of Law at DePaul University, became a Distinguished Edison Scholar in FY 2014. His work focuses on patent quality and patent examination.

In June 2013, the White House Task Force on High-Tech Patent Issues announced an expansion of USPTO's Edison Scholar program ([Executive Action No. 4: Expanded Outreach and Focused Study](#)). The goal was to bring additional academic experts to the USPTO to develop and make available to the public more robust data and research on patent litigation issues. Three new Edison Research Fellows began their work in FY 2014. Current Edison Research Fellows include J. Jonas Anderson (Associate Professor of Law at American University), Joseph P. Bailey (Research Associate Professor at the University of Maryland's Robert H. Smith School of Business), and Deepak Hegde (Assistant Professor of Management and Organization at New York University's Stern School of Business).

Other efforts to enhance understanding of IP-related matters in FY 2014 included the hosting of the first in a series of "Big Data"⁵ classes over a 13-week period. Among other topics, the classes focused on new methods for creating and displaying information about innovation.

⁵ "Big Data" is a collective term for any collection of large data/data sets that exceeds the capabilities of traditional data processing applications.

In addition, the USPTO also co-sponsored two events to encourage empirical economic research and to inform IP policy. The Workshop on Empirical Methods in Intellectual Property was hosted at the Illinois Institute of Technology Chicago-Kent College of Law in September 2014, and the Entrepreneurship and Innovation conference was held at the Northwestern University Searle Center on Law, Regulation, and Economic Growth in June 2014.

Improve Transparency and Access to Intellectual-Property-Related Data

In May 2014, the USPTO published a paper entitled "[Monetizing Marks: Insights from the USPTO Trademark Assignment Dataset](#)," along with a public-use dataset that contained detailed information on assignments, mergers, security interests, and other transactions involving trademarks that were recorded at the USPTO. These data were released as part of an ongoing initiative to make patent and trademark information available in a form convenient for public use and academic research. In releasing the data, the USPTO aims to encourage new streams of research on trademarks, the market for brands, trademark collateralization, and the evolving ways owners are employing and monetizing their IP assets.

Provide Domestic Education Outreach and Capacity Building

The USPTO, through the Global Intellectual Property Academy (GIPA) in OPIA, provides IP educational programs for U.S. and foreign government officials, domestic small- and medium-sized enterprises (SMEs), universities, and the public.

The GIPA also works with various other agencies and components of the U.S. government, including the Small Business Administration and bureaus of the U.S. Department of Commerce, including the International Trade Administration, the Minority Business Development Agency, and the U.S. Export Assistance Centers of the U.S. Commercial Service.

Leverage Technology to Increase Domestic and International Education, Training, and Outreach at all Levels

The GIPA continues to utilize technology to make its training programs more efficient and to expand the reach of those programs. For example, the GIPA hosts [distance-learning modules](#) on the USPTO website. The modules are available in seven different languages and have received over 42,000 hits since they were first made available in FY 2010.

Engage Congress and U.S. Government Agencies on Legislation that Improves the Intellectual Property System

Throughout FY 2014, the USPTO continued to engage Congress, other U.S. government agencies, and stakeholders to discuss, develop, promote, and implement effective and balanced IP-related legislation and administrative actions. The USPTO discussions and briefings focused on congressional proposals to address patent litigation abuse, cyber security, trade secrets, copyright updates, Internet Corporation for Assigned Names and Numbers (ICANN), USPTO funding, and other matters related to domestic and international IP rights.

On July 30, 2014, Deputy Under Secretary Michelle Lee testified on Capitol Hill before the House Judiciary Committee's Subcommittee on Courts, Intellectual Property, and the Internet on ["The U.S. Patent and Trademark Office: The America Invents Act and Beyond, Domestic, and International Policy Goals."](#)

The U.S. IP environment has benefited from the legislative changes enacted in the 2011 AIA. The AIA reforms made important improvements to the patent examination process and overall patent quality. During the last 3 years, USPTO has worked with Congress and IP stakeholders to implement the significant AIA

changes to modernize the U.S. patent system, such as transitioning to a first-inventor-to-file system, establishing new post-grant review proceedings at the USPTO's redesigned PTAB, and taking advantage of new authority to enable sustainable funding and other operational efficiencies.

In June 2013, the White House Task Force on High-Tech Patent Issues announced major steps to address abusive patent litigation and to improve incentives for future innovation in high-tech patents. The steps include five executive actions and seven legislative recommendations designed to protect innovators from frivolous patent litigation and to ensure the issuance of the highest quality patents. The USPTO has begun implementation of four of the five executive actions it was charged with and has continued its engagement with Congressional staff and stakeholders to develop consensus legislative language consistent with the seven recommended legislative measures identified by the White House.

The USPTO believes that additional legislative changes to build upon the AIA are needed to further enhance patent quality and to lessen litigation abuses in the system and will continue to work with Congress to support efforts to develop consensus legislation.

The AIA required the USPTO to establish regional satellite locations as part of a larger effort to modernize the U.S. patent system. On June 30, 2014, the USPTO opened its permanent satellite office in Denver, CO.

In FY 2014, Congress continued its review of our nation's copyright laws. It held numerous hearings and introduced several pieces of copyright-related legislation in FY 2014. In July 2013, the U.S. Department of Commerce's Internet Policy Task Force (IPTF) released the paper ["Copyright Policy, Creativity, and Innovation in the](#)

USPTO FACT

[The USPTO Overseas Intellectual Property Rights \(IPR\) Attaché program](#) was formally instituted in 2006 to promote high standards of IP protection and enforcement internationally for the benefit of U.S. stakeholders. Since its creation, the IPR Attaché Program has placed individuals in the following places: Thailand, China, Russia, India, Brazil, and Egypt. *Source:* www.uspto.gov:8180/ip/global/attache/index.jsp



Chief Policy Officer and Director for International Affairs, Shira Perlmutter and former Attorney Advisor Garrett Levin from the United States Patent and Trademark Office (USPTO) and Associate Administrator, Office of Policy Analysis and Development, John Morris, from the National Telecommunications & Information Administration (NTIA) at the December 12, 2013 public meeting on the Green Paper on Copyright Policy, Creativity and Innovation in the Digital Economy.

[Digital Economy](#)” (“Green Paper”) to advance discussion of copyright issues critical to economic growth. The Green Paper was drafted by the USPTO with input from the National Telecommunications and Information Administration (NTIA).

In FY 2014, the IPTF worked on the issues identified in the Green Paper. This involved (1) establishing an ongoing multistakeholder dialogue on improving the operation of the notice and takedown system under the Digital Millennium Copyright Act (DMCA); (2) soliciting public comment and convening roundtables around the country on three policy issues—the legal framework for the creation of remixes, the relevance and scope of the first

sale doctrine in the digital environment, and the application of statutory damages in the context of individual file-sharers and secondary liability for large-scale online infringement; and (3) convening an interagency group to consider the appropriate role for the government, if any, to help improve the online licensing environment, including access to comprehensive public and private databases of rights information.

Provide Policy Formulation and Guidance on Key Intellectual Property Issues in all Fields of Intellectual Property Protection and Enforcement

Throughout the fiscal year, OPIA officials organized numerous briefings for congressional staff and other government agencies on various IP policy topics, including the status of international agreements and activities in China, the potential impact of proposed legislation relating to patent assertion entities, copyright issues including the Department of Commerce Green Paper work and WIPO discussions of a proposed treaty for the protection of broadcasters and of limitations and exceptions, the IP attaché program, the impact of proposed legislation relating to trade secrets, progress of the USPTO satellite offices, and the status of patent and trademark operations. In addition, the USPTO conducted extensive outreach to, and interaction with, our stakeholder community on the full range of current IP issues.

The China Resource Center, located in the USPTO Executive Library, was established in 2014 to collect and provide research material on a wide range and variety of China IP protection and enforcement issues. These data will be used to help the U.S. government develop China IP policy.

USPTO FACT

In 2005, the U.S. Department of Commerce launched new initiatives to fight IP theft. One of the initiatives included the [Global Intellectual Property Academy \(GIPA\)](#). GIPA has provided training to 4,960 foreign officials from over 129 countries on a variety of intellectual property topics. In addition, GIPA provided training to 1,543 people associated with U.S. small- and medium-sized enterprises.



Deputy Director Lee welcomed Assistant Minister of the Ministry of Commerce of China, Daochi Tong, and his delegation of Chinese intellectual property (IP) officials on Wednesday September 10, 2014, as part of the opening of the US–China Joint Commission on Commerce and Trade IP Working Group meeting. The meeting included a tour of USPTO headquarters in Alexandria, VA, and commemorated 35 years of USPTO and Commerce Department training and assistance on IP matters with China.

OBJECTIVE 2: PROVIDE LEADERSHIP AND EDUCATION ON INTERNATIONAL AGREEMENTS AND POLICIES FOR IMPROVING THE PROTECTION AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

This second objective focuses primarily on the USPTO’s activities in the international IP system, which includes multilateral and bilateral activities worldwide. On an ongoing basis, the USPTO provides technical expertise in the negotiation and implementation of bilateral and multilateral agreements that improve IP rights protection and enforcement. The USPTO continues to lead the promotion of harmonization by working closely with other international entities. Innovators need cost-effective ways of obtaining reliable rights in multiple jurisdictions; therefore, pursuing the alignment of laws

and procedures among IP systems is critical for ensuring consistency and clarity of rights for innovators as they seek to tap into global markets. The AIA moved this effort forward with the adoption of the first-inventor-to-file principle in the United States. The PPH and CPC efforts are examples of international work-sharing cooperation programs that both benefit from and contribute to international harmonization of patent laws and operations.

The USPTO relies on information from the U.S. Trade Representative’s (USTR) annual Section 301 Report to help prioritize those countries that most need to improve their IP protection and enforcement. The USPTO will prepare country- or region-specific strategic or action plans that could be focused, for example, on capacity-building or creation of new or updated IP legislation.

Lead Efforts at the WIPO and Other Intergovernmental Organizations to Improve International Intellectual Property Rights Systems

Throughout FY 2014, the USPTO continued to seek enhanced cooperation and improved protection for IP in several fora, including the WIPO, the World Trade Organization (WTO), and several additional intergovernmental organizations. The USPTO achieved improvements in the WIPO filing and registration systems for patents (PCT system) and designs (Hague system, which the United States expects to join in early FY 2015). The USPTO has led the U.S. delegation at the WIPO Standing Committee on Copyright and Related Rights (SCCR). In the past year, this has included participating in efforts to update the international framework for the digital age (for the protection of broadcasting organizations) and leading in the development of principles and objectives regarding copyright library and education exceptions.

THE USPTO IN HISTORY

The [Patent Cooperation Treaty](#) (PCT) was drafted in 1966, signed in 1970, and entered into force in 1978. There are at least 141 parties to the PCT. By simplifying patent application filing, the PCT assists innovators in obtaining patent protection throughout the world. It also encourages small businesses and individuals to seek patent protection abroad. The treaty provides a longer period of time—30 months—before applicants must commit themselves to undertake the expenses of translation, national filing fees, and prosecution in every country in which they want protection. *For more information, see: uspto.gov/ip/global/patents/ir_pat_pct.jsp*

In the WIPO Intergovernmental Committee on IP and Genetic Resources, Traditional Knowledge and Folklore, the USPTO is working to transmit text of draft international instruments to the WIPO General Assembly that reflects proposals from various committee members, including a “no mandatory disclosure requirement” in patent applications related to genetic resources. We are also working to ensure that there are no premature decisions to convene a diplomatic conference on any of these topics. The USPTO also participated with the Office of the U.S. Trade Representative on the accession of countries to the WTO and on the trade policy reviews of current WTO members.

The USPTO continued providing leadership at the International Union for the Protection of New Varieties of Plants (UPOV), an intergovernmental organization based in Geneva, Switzerland. In cooperation with UPOV, the USPTO assisted the African Regional Intellectual Property Organization (ARIPO) and its 19 members in adopting an effective regional plant variety protection system in conformity with the UPOV convention. An effective plant variety protection system encourages innovation and investment in the development of new plant varieties, which are essential to promoting trade, helping to ensure food security, and providing sources of renewable energy.

Engage Additional Countries in Patent Prosecution Highway Agreements: Improving Efficiency and Cooperation in the Global Intellectual Property System—Patents

Throughout FY 2014, work sharing continued to be a key international engagement strategy for the USPTO to help reduce examination backlogs, improve examination quality, and promote streamlining of the international patent system. The PPH, first launched in 2006, remained the USPTO’s cornerstone of work-sharing cooperation. The PPH allows an applicant who receives a positive ruling on patent claims from one participating office to request accelerated prosecution of corresponding claims in another participating office. This enables the applicant to obtain patents faster in multiple jurisdictions

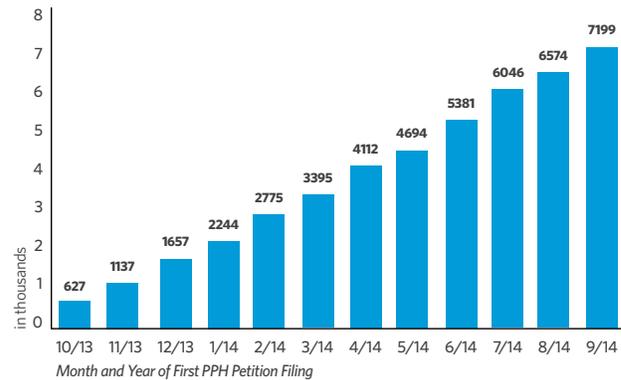


Figure 5: Cumulative PPH Filings in FY 2014

and at less expense, while at the same time enabling the participating offices to leverage each other’s work in improving examination efficiency and quality.

A key milestone in FY 2014 was the launch in January of a pilot “Global PPH.” The Global PPH is intended to simplify and streamline the existing PPH network by replacing the dozens of bilateral PPH arrangements in place between participating offices with a single, centralized framework of common requirements to which all participating offices will subscribe. This common set of standards will make it both easier for offices to administer the program and more user-friendly for applicants in navigating their applications through the participating offices. The United States is one of 19 countries currently accepting PPH requests under the Global PPH pilot, and other offices have signaled their intent to join the framework in the near future.

PPH requests in FY 2014 continued an 8-year trend of year-on-year increases, “Cumulative PPH Filings,” with the monthly average of PPH requests currently exceeding 600 new filings per month as depicted in Figure 5. The USPTO is continuing to engage current and prospective PPH partner offices on training, outreach, and other programs designed to boost awareness and usage of the PPH. Likewise, the USPTO continues to work with other partner offices on possible enhancements to the PPH program to maximize efficiency and quality.

The USPTO also made significant advances in other areas of work-sharing-related cooperation. One key effort that has seen rapid progress since 2012 has been the CPC project, a product of a partnership between the USPTO and the EPO. Formally launched in January 2013, the CPC is a harmonized international system for classifying patents and published patent applications for ease of searching during the patent granting process. The CPC includes approximately 250,000 classification symbols based on the International Patent Classification (IPC) system, thus enabling examiners and patent users worldwide to conduct searches by accessing the same classified patent document collections. It will be used by the USPTO and more than 45 patent offices, totaling more than 20,000 patent examiners. CPC will lead to more efficient prior art searches, higher quality patents, and improved work-sharing among offices.

Improve Efficiency and Cooperation in the Global Intellectual Property System—Trademarks

In FY 2014, the USPTO continued to collaborate with a variety of trademark partners throughout the world to improve users' interactions with national trademark offices. To make it easier for trademark applicants to conduct global trademark clearance searches, the USPTO provided its trademark data to several global search databases, which allow users to conduct single searches of multiple databases. In addition, to help make the results of such searches more understandable, the USPTO worked with other IP offices to develop "common status descriptors," or uniform terms and symbols that multiple national offices can use to signify the particular status of trademark registrations and applications. The USPTO also worked with partner offices to develop a harmonized global "pick list" with preapproved and preclassified identifications of goods or services and their translations. By including entries from this pick list in trademark applications filed in any of the participating countries, trademark applicants will avoid a refusal on

the grounds that the identification is indefinite or otherwise unacceptable.

The USPTO also continued its efforts to minimize the incidence of bad faith trademark filings around the world. The agency co-hosted seminars with other national trademark offices to generate recommended solutions to this global problem and worked with other national offices to implement those tools.

In addition, in collaboration with the NTIA, the USPTO actively engaged in the discussions at ICANN to address concerns about the potential for an increase in bad faith domain name registrations in the new generic top-level domains currently being introduced in the domain name system. The USPTO has supported the work of IP stakeholders through the ICANN Governmental Advisory Committee (GAC) to encourage the development of new and improved global trademark enforcement tools that will ensure consumer confidence along with a vibrant, modern Internet.

Improve Enforcement and Provide Capacity Building and Technical Assistance to Key Countries and Regions

The USPTO collaborated with the governments of various U.S. trading partners to provide capacity-building programs in the area of IP protection and enforcement. The participants in these programs included judges, prosecutors, examiners, and border-enforcement officials, among others, and they hailed from various key regions around the globe, including the Middle East and North Africa, South Asia, Southeast Asia, the Western Hemisphere, Central Asia, and the Transcaucasian region.

Table 14 shows the total number of foreign government officials trained on best practices to protect and enforce IP in FY 2014. This is the first year of aligning this measure directly with the USPTO's performance progress in Goal III.

USPTO FACT

The USPTO has put together an overview of information for protecting a patent application in a wide range of nations. This overview can be found on the USPTO website. *Source:* <http://uspto.gov/ip/iprtoolkits.jsp>

TABLE 14

Measure: Number of Foreign Government Officials Trained on Best Practices to Protect and Enforce Intellectual Property		
Fiscal Year	Target	Actual
2010	N/A	N/A
2011	N/A	4,338
2012	N/A	9,214
2013	N/A	7,078
2014	4,300	4,960
2015	6,300	
2016	6,500	
Target Met.		

Provide Policy Advice and Expertise to Other U.S. Government Agencies

Throughout FY 2014, the USPTO provided policy advice and technical expertise on domestic and international IP matters to departments of the Executive Office of the President, including the Office of Science and Technology Policy and the Office of the U.S. Intellectual Property Coordinator; the U.S. Department of Commerce; and to other federal agencies. The USPTO advised the USTR both on trade policy reviews undertaken at the WTO and on the WTO accession process of several countries. The USPTO also provided policy advice in connection with the annual Special 301 Report review of the IP systems of U.S. trading partners.

Provide Technical Expertise in Negotiation and Implementation of Bilateral and Multilateral Agreements

Throughout FY 2014, the USPTO continue to provide expert technical advice on IP protection in connection with ongoing negotiation of multilateral agreements. For example, the USPTO supported the Office of the USTR in negotiations regarding the IP portions of the Trans-Pacific Partnership and the Trans-Atlantic Trade and Investment Partnership free trade agreements.

Increase the Effectiveness of Intellectual Property Attachés in Prioritized Countries and Regions

In FY 2014, the USPTO established a new attaché position for Brussels, Belgium. The attaché assigned to that post will work on IP matters that arise within the European Union (EU), and will also work with the EU on IP matters involving third countries. The addition of that Brussels-based position will expand the USPTO's overseas presence from seven countries to eight and the total number of IP attaché positions in the program from eleven to twelve. The USPTO continued its successful implementation of country-specific action plans in prioritized countries, as shown in Table 15.

In addition, the USPTO furthered its efforts to reach out to additional prospective applicants for the attaché positions.

TABLE 15

Measure: Percentage of prioritized countries for which country teams have made progress on at least 75% of action steps in the country-specific action plans*		
Fiscal Year	Target	Actual
2010	50.0%	75.0%
2011	75.0%	100.0%
2012	75.0%	75.0%
2013	75.0%	100.0%
2014	75.0%	100.0%
2015	75.0%	
2016	75.0%	
Target Met.		
* Progress of action steps in the country-specific action plans were made along the following dimensions: (1) institutional improvements of IP office administration for advancing IP rights, (2) institutional improvements of IP enforcement entities, (3) improvements in IP laws and regulations, and (4) establishment of government-to-government cooperative mechanisms.		

Educational Programs

Figure 6 shows by quarter the number of GIPA educational programs. In FY 2014, GIPA conducted 139 training programs for foreign government officials, including several groups of college students and faculty in IP-related programs of study, and conducted 20 programs targeted to U.S. SMEs.

IP capacity-building programs are offered to patent, trademark, and copyright officials, judges, prosecutors, police, customs officials, foreign policy makers, examiners, and IP rights owners, as well as college students and faculty in IP-related programs of study. Figure 7 illustrates the number of individuals GIPA has trained quarterly. In FY 2014, GIPA provided training to 4,960 foreign government officials, which included 270 academic groups, as well as 1,543 people associated with U.S. SMEs.

Figure 8 illustrates the number of countries the GIPA has trained quarterly. To view the countries trained in FY 2014 see <http://www.uspto.gov/dashboards/externalaffairs/kpis/kpicountriestrained.kpixonl>.

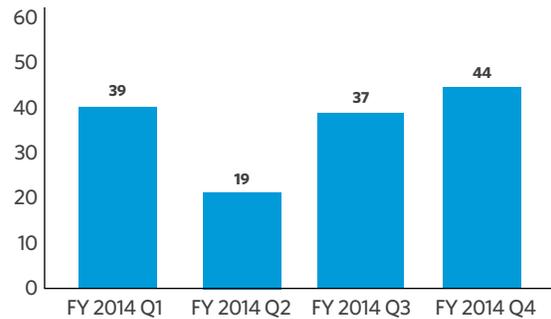


Figure 6: Educational Programs

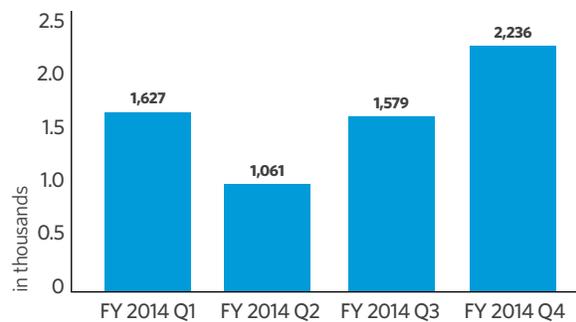


Figure 7: Number of Attendees Trained

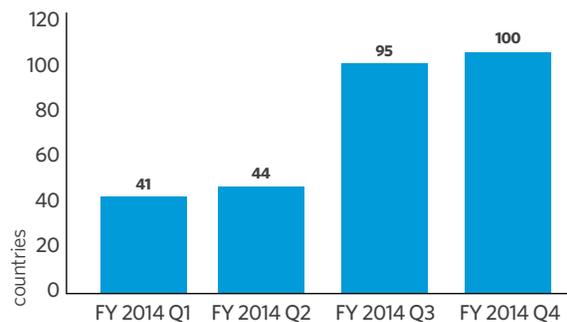


Figure 8: Cumulative Number of Countries Trained for the Fiscal Year

MANAGEMENT GOAL

WHAT IS MANAGEMENT'S FOCUS ON MAXIMIZING THE USPTO'S MISSION PERFORMANCE?

The USPTO's overarching management goal focuses on shared responsibility that is a prerequisite for achieving success as the USPTO grows and modernizes. This goal advances the USPTO's performance on its three core mission strategic goals through effective alignment and management of human capital, information resources, infrastructure and security management, and sustainable financial capital.

MANAGEMENT GOAL:

ACHIEVE ORGANIZATIONAL EXCELLENCE

Fulfillment of the USPTO's mission and accomplishment of its goals, objectives, and initiatives requires strong and diverse leadership and collaborative management. The USPTO recognizes that organizational excellence is a shared responsibility and is focused on sound resource management, solid workforce planning, quality legal services, fruitful relationships with employees and stakeholders, modern corporate support services, and effective development and use of IT. This management goal focuses on the organizational excellence that is a prerequisite for achieving the USPTO's three mission-oriented strategic goals; therefore, objectives under this goal are foundational to all others in the strategic plan.

The USPTO's attention to this goal, particularly its commitment to USPTO employees, resulted in the USPTO being ranked Number 1 out of 300 agency subcomponents in the 2013 Best Places to Work in the Federal Government® report of the non-profit organization Partnership for Public Service.

OBJECTIVE 1: LEVERAGE INFORMATION TECHNOLOGY INVESTMENTS TO ACHIEVE BUSINESS RESULTS

This first objective focuses on USPTO's IT activities that are required to support and move the USPTO toward the next generation of tools and services for all mission-specific systems that are identified under the strategic goals. The USPTO will continue to provide cost-effective and transparent operations, processes, and information as it moves to accomplish its goals as stated in the USPTO's *2014-2018 Strategic Plan*. These efforts include:

- Enhancing the internal and external user experience through a new and enhanced website that provides a customer transactional portal and the ability to operate in a mobile environment;
- Leveraging IT to improve internal and external collaboration and information-sharing by developing the ability to conduct fully electronic dissemination interactions and by increasing Web-conferencing capabilities;

THE USPTO IN HISTORY

In 1942, most of the agency was moved to Richmond, VA, because of the war effort and returned to Washington, DC, after the war. In 1967, the USPTO began moving from the Commerce Building in downtown Washington, DC, to its new facility in the neighborhood of Crystal City, Arlington, VA. The agency completed its move to our current facilities in Alexandria, VA, in 2005.

- Continuing to provide transparent operations, processes, and information, striving toward “24/7/365” operational capability to meet the business needs of customers and employees so that they can communicate, collaborate, and share information seamlessly and securely across the world;
- Evolving and improving the USPTO’s IT infrastructure and services to be more modern, efficient, secure, and available through the use of virtual and cloud capabilities; and
- Delivering cost-effective and seamless next-generation IT solutions apart from legacy systems, including integrations of PE2E, TMNG, and FPNG systems to meet the business needs of USPTO customers.

The USPTO has made progress toward improved operations and services in FY 2014, as well as for its next-generation systems. For PE2E, the USPTO has deployed tools for the patent examiner pilot users to assess, converted 114 million image-based patent applications to searchable text-based applications, and delivered a harmonized patent classification system between the EPO and the USPTO. For the TMNG system, the USPTO enhanced the Trademark Electronic Gazette (TMeOG) for the public, completed trademark examination capabilities for First Action Approval for Publication, and delivered a new TRDM capability for generating reports, such as employee productivity reports and quality reports.

Figure 9 and Table 16 show the total number of open Plan of Actions and Milestones (POA&M) for the USPTO’s operational systems at the end of FY 2013 and for every quarter of FY 2014. Any known security weakness requiring remediation is tracked using POA&M. The USPTO’s goal is to bring total number of open POA&Ms as low as possible by remediating security weaknesses in the systems.

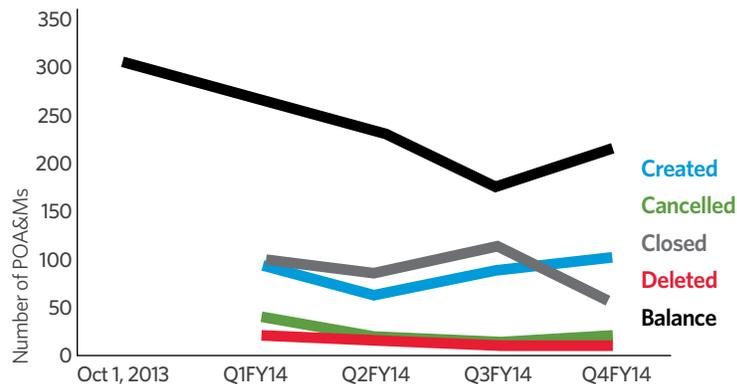


Figure 9: Total Number of Open Plan of Actions and Milestones

In fulfilling responsibilities under 44 U.S.C. § 3504(h), the USPTO uses a capital planning and investment control process to prioritize investments and to determine funding levels for subsequent fiscal years. Projects are carefully managed throughout their life cycle, and progress reviews are conducted at key milestone dates to compare the project’s status to planned benefit, cost, and schedule, along with technical efficiency and effectiveness measures. All major IT system investments are reported in OMB Circular A-11 Exhibit 53, Exhibit 300A, and 300B, and the USPTO’s IT investment portfolio.

TABLE 16

Plan of Actions and Milestones Data					
	Created	Cancelled	Closed	Deleted	Balance
Oct. 1, 2013					308
Q1 FY14	96	26	99	15	264
Q2 FY14	64	10	84	12	222
Q3 FY14	73	5	112	6	172
Q4 FY14	83	10	43	6	196
TOTAL	316	51	338	39	196

USPTO FACT

The [Patent and Trademark Resource Centers](http://www.uspto.gov/products/library/index.jsp) (PTRCs) are a nationwide network of public, state, and academic libraries that are designated by the USPTO to disseminate patent and trademark information and to support the diverse intellectual property needs of the public. *Source:* <http://www.uspto.gov/products/library/index.jsp>

**OBJECTIVE 2:
CONTINUE TO BUILD AND
MAINTAIN A FLEXIBLE, DIVERSE,
AND ENGAGED WORKFORCE**

Efficient and effective human resources management and telework programs entail using approved and appropriate personnel practices, tools, and policies for recruiting, developing, and retaining a high-performing, highly skilled, and diverse workforce necessary for mission success, and to foster the next generation of USPTO employees and leaders. This includes attracting employees with the right skill sets while focusing on a results-oriented performance culture, leadership, and development of talent management.

Continue to Enhance USPTO's Telework Environment by Expanding Telework Opportunities and Developing Skill Sets Specific to Managing in a Telework Environment

Telework at the USPTO is a corporate business strategy, which supports mission achievement and goal fulfillment via a distributed workforce. At the end of FY 2014, 9,432 employees agency-wide were working from home at least one day a week, translating to about 75 percent of the USPTO workforce. This is an increase of nearly 1,097 teleworking employees from last fiscal year. In addition,

between FY 2013 and FY 2014, the percent of positions eligible to telework increased from 90.7 percent to 91.0 percent (+747 eligible positions agency-wide). See Figure 10 for the state-by-state breakout of full-time teleworker participants in FY 2014. Figure 11 shows the percentage of eligible employees teleworking by organization in FY 2014.

As part of the Telework Enhancement Act of 2010, the USPTO was granted legislative authority to conduct the federal government's initial Telework Travel Expenses Test Program. The USPTO Telework Enhancement Act Pilot Program (TEAPP) allows employees to waive their right to travel expenses for up to six annual mandatory trips back to the USPTO headquarters in Alexandria, VA. Hoteling (or full-time teleworking) employees may now elect, voluntarily and for their own convenience, to live greater than 50 miles from the USPTO campus by becoming a TEAPP participant, thereby changing their official duty station. As of the end of FY 2014, 1,571 employees were participating in the TEAPP, which is an increase of nearly 25 percent over FY 2013 numbers.

A structured telework program provides cost savings by reducing the need for additional office space, enhancing



Figure 10: Full-Time Teleworkers by State, FY 2014

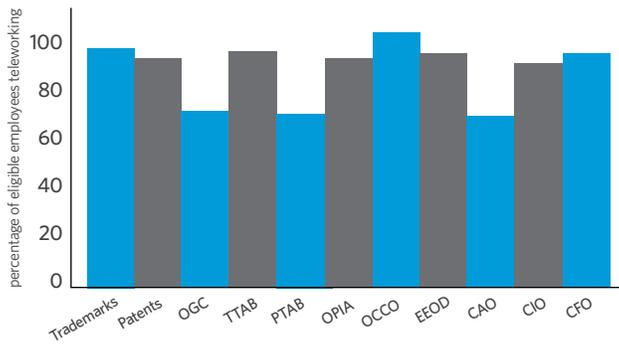


Figure 11: Percentage of Eligible Employees Teleworking FY 2014

recruitment and retention, fostering greater efficiency in production and management, and providing opportunities for expanded work flexibility and better work-life balance for participating employees. For example, during federal closures in the Washington, DC, metropolitan area, telework and hoteling employees remain productive. During the January 21, 2014, snowstorm, patent examiners maintained an 84 percent production rate, and trademark attorneys maintained a 90 percent production rate. During the February 13, 2014, closure, patent examiners maintained an 81 percent production rate, and trademark attorneys maintained an 80 percent production rate. In addition, during the March 3, 2014, closure, patent examiners maintained a 91 percent production rate, and trademark attorneys maintained a 103 percent production rate.

In April 2014, the USPTO won the U.S. Department of Commerce Green Innovation Award for serving as a model for the federal community by maximizing telework, videoconferencing, and green transportation, avoiding 35,020 tons of greenhouse gas emissions in 2013.

In order to ensure the continued high performance and integrity of USPTO's telework program, in FY 2014, the USPTO undertook a number of concrete steps to bolster the management of the program, including revising and making more accessible guidance documents concerning proper recordation of teleworkers' time and attendance, conducting numerous trainings on proper telework procedures, and establishing two cross-agency teams to evaluate additional potential improvements to the telework program. The USPTO intends to continue to implement these and other program management improvements and controls in FY 2015.

Implement Programs Aimed at Enhancing Employee Engagement and Ensure that the Nationwide Workforce Stays Integrated With the Corporate Culture

Leveraging USPTO's people to drive results is critical to meeting the agency's mission. The USPTO's human capital approach focuses on creating and executing a comprehensive strategy to develop and deliver human capital services that align with the agency's mission and drive results.

The USPTO spent several months drafting and then finalizing the 2015–2018 USPTO People Plan (see Figure 12). The plan sets forth a framework for managing human capital activities by focusing on three key people themes:

- **Lead:** Leadership generates motivation and commitment and empowers employees.
- **Engage:** Engagement practices enhance commitment and capture discretionary effort.
- **Enable:** Employees' roles are optimized to ensure maximum results and that they have the resources they need.

The Plan's framework directly responds to dynamic mission needs while balancing the need to shape the USPTO workforce to continue its success as a high-performing organization.

In support of the USPTO's goal to support creativity and innovation and to increase employee engagement, the USPTO management—in collaboration with its three unions—implemented a permanent, enterprise-wide employee ideas program in June 2014. "Suggestion Zone," so named via an agency-wide contest, yielded more than 150 ideas for management to review to date.



Figure 12: People Plan Screen Shot

Promote Learning and Job Opportunities for all Levels of Employees

In August 2014, the USPTO began an effort to design and deliver a virtual instructor-led training (vILT) version of the resident Supervisor Certificate Program (SCP). The SCP is the USPTO's training program for new supervisors and team leads. The SCP interactive curriculum incorporates a variety of instructional activities and addresses leadership competencies for supervisors (managing self, people, and projects). The vILT version will enable the USPTO to provide training to new supervisors and team leads who telework full-time or who serve at one of our regional satellite offices. A pilot of the vILT version is expected to launch in 2016.

The USPTO held a 5-day leadership forum from August 4-8, 2014, to provide training, networking, and teambuilding opportunities to agency leaders and managers. Workshops, sessions, and keynote addresses were centered on the forum's theme, "Engage Employees. Exceed Expectations." Held at the Alexandria, VA, USPTO headquarters campus, the forum offered a total of 51 sessions, 16 of which featured a simultaneous webcast. Six sessions were held exclusively online, targeting our increasingly growing remote workforce. At least 950 of the 1,100 agency-wide supervisors, managers, and executives participated in the forum.

The USPTO finalized a new Upward Mobility Program (UMP) Policy in 2014. Upward mobility is an important tool for succession planning, helping the USPTO managers and supervisors assure that appropriate talent exists to carry out the agency's mission. UMP provides specific career development opportunities for employees who are in positions or occupational series that offer limited opportunities for advancement. The USPTO also established the Career Enhancement Opportunity (CEO) Program. The intent of the CEO Program is to provide opportunities to employees to enhance their career potential through a variety of developmental activities, such as career coaching, mentoring, and participating in UMP opportunities.

Enhance Recruitment and Hiring Efforts to Help Sustain and Develop a Highly Qualified and Diverse Workforce, Including the Senior Team

In 2014, the USPTO implemented a more efficient process for hiring patent examiners. Seventy-six unnecessary hiring process steps were eliminated, reducing the average time to hire a patent examiner from 100 days down to only 77 days, 3 days below the Office of Personnel Management's goal of an average of 80 days to recruit and hire a new federal employee.

New marketing and strategic communications initiatives were developed and deployed in 2014 by the Office of Human Resources (OHR) to support ongoing recruitment goals for the USPTO business units. With a matrix approach, leveraging both online and offline channels—including paid advertising and social media—the team successfully amplified targeted, yet wide-reaching messaging, to potential candidates across the country. To mine, attract, and engage potential employees, the OHR team regularly posted links to job vacancies and announcements on the USPTO's Twitter, Facebook, and LinkedIn pages.

In February 2014, the OHR team embarked upon an initiative to revamp and redesign the USPTO LinkedIn page as this social network is regarded as one of the best online recruitment channels. The team rebranded the page to increase its visual appeal by leveraging graphics that highlighted the agency's recent ranking as the best place to work in the federal government. This change yielded positive engagement metrics such as likes, shares, comments, and increased followership—almost an additional 20 percent—to more than 11,500 followers (Figure 13). Over half of the follower population is comprised of current or former USPTO employees—indicating a significant opportunity for continued employee/community engagement, particularly given that post-outreach research indicates that employees remain one of the USPTO's top recruitment tools.

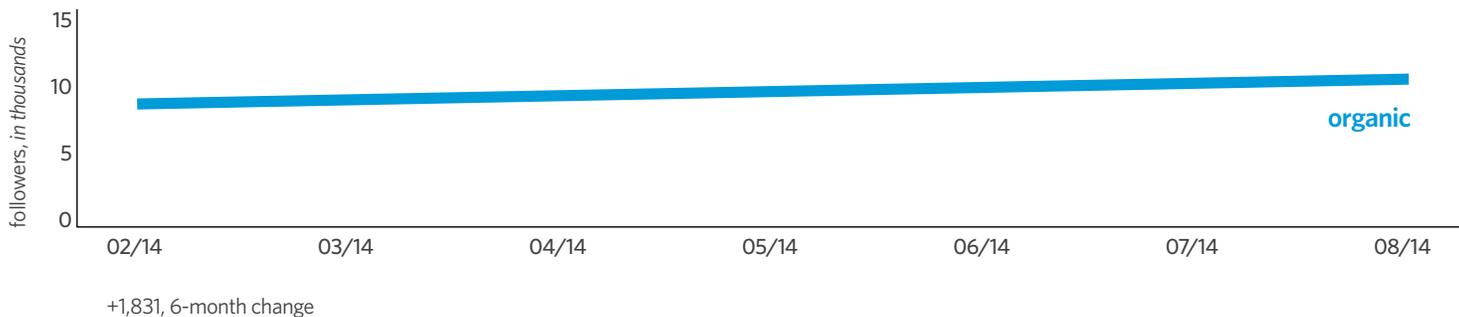


Figure 13: LinkedIn USPTO Followers

Paid advertising was particularly impactful for the first-ever Veteran Hiring Fair, conceptualized and executed to assist in meeting a FY 2014 hiring goal of 100 IT specialists. By using veteran IT employees' input, OHR created a campaign entitled, "You Don't Have to be in Uniform to Protect this Country's Assets," designed to strike an immediate reaction.

Advertisement space was purchased in print and online mass media throughout the Washington, DC, region and Delaware. Military-specific channels like RecruitMilitary.com and VetJobs.com were also targeted. This 4-week campaign championed the stories of veterans' successes within the USPTO, veterans who are leaders and innovators within the agency. During the 2-day hiring event, held June 13-14, 2014, nearly 200 interviews were conducted, which resulted in over 30 veterans hires, helping the agency exceed an annual hiring goal of 100 IT specialists.

The USPTO continued to support Executive Order 13518, "Employment of Veterans in the Federal Government," by aggressively seeking and hiring more qualified veterans and transitioning service members throughout the agency. In addition to participating in over 20 hiring-outreach events specifically designed to recruit veterans,

the USPTO continued its participation in the U.S. Department of Defense's Operation Warfighter Program (OWF) and embarked on the second year of the Veteran Internship Program (VIP), a student trainee program designed specifically for engineering students who intend to become patent examiners.

Overall, the USPTO's efforts produced substantial gains in hiring veterans and transitioning service members. The USPTO's veteran hiring goals for FY 2014 were 20 percent of all hires and 10 percent of all patent examiner hires. At the end of FY 2014, nearly 29 percent of all non-patent examiner hires had veterans' preference status. Patent examiner hires totaled nearly 9 percent.

Continue to Foster and Enhance Strong Labor Management Relationships

The USPTO continues to be seen as a model for successful federal labor-management relationships, and this year it made presentations to a number of organizations, including the National Council on Federal Labor Management Relations. In collaboration with its three union bargaining units, the agency launched the USPTO Labor Management Forum. The forum is built on the success of existing individual union management councils and will focus on agency-wide issues and initiatives.

Continue to Build Collaborative Relationships with USPTO's Affinity Groups

The USPTO is proud to have an incredibly diverse workforce with so many employees of various backgrounds and cultures. The USPTO has a network of 13 affinity groups, which are voluntary employee organizations that are based on a shared common background and/or special interest. Each group is led by a team of volunteers to host cultural, social, and career-development programs and events for their members and the wider USPTO community.

OEEOD continues to work with the USPTO's affinity groups to host programs that promote cultural understanding. For example, OEEOD partnered with various affinity groups to host events to celebrate special emphasis months, such as Black History Month and Women's History Month. OEEOD also works to support the events of affinity groups that are unique to the USPTO, for example, the Asian Pacific American Network's annual Lunar New Year Celebration and the USPTO Military Association's annual "Walk of Thankful Recognition" to commemorate Memorial Day.

OBJECTIVE 3: ENHANCE INTERNAL AND EXTERNAL RELATIONS

Increase the Number of Individuals and Educators Reached by Intellectual-Property-Related Programming

As part of its efforts to promote IP education, the USPTO continues to increase the number of individuals and educators reached by IP-related programming through its Law School Clinic Certification Pilot Program. The program fulfills the AIA's mandate to establish pro bono programs and enables students from participating law schools around the country to practice patent and/or trademark law before the agency. Under the guidance of an approved faculty clinic supervisor and guidelines established by the Office of Enrollment and Discipline (OED) within the USPTO's OGC, law students participating in the program provide pro bono IP legal services to individuals and small businesses throughout the country.

In FY 2014, 17 new law schools joined the program, bringing the total number of participating law-school clinics to 45. In addition, two of 28 previously participating law schools added another IP program to their existing clinic. The schools are selected for participation in the program based on their demonstrated IP expertise, pro bono services to the public, and community networking and outreach. The clinics support hands-on learning by allowing their students to advise clients regarding IP issues, draft-and-file applications and responses to office actions, and represent clinic clients before the USPTO. In FY 2013, participating clinics filed 108 patent applications and 209 trademark applications. Revealing the dramatic success of the program, filings of patent and trademark applications by participating law schools rose 64 percent in FY 2014. Far exceeding expectations, these schools filed 113 patent applications and 407 trademark applications for the year.

Support Government-Wide Efforts to Promote Science, Technology, Engineering, and Mathematics Education Initiatives

The Office of Education and Outreach (OEO) provides educational and outreach programming for students, educators, and young inventors and innovators of all ages. The OEO is managed through the Office of the Under Secretary and Director of the USPTO and supports the mission of the agency by providing relevant IP, innovation, and invention resources to school administrators, teachers, students, and parents. OEO goals and objectives are also aligned to support government-wide efforts to attract and retain students (K-12) in science, technology, engineering, and mathematics (STEM)-based education to increase STEM competence and to support an internal and external stakeholder base for the USPTO.

STEM is vital to invention, innovation, and the development of a future USPTO workforce. Integration of STEM knowledge, especially as it relates to IP, is also vital to the development of a future stakeholder base for the USPTO, that is, inventors, innovators, and creators who will file better and higher quality patent and trademark applications based on their attained knowledge of IP.

OEO goals are achieved by building and expanding strategic partnerships, collaborations, and linkages with other federal agencies, non-profit organizations, and where possible, private sector organizations in order to reach the most diverse group of students and educators. FY 2014 saw continued collaboration between the USPTO and the National Aeronautics and Space Administration, the National Science Foundation, FIRST®, the Girl Scouts, and the YMCA. In addition,

collaborations with organizations, such as Maker Education Initiatives, Great Minds in STEM, Blacks in Government, and the Society for Hispanic Professional Engineers Foundation, helped the USPTO spread information on the relevance of STEM to broader audiences. The USPTO has hosted or collaborated on over 30 student-focused IP and STEM program experiences for K-12 students in 2014, impacting an estimated 1.5 million students.

In 2014, the USPTO conducted the Inaugural National Teacher Professional Development Summer Institute for Middle and High School Teachers on Innovation, STEM, and IP in Santa Clara, CA. Twenty states and a diverse cadre of STEM disciplines and school districts were represented in the cohort. Over 100 educators nationwide applied to be a part of the program. The focus of the National Summer Teacher Institute (NSTI) was on helping teachers incorporate making, inventing, and creating and protecting IP into STEM lesson plans and classroom instruction.

This 4-day professional development training for 40 middle- and high-school teachers included presenters from various federal agencies, industry, and the non-profit sector. In addition, participants had the opportunity to interface with U.S. Congressional Representative Mike Honda, Dist. 17, California; the White House Office of Science and Technology Policy; and the U.S. Department of Education. The National Science Foundation funded scientists and inventors, Maker Education Initiative, the XPRIZE Foundation, and NBC Learn, among others. In addition to the NSTI, the USPTO has offered half-day and daylong Performance Description (PD) workshops in over a half dozen U.S. cities over the last fiscal year, but the NSTI marked the first national multiday training for educators.

OBJECTIVE 4: SECURE SUSTAINABLE FUNDING TO DELIVER VALUE TO FEE-PAYING CUSTOMERS AND THE PUBLIC

The USPTO continues its work to establish a funding model that provides for a reliable and sustainable source of funding. The USPTO's operating structure is like a business in that it receives requests for services—applications for patents and trademark registrations—and charges fees projected to cover the cost of performing the services the USPTO provides. Enactment of the AIA represented a significant leap forward in achieving a sustainable funding model. This objective continues the effort to supplement or refine those authorities.

The USPTO made significant progress toward implementing a sustainable funding model for operations under the *USPTO 2010–2015 Strategic Plan*, particularly through the enactment and implementation of the AIA. This effort is moving forward under the *2014–2018 Strategic Plan* by continuing to supplement or refine the authorities through initiatives to ensure spending authority to use all fees collected, make fee-setting authority permanent, continuously optimize the fee structure, seek out new financial tools, and maximize cost efficiency and transparency.

A primary consideration for the USPTO and its fee-paying users is to ensure access to, and authority to use, all fee collections. The AIA established the Patent and Trademark Fee Reserve Fund in which collections in excess of appropriated spending levels would be deposited for later use. This provides greater transparency; however, it does not guarantee that the USPTO will gain access to those fee collections. FY 2014 marks the first year that the USPTO deposited funds into the Patent and Trademark Fee Reserve Fund. During FY 2015, the USPTO will notify Congress of its intent to gain access to spending those fees by transferring them to employee salaries and expense operating accounts. In addition, the USPTO takes into consideration the public policy issue of curtailing government spending and ensuring stewardship of financial resources on behalf of its fee-paying constituents.

Although the AIA gave the USPTO authority to set fees by regulation, it also includes a 7-year sunset provision for fee-setting. The USPTO is committed to taking the steps necessary to ensure that fee-setting is made permanent. Among those steps is demonstrating the agency's ability to make constructive, well-thought-out changes to the fee structure under its current authority. This was achieved on January 18, 2013, when the agency issued a final rule to set and adjust patent fees with effective dates in March 2013 and January 2014. During implementation, the agency consulted with its PPAC, stakeholders, and the public. In addition, on May 9, 2014, the USPTO published a Federal Register Notice proposing to reduce certain trademark fees. The efficiencies achieved by trademark electronic filing and communications have put the USPTO in a position to propose a reduction for electronically filed trademark application and renewal fees in a way that further promotes efficiency both for users and the USPTO. The adjustments would be designed to encourage greater efficiency by increasing end-to-end electronic communications.

The USPTO is committed to continuously optimizing the fee structure, and in support of this initiative, in FY 2015 the agency will be conducting its first comprehensive biennial fee review since the implementation of the major patent fee schedule changes. The comprehensive fee review will be conducted in accordance with the USPTO fee structure philosophy, which is to provide sufficient financial resources to facilitate the effective administration of the U.S. IP system. The following objectives support this fee structure philosophy:

- Promote the Administration Innovation Strategy;
- Align fees with the full cost of products and services;
- Set fees to facilitate the effective administration of the patent and trademark systems; and
- Offer application processing options.

The USPTO will also continue to pursue tested private sector business tools, such as maintaining an operating reserve policy, continuing to fund an operating reserve, and determining whether any other tools are viable for USPTO to secure a sustainable funding model. For

example, investment authority may be a viable tool once we reach an optimal operating reserve.

Finally, maximizing cost-efficiency and transparency is of utmost importance and is the USPTO's responsibility as good financial stewards. Given the trust Congress and the agency's stakeholders place in the USPTO with fee-setting authority and having an operating reserve, the agency needs to demonstrate that it is taking all steps possible to have a cost-efficient organization. For example, as the USPTO's operating reserve begins to make its financial position more sustainable, the agency continues to strive to focus its spending on behalf of its fee-paying customers by striking the appropriate balance among improvements in pendency, quality, and IT improvements as it continues to improve operations and the customer experience with the agency.

OBJECTIVE 5: ESTABLISH SATELLITE OFFICES AND A REGIONAL PRESENCE

Given the ever-increasing diversity of 21st-century IP creators and users across the nation, the USPTO recognizes the need to serve its stakeholders from different regions of the country through physical presence. Among other things, the opportunities to expand the avenues through which innovators can have face-to-face interactions with the USPTO, build outreach partnerships that ramp up the academic disciplines of STEM and innovation in all regions, and recruit examiners from all areas to process quality patents make the establishment of satellite offices a clear fulfillment of the USPTO's constitutional mandate to promote the progress of science and useful arts.

Building off the AIA—in which Congress directed the USPTO to establish satellite offices—and with significant stakeholder input regarding choice of location, the USPTO has moved to establish satellite offices in four cities: Detroit, MI; Denver, CO; San Jose, CA (Silicon Valley); and Dallas, TX. These offices provide a permanent USPTO presence beyond the Washington, DC, region for the first time and represent a historic shift in the way the world's strongest IP organization does business.

Locations and Facilities

Each location was chosen for the many benefits it offers to the USPTO and its employees, such as a lower cost of living, access to highly trained technical talent, and engagement opportunities with local IP stakeholder communities, particularly some with considerable IP experience and many patent grants. Spread out across the country, the four satellite offices together give the USPTO an active presence in every continental time zone of the United States, from the East Coast to the West Coast.

With the Detroit office already operating in a permanent location, the Denver office opened for business on June 30, 2014, at its permanent location in the Byron G. Rogers Federal Building, housed in the central business district of downtown Denver, CO. The office features a hearing room that provides a new venue to USPTO stakeholders from which to participate in board proceedings and other spaces that will be used to conduct extensive outreach and education programs with inventors, patent applicants, and the USPTO user community throughout the Rocky Mountain region. An experienced regional director was hired and is leading the office forward.

The USPTO also signed a lease for permanent space in Silicon Valley, CA, in July 2014 at the San Jose City Hall and anticipates opening this facility in the spring of 2015, with active stakeholder engagement already occurring. This space will provide an opportunity for public outreach as well as offices for patent examiners and PTAB Judges, and the first floor space will offer an open environment for lectures and exhibits. The USPTO envisions opening the space in phases, with the completion of the first floor in May 2015. In Dallas, TX, facilities teams are working with stakeholders to build an office that meets the needs of the region, progressing toward a fall 2015 opening in the Terminal Annex Federal Building of downtown Dallas located adjacent to Dealey Plaza. Five APJs have been hired, operating out of the Santa Fe Federal Building, which is a temporary space.

Regional Outreach

The USPTO has made considerable progress in integrating into the IP communities in each of the satellite office regions and building goodwill, despite delayed permanent office openings. The USPTO successfully conducted extensive stakeholder outreach in all regions with events, including Saturday Seminars in Detroit, MI, to educate independent inventors and small businesses about the patent process, a CEO Summit in Denver, CO, with Fortune 500 companies to explore partnering opportunities, STEM, and IP education seminars in Silicon Valley, CA, with K-12 teachers to bring STEM education to the classroom, and AIA Trial Roundtables in each satellite office location to share information and collect public feedback about the new AIA trials.

The USPTO has hosted several more events throughout the Silicon Valley, CA, region to gather input and suggestions from USPTO customers on ways to further improve the nation's IP system. These events included discussions on the administrative trials before the PTAB, a focus on trademark operations, a patent rulemaking roundtable on collecting attributable ownership information ([Executive Action No. 1](#)), and a multistakeholder forum on the DMCA. Engagement with local partners in Dallas, TX, such as the Dallas Entrepreneur Center to support the innovation community, start-ups, and entrepreneurs, is also going strong.

Hiring

The USPTO has successfully hired and trained more than 100 examiners in Detroit, MI, and a first class of examiners in Denver, CO. It is important to note that the USPTO has retained those examiners to the same degree as examiners based at the Alexandria, VA, headquarters. Examiners in the satellite offices help to reduce the

patent application backlog while maintaining and improving patent examination quality. In fact, the Detroit office hosted a technical training conference via videoconference to bring an industry expert from that region to all examiners, thereby enhancing examiners' scientific knowledge, which translates into even more robust patent application examination.

The USPTO also has been able to hire APJs in each of the satellite offices to manage the PTAB's appeal and trial inventory. Indeed, nearly 20 percent of judges are based in the satellite offices, many of whom would not have considered a career in government service but for the availability of employment at the satellite offices. The goal is to have at least 20 APJs in each office.

Access

Last, the satellite offices provide easier access to USPTO services for inventors of all stripes. The satellite offices enable applicants to conduct a search by using the world's leading prior art databases in Detroit, MI; convene in a Collaboration Center in Denver, CO; conduct an interview via videoconference with an examiner based in Alexandria, VA, from Silicon Valley, CA; and hold a hearing for an AIA trial in Dallas, TX. Such services support inventors' efforts to innovate faster, smarter, and more profitably.

The satellite offices give tremendous possibilities to the USPTO and its stakeholders for building an even stronger IP system, and each of the four offices is well on its way to establishing a strong foothold in its respective region. The USPTO looks forward to continuing to take advantage of the possibilities provided through its satellite offices to deliver high-quality patents efficiently and expeditiously.

FINANCIAL SECTION



Members of the 2014 Performance and Accountability Report Team.
From Left to Right: Jeffrey Isaacs, David Fitzpatrick, Jennifer Jacobs,
Walter Schlueter, Patrick Washington, Roger Williams, Shana Willard

MESSAGE

FROM THE CHIEF FINANCIAL OFFICER



Anthony P. Scardino

“My strength lies solely in my tenacity.” As the Office of the Chief Financial Officer continues to be presented with many and varied challenges, this quote from Louis Pasteur, inventor and inductee into the National Inventors Hall of Fame, clearly conveys the importance of being persistent for success. Tenacity is a great quality to have, especially when working towards long-term goals. Now more than ever, it is important that we be tenacious to help our organization thrive. In recent years, the USPTO has overcome some significant financial challenges; this past fiscal year, we continued to persevere in working towards our objective of achieving sustainable funding for the agency.

As a direct result of the Agency’s prudent decision making during the FY 2013 sequestration, the USPTO entered FY 2014 with a \$287 million patent operating reserve, allowing us to remain open through the duration of the 16 day lapse in appropriations that shuttered most Federal agencies at the start of the fiscal year. While most agencies were forced to send their staffs home for the first half of October, USPTO employees continued delivering on the agency’s critical mission.

Where much of the Government continues to experience budgetary turmoil, the USPTO has managed to gain a more solid financial footing than at virtually any other point in our agency’s history, setting us on a course to achieve all of our strategic goals. FY 2014 was the Agency’s first full year operating under our new patent fee schedule, which was implemented in March 2013 using the fee setting authorities granted by the *Leahy-Smith America Invents Act* (AIA). The fee structure is designed to ensure that the Agency generates sufficient

revenue to recover our operating costs and to make investments in the USPTO’s future.

Published in March 2014, the USPTO’s new *2014-2018 Strategic Plan* continues to emphasize the importance of ensuring a sustainable funding model for operations. We will continue to pursue spending authority for all fee collections; we will seek to make permanent our fee setting authority, which expires in 2018; and we will leverage private-sector business tools—like our operating reserve—to help USPTO operate in an efficient and cost-effective way.

From a financial perspective, the USPTO is an agency in transition. While we have overcome many of our past funding challenges, we are ever cognizant of the need to balance the Agency’s tremendous opportunities for growth and improvement against the risks associated with operating against this new backdrop. The Agency remains committed to smart, scalable growth that will enable us to achieve our goals without putting the financial and operational health of the USPTO unnecessarily at risk. Moreover, we are committed to ensuring that even as some of the budgetary pressures of the past are eased, allowing us to meet long overdue demands for things like IT investment, our investments will continue to be prudent and in line with sound business practices. We are also ever mindful of the responsibility that we have to fee payers and the public now that the Agency is able to set our own fees. More than ever the Agency is operating with an eye toward efficiency, cost-consciousness, and improved service and accountability.

With all of this in mind, I am pleased to report the following:

- This fiscal year marks our 22nd year of receiving an unmodified opinion on the Agency's financial statements; the auditors reported no material weaknesses or reportable conditions in the design and operation of the USPTO's system of internal control over financial reporting;
- As part of the annual audit, it was determined that our financial system complies with federal financial systems requirements;
- The Association of Government Accountants (AGA) awarded the USPTO the Certificate of Excellence in Accountability Reporting for the 12th consecutive year for our *Fiscal Year 2013 Performance and Accountability Report*; and
- The USPTO won the Certificate of Excellence in Citizen-Centric Reporting for our third *Citizen-Centric Report*, awarded by AGA for 2013, again clearly demonstrating the USPTO's excellence in integrating performance and accountability reporting.

Our financial management team also continues to assist in managing the many challenges of planning for, funding, procuring, staffing, monitoring, and ensuring continued operations at the Agency's satellite offices. We opened our 2nd satellite office, the Rocky Mountain Regional

Office, in Denver, Colorado on June 30, 2014. Our relocation to permanent office spaces in Dallas, Texas and San Jose, California is scheduled for FY 2015. The many challenges continue to be met successfully.

Building collaborative team-based approaches to projects and increasing technical and leadership training opportunities have also improved the morale and effectiveness of USPTO's highly talented workforce. Our employees are more satisfied and more productive than ever, resulting in the USPTO being ranked the #1 Best Place to Work in the Federal Government®. Our talented and committed employees continue to display great dedication and tenacity toward producing a high standard of financial management at the USPTO. We look to the future with confidence, as we continue to serve the Agency as a trusted business partner, working to provide the sound advice necessary to enable informed program and financial decision-making, and to support the strategic direction of the USPTO.



Anthony P. Scardino
Chief Financial Officer
November 13, 2014

UNITED STATES PATENT AND TRADEMARK OFFICE

Consolidated Balance Sheets

As of September 30, 2014 and 2013

(Dollars in Thousands)

	<u>2014</u>	<u>2013</u>
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 2,504,977	\$ 1,996,736
Accounts Receivable (Note 3)	120	47
Other Assets - Advances and Prepayments (Note 6)	<u>1,450</u>	<u>1,726</u>
Total Intragovernmental	2,506,547	1,998,509
Cash (Note 4)	5,091	5,405
Accounts Receivable, Net (Note 3)	134	130
Property, Plant, and Equipment, Net (Note 5)	328,290	257,008
Other Assets-Advances and Prepayments (Note 6)	<u>7,246</u>	<u>7,932</u>
Total Assets	<u>\$ 2,847,308</u>	<u>\$ 2,268,984</u>
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 7,761	\$ 8,107
Accrued Payroll and Benefits	9,420	7,365
Accrued Workers' and Unemployment Compensation	2,015	1,778
Customer Deposit Accounts (Note 7)	<u>5,948</u>	<u>5,934</u>
Total Intragovernmental	25,144	23,184
Accounts Payable	105,048	72,292
Accrued Payroll and Benefits	95,052	82,184
Accrued Leave	97,890	88,081
Customer Deposit Accounts (Note 7)	127,673	112,747
Deferred Revenue (Note 9)	1,089,812	931,548
Actuarial Liability (Note 10)	11,031	9,711
Contingent Liability (Note 12)	<u>250</u>	<u>-</u>
Total Liabilities (Note 8)	<u>\$ 1,551,900</u>	<u>\$ 1,319,747</u>
Commitments and Contingencies (Note 12)		
NET POSITION		
Cumulative Results of Operations — Funds from Dedicated Collections (Note 14)	<u>\$ 1,295,408</u>	<u>\$ 949,237</u>
Total Net Position	<u>\$ 1,295,408</u>	<u>\$ 949,237</u>
Total Liabilities and Net Position	<u>\$ 2,847,308</u>	<u>\$ 2,268,984</u>

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

UNITED STATES PATENT AND TRADEMARK OFFICE
Consolidated Statements of Net Cost

For the years ended September 30, 2014 and 2013
(Dollars in Thousands)

	<u>2014</u>	<u>2013</u>
Strategic Goal 1: Optimize Patent Quality and Timeliness		
Total Program Cost	\$ 2,461,573	\$ 2,281,196
Total Program Earned Revenue	<u>(2,745,933)</u>	<u>(2,458,296)</u>
Net Program Income	<u>(284,360)</u>	<u>(177,100)</u>
Strategic Goal 2: Optimize Trademark Quality and Timeliness		
Total Program Cost	225,394	231,147
Total Program Earned Revenue	<u>(272,111)</u>	<u>(261,676)</u>
Net Program Income	<u>(46,717)</u>	<u>(48,529)</u>
Strategic Goal 3: Provide Domestic and Global Leadership to Improve Intellectual Property Policy, Protection and Enforcement Worldwide		
Total Program Cost	<u>45,411</u>	<u>46,084</u>
Net Income from Operations (Notes 14 and 15)	<u>\$ (285,666)</u>	<u>\$ (179,545)</u>
TOTAL ENTITY		
Total Program Cost (Notes 16 and 17)	\$ 2,732,378	\$ 2,540,427
Total Earned Revenue	<u>(3,018,044)</u>	<u>(2,719,972)</u>
Net Income from Operations (Notes 14 and 15)	<u>\$ (285,666)</u>	<u>\$ (179,545)</u>

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

UNITED STATES PATENT AND TRADEMARK OFFICE

Consolidated Statements of Changes in Net Position

For the years ended September 30, 2014 and 2013

(Dollars in Thousands)

	<u>2014</u>	<u>2013</u>
	Funds from Dedicated Collections	Funds from Dedicated Collections
Cumulative Results of Operations		
Beginning Balances	\$ 949,237	\$ 726,874
Budgetary Financing Sources:		
Transfers Out Without Reimbursement	<u>(2,000)</u>	<u>(2,000)</u>
Other Financing Sources:		
Imputed Financing	<u>62,505</u>	<u>44,818</u>
Total Financing Sources	60,505	42,818
Net Income from Operations	<u>285,666</u>	<u>179,545</u>
Net Change	<u>346,171</u>	<u>222,363</u>
Cumulative Results of Operations	<u>\$ 1,295,408</u>	<u>\$ 949,237</u>
Net Position, End of Year	<u>\$ 1,295,408</u>	<u>\$ 949,237</u>

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

UNITED STATES PATENT AND TRADEMARK OFFICE

Combined Statements of Budgetary Resources

For the years ended September 30, 2014 and 2013
(Dollars in Thousands)

	<u>2014</u>	<u>2013</u>
BUDGETARY RESOURCES		
Unobligated Balance—Brought Forward, October 1	\$ 442,291	\$ 237,872
Recoveries of Prior Year Unpaid Obligations	29,894	21,351
Spending Authority from Offsetting Collections (discretionary)	<u>3,176,229</u>	<u>2,672,335</u>
Total Budgetary Resources	<u>\$ 3,648,414</u>	<u>\$ 2,931,558</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred	\$ 2,997,457	\$ 2,489,267
Unobligated Balance, End or Year: Apportioned	<u>650,957</u>	<u>442,291</u>
Total Status of Budgetary Resources	<u>\$ 3,648,414</u>	<u>\$ 2,931,558</u>
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 265,560	\$ 344,793
Obligations Incurred	2,997,457	2,489,267
Gross Outlays	(2,683,182)	(2,547,149)
Recoveries of Prior Year Unpaid Obligations	<u>(29,894)</u>	<u>(21,351)</u>
Unpaid Obligations, End of Year	<u>\$ 549,941</u>	<u>\$ 265,560</u>
Uncollected Payments:		
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	\$ (47)	\$ (37)
Change in Uncollected Customer Payments from Federal Sources	<u>(73)</u>	<u>(10)</u>
Uncollected Customer Payments from Federal Sources, End of Year	<u>\$ (120)</u>	<u>\$ (47)</u>
Memorandum (non-add) entries:		
Obligated Balance, Net, Start of Year	<u>\$ 265,513</u>	<u>\$ 344,756</u>
Obligated Balance, Net, End of Year	<u>\$ 549,821</u>	<u>\$ 265,513</u>
BUDGET AUTHORITY AND NET OUTLAYS		
Budget Authority, Gross (discretionary)	\$ 3,176,229	\$ 2,672,335
Actual Offsetting Collections (discretionary)	(3,178,156)	(2,822,058)
Change in Uncollected Customer Payments from Federal Sources (discretionary)	<u>(73)</u>	<u>(10)</u>
Budget Authority, Net (discretionary)	<u>\$ (2,000)</u>	<u>\$ (149,733)</u>
Gross Outlays (discretionary)	\$ 2,683,182	\$ 2,547,149
Actual Offsetting Collections (discretionary)	<u>(3,178,156)</u>	<u>(2,822,058)</u>
Net Collections (discretionary)	<u>\$ (494,974)</u>	<u>\$ (274,909)</u>

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

UNITED STATES PATENT AND TRADEMARK OFFICE

Consolidated Statements of Cash Flows (Indirect Method)

For the years ended September 30, 2014 and 2013

(Dollars in Thousands)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income from Operations	\$ 285,666	\$ 179,545
Adjustments Affecting Cash Flow:		
Imputed Financing from Cost Absorbed by Others	62,505	44,818
(Increase)/Decrease in Accounts Receivable	(77)	574
Decrease in Advances and Prepayments	962	3,448
Increase in Accounts Payable	20,988	4,720
Increase/(Decrease) in Accrued Payroll and Benefits	14,923	(44,909)
Increase in Accrued Leave and Workers' and Unemployment Compensation	10,046	5,131
Increase/(Decrease) in Customer Deposit Accounts	14,940	(3,032)
Increase in Deferred Revenue	158,264	100,593
Increase in Contingent Liability	250	-
Increase in Actuarial Liability	1,320	1,502
Depreciation, Amortization, or Loss on Asset Dispositions	90,629	71,882
Total Adjustments	<u>374,750</u>	<u>184,727</u>
Net Cash Provided by Operating Activities	<u>660,416</u>	<u>364,272</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	<u>(150,489)</u>	<u>(91,417)</u>
Net Cash Used in Investing Activities	<u>(150,489)</u>	<u>(91,417)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfers Out Without Reimbursement	<u>(2,000)</u>	<u>(2,000)</u>
Net Cash Used in Financing Activities	<u>(2,000)</u>	<u>(2,000)</u>
Net Cash Provided by Operating, Investing, and Financing Activities	<u>\$ 507,927</u>	<u>\$ 270,855</u>
Fund Balance with Treasury and Cash, Beginning of Year	<u>\$ 2,002,141</u>	<u>\$ 1,731,286</u>
Net Cash Provided by Operating, Investing, and Financing Activities	<u>507,927</u>	<u>270,855</u>
Fund Balance with Treasury and Cash, End of Year	<u>\$ 2,510,068</u>	<u>\$ 2,002,141</u>

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

Notes to Financial Statements

As of and for the years ended September 30, 2014 and 2013

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity

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

These financial statements include the USPTO's three core business activities—granting patents, registering trademarks, and intellectual property policy, protection, and enforcement—that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks.

The federal budget classifies the USPTO under the Other Advancement of Commerce (376) budget function. The USPTO does not have lending or borrowing authority. The USPTO does not transact business among its own operating units, and therefore, no intra-entity eliminations are necessary.

The USPTO is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

Basis of Presentation

As required by the Chief Financial Officers Act of 1990 and 31 United States Code (U.S.C.) §3515(b), the accompanying financial statements present the financial position, net cost of operations, budgetary resources, and

cash flows for the USPTO's core business activities. The books and records of the USPTO serve as the source of this information.

These financial statements were prepared in accordance with accounting principles generally accepted in the United States (GAAP) and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular No. A-136, *Financial Reporting Requirements*, as amended, as well as the accounting policies of the USPTO. Therefore, they may differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the USPTO's budgetary resources. The GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the federal government.

Throughout these financial statements, assets, liabilities, revenues, and costs have been classified according to the type of entity with which the transactions are associated. Intra-governmental assets and liabilities are those from or to other federal entities. Intra-governmental earned revenues are collections or accruals of revenue from other federal entities and intra-governmental costs are payments or accruals to other federal entities.

Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. The USPTO does not receive any allocation transfers.

Basis of Accounting

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when

NOTE 1. Summary of Significant Accounting Policies (continued)

earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Budgetary accounting is designed to recognize the obligation of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of federal funds.

Funds from Dedicated Collections

Statement of Federal Financial Accounting Standard (SFFAS) 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, requires separate identification of the funds from dedicated collections on the *Consolidated Balance Sheets* (Net Position section), *Consolidated Statements of Changes in Net Position*, and further disclosures in Note 14.

Funds from dedicated collections are financed by specifically identified revenues, which remain available over time. These specifically identified revenues are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. At the USPTO, funds from dedicated collections include the salaries and expenses fund (013X1006), fee reserve fund (013X1008), and the special fund receipts (0135127).

Fiduciary Activities

SFFAS 31, *Accounting for Fiduciary Activities*, requires that fiduciary activities not be recognized on the financial statements, but reported on schedules in the notes to the financial statements. Additional details are provided in Note 20.

Fiduciary balances are not assets of the federal government. Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government

must uphold. At the USPTO, fiduciary activities are recorded in the Patent Cooperation Treaty fund (013X6538) and the Madrid Protocol fund (013X6554).

Use of Estimates

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

Revenue and Other Financing Sources

Exchange Revenue: The USPTO has fee setting authority under section 10 of the Leahy-Smith America Invents Act (AIA). Section 10(a) of the AIA authorizes the Director of the USPTO to set or adjust by rule all patent and trademark fees to recover the aggregate estimated cost to the USPTO. Provided that the fees in the aggregate achieve overall aggregate cost recovery, the Director of USPTO may set individual fees under section 10, at, below, or above their respective cost. Since FY 1993, the USPTO's funding has been primarily through the collection of user fees. Fees that are remitted with initial applications and requests for other services are recorded as exchange revenue when received, with an adjustment to defer revenue for services that have not been performed. All amounts remitted by customers without a request for service are recorded as liabilities in customer deposit accounts until services are ordered.

The USPTO also receives financial gifts and gifts-in-kind. All such transactions are included in the consolidated Gifts and Bequests Fund financial statements of the U.S. Department of Commerce. These gifts are not of significant value and are not reflected in the USPTO's financial statements. Most gifts-in-kind are used for official travel to further attain the USPTO mission and objectives.

NOTE 1. Summary of Significant Accounting Policies *(continued)*

Imputed Financing Sources from Cost Absorbed by Others (and Related Imputed Costs): In certain cases, operating costs of the USPTO are paid for in full or in part by funds appropriated to other federal entities. For example, Civil Service Retirement System (CSRS) pension benefits for applicable USPTO employees are paid for in part by the U.S. Office of Personnel Management (OPM), and certain legal judgments against the USPTO are paid for in full from the Judgment Fund maintained by Treasury. Also, the cost of collections for the USPTO are paid for in full by Treasury. The USPTO includes applicable Imputed Costs on the *Consolidated Statements of Net Cost*. In addition, an Imputed Financing Source from Cost Absorbed by Others is recognized on the *Consolidated Statements of Changes in Net Position*.

Transfers Out: Intragovernmental transfers of budget authority without reimbursement are recorded at book value.

Entity/Non-Entity

Assets that an entity is authorized to use in its operations are termed entity assets, while assets that are held by an entity and are not available for the entity's use are termed non-entity assets. Most of the USPTO's assets are entity assets and are available to carry out the mission of the USPTO, as appropriated by Congress, with the exception of a portion of the Fund Balance with Treasury, cash, and accounts receivable. Additional details are provided in Note 7.

Fund Balance with Treasury

The USPTO deposits fees collected in commercial bank accounts maintained by the Treasury's Bureau of the Fiscal Service (BFS). All moneys maintained in these accounts are transferred to the Federal Reserve Bank on the next business day following the day of deposit. In addition, many customer deposits are wired directly to the Federal Reserve Bank. All banking activity is conducted in accordance with the directives issued by the BFS. Treasury processes all disbursements. Additional details are provided in Note 2.

Accounts Receivable

Accounts receivable balances are established for amounts owed to the USPTO from its customers. The USPTO's accounts receivable balances are comprised of amounts due from current and former employees for the reimbursement of education expenses and other benefits, amounts due from foreign intellectual property offices for the reimbursement of services provided, amounts due from other federal agencies for the reimbursement of services provided, and other revenue-related receivables. This balance in accounts receivable remains as a very small portion of the USPTO's assets, as the USPTO requires payment prior to the provision of goods or services during the course of its core business activities. Additional details are provided in Note 3.

The USPTO has written off, but not closed out, certain accounts receivables that are considered not collectible. These offsets are established for receivables older than two years with little or no collection activity that have been transferred to Treasury, subsequently adjusting the gross amount of its employee-related accounts receivable to the net realizable value. The USPTO regards all of the intergovernmental receivables balances as fully collectable.

Advances and Prepayments

The USPTO prepays amounts in anticipation of receiving future benefits. Although a payment has been made, an expense is not recorded until goods have been received or services have been performed. The USPTO has prepayments and advances with non-governmental, as well as governmental vendors. Additional details are provided in Note 6.

Cash

The USPTO's cash balance primarily consists of checks, electronic funds transfer, and credit card payments for deposits that are in transit and have not been credited to the USPTO's Fund Balance with Treasury. The cash balance also consists of undeposited checks for fees that were not processed at the *Balance Sheet* date due to the

NOTE 1. Summary of Significant Accounting Policies (continued)

lag time between receipt and initial review. All such undeposited check amounts are considered to be cash equivalents. Cash is also held outside the Treasury to be used as imprest funds. Additional details are provided in Note 4.

Property, Plant, and Equipment, Net

The USPTO’s capitalization policies are summarized below:

Classes of Property, Plant, and Equipment	Capitalization Threshold for Individual Purchases	Capitalization Threshold for Bulk Purchases
IT Equipment	\$50 thousand or greater	\$250 thousand or greater
Software	\$50 thousand or greater	\$250 thousand or greater
Software in Progress	\$50 thousand or greater	\$250 thousand or greater
Furniture	\$50 thousand or greater	\$50 thousand or greater
Equipment	\$50 thousand or greater	\$250 thousand or greater
Leasehold Improvements	\$50 thousand or greater	Not applicable

Costs capitalized are recorded at actual historical cost. Depreciation is expensed on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Additional details are provided in Note 5.

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

Property, plant, and equipment acquisitions that do not meet the capitalization criteria are expensed upon receipt.

Workers' Compensation

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

Accrued Liability: The DOL bills the USPTO annually as its claims are paid, but payment on these bills is deferred approximately two years to allow for funding through the budget process.

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

NOTE 1. Summary of Significant Accounting Policies *(continued)*

Unemployment Compensation

USPTO employees who lose their jobs through no fault of their own may receive unemployment compensation benefits under the unemployment insurance program administered by the DOL. The DOL bills each agency quarterly as its claims are paid.

Annual, Sick, and Other Leave

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

Employee Retirement Systems and Post-Employment Benefits

USPTO employees participate in either the CSRS or the Federal Employees Retirement System (FERS). The FERS was established by the enactment of Pub. L. No. 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees who had five years of federal civilian service prior to 1984 and who are rehired after a break in service of more than one year may elect to join the FERS and Social Security system or be placed in the CSRS offset retirement system.

The USPTO's financial statements do not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. The reporting of such amounts is the responsibility of the OPM, who administers the plans. While the USPTO reported no liability for future payments to employees under these programs, the federal government is liable for future

payments to employees through the OPM who administers these programs. The USPTO financial statements recognize a funded expense for the USPTO's share of the costs to the federal government of providing pension, post-retirement health, and post-retirement life insurance benefits to all eligible USPTO employees. In addition to the funded expense, the USPTO financial statements also recognize an imputed cost for the OPM's share of the costs to the federal government of providing pension, post-retirement health, and post-retirement life insurance benefits to all eligible USPTO employees. The USPTO's appropriation requires full funding of the present costs, as determined by the OPM, of post-retirement benefits for the Federal Employees Health Benefit Program (FEHB), the Federal Employees Group Life Insurance Program (FEGLI), and pensions under the CSRS. While ultimate administration of any post-retirement benefits or retirement system payments will continue to be administered by the OPM, the USPTO is responsible for the payment of the present value associated with these costs calculated using the OPM factors. Any difference between the OPM factors for funding purposes and the OPM factors for reporting purposes is recognized as an imputed cost. Additional details are provided in Note 13.

For the years ended September 30, 2014 and 2013, the USPTO made current year contributions through agency payroll contributions and quarterly supplemental payments to OPM equivalent to approximately 19.0 percent of the employee's basic pay for those employees covered by CSRS, based on OPM cost factors. For the years ended September 30, 2014 and 2013, the USPTO made current year contributions through agency payroll contributions equivalent to approximately 11.9 percent of the employee's basic pay for those employees covered by FERS, based on OPM cost factors. As contribution funding increases, imputed costs will correspondingly decrease.

NOTE 1. Summary of Significant Accounting Policies *(continued)*

All employees are eligible to contribute to a Thrift Savings Plan. For those employees participating in the FERS, a Thrift Savings Plan is automatically established, and the USPTO makes a mandatory contribution to this plan equal to one percent of the employees' compensation. In addition, the USPTO makes matching contributions ranging from one to four percent of the employees' compensation for FERS-eligible employees who contribute to their Thrift Savings Plans. No matching contributions are made to the Thrift Savings Plans for employees participating in the CSRS. Employees participating in the FERS are also covered under the Federal Insurance Contributions Act (FICA), for which the USPTO contributes a matching amount to the Social Security Administration.

Deferred Revenue

Deferred revenue represents fees that have been received by the USPTO for requested services that have not been substantially completed. Two types of deferred revenue are recorded. The first type results from checks received, accompanied by requests for services, which were not yet deposited due to the lag time between receipt and initial review. The second type of deferred revenue relates

primarily to fees for applications that have been partially processed. The deferred revenue calculation is a complex accounting estimate, dependent upon numerous business and administrative processes, workloads, and inventories. The deferred revenue balance is calculated by analyzing the process for completing each service that the USPTO provides. The percent incomplete based on the inventory of pending work and completion status is applied to fee collections to estimate the amount for deferred revenue. Determining completion status is a difficult process. The components of the liability are provided in Note 9.

Net Position

Net Position is the residual difference between assets and liabilities, and is composed of Cumulative Results of Operations.

Cumulative Results of Operations is the net result of the USPTO's operations since inception.

Environmental Cleanup

The USPTO does not have any known liabilities for environmental cleanup.

NOTE 2. Fund Balance with Treasury

As of September 30, 2014 and 2013, Fund Balance with Treasury consisted of the following:

(Dollars in Thousands)	2014	2013
Fund Balances by Treasury Fund Type:		
Special Funds	\$ 233,529	\$ 233,529
General Funds	2,138,596	1,645,622
Deposit Funds	<u>132,852</u>	<u>117,585</u>
 Total Fund Balance with Treasury	 <u>\$ 2,504,977</u>	 <u>\$ 1,996,736</u>
 Status of Fund Balance with Treasury:		
Obligated Balance Not Yet Disbursed	\$ 549,821	\$ 265,513
Unobligated Balance Available	650,957	442,291
Temporarily Not Available Pursuant to Public Law	937,818	937,818
Non-Budgetary Fund Balance with Treasury	<u>366,381</u>	<u>351,114</u>
 Total Fund Balance with Treasury	 <u>\$ 2,504,977</u>	 <u>\$ 1,996,736</u>

No discrepancies exist between the Fund Balance reflected in the general ledger and the balance in the Treasury accounts.

The Unobligated Balance Available amount above consists of the Agency's current operating reserve and fee reserve.

To help smooth the impact of economic downturns on operations and to help mitigate funding uncertainty, the USPTO has been reserving a portion of the amount Congress makes available annually through appropriations as a designated operating reserve that will be carried over for use in future years. As of September 30, 2014, the Patent operating reserve was \$365,019 thousand and the Trademark operating reserve was \$137,702 thousand. As of September 30, 2013, the Patent operating reserve was \$287,211 thousand and the Trademark operating reserve was \$155,080 thousand.

In addition, as of September 30, 2014, \$148,236 thousand of fee collections in excess of appropriated levels were deposited into the Patent and Trademark Fee Reserve Fund. Of this amount, \$128,692 thousand was related to excess patent fee collections and \$19,544 thousand were related to excess trademark fee collections. As of September 30, 2013, there were no funds deposited into the Patent and Trademark Fee Reserve Fund. Additional details are provided in Note 14.

As of September 30, 2014 and 2013, the Non-Budgetary Fund Balance with Treasury includes surcharge receipts of \$233,529 thousand for each year presented and non-entity customer deposit accounts of \$132,852 thousand and \$117,585 thousand, respectively.

NOTE 3. Accounts Receivable, Net

As of September 30, 2014, USPTO entity accounts receivables consisted of the following:

<i>(Dollars in Thousands)</i>	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ 120</u>
With the Public	<u>\$ 251</u>	<u>\$ (117)</u>	<u>\$ 134</u>

As of September 30, 2013, USPTO entity accounts receivables consisted of the following:

<i>(Dollars in Thousands)</i>	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 47</u>
With the Public	<u>\$ 254</u>	<u>\$ (124)</u>	<u>\$ 130</u>

NOTE 4. Cash

As of September 30, 2014 and 2013, cash consisted of the following:

<i>(Dollars in Thousands)</i>	2014	2013
Deposits in Transit	\$ 4,959	\$ 5,094
Undeposited Collections	<u>132</u>	<u>311</u>
Total	<u>\$ 5,091</u>	<u>\$ 5,405</u>

NOTE 5. Property, Plant, and Equipment, Net

As of September 30, 2014, property, plant, and equipment, net consisted of the following:

(Dollars in Thousands)

Classes of Property, Plant and Equipment	Service Life (Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
IT Equipment	3-5	\$ 414,200	\$ 333,128	\$ 81,072
Software	3-5	437,343	339,667	97,676
Software in Progress	-	89,989	-	89,989
Furniture	5-7	6,150	3,001	3,149
Equipment	3-8	11,549	9,262	2,287
Leasehold Improvements	5-20	106,500	52,383	54,117
Total Property, Plant, and Equipment		<u>\$ 1,065,731</u>	<u>\$ 737,441</u>	<u>\$ 328,290</u>

As of September 30, 2013, property, plant, and equipment, net consisted of the following:

(Dollars in Thousands)

Classes of Property, Plant and Equipment	Service Life (Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
IT Equipment	3-5	\$ 388,156	\$ 304,537	\$ 83,619
Software	3-5	367,670	299,817	67,853
Software in Progress	-	45,113	-	45,113
Furniture	5-7	12,078	10,087	1,991
Equipment	3-8	9,804	9,121	683
Leasehold Improvements	5-20	103,957	46,208	57,749
Total Property, Plant, and Equipment		<u>\$ 926,778</u>	<u>\$ 669,770</u>	<u>\$ 257,008</u>

NOTE 6. Other Assets—Advances and Prepayments

As of September 30, 2014 and 2013, other assets consisted of the following:

(Dollars in Thousands)	2014	2013
Intragovernmental		
Advances and Prepayments	\$ 1,450	\$ 1,726
With the Public		
Advances and Prepayments	\$ 7,246	\$ 7,932
Total	\$ 8,696	\$ 9,658

The largest governmental prepayments include the USPTO deposit accounts held with the U.S. Government Printing Office (GPO) to facilitate recurring transactions, the U.S. Postal Service for postage, and the Department of Commerce for centralized services.

The largest prepayments with the public as of September 30, 2014 and 2013 were \$5,610 thousand and \$6,204 thousand, respectively, for various hardware and software maintenance agreements and \$1,533 thousand and \$1,578 thousand, respectively, for various library and online database subscriptions.

NOTE 7. Entity and Non-Entity Assets

Non-entity assets are amounts held on deposit for the convenience of the USPTO's customers and finance charges related to employee debts.

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

As of September 30, 2014 and 2013, entity and non-entity assets consisted of the following:

(Dollars in Thousands)	2014	2013
Fund Balance with Treasury:		
Intragovernmental Customer Deposit Accounts	\$ 5,948	\$ 5,934
Customer Deposit Accounts with the Public	126,904	111,651
Total Fund Balance with Treasury	132,852	117,585
Cash:		
Customer Deposit Accounts with the Public	769	1,096
Total Non-Entity Assets	133,621	118,681
Total Entity Assets	2,713,687	2,150,303
Total Assets	\$ 2,847,308	\$ 2,268,984

NOTE 8. Liabilities Covered and Not Covered by Budgetary Resources

The USPTO records liabilities for amounts that are likely to be paid as the direct result of events that have already occurred. The USPTO considers liabilities covered by three types of resources: realized budgetary resources; unrealized budgetary resources that become available without further Congressional action; and cash and Fund Balance with Treasury. Realized budgetary resources include obligated balances funding existing liabilities and unobligated balances (operating reserve) as of September 30, 2014. Unrealized budgetary resources are amounts that were not available for spending through September 30, 2014, but become available for spending on October 1, 2014 once apportioned by the OMB. In addition, cash and Fund Balance with Treasury

cover liabilities that will never require the use of a budgetary resource. These liabilities consist of deposit accounts, refunds payable to customers for fee overpayments, and undeposited collections.

Liabilities not covered by budgetary resources include Accrued Workers' Compensation, Accrued Payroll and Benefits, Accrued Leave, Deferred Revenue, Actuarial Liability, and Contingent Liability. Although future appropriations to fund these liabilities are probable and anticipated, Congressional action is needed before budgetary resources can be provided.

As of September 30, 2014 and 2013, liabilities covered and not covered by budgetary resources were as follows:

(Dollars in Thousands)	2014	2013
Liabilities Covered by Resources		
Intragovernmental:		
Accounts Payable	\$ 7,761	\$ 8,107
Accrued Payroll and Benefits	9,420	7,365
Accrued Unemployment Compensation	181	19
Customer Deposit Accounts	5,948	5,934
Total Intragovernmental	23,310	21,425
Accounts Payable	105,048	72,292
Accrued Payroll and Benefits	39,582	31,229
Customer Deposit Accounts	127,673	112,747
Deferred Revenue	650,945	442,437
Total Liabilities Covered by Resources	\$ 946,558	\$ 680,130
Liabilities Not Covered by Resources		
Intragovernmental:		
Accrued Workers' Compensation	\$ 1,834	\$ 1,759
Total Intragovernmental	1,834	1,759
Accrued Payroll and Benefits	55,470	50,955
Accrued Leave	97,890	88,081
Deferred Revenue	438,867	489,111
Actuarial Liability	11,031	9,711
Contingent Liability	250	-
Total Liabilities Not Covered by Resources	\$ 605,342	\$ 639,617
Total Liabilities	\$ 1,551,900	\$ 1,319,747

NOTE 9. Deferred Revenue

As of September 30, 2014, deferred revenue consisted of the following:

<i>(Dollars in Thousands)</i>	<u>Patent</u>	<u>Trademark</u>	<u>Total</u>
Unearned Fees	\$ 1,016,847	\$ 72,833	\$ 1,089,680
Undeposited Checks	121	11	132
Total Deferred Revenue	<u>\$ 1,016,968</u>	<u>\$ 72,844</u>	<u>\$ 1,089,812</u>

As of September 30, 2013, deferred revenue consisted of the following:

<i>(Dollars in Thousands)</i>	<u>Patent</u>	<u>Trademark</u>	<u>Total</u>
Unearned Fees	\$ 862,485	\$ 68,752	\$ 931,237
Undeposited Checks	282	29	311
Total Deferred Revenue	<u>\$ 862,767</u>	<u>\$ 68,781</u>	<u>\$ 931,548</u>

NOTE 10. Actuarial Liability

The FECA actuarial liability is calculated annually, as of September 30 by the DOL. For FY 2014, projected annual payments were discounted to present value based on the Treasury's Yield Curve for Treasury Nominal Coupon Issues to reflect the average duration in years for income payments and medical payments. For FY 2013, projected annual payments were discounted to present value based on OMB's interest rate assumptions which were interpolated to reflect the average duration in years for income payments and medical payments. Interest rate assumptions utilized for discounting were as follows:

2014	2013
For wage benefits:	For wage benefits:
3.46 % in year 1,	2.73 % in year 1,
3.46 % in year 2, and thereafter	3.13 % in year 2, and thereafter
For medical benefits:	For medical benefits:
2.86 % in year 1,	2.33 % in year 1,
2.86 % in year 2, and thereafter	2.86 % in year 2, and thereafter

Based on information provided by the DOL, the U.S. Department of Commerce estimated the USPTO's liability as of September 30, 2014 and 2013 was \$11,031 thousand and \$9,711 thousand, respectively.

NOTE 11. Leases

Operating Leases: The General Services Administration (GSA) negotiates long-term office space leases and levies rent charges, paid by the USPTO, approximate to commercial rental rates. These operating lease agreements for the USPTO's office buildings expire at various dates between FY 2015 and FY 2024. During the years ended September 30, 2014 and 2013, the USPTO paid \$94,909 thousand and \$94,631 thousand, respectively, to the GSA for rent.

Under existing commitments, the future minimum lease payments as of September 30, 2014 are as follows:

Fiscal Year	(Dollars in Thousands)
2015	\$ 66,330
2016	65,902
2017	65,151
2018	64,196
2019	60,450
Thereafter	282,010
Total Future Minimum Lease Payments	<u>\$ 604,039</u>

The commitments shown above relate primarily to the operating lease for the USPTO headquarters in Alexandria, Virginia beginning in FY 2004 and extending to FY 2024. The operating lease commitments for the USPTO offices in Shirlington, Virginia and the satellite offices are also included above. The operating leases in Shirlington, Virginia and Detroit, Michigan, will expire in FY 2019 and FY 2022, respectively. The operating lease in Denver, Colorado, began in FY 2014 and will expire in FY 2024. The temporary lease in Dallas, Texas will expire in FY 2015, at which point the long-term lease in Dallas, Texas is anticipated to be in effect. In addition, the temporary lease in Menlo Park, California will expire in FY 2015, at which point the long-term lease in San Jose, California is anticipated to be in effect.

NOTE 12. Commitments and Contingencies

The USPTO is a party to various routine administrative proceedings, legal actions, and claims brought by or against it, including threatened or pending litigation involving labor relations claims, some of which may ultimately result in settlements or decisions against the federal government.

As of September 30, 2014, management expects it is reasonably possible that approximately \$5,800 thousand may be owed for awards or damages involving labor relations claims. As of September 30, 2013, management expects it is reasonably possible that approximately \$5,900 thousand may be owed for awards or damages involving labor relations claims.

As of September 30, 2014, the USPTO was subject to a suit where an adverse outcome was probable and the claim was \$250 thousand. As of September 30, 2013 the USPTO was not subject to any suits where adverse outcomes were probable.

For the years ended September 30, 2014 and 2013, the USPTO was not required to make any payments to the Judgment Fund.

As of September 30, 2014 and 2013, the USPTO did not have any major long-term commitments.

NOTE 13. Post-employment Benefits

For the years ended September 30, 2014 and 2013, the post-employment benefit expenses were as follows:

<i>(Dollars in Thousands)</i>	2014			2013		
	Funded	Imputed	Total	Funded	Imputed	Total
CSRS	\$ 10,067	\$ 3,451	\$ 13,518	\$ 10,809	\$ 3,478	\$ 14,287
FERS	144,594	29,647	174,241	136,411	17,268	153,679
FEHB	50,315	4,735	55,050	52,715	1,015	53,730
FEGLI	214	-	214	202	-	202
FICA	92,418	-	92,418	85,871	-	85,871
Total Cost	<u>\$ 297,608</u>	<u>\$ 37,833</u>	<u>\$ 335,441</u>	<u>\$ 286,008</u>	<u>\$ 21,761</u>	<u>\$ 307,769</u>

NOTE 14. Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues, which remain available over time. These specifically identified revenues are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. At the USPTO, funds from dedicated collections include the salaries and expenses fund, the fee reserve fund, and the special fund receipts. There were no funds deposited in the fee reserve fund as of September 30, 2013. Non-entity funds, as disclosed in Note 7, are not funds from dedicated collections and are therefore excluded from the below amounts.

The following tables provide the status of the USPTO's funds from dedicated collections as of and for the years ended September 30, 2014 and 2013.

<i>(Dollars in Thousands)</i>	Salaries and Expenses Fund	Fee Reserve Fund	Surcharge Fund	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2014				
Fund Balance with Treasury	\$ 1,990,360	\$ 148,236	\$ 233,529	\$ 2,372,125
Cash	4,322	-	-	4,322
Accounts Receivable, Net	254	-	-	254
Other Assets	336,986	-	-	336,986
Total Assets	<u>\$ 2,331,922</u>	<u>\$ 148,236</u>	<u>\$ 233,529</u>	<u>\$ 2,713,687</u>
Total Liabilities	<u>\$ 1,360,405</u>	<u>\$ 57,874</u>	<u>\$ -</u>	<u>\$ 1,418,279</u>
Cumulative Results of Operations	<u>971,517</u>	<u>90,362</u>	<u>233,529</u>	<u>1,295,408</u>
Total Liabilities and Net Position	<u>\$ 2,331,922</u>	<u>\$ 148,236</u>	<u>\$ 233,529</u>	<u>\$ 2,713,687</u>
Statement of Net Cost For the Year Ended September 30, 2014				
Total Program Cost	\$ 2,732,378	\$ -	\$ -	\$ 2,732,378
Less Program Earned Revenue	<u>(2,927,682)</u>	<u>(90,362)</u>	<u>-</u>	<u>(3,018,044)</u>
Net Income from Operations	<u>\$ (195,304)</u>	<u>\$ (90,362)</u>	<u>\$ -</u>	<u>\$ (285,666)</u>
Statement Changes in Net Position For the Year Ended September 30, 2014				
Net Position, Beginning of Year	<u>\$ 715,708</u>	<u>\$ -</u>	<u>\$ 233,529</u>	<u>\$ 949,237</u>
Budgetary Financing Sources:				
Transfers Out Without Reimbursement	(2,000)	-	-	(2,000)
Other Financing Sources:				
Imputed Financing	62,505	-	-	62,505
Net Income from Operations	<u>195,304</u>	<u>90,362</u>	<u>-</u>	<u>285,666</u>
Change in Net Position	<u>255,809</u>	<u>90,362</u>	<u>-</u>	<u>346,171</u>
Net Position, End of Year	<u>\$ 971,517</u>	<u>\$ 90,362</u>	<u>\$ 233,529</u>	<u>\$ 1,295,408</u>

NOTE 14. Funds from Dedicated Collections *(continued)*

<i>(Dollars in Thousands)</i>	Salaries and Expenses Fund	Surcharge Fund	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2013			
Fund Balance with Treasury	\$ 1,645,622	\$ 233,529	\$ 1,879,151
Cash	4,309	-	4,309
Accounts Receivable, Net	177	-	177
Other Assets	266,666	-	266,666
Total Assets	<u>\$ 1,916,774</u>	<u>\$ 233,529</u>	<u>\$ 2,150,303</u>
Total Liabilities	\$ 1,201,066	\$ -	\$ 1,201,066
Cumulative Results of Operations	\$ 715,708	\$ 233,529	\$ 949,237
Total Liabilities and Net Position	<u>\$ 1,916,774</u>	<u>\$ 233,529</u>	<u>\$ 2,150,303</u>
Statement of Net Cost For the Year Ended September 30, 2013			
Total Program Cost	\$ 2,540,427	\$ -	\$ 2,540,427
Less Program Earned Revenue	(2,719,972)	-	(2,719,972)
Net Income from Operations	<u>\$ (179,545)</u>	<u>\$ -</u>	<u>\$ (179,545)</u>
Statement Changes in Net Position For the Year Ended September 30, 2013			
Net Position, Beginning of Year	\$ 493,345	\$ 233,529	\$ 726,874
Budgetary Financing Sources:			
Transfers Out Without Reimbursement	(2,000)	-	(2,000)
Other Financing Sources:			
Imputed Financing	44,818	-	44,818
Net Income from Operations	179,545	-	179,545
Change in Net Position	222,363	-	222,363
Net Position, End of Year	<u>\$ 715,708</u>	<u>\$ 233,529</u>	<u>\$ 949,237</u>

NOTE 14. Funds from Dedicated Collections *(continued)*

The **Salaries and Expenses Fund** contains moneys used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for the USPTO's three core business activities—granting patents, registering trademarks, and intellectual property policy, protection, and enforcement—that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. The USPTO may use moneys from this account only as authorized by Congress via appropriations.

The **Patent and Trademark Fee Reserve Fund** was created through the Leahy-Smith America Invents Act legislation enacted on September 16, 2011 (Pub. L. No. 112-29) modifying 35 U.S.C §42(c). This established a statutory provision allowing the USPTO to collect and deposit in this fund fees collected in excess of the appropriated levels for each fiscal year. Annual appropriations provide further the authorization for the USPTO to spend those fees and are available without fiscal limitation until expended.

The **Surcharge Fund** was created through the Patent and Trademark Office Surcharge provision in the Omnibus Budget Reconciliation Act (OBRA) of 1990 (Section 10101, Pub. L. No. 101-508). This required that the USPTO impose a surcharge on certain patent fees and set in statute the amounts of money that the USPTO should deposit in a special fund receipt account at the U.S. Department of the Treasury. This surcharge expired at the end of FY 1998. The USPTO may use moneys from this account only as authorized by Congress, and only as made available by the issuance of a Treasury warrant.

NOTE 15. Intragovernmental Costs and Exchange Revenue

Total intragovernmental costs and exchange revenue, by Strategic Goal, for the years ended September 30, 2014 and 2013 were as follows:

<i>(Dollars in Thousands)</i>	2014			
	PATENT	TRADEMARK	INTELLECTUAL PROPERTY PROTECTION	TOTAL
Strategic Goal 1: Optimize Patent Quality and Timeliness				
Intragovernmental Gross Cost	\$ 526,791	\$ -	\$ -	\$ 526,791
Gross Cost with the Public	1,934,782	-	-	1,934,782
Total Program Cost	2,461,573	-	-	2,461,573
Intragovernmental Earned Revenue	(8,656)	-	-	(8,656)
Earned Revenue from the Public	(2,737,277)	-	-	(2,737,277)
Total Program Earned Revenue	(2,745,933)	-	-	(2,745,933)
Net Program Income	\$ (284,360)	\$ -	\$ -	\$ (284,360)
Strategic Goal 2: Optimize Trademark Quality and Timeliness				
Intragovernmental Gross Cost	\$ -	\$ 48,236	\$ -	\$ 48,236
Gross Cost with the Public	-	177,158	-	177,158
Total Program Cost	-	225,394	-	225,394
Intragovernmental Earned Revenue	-	(446)	-	(446)
Earned Revenue from the Public	-	(271,665)	-	(271,665)
Total Program Earned Revenue	-	(272,111)	-	(272,111)
Net Program Income	\$ -	\$ (46,717)	\$ -	\$ (46,717)
Strategic Goal 3: Provide Domestic and Global Leadership to Improve Intellectual Property Policy, Protection, and Enforcement Worldwide				
Intragovernmental Gross Cost	\$ -	\$ -	\$ 9,718	\$ 9,718
Gross Cost with the Public	-	-	35,693	35,693
Total Program Cost	-	-	45,411	45,411
Net (Income)/Cost from Operations	\$ (284,360)	\$ (46,717)	\$ 45,411	\$ (285,666)
Total Entity				
Total Program Cost (Notes 16 and 17)	\$ 2,461,573	\$ 225,394	\$ 45,411	\$ 2,732,378
Total Program Earned Revenue	(2,745,933)	(272,111)	-	(3,018,044)
Net (Income)/Cost from Operations	\$ (284,360)	\$ (46,717)	\$ 45,411	\$ (285,666)

NOTE 15. Intragovernmental Costs and Exchange Revenue (continued)

<i>(Dollars in Thousands)</i>	2013			
	PATENT	TRADEMARK	INTELLECTUAL PROPERTY PROTECTION	TOTAL
Strategic Goal 1: Optimize Patent Quality and Timeliness				
Intragovernmental Gross Cost	\$ 485,208	\$ -	\$ -	\$ 485,208
Gross Cost with the Public	1,795,988	-	-	1,795,988
Total Program Cost	2,281,196	-	-	2,281,196
Intragovernmental Earned Revenue	(8,500)	-	-	(8,500)
Earned Revenue from the Public	(2,449,796)	-	-	(2,449,796)
Total Program Earned Revenue	(2,458,296)	-	-	(2,458,296)
Net Program Income	\$ (177,100)	\$ -	\$ -	\$ (177,100)
Strategic Goal 2: Optimize Trademark Quality and Timeliness				
Intragovernmental Gross Cost	\$ -	\$ 45,336	\$ -	\$ 45,336
Gross Cost with the Public	-	167,811	-	167,811
Total Program Cost	-	213,147	-	213,147
Intragovernmental Earned Revenue	-	(341)	-	(341)
Earned Revenue from the Public	-	(261,335)	-	(261,335)
Total Program Earned Revenue	-	(261,676)	-	(261,676)
Net Program Income	\$ -	\$ (48,529)	\$ -	\$ (48,529)
Strategic Goal 3: Provide Domestic and Global Leadership to Improve Intellectual Property Policy, Protection, and Enforcement Worldwide				
Intragovernmental Gross Cost	\$ -	\$ -	\$ 9,802	\$ 9,802
Gross Cost with the Public	-	-	36,282	36,282
Total Program Cost	-	-	46,084	46,084
Net (Income)/Cost from Operations	\$ (177,100)	\$ (48,529)	\$ 46,084	\$ (179,545)
Total Entity				
Total Program Cost (Notes 16 and 17)	\$ 2,281,196	\$ 213,147	\$ 46,084	\$ 2,540,427
Total Program Earned Revenue	(2,458,296)	(261,676)	-	(2,719,972)
Net (Income)/Cost from Operations	\$ (177,100)	\$ (48,529)	\$ 46,084	\$ (179,545)

Intragovernmental expenses relate to the source of the goods or services, not the classification of the related revenue.

NOTE 16. Program Costs

Program costs consist of both costs related directly to the individual business lines and overall support costs allocated to the business lines. All costs are assigned to specific programs. Total program or operating costs for the years ended September 30, 2014 and 2013 by cost category were as follows:

<i>(Dollars in Thousands)</i>	2014			2013		
	Direct	Allocated	Total	Direct	Allocated	Total
Personnel Services and Benefits	\$ 1,792,370	\$ 150,550	\$ 1,942,920	\$ 1,676,358	\$ 138,457	\$ 1,814,815
Travel and Transportation	2,555	752	3,307	2,036	511	2,547
Rent, Communications, and Utilities	91,063	32,549	123,612	88,647	35,041	123,688
Printing and Reproduction	124,611	138	124,749	112,492	184	112,676
Contractual Services	189,652	165,021	354,673	182,327	142,502	324,829
Training	2,044	1,300	3,344	484	347	831
Maintenance and Repairs	2,978	42,452	45,430	3,069	39,805	42,874
Supplies and Materials	36,631	1,217	37,848	36,936	793	37,729
Equipment not Capitalized	1,725	4,063	5,788	3,776	4,774	8,550
Insurance Claims and Indemnities	30	48	78	6	-	6
Depreciation, Amortization, or Loss on Asset Dispositions	28,795	61,834	90,629	16,766	55,116	71,882
Total Program Costs	<u>\$2,272,454</u>	<u>\$ 459,924</u>	<u>\$ 2,732,378</u>	<u>\$ 2,122,897</u>	<u>\$ 417,530</u>	<u>\$ 2,540,427</u>

The unfunded portion of personnel services and benefits for the years ended September 30, 2014 and 2013 was \$15,718 thousand and \$18,126 thousand, respectively.

NOTE 17. Program Costs by Category and Responsibility Segment

The program costs for the years ended September 30, 2014 and 2013 by cost category and business line were as follows:

<i>(Dollars in Thousands)</i>	2014			TOTAL
	PATENT	TRADEMARK	INTELLECTUAL PROPERTY PROTECTION	
Direct Costs				
Personnel Services and Benefits	\$ 1,640,574	\$ 128,857	\$ 22,939	\$ 1,792,370
Travel and Transportation	1,003	134	1,418	2,555
Rent, Communications, and Utilities	80,311	7,920	2,832	91,063
Printing and Reproduction	124,646	(35)	-	124,611
Contractual Services	166,385	14,048	9,219	189,652
Training	1,804	196	44	2,044
Maintenance and Repairs	2,155	656	167	2,978
Supplies and Materials	34,900	1,212	519	36,631
Equipment not Capitalized	520	1,137	68	1,725
Insurance Claims and Indemnities	28	1	1	30
Depreciation, Amortization, or Loss on Asset Dispositions	20,790	7,776	229	28,795
Subtotal Direct Costs	<u>\$ 2,073,116</u>	<u>\$ 161,902</u>	<u>\$ 37,436</u>	<u>\$ 2,272,454</u>
Allocated Costs				
Automation	\$ 202,235	\$ 35,589	\$ 3,475	\$ 241,299
Resource Management	186,222	27,903	4,500	218,625
Subtotal Allocated Costs	<u>\$ 388,457</u>	<u>\$ 63,492</u>	<u>\$ 7,975</u>	<u>\$ 459,924</u>
Total Program Costs	<u><u>\$ 2,461,573</u></u>	<u><u>\$ 225,394</u></u>	<u><u>\$ 45,411</u></u>	<u><u>\$ 2,732,378</u></u>

The unfunded portion of personnel services and benefits for the year ended September 30, 2014 was \$15,718 thousand.

NOTE 17. Program Costs by Category and Responsibility Segment *(continued)*

2013

(Dollars in Thousands)	PATENT	TRADEMARK	INTELLECTUAL PROPERTY PROTECTION	TOTAL
Direct Costs				
Personnel Services and Benefits	\$ 1,532,243	\$ 122,071	\$ 22,044	\$ 1,676,358
Travel and Transportation	728	132	1,176	2,036
Rent, Communications, and Utilities	77,932	7,715	3,000	88,647
Printing and Reproduction	112,414	68	10	112,492
Contractual Services	157,049	14,335	10,943	182,327
Training	284	159	41	484
Maintenance and Repairs	2,293	657	119	3,069
Supplies and Materials	35,207	1,278	451	36,936
Equipment not Capitalized	2,815	846	115	3,776
Insurance Claims and Indemnities	6	-	-	6
Depreciation, Amortization, or Loss on Asset Dispositions	11,921	4,680	165	16,766
Subtotal Direct Costs	\$ 1,932,892	\$ 151,941	\$ 38,064	\$ 2,122,987
Allocated Costs				
Automation	\$ 175,987	\$ 33,954	\$2,826	\$212,767
Resource Management	172,317	27,252	5,194	204,763
Subtotal Allocated Costs	\$ 348,304	\$ 61,206	\$ 8,020	\$ 417,530
Total Program Costs	\$ 2,281,196	\$ 213,147	\$ 46,084	\$ 2,540,427

The unfunded portion of personnel services and benefits for the year ended September 30, 2013 was \$18,126 thousand.

NOTE 18. Budgetary Resources

Total budgetary resources are primarily comprised of Congressional authority to spend current year fee collections. For FY 2014, the USPTO was appropriated up to \$3,024,000 thousand for fees collected during the fiscal year. In FY 2013, the USPTO was appropriated up to \$2,933,241 thousand for fees collected during the fiscal year. For the year ended September 30, 2014, the USPTO collected \$142,673 thousand more than the amount apportioned through September 30, 2014 (over-collections of fees of \$148,236 thousand and under-collections of other budgetary resources of \$5,563 thousand); the excess fee collections of \$148,236 thousand were deposited into the Patent and Trademark Fee Reserve Fund and remain available until expended. For the year ended September 30, 2013, the USPTO collected \$119,522 thousand less than the amount apportioned through September 30, 2013 (under-collections of fees of \$117,540 thousand and under-collections of other budgetary resources of \$1,982 thousand).

Total budgetary resources also include carryover of prior year budgetary resources (operating reserve). Carryover is derived from year-end budgetary resources that have not been obligated. Usage of the fees in the following fiscal year is for compensation and operational requirements on a first-in, first-out basis. For FY 2014, the carryover amount that was brought into the fiscal year from FY 2013 was \$442,291 thousand. For FY 2013, the carryover amount that was brought into the fiscal year from FY 2012 was \$237,873 thousand.

The USPTO receives an apportionment of Category A funds from OMB, which apportions budgetary resources by fiscal quarter. The USPTO does not receive any Category B funds, or those exempt from apportionment. As of September 30, 2014 and 2013, reimbursable obligations incurred were \$2,997,457 thousand and \$2,489,268 thousand, respectively.

Permanent Indefinite Appropriations

In addition to the appropriation of fee collections mentioned above, the USPTO received a permanent indefinite appropriation in the *Leahy-Smith America Invents Act* (Pub. L. No. 112-29). The permanent indefinite appropriation is comprised of offsetting collections for (1) a 15 percent interim surcharge on certain patent fees that will continue until each fee is adjusted by regulation and (2) fees paid by patent applicants to request expedited, prioritized examination. These offsetting collections are deposited in the salaries and expenses (013X1006) no year fund. The FY 2013 and FY 2012 appropriation language superseded the *Leahy-Smith America Invents Act* language, eliminating the permanent indefinite appropriation authority for two one-year periods. Patent fees were adjusted by regulation during FY 2013, which eliminated the permanent indefinite appropriation authority.

Funding Limitations

Pursuant to the *Patent and Trademark Office Fee Fairness Act of 1999* (35 U.S.C. §42(c)), all fees available to the Director under section 31 of the Trademark Act of 1946 are used only for the processing of trademark registrations and for other activities, services, and materials relating to trademarks, as well as to cover a proportionate share of the administrative costs of the USPTO.

Pursuant to the *Leahy-Smith America Invents Act* (35 U.S.C. §42(c)), all fees available to the Director under sections 41, 42, and 376 of 35 U.S.C. are used only for the processing of patent applications and for other activities, services, and materials relating to patents, as well as to cover a proportionate share of the administrative costs of the USPTO.

NOTE 18. Budgetary Resources *(continued)*

The total temporarily unavailable fee collections pursuant to Public Law as of September 30, 2014 are \$1,171,347 thousand. Of this amount, certain USPTO collections of \$233,529 thousand were withheld in accordance with the OBRA of 1990, and deposited in a special fund receipt account at the U.S. Department of the Treasury.

Pursuant to the *Consolidated and Further Continuing Appropriations Act, 2013* (Pub. L. No. 113-6), the USPTO has sequestered funds of \$147,733 thousand (8.6 percent of fees collected starting March 1, 2013 through the end of the fiscal year). The sequestered funds will not be available for spending without further Congressional action.

Undelivered Orders

In addition to the future lease commitments discussed in Note 11, the USPTO is obligated for the purchase of goods and services that have been ordered, but not yet received. Total reimbursable undelivered orders for all of the USPTO's activities were \$396,788 thousand and \$156,372 thousand as of September 30, 2014 and 2013, respectively. Of these amounts, \$388,092 thousand and \$146,714 thousand, respectively, were unpaid.

NOTE 19. Incidental Custodial Collections

Custodial collections represent miscellaneous general fund receipts, such as non-electronic patent filing fees, gains on foreign exchange rates, and employee debt finance charges. Non-electronic patent filing fee collections began in November 2011. Custodial collection activities are considered immaterial and incidental to the mission of the USPTO.

(Dollars in Thousands)	2014	2013
Revenue Activity:		
Sources of Collections:		
Miscellaneous	\$ 629	\$ 832
Total Cash Collections	629	832
Accrual Adjustments	-	-
Total Custodial Revenue	629	832
Disposition of Collections:		
Transferred to Others:		
Treasury	(629)	(832)
(Increase)/Decrease in the Amounts Yet to be Transferred	-	-
Net Custodial Activity	\$ -	\$ -

NOTE 20. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government and accordingly are not recognized on the proprietary financial statements.

The Patent Cooperation Treaty authorized the USPTO to collect patent filing and search fees on behalf of the WIPO, EPO, Korean Intellectual Property Office, Russian Intellectual Property Organization, and the Australian Patent Office from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorized the USPTO to collect trademark application fees on behalf of the International Bureau of the WIPO from U.S. citizens requesting an international trademark.

<i>(Dollars in Thousands)</i>	2014			2013		
	Patent Cooperation Treaty	Madrid Protocol	Total Fiduciary Funds	Patent Cooperation Treaty	Madrid Protocol	Total Fiduciary Funds
Schedule of Fiduciary Activity For the Years Ended September 30, 2014 and 2013						
Fiduciary Net Assets, Beginning of Year	\$ 14,364	\$ 484	\$ 14,848	\$ 12,620	\$ 400	\$ 13,020
Contributions	186,630	21,818	208,448	\$ 162,565	17,451	180,016
Disbursements to and on Behalf of Beneficiaries	(185,199)	(21,790)	(206,989)	(160,821)	(17,367)	(178,188)
Increase in Fiduciary Net Assets	1,431	28	1,459	1,744	84	1,828
Fiduciary Net Assets, End of Year	\$ 15,795	\$ 512	\$ 16,307	\$ 14,364	\$ 484	\$ 14,848

Fiduciary Net Assets As of September 30, 2014 and 2013

<i>(Dollars in Thousands)</i>	Patent Cooperation Treaty	Madrid Protocol	Total Fiduciary Funds	Patent Cooperation Treaty	Madrid Protocol	Total Fiduciary Funds
Cash and Cash Equivalents	\$ 15,795	\$ 512	\$ 16,307	\$ 14,364	\$ 484	\$ 14,848
Total Fiduciary Net Assets	\$ 15,795	\$ 512	\$ 16,307	\$ 14,364	\$ 484	\$ 14,848

NOTE 21. Reconciliation of Net Cost of Operations to Budget

Most entity transactions are recorded in both budgetary and proprietary accounts. However, because different accounting guidelines are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts. The following reconciliation provides a means to identify the relationships and differences that exist between the aforementioned budgetary and proprietary accounts.

The reconciliation of net cost of operations to budget for the years ended September 30, 2014 and 2013 is as follows:

(Dollars in Thousands)	2014	2013
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 2,997,457	\$ 2,489,267
Spending Authority from Offsetting Collections and Recoveries	<u>(3,208,123)</u>	<u>(2,693,686)</u>
Net Obligations	<u>(210,666)</u>	<u>(204,419)</u>
Other Resources		
Imputed Financing from Cost Absorbed by Others	<u>62,505</u>	<u>44,818</u>
Total Resources Used to Finance Activities	<u>(148,161)</u>	<u>(159,601)</u>
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	(240,415)	31,458
Resources that Fund Costs Recognized in Prior Periods	(165)	(189)
Budgetary Offsetting Collections that do not Affect Net Cost of Operations	158,249	(50,118)
Resources that Finance the Acquisition of Assets Capitalized on the Balance Sheet	<u>(161,911)</u>	<u>(91,910)</u>
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>(244,242)</u>	<u>(110,759)</u>
COMPONENTS OF NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Costs that will be Funded by Resources in Future Periods	<u>16,112</u>	<u>18,347</u>
Total Components of Net Cost of Operations that will Require or Generate Resources in Future Periods	<u>16,112</u>	<u>18,347</u>
Components not Requiring or Generating Resources:		
Depreciation, Amortization, or Loss on Asset Dispositions	90,629	71,882
Other Costs that will not Require Resources	<u>(4)</u>	<u>586</u>
Total Components of Net Cost of Operations that will not Require or Generate Resources	<u>90,625</u>	<u>72,468</u>
Total Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period	<u>106,737</u>	<u>90,815</u>
Net Income from Operations	<u>\$ (285,666)</u>	<u>\$ (179,545)</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT

The following table illustrates the USPTO's FY 2014 budgetary resources by major budget account.

<i>(Dollars in Thousands)</i>	<u>Salaries and Expenses</u>	<u>Patent and Trademark Fee Reserve Fund</u>	<u>Combining Total</u>
BUDGETARY RESOURCES			
Unobligated Balance - Brought Forward, October 1	\$ 442,291	\$ -	\$ 442,291
Recoveries of Prior Year Unpaid Obligations	29,894	-	29,894
Spending Authority from Offsetting Collections (discretionary)	3,027,993	148,236	3,176,229
Total Budgetary Resources	<u>\$ 3,500,178</u>	<u>\$ 148,236</u>	<u>\$ 3,648,414</u>
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred	\$ 2,997,457	\$ -	\$ 2,997,457
Unobligated Balance, End of Year: Apportioned	502,721	148,236	650,957
Total Status of Budgetary Resources	<u>\$ 3,500,178</u>	<u>\$ 148,236</u>	<u>\$ 3,648,414</u>
CHANGE IN OBLIGATED BALANCE			
Unpaid Obligations:			
Unpaid Obligations, Brought Forward, October 1	\$ 265,560	\$ -	\$ 265,560
Obligations Incurred	2,997,457	-	2,997,457
Gross Outlays	(2,683,182)	-	(2,683,182)
Recoveries of Prior Year Unpaid Obligations	(29,894)	-	(29,894)
Unpaid Obligations, End of Year	<u>\$ 549,941</u>	<u>\$ -</u>	<u>\$ 549,941</u>
Uncollected Payments:Uncollected Customer Payments from FederalSources, Brought Forward, October 1	\$ (47)	\$ -	\$ (47)
Change in Uncollected Customer Paymentsfrom Federal Sources	(73)	-	(73)
Uncollected Customer Payments fromFederal Sources, End of Year	<u>\$ (120)</u>	<u>\$ -</u>	<u>\$ (120)</u>
Memorandum (non-add) entries:Obligated Balance, Net, Start of Year	<u>\$ 265,513</u>	<u>\$ -</u>	<u>\$ 265,513</u>
Obligated Balance, Net, End of Year	<u>\$ 549,821</u>	<u>\$ -</u>	<u>\$ 49,821</u>
BUDGET AUTHORITY AND NET OUTLAYS			
Budget Authority, Gross (discretionary)	\$ 3,027,993	\$ 148,236	\$ 3,176,229
Actual Offsetting Collections (discretionary)	(3,029,920)	(148,236)	(3,178,156)
Change in Uncollected Customer Paymentsfrom Federal Sources (discretionary)	(73)	-	(73)
Budget Authority, Net (discretionary)	<u>\$ (2,000)</u>	<u>\$ -</u>	<u>\$ (2,000)</u>
Gross Outlays (discretionary)	\$ 2,683,182	\$ -	\$ 2,683,182
Actual Offsetting Collections (discretionary)	(3,029,920)	(148,236)	(3,178,156)
Net Collections (discretionary)	<u>\$ (346,738)</u>	<u>\$ (148,236)</u>	<u>\$ (494,974)</u>

Unaudited, please see the accompanying auditors' report.

INDEPENDENT AUDITORS' REPORT



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

November 14, 2014

MEMORANDUM FOR: Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property
and Deputy Director of the U.S. Patent and Trademark Office

FROM:


Todd J. Zinser

SUBJECT: U.S. Patent and Trademark Office FY 2014 Financial Statements—
Final Report No. OIG-15-007-A

I am pleased to provide you with the attached audit report, which presents an unmodified opinion on USPTO's FY 2014 financial statements. KPMG LLP, an independent public accounting firm, performed the audit in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget Bulletin 14-02, *Audit Requirements for Federal Financial Statements*.

In its audit of USPTO, KPMG

- determined that the financial statements were fairly presented, in all material respects, and in conformity with U.S. generally accepted accounting principles;
- identified no deficiencies in internal control over financial reporting that were considered to be a material weakness, as defined in the report; and
- identified no instances of reportable noncompliance with applicable laws, regulations, and contracts.

My office oversaw the audit performance. We reviewed KPMG's report and related documentation, and made inquiries of its representatives. Our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards. However, our review—as differentiated from an audit in accordance with these standards—was not intended to enable us to express, and we do not express, any opinion on USPTO's financial statements, conclusions about the effectiveness of internal control, or conclusions on compliance with laws, regulations, and contracts. KPMG is solely responsible for the attached audit report, dated November 13, 2014, and the conclusions expressed in it.

We appreciate the cooperation and courtesies USPTO extended to KPMG during the audit.

Attachment





KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, U.S. Department of Commerce and
Under Secretary of Commerce for Intellectual Property and
Director of the U.S. Patent and Trademark Office:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Patent and Trademark Office (USPTO), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



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Independent Auditors' Report
November 13, 2014
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Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Patent and Trademark Office as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The consolidated statements of cash flows for the years ended September 30, 2014 and 2013, the Message from the Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the USPTO section, the Message from the Chief Financial Officer section, and the Other Information section are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements.

The consolidated statements of cash flows for the years ended September 30, 2014 and 2013 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated statements of cash flows for the years ended September 30, 2014 and 2013 are fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.



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The information in the Message from the Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the USPTO section, the Message from the Chief Financial Officer section, and the Other Information section have not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the USPTO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the USPTO's internal control. Accordingly, we do not express an opinion on the effectiveness of the USPTO's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USPTO's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.



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Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the USPTO's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 13, 2014

OTHER INFORMATION

SCHEDULE OF SPENDING

The Schedule of Spending (SOS) provides an overview of how and where the USPTO is spending money. The Schedule of Spending presents amounts agreed to be spent for the current year, how the money was spent, and who received the money. The Schedule of Spending is presented on a budgetary basis, the same as the Statement of Budgetary Resources. The *Total Amounts Agreed to be Spent* lines agree with *Obligations Incurred* during the current year, as presented on the Statement of Budgetary Resources.

For the years ended September 30, 2014 and 2013
(Dollars in Thousands)

2014

2013

What Money is Available to Spend?

This section presents resources that were available to spend by the USPTO.

Total Resources	\$ 3,648,414	\$ 2,931,558
Less Amount Not Agreed to be Spent	650,957	442,291
Total Amounts Agreed to be Spent	\$ 2,997,457	\$ 2,489,267

How was the Money Spent?

This section presents services or items purchased; the items in this section align to OMB budget object class definitions found in OMB Circular No. A-11.

Personnel Compensation and Benefits	\$ 1,875,483	\$ 1,758,108
Travel	4,704	3,019
Rent, Communication, and Utilities	128,313	121,947
Printing	146,886	114,382
Contractual Services	598,564	373,166
Supplies	40,339	37,913
Equipment	200,128	78,578
Land, Building, and Structures	898	225
Other	2,142	1,929
Total Amounts Agreed to be Spent	\$ 2,997,457	\$ 2,489,267

Who did the Money go to?

This section presents with whom the USPTO is spending money.

Federal Government	\$ 226,502	\$ 193,312
Non-Federal	2,770,955	2,295,955
Total Amounts Agreed to be Spent	\$ 2,997,457	\$ 2,489,267

INSPECTOR GENERAL'S TOP MANAGEMENT CHALLENGES FACING THE USPTO



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

October 16, 2014

OIG's Assessment of the Top Management Challenges Facing USPTO

The Reports Consolidation Act of 2000 requires federal inspectors general to identify the top management challenges facing their departments. The *Top Management Challenges Facing the Department of Commerce* report for fiscal year 2015 identifies four challenges faced specifically by USPTO, in addition to the Department-wide challenges affecting all Commerce bureaus. The full report can be found at www.oig.doc.gov.

Summary of OIG's Assessment of USPTO's Major Challenges	
Reducing Waiting Times	<p>Although USPTO has made progress in reducing the time an applicant waits to have a new application reviewed, waiting times for other types of filings, especially Requests for Continued Examination (RCEs), have increased.</p> <p>Although USPTO has begun to reduce the backlog of RCEs, the rapid rise in the RCE backlog over the last 5 years highlights the challenges USPTO encounters when it prioritizes the review of new applications to the detriment of other types of filings. The steady growth in the appeal backlog and in waiting times also raises concerns about the timely adjudication of IP rights at USPTO.</p>
Reducing Patent Errors	<p>USPTO must balance the pressure to issue patents in a more timely manner with its responsibility to ensure that it issues high-quality patents.</p> <p>As USPTO explores new options to improve patent quality—such as crowd-sourcing searches of relevant technology (or “prior art”)—it will at the same time need to work to increase stakeholder confidence in its quality assurance processes.</p>
Protecting Global IP Rights	<p>USPTO faces challenges as it seeks to assist U.S. companies to protect and enforce their IP rights and provide technical assistance to the Office of the U.S. Trade Representative to implement IP rights provisions in international agreements.</p> <p>As USPTO and other U.S. government agencies strive to increase the number of bilateral IP agreements and strengthen global IP standards, they must contend with countries less supportive of efforts to enhance IP standards.</p>
Managing a Large and Dispersed Workforce	<p>USPTO faces workforce management challenges, including operating without a permanent director since January 2013.</p> <p>The findings of an internal USPTO investigation regarding management of its telework program and two OIG investigations related to hiring practices at the Trademark Office and poor supervisory oversight at the Patent Trial and Appeal Board raise concerns over USPTO's ability to hire and manage an expanded workforce, many of whom work from home.</p>



The full report can be found at www.oig.doc.gov.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

TABLE 1. SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NONE	-	-	-	-	-
Total Material Weaknesses	-	-	-	-	-

TABLE 2. SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control over Financial Reporting (FMFIA §2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
NONE	-	-	-	-	-	-
Total Material Weaknesses	-	-	-	-	-	-
Effectiveness of Internal Control over Operations (FMFIA §2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
NONE	-	-	-	-	-	-
Total Material Weaknesses	-	-	-	-	-	-
Conformance with financial management system requirements (FMFIA §4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
NONE	-	-	-	-	-	-
Total Non-Conformances	-	-	-	-	-	-
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
Overall Substantial Compliance	Yes			Yes		
1. System Requirements	Yes			Yes		
2. Accounting Standards	Yes			Yes		
3. USSGL at Transaction Level	Yes			Yes		

IMPROPER PAYMENTS INFORMATION ACT (IPIA) OF 2002, AS AMENDED

The IPIA of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012, requires agencies to annually estimate and report on improper payments and agency actions to reduce them to the President and Congress, as well as review prepayment and pre-award procedures to ensure that a thorough review of available databases with relevant information on eligibility occurs to determine program or award eligibility and prevent improper payments before the release of any federal funds. A review of all programs and activities that the USPTO administers is performed annually to assist in identifying, reporting, and/or preventing erroneous or improper payments. In addition, during FY 2013 the USPTO implemented a periodic vendor record eligibility validation process using Do Not Pay Initiative databases to prevent improper payments. The USPTO has not identified any significant problems with improper payments. However, the USPTO recognizes the importance of maintaining adequate internal controls to ensure the accuracy and integrity of payments made by the agency, and the USPTO maintains a strong commitment to continuous improvement in the overall disbursement management process. For FY 2014 and beyond, the USPTO will continue its efforts to ensure the integrity of its disbursements.

The USPTO annually conducts an assessment of the effectiveness of internal control over financial reporting, in compliance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Furthermore, the FY 2013 assessment included a review of internal controls over disbursement processes, which indicated that current internal controls over disbursement processes are sound.

The USPTO completes an annual improper payments risk assessment covering all of its programs/activities as required by OMB Circular A-123, Appendix C. These improper payments risk assessments of the entity's programs/activities also include assessments of the corporate control and procurement environment. The improper payments program/activity risk assessment has revealed no risk-susceptible programs.

The results of the USPTO assessments revealed no risk-susceptible programs, and demonstrated that, overall, the USPTO has strong internal controls over disbursement processes, the amount of improper payments by the USPTO is immaterial, and the risk of improper payments is low. An estimated improper payment rate, accordingly, was deemed not necessary.

During FY 2014, the USPTO did not have any erroneous payments that exceeded the ten million dollar threshold. The USPTO seeks to identify overpayments and erroneous payments by reviewing (1) credit memos and refund checks issued by vendors or customers and (2) undelivered electronic payments returned by financial institutions. In addition, the USPTO has implemented process improvements to minimize erroneous payments resulting from vendor payment assignments.

During FY 2008, the USPTO initiated an internal recovery audit program. Under this program, a letter similar to that sent by our recovery audit contractor was sent to vendors on a rotational basis. This program excludes grants, travel payment, purchase card transactions, inter-agency agreements, government bills of lading, and gift and bequest transactions. This program continued through FY 2013. As there were no items identified as recoverable and it had not yielded any meaningful results, we did not continue this program into FY 2014.

During FY 2012, the USPTO entered into an agreement with the DOC to use an existing contract for recovery audit services. The audit was limited to obligations closed after September 30, 2009 and through April 30, 2012, and greater than \$0.1 million. Further excluded were grants, travel payments, payments to employees, purchase card transactions, inter-agency agreements, government bills of lading, and gift and bequest transactions. The audit was completed in FY 2013 and resulted in zero invoices that were identified as recoverable improper payments. Accordingly, no recovery audit services were conducted in FY 2014.

FY 2012 Summary of Recovery Audit Effort (Dollars in Millions)	
Amount subject to review	\$ 578.2
# of invoices	9,489

In FY 2014, the USPTO continued its reporting procedures to senior management and to the Department of Commerce on improper payments, identifying the nature and magnitude of any improper payments, along with any necessary control enhancements to prevent further occurrences of the types of improper payments identified.

Improper Payment Reduction Outlook (Dollars in Millions)									
Program	FY 2013			FY 2014			FY 2015	FY 2016	FY 2017
	Outlays	Improper Payment Percent	Improper Payment Dollars	Outlays	Improper Payment Percent	Improper Payment Dollars	Estimated Outlays	Estimated Outlays	Estimated Outlays
Patent	\$ 2,290	0.02%	\$ 0.44	\$ 2,418	0.17%	\$ 4.10	\$ 3,021	\$ 3,198	\$ 3,115
Trademark	212	0.02%	0.04	221	0.17%	0.38	277	293	285
Intellectual Property	46	0.02%	0.01	44	0.17%	0.07	55	58	57
Total	\$ 2,547	0.02%	\$ 0.49	\$ 2,683	0.17%	\$ 4.55	\$ 3,353	\$ 3,549	\$ 3,457

FREEZE THE FOOTPRINT

The USPTO continues to grow in employee counts, with an increase of 936 employees since the FY 2012 baseline. The USPTO is in the process of exploring options to restack and reconfigure spaces within the existing square footage to accommodate future growth of employees. Further, the *Leahy-Smith America Invents Act* (AIA), signed on September 16, 2011, requires the USPTO to establish at least three satellite offices. The first permanent office opened in Detroit in FY 2012 and now houses 102 patent

examiners and Patent Trial and Appeal Board judges. The second permanent office opened in Denver in FY 2014 and hires are ongoing. The USPTO established temporary offices in FY 2013 to house administrative judges in Silicon Valley, California and Dallas, Texas before the final sites are constructed in FY 2015. The AIA has necessitated that the USPTO expand its footprint and it is expected that this will necessitate an increase in square footage as we take on permanent office space in California and Texas.

Freeze the Footprint Baseline Comparison			
	FY 2012 Baseline	FY 2013 (Change from FY 2012 Baseline)	FY 2014 (Change from FY 2012 Baseline)
(square footage (SF) in millions)	3.119	3.140 (20,423 RSF increase from FY 2012)	3.176 (56,678 RSF increase from FY 2012)

Reporting of Operations and Maintenance Costs—Direct Lease Buildings			
	FY 2012 Reported Cost	FY 2013 (Change from FY 2012 Baseline)	FY 2014 (Change from FY 2012 Baseline)
(dollars in millions)	\$0.4	\$0.3 (\$0.1 million decrease from FY 2012)	\$0.4 (\$0.0 million increase from FY 2012)

THE NATURE OF THE TRAINING PROVIDED TO USPTO EXAMINERS

Achieving organizational excellence demands a high-performance workforce that delivers high quality work products and provides customer service excellence. Training is a critical component in achieving consistently high quality products and services. Patent examiners and trademark examining attorneys received extensive legal, technical, and automation training in FY 2014. The USPTO has a comprehensive training program for new patent examiners and trademark examining attorneys, embedding a well-established curriculum including initial legal training, automation training, and training in examination practice and procedure. Automation training is provided to all examiners as new systems are deployed and existing systems are enhanced. New technology-specific legal and technical training was conducted throughout the examining operations. This specific training either focuses on practices particular to a technology or was developed to address training needs identified through patent and trademark examination reviews or staff requests.

The USPTO training staff works with the Patent and Trademark organizations to address specific training

concerns and serve as consultants to design specific internal programs to fit the education needs of each business unit. Training is reviewed and evaluated on an ongoing basis to ensure it is up-to-date and that coursework reflects developments and changes that have taken place in the industry.

This training provides examiners with a working knowledge of the reforms under the America Invents Act. The training covers several new statutory provisions of patent law including first-inventor-to-file, preissuance submissions, supplemental examination, and inventor's oath and declaration. The first-inventor-to-file in person or WebEx training was delivered in three phases: (i) an introductory overview training with videos, (ii) a comprehensive training session with videos, and (iii) a hands-on workshop designed to introduce examiners to situations that may arise in prosecution. A computer-based training library also was developed to cover more nuanced first-inventor-to-file specific topics not covered in the live/WebEx sessions along with a specialized internal website housing lecture materials, slides, and frequently asked questions. For the other provisions of law, computer-based training is available.

PATENT EXAMINER TRAINING

U.S. Patent Training Academy

- Mandatory training for first year patent examiners

Training in the Academy

Two patent examiner training programs: Intellectual Property Experienced Examiner Training and an Entry Level Training, a two-phased program completed in 12 months.

- **Intellectual Property Experienced Examiner Training Curriculum**

This curriculum includes enhanced instruction in legal, procedural, and automation training, in areas such as: more than a dozen specialized applications used in patent examination, multiple search systems, databases, and commonly used office applications such as: Classification Systems, Searching (classification, text), Claim Interpretation, Advanced Text Searching, Technology Center (TC) Specific tools such as STN and Dialog, Writing an Effective Examiner's Answer, Appeal Procedure, and Practice (Appeal Conference and Pre-Conference; Prevent Administrative Remand).

- **Entry Level Two-Phased 12-Month New Examiner Training Curriculum**

The legal and procedural training of this curriculum includes enhanced instruction in areas such as: Classification Systems, Searching (classification, text), Claim Interpretation, Advanced Text Searching, Writing an Effective Examiner's Answer, Appeal Procedure, and Practice (Appeal Conference and Pre-Conference; Prevent Administrative Remand).

Technical training includes: Introduction to examining applications in specific areas of technology, the current state of specific technologies, ongoing technology topics, etc.

Automation training includes classes in more than a dozen specialized applications used in patent examination, multiple search systems, databases, and commonly-used office applications.

Life skills training includes: time management, ethics training, stress management, balancing quality and production, professionalism, benefits and financial planning basics, balancing work and personal life, diversity training, and negotiating conflict.

- **Individual Development Plan**

The Academy training program includes creating an Individual Development Plan (IDP) for each examiner. The IDP is composed of formal training courses, development assignments, and on-the-job training. The IDP is designed to assist the examiner from day one, through the first 12 months of employment. When the examiner graduates from the Academy, and is transferred to a TC, the IDP will continue to enable the examiner to acquire the competencies essential to perform assigned duties and to prepare for further development.

Programs for all Patent Examiners

Legal Practice and Procedure Training

- **Patent Examiner Refresher Training**

Courses developed to enhance patent examiners' knowledge and skills in procedural and legal topics pertaining to patent examination. Participants may enroll in one or more courses in consultation with their supervisor.

- **Advanced Patent Examiner Training**

This is a program for examiners who have several years of patent examining experience. The program provides training in specific legal areas such as unexpected results and actual reduction to practice found in affidavit practice.

PATENT EXAMINER TRAINING

- **Patent Corps Examination Training:**

Patent Corps Examination Training is training on patent examination policy, practice, and procedures, including legal lectures, for examiners at any grade or level of experience.

- **In-House Patent Law and Evidence Course**

Training for Patent examiners on authoritative court decisions on statutory issues under 35 U.S.C. §§ 101, 102, 103, and 112 and the handling of evidence during the examination of applications.

- **Patent Examiner Technical Training Program (PETTP)**

PETTP is one of seven Executive Actions and is aimed at encouraging innovation and strengthening the quality and accessibility of the patent system. (To learn more about Executive Actions see http://www.uspto.gov/patents/init_events/executive_actions.jsp#heading-7). Scientists, engineers, professors, industrial designers, and other technology experts volunteer to share their expertise with patent examiners within a learning environment. Presentations discuss advances in state of the art, emerging trends, and recent innovations in their fields. Courses offered in the past have covered topics such as cloud computing, green technologies, and nanotechnologies from participants such as Boeing, Duke University, and Toyota. Technology experts from outside USPTO who have value-added expertise teach these courses.

- **Site Experience Education (SEE) Program**

This unique program enables examiners to experience technology at its source. It provides opportunities for groups of examiners to visit U.S. company sites to get updates on current and emerging technologies and gain a better understanding of how these firms do business. Visits are bundled so examiners can compare and contrast experiences at multiple sites.

- **Continuing Education Series**

Training for patent examiners to enhance their technical and legal knowledge in the examination of patent applications.

Courses Offered:

- Non-Duty Hours Legal Studies Program (Budget Dependent)
- Non-Duty Hours Technical Training Program (Budget Dependent)
- Updated Automation Tools Training (in coordination with Office of Patent Information Management)
- Brown Bag Informational Seminars
- Patent Administrative Professional Training
- Patent Examination for Non-Examiners
- Legal Secretaries and Administrators Conference

TRADEMARK EXAMINING ATTORNEY TRAINING

In FY 2014 the Trademark organization prepared, using data gathered from the results of quality reviews that were analyzed, the content of online e-learning training materials for trademark examining attorneys. Live and web cast Training Sessions and Modules were developed and released covering the following list of topics.

- TMEP October 2013 Update Overview
- New USPTO Ethics Rules
- Examiner-Led 2(f) Workshop
- INTA Industry Training—Big Data
- INTA/USPTO Seminar Trademark Counterfeiting
- INTA/USPTO Seminar on Right of Publicity
- Recent Developments in Trademark Law
- TEALE—New Examining Attorney Training
- I.T. Services in the Real World
- Trade Dress Training
- OPIA International Hot Topics
- Review of TM Legal Resources for Evidence Gathering

Law Office Presentations and Computer-Based Training Modules were developed and released covering the following list of topics.

- ID Crafting Bootcamp
- Madrid Training

One Exam Guide published:

- Exam Guide on Specimens for Services (August 2014)

Other Guidance covering the following topics was also released.

- Four issues of guidance newsletter (Two Quick Reminders)

DISCONTINUED MEASURES

Measures that Have Been Either Discontinued or Changed Since the FY 2013 PAR

Strategic Goal	Optimize patent quality and timeliness
Corresponding Measures	<ul style="list-style-type: none"> Patent Applications Filed Electronically
Change	<ul style="list-style-type: none"> The measure has been discontinued, having served its purpose
Justification	<ul style="list-style-type: none"> “Patent Applications Filed Electronically” was a metric the USPTO employed to measure the number of patent application filers utilizing electronic filing methods as opposed to paper filing methods. Prior to establishment of this measure, the USPTO conducted most of its patent prosecution process via paper means. However, by the turn of the 21st Century, the USPTO became an essentially paperless electronic patent processing environment. As public use of the Internet expanded, patent applicants were enabled to forego paper in favor of electronic filing methods, thus more efficiently integrating into the USPTO’s electronic patent prosecution process. The higher the applicant participation in the electronic process the greater the speed and efficiency with which applications could be processed—a result that is important to reducing patent pendency and increasing patent quality. The goal of this metric was to measure the increase of this public integration into USPTO’s electronic patent prosecution process to the greatest extent possible. In FY 2009, the USPTO initially reported this measure at 82.4% public participation over a target of 80%. Within five years, the participation rate had swelled to 98.1% over the 98% target for FY 2013. Outyear targets for this metric would have to be set at or near 100%. Since USPTO does not bar paper patent application filings, it is not considered useful or otherwise practical to set a 100% target for this metric. Any participation rate over 98% is considered to be optimal for the electronic patent prosecution process. Hence, the metric has served its purpose and is no longer useful in assessing progress on the pendency or quality performances as described in the USPTO’s <i>FY 2014-2018 Strategic Plan</i>

FY 2014 USPTO WORKLOAD TABLES

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TABLE 1: Summary of Patent Examining Activities (FY 2010-FY 2014) (Preliminary for FY 2014)¹

Patent Examining Activity	2010	2011	2012	2013	2014
Applications filed, total^{1,2}	510,060	537,171	565,566	601,464	618,330
Utility ³	479,332	504,663	530,915	564,007	579,782
Reissue	1,138	1,158	1,212	1,074	1,208
Plant	1,013	1,103	1,181	1,318	1,124
Design	28,577	30,247	32,258	35,065	36,216
Provisional Applications Filed^{2,4}	140,561	150,187	163,031	177,942	169,170
First actions					
Design	26,051	25,042	26,578	27,669	28,341
Utility, Plant, and Reissue	447,485	505,651	542,081	595,110	578,352
PCT/Chapter	15,574	13,297	18,400	15,060	19,787
Patent application disposals, total	553,549	533,943	574,854	605,994	637,263
Allowed Patent Applications, total	264,119	266,580	305,840	334,560	346,909
Design	23,681	22,683	24,231	24,967	24,695
Utility, Plant, and Reissue	240,438	243,897	281,609	309,593	322,214
Abandoned, total	289,419	267,353	269,009	271,424	290,354
Design	3,101	2,701	2,567	2,705	2,828
Utility, Plant, and Reissue	286,318	264,652	266,442	268,719	287,526
Statutory invention registration disposals, total	11	10	5	10	-
PCT/Chapter II examinations completed	2,265	3,191	2,671	2,016	1,450
Applications Published⁵	338,452	321,115	328,620	339,775	382,056
Patents issued^{2,6}	233,127	244,430	270,258	290,083	329,613
Utility	207,915	221,350	246,464	265,979	303,931
Reissue	861	969	921	809	661
Plant	978	816	920	842	1,013
Design	23,373	21,295	21,953	22,453	24,008
Pendency time of average patent application ⁷	35.3	33.7	32.4	29.1	27.4
Reexamination certificates issued	776	909	893	819	790
PCT international applications received by USPTO as receiving office	45,701	48,285	52,417	56,226	62,697
National requirements received by USPTO as designated/elected office	61,587	65,463	67,573	73,488	78,213
Patents renewed under Public Law (P.L.) 102-204 ⁸	361,668	378,830	308,812	348,658	419,563
Patents expired under P.L. 102-204 ⁸	79,993	82,146	80,050	79,689	89,523

¹ FY 2014 filing data are preliminary and will be finalized in the FY 2015 PAR.² FY 2013 application data has been updated with final end of year numbers.³ Utility patents include chemical, electrical and mechanical applications.⁴ Provisional applications provided for in Pub.L. 103-465.⁵ Eighteen-month publication of patent applications provided for the American Inventors Protection Act of 1999, Pub.L. 106-113.⁶ Excludes withdrawn numbers. Past years' data may have been revised from prior year reports.⁷ Average time (in months) between filing and issuance or abandonment of utility, plant, and reissue applications. This average does not include design patents.⁸ The provisions of Pub.L. 102-204 regarding the renewal of patents superceded Pub.L. 96-517 and P.L. 97-247.

TABLE 2: Patent Applications Filed (FY 1994–FY 2014) *(Preliminary for FY 2014)¹*

Year	Utility	Design	Plant	Reissue	Total
1994	185,087	15,431	430	606	201,554
1995	220,141	15,375	516	647	236,679
1996	189,922	15,160	557	637	206,276
1997	219,486	16,272	680	607	237,045
1998	238,850	16,576	658	582	256,666
1999	259,618	17,227	759	664	278,268
2000	291,653	18,563	786	805	311,807
2001	324,211	18,636	914	956	344,717
2002	331,580	19,706	1,134	974	353,394
2003	331,729	21,966	785	938	355,418
2004	353,319	23,457	1,212	996	378,984
2005	381,797	25,304	1,288	1,143	409,532
2006	417,453	25,853	1,204	1,103	445,613
2007	439,578	26,693	1,002	1,057	468,330
2008	466,258	28,217	1,331	1,080	496,886
2009	458,901	25,575	988	1,035	486,499
2010	479,332	28,577	1,013	1,138	510,060
2011	504,663	30,247	1,103	1,158	537,171
2012	530,915	32,258	1,181	1,212	565,566
2013	564,007	35,065	1,318	1,074	601,464
2014	579,782	36,216	1,124	1,208	618,330

¹ FY 2014 data are preliminary and will be finalized in the FY 2015 PAR.

TABLE 3: Patent Applications Pending Prior to Allowance¹ (FY 1994–FY 2014)

Year	Awaiting Action by Examiner	Total Applications Pending ²
1994	107,824	261,249
1995	124,275	298,522
1996	139,943	303,720
1997	112,430	275,295
1998	224,446	379,484
1999	243,207	414,837
2000	308,056	485,129
2001	355,779	542,007
2002	433,691	636,530
2003	471,382	674,691
2004	528,685	756,604
2005	611,114	885,002
2006	701,147	1,003,884
2007	760,924	1,112,517
2008	771,529	1,208,076
2009	735,961	1,207,794
2010	726,331	1,163,751
2011	690,967	1,168,928
2012	633,812	1,157,147
2013	616,409	1,148,823
2014	642,949	1,127,701

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

² Applications under examination, including those in preexamination processing.

TABLE 4: Patent Pendency Statistics (FY 2014)

UPR Pendency Statistics by Technology Center (in months)	Average First Action Pendency	Total Average Pendency
Total UPR Pendency	18.4	27.4
Tech Center 1600—Biotechnology & Organic Chemistry	15.0	26.2
Tech Center 1700—Chemical and Materials Engineering	19.5	28.8
Tech Center 2100—Computer Architecture, Software & Information Security	20.5	31.7
Tech Center 2400—Networks, Multiplexing, Cable & Security	18.6	30.8
Tech Center 2600—Communications	17.8	28.7
Tech Center 2800—Semiconductor, Electrical, Optical Systems & Components	17.7	26.4
Tech Center 3600—Transportation, Construction, Agriculture & Electronic Commerce	16.7	26.5
Tech Center 3700—Mechanical Engineering, Manufacturing & Products	21.3	31.1

TABLE 5: Summary of Total Pending Patent Applications (FY 2014)

Stage of processing	Utility, plant and reissue applications	Design applications	Total patent applications
Pending patent applications, total	1,176,071	51,571	1,227,642
In preexamination processing, total	137,983	2,352	140,335
Under examination, total	945,059	41,932	986,991
Undocketed	54,015	6,760	60,775
Awaiting first action by examiner	413,648	28,191	441,839
<i>Subtotal applications awaiting first action by examiner³</i>	<i>605,646</i>	<i>37,303</i>	<i>642,949</i>
RCE Awaiting First Action	46,441	-	46,441
Rejected, awaiting response by applicant	308,490	5,624	314,114
Amended, awaiting action by examiner	80,463	1,174	81,637
In interference	82	1	83
On appeal, and other ¹	41,920	182	42,102
In postexamination processing, total	93,029	7,287	100,316
Awaiting issue fee	75,453	5,497	80,950
Awaiting printing ²	14,193	1,784	15,977
D-10s (secret cases in condition for allowance)	3,383	6	3,389

¹ Includes cases on appeal and undergoing petitions.

² Includes withdrawn cases.

³ Subtotal is not included in pending patent applications total.

TABLE 6: Patents Issued (FY 1994–FY 2014)¹

Year	Utility ²	Design	Plant	Reissue	Total
1994	101,270	11,138	513	346	113,267
1995	101,895	11,662	390	294	114,241
1996	104,900	11,346	338	291	116,875
1997	111,977	10,331	400	267	122,975
1998	139,297	14,419	577	284	154,577
1999	142,852	15,480	436	393	159,161
2000	164,486	16,718	453	561	182,218
2001	169,571	17,179	563	504	187,817
2002	160,839	15,096	912	465	177,312
2003	171,493	16,525	1,178	394	189,590
2004	169,295	16,533	998	343	187,169
2005	151,077	13,395	816	195	165,483
2006	162,509	19,072	1,106	500	183,187
2007	160,306	22,543	979	548	184,376
2008	154,699	26,016	1,179	662	182,556
2009	165,213	23,415	1,096	398	190,122
2010	207,915	23,373	978	861	233,127
2011	221,350	21,295	816	969	244,430
2012	246,464	21,953	920	921	270,258
2013	265,979	22,453	842	809	290,083
2014	303,931	24,008	1,013	661	329,613

¹ Past year's data may have been revised from prior year reports.

² Includes chemical, electrical, and mechanical applications.

TABLE 7: Patent Applications Filed By Residents of the United States¹ (FY 2010–FY 2014)²

State/Territory	2010	2011 ²	2012	2013 ³	2014	State/Territory	2010	2011 ²	2012	2013 ³	2014
Total	254,895	266,243	282,466	306,413	N/A	Nebraska	600	639	698	669	N/A
Alabama	977	986	988	1,016	N/A	Nevada	1,785	1,726	2,113	1,963	N/A
Alaska	85	96	88	90	N/A	New Hampshire	1,547	1,690	1,656	1,693	N/A
Arizona	4,024	4,407	4,544	5,023	N/A	New Jersey	9,861	9,669	9,919	10,271	N/A
Arkansas	456	417	502	633	N/A	New Mexico	863	873	850	929	N/A
California	66,287	70,720	77,273	85,932	N/A	New York	15,279	15,935	17,594	18,257	N/A
Colorado	5,244	5,554	5,677	6,472	N/A	North Carolina	6,053	6,205	6,720	7,494	N/A
Connecticut	4,229	4,413	4,940	4,584	N/A	North Dakota	168	200	215	224	N/A
Delaware	993	1,006	947	930	N/A	Ohio	8,139	8,086	7,934	8,611	N/A
District of Columbia	261	322	344	469	N/A	Oklahoma	1,138	1,107	1,090	1,204	N/A
Florida	8,624	8,580	9,476	9,972	N/A	Oregon	4,203	4,473	4,686	5,721	N/A
Georgia	5,214	5,307	5,390	6,097	N/A	Pennsylvania	8,068	8,085	8,297	8,729	N/A
Hawaii	267	295	330	294	N/A	Rhode Island	739	753	834	855	N/A
Idaho	1,635	1,664	1,566	1,412	N/A	South Carolina	1,669	1,935	2,011	2,043	N/A
Illinois	9,278	9,770	10,450	11,155	N/A	South Dakota	224	254	250	275	N/A
Indiana	3,515	3,726	3,861	4,275	N/A	Tennessee	2,287	2,275	2,194	2,396	N/A
Iowa	1,581	1,585	1,577	1,749	N/A	Texas	16,568	17,310	18,732	20,236	N/A
Kansas	1,678	1,688	1,833	1,861	N/A	Utah	2,782	2,907	2,992	3,201	N/A
Kentucky	1,124	1,364	1,271	1,369	N/A	Vermont	679	804	791	810	N/A
Louisiana	882	835	839	926	N/A	Virginia	3,582	3,806	4,106	4,522	N/A
Maine	415	440	437	383	N/A	Washington	12,815	13,764	14,425	15,577	N/A
Maryland	3,551	3,760	3,786	4,118	N/A	West Virginia	292	316	271	284	N/A
Massachusetts	12,376	12,931	13,356	14,635	N/A	Wisconsin	3,991	4,179	4,337	4,558	N/A
Michigan	7,834	8,243	8,956	9,808	N/A	Wyoming	198	180	218	248	N/A
Minnesota	7,852	7,984	7,981	9,051	N/A	Puerto Rico	67	74	84	83	N/A
Mississippi	338	336	313	330	N/A	Virgin Islands	13	5	12	13	N/A
Missouri	2,314	2,286	2,445	2,620	N/A	U.S. Pacific Islands ⁴	1	3	2	6	N/A
Montana	249	273	264	335	N/A	United States ⁵	1	2	1	2	N/A

- Represents zero.

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

² Finalized data for FY 2010 to FY 2013 provided.

³ FY 2014 preliminary data should be available January 2015 at www.uspto.gov, and finalized in the FY 2015 PAR.

⁴ Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.

⁵ State/Territory information not available.

TABLE 8: Patents Issued to Residents of the United States¹ (FY 2013-FY 2014)⁵

State/Territory	2013	2014	State/Territory	2013	2014
Total	140,069	161,714	Nebraska	350	403
Alabama	554	560	Nevada	935	1,023
Alaska	48	58	New Hampshire	825	958
Arizona	2,404	2,674	New Jersey	4,922	5,671
Arkansas	241	250	New Mexico	451	462
California	36,808	44,147	New York	8,812	9,995
Colorado	3,002	3,625	North Carolina	3,252	3,693
Connecticut	2,314	2,604	North Dakota	131	124
Delaware	469	488	Ohio	4,115	4,565
District of Columbia	140	165	Oklahoma	579	644
Florida	4,534	5,124	Oregon	2,559	2,949
Georgia	2,710	3,082	Pennsylvania	4,134	4,617
Hawaii	141	161	Rhode Island	420	429
Idaho	968	1,124	South Carolina	1,003	956
Illinois	5,094	6,076	South Dakota	128	134
Indiana	2,066	2,305	Tennessee	1,079	1,186
Iowa	902	1,108	Texas	9,287	10,845
Kansas	1,077	1,107	Utah	1,392	1,517
Kentucky	622	700	Vermont	505	599
Louisiana	421	486	Virginia	1,926	2,261
Maine	229	251	Washington	6,169	7,336
Maryland	1,810	2,059	West Virginia	151	136
Massachusetts	6,351	7,314	Wisconsin	2,356	2,742
Michigan	5,424	5,870	Wyoming	138	133
Minnesota	4,558	5,254	Puerto Rico	18	40
Mississippi	172	166	Virgin Islands	5	7
Missouri	1,237	1,402	U.S. Pacific Islands ²	3	4
Montana	126	125	United States ³	2	-

¹ Data include utility, design, plant, and reissue patents.² Represents residents of American Samoa, Guam, and miscellaneous U.S. Pacific Islands.³ No State indicated in database.⁴ Finalized data for FY 2013 provided.⁵ Past year's data may have been revised from prior year reports.

TABLE 9: United States Patent Applications Filed By Residents of Foreign Countries¹ (FY 2010-FY 2014)

Residence	2010	2011	2012	2013 ²	2014 ³	Residence	2010	2011	2012	2013 ²	2014 ³
Total	255,165	270,928	283,100	295,051	N/A	Czech Republic	279	277	398	403	N/A
Afghanistan	1	1	-	1	N/A	Denmark	1,852	2,162	2,323	2,276	N/A
Algeria	1	-	-	2	N/A	Dominican Republic	7	8	7	8	N/A
Andorra	4	3	5	4	N/A	Ecuador	5	18	9	9	N/A
Angola	-	2	1	-	N/A	Egypt	55	58	59	72	N/A
Antigua & Barbuda	2	3	2	2	N/A	El Salvador	1	1	5	2	N/A
Argentina	141	159	167	170	N/A	Estonia	52	62	79	95	N/A
Armenia	8	8	11	14	N/A	Ethiopia	1	-	1	-	N/A
Aruba	-	2	-	-	N/A	Faroe Islands	1	-	-	1	N/A
Australia	4,111	4,174	3,964	4,115	N/A	Finland	2,908	2,574	2,819	3,037	N/A
Austria	1,872	1,964	2,124	2,242	N/A	French Polynesia	-	1	-	-	N/A
Azerbaijan	5	1	1	3	N/A	France	10,641	11,436	11,310	11,972	N/A
Bahamas	15	8	13	8	N/A	Gabon	-	-	1	-	N/A
Bahrain	5	1	5	6	N/A	Georgia	5	6	5	3	N/A
Bangladesh	2	5	2	9	N/A	Germany	28,157	29,543	30,250	31,531	N/A
Barbados	8	2	-	7	N/A	Ghana	2	4	1	4	N/A
Belarus	11	7	12	35	N/A	Gibraltar	7	7	8	4	N/A
Belgium	2,186	2,344	2,262	2,455	N/A	Greece	138	139	168	154	N/A
Bermuda	5	11	11	3	N/A	Greenland	-	-	1	-	N/A
Bolivia	1	1	3	4	N/A	Guatemala	8	2	2	5	N/A
Bonaire, Sint Eustatius, and Saba	-	2	-	-	N/A	Guernsey	-	1	5	4	N/A
Bosnia & Herzegovina	1	2	1	2	N/A	Guinea	-	-	1	-	N/A
Botswana ⁴	-	-	-	2	N/A	Haiti	1	1	-	-	N/A
Brazil	584	684	683	829	N/A	Honduras	1	1	-	1	N/A
British Virgin Islands	3	3	2	12	N/A	Hungary	251	245	285	303	N/A
Brunei Darussalam	1	-	-	1	N/A	Iceland	52	63	80	79	N/A
Bulgaria	89	70	72	88	N/A	India	3,696	4,482	5,515	6,411	N/A
Cameroon	5	2	4	-	N/A	Indonesia	27	21	29	43	N/A
Canada	12,203	12,921	14,256	14,730	N/A	Iran	67	87	69	39	N/A
Cayman Islands	25	17	10	31	N/A	Iraq	-	-	3	1	N/A
Chad	-	1	-	-	N/A	Ireland	785	901	913	1,088	N/A
Chile	68	122	117	143	N/A	Isle of Man	2	4	9	21	N/A
China (Hong Kong)	1,267	1,379	1,380	1,465	N/A	Israel	5,119	5,666	6,414	7,320	N/A
China (Macau)	7	16	10	20	N/A	Italy	4,576	4,947	5,086	5,139	N/A
China (People's Republic)	8,358	10,562	13,371	15,496	N/A	Jamaica	3	7	14	9	N/A
Colombia	53	68	49	62	N/A	Japan	84,842	88,861	90,240	87,369	N/A
Costa Rica	28	21	24	35	N/A	Jersey	9	9	5	13	N/A
Croatia	31	38	38	39	N/A	Jordan	5	16	16	26	N/A
Cuba	26	19	18	18	N/A	Kazakhstan	8	4	5	15	N/A
Curacao	-	1	1	1	N/A	Kenya	2	10	7	19	N/A
Cyprus	18	16	17	18	N/A	Korea, Republic of	26,648	28,474	30,618	34,795	N/A
						Kuwait	49	71	98	132	N/A

TABLE 9: United States Patent Applications Filed By Residents of Foreign Countries¹ (FY 2010–FY 2014) (continued)

Residence	2010	2011	2012	2013 ²	2014 ³	Residence	2010	2011	2012	2013 ²	2014 ³
Kyrgyzstan ⁴	-	-	-	1	N/A	Senegal	-	-	1	-	N/A
Latvia	19	10	8	13	N/A	Serbia	27	23	22	26	N/A
Lebanon	8	28	23	21	N/A	Seychelles	1	4	9	9	N/A
Liberia	-	-	1	-	N/A	Singapore	1,490	1,655	1,710	1,812	N/A
Liechtenstein	40	39	47	48	N/A	Sint Maartin ⁴	-	-	-	1	N/A
Lithuania	13	16	15	27	N/A	Slovakia	42	36	42	45	N/A
Luxembourg	92	112	125	110	N/A	Slovenia	111	98	107	97	N/A
Madagascar	-	-	1	-	N/A	South Africa	356	361	338	463	N/A
Macedonia	-	-	-	3	N/A	Spain	1,470	1,597	1,704	1,820	N/A
Malawi ⁴	-	-	-	1	N/A	Sri Lanka	14	9	13	16	N/A
Malaysia	387	426	375	485	N/A	Sweden	3,906	4,319	4,576	4,641	N/A
Malta	10	5	12	19	N/A	Switzerland	4,168	4,328	4,583	4,840	N/A
Mauritius	1	1	-	-	N/A	Syria Arab Rep	-	3	3	-	N/A
Mexico	316	351	407	430	N/A	Taiwan	21,282	21,678	21,310	21,949	N/A
Moldova	1	-	-	1	N/A	Tajikistan ⁴	-	-	-	1	N/A
Monaco	21	43	37	36	N/A	Thailand	111	148	173	242	N/A
Mongolia	-	4	-	2	N/A	Trinidad & Tobago	12	8	12	14	N/A
Morocco	4	6	3	3	N/A	Tunisia	5	6	10	15	N/A
Namibia	-	1	1	7	N/A	Turkey	142	189	231	253	N/A
Nepal	-	1	2	1	N/A	Turkmenistan	-	-	1	-	N/A
Netherlands	4,639	4,893	4,764	4,764	N/A	Turks and Caicos Islands	2	-	3	1	N/A
Netherlands Antilles	1	-	-	-	N/A	Uganda	-	-	1	1	N/A
New Zealand	658	613	600	707	N/A	Ukraine	67	92	132	131	N/A
Nicaragua	-	-	1	1	N/A	United Arab Emirates	45	58	91	122	N/A
Niger	1	-	-	-	N/A	United Kingdom	11,852	12,149	13,015	13,680	N/A
Nigeria	7	5	2	4	N/A	Uruguay	16	16	23	20	N/A
Norway	1,024	1,026	1,151	1,166	N/A	Uzbekistan	-	-	1	1	N/A
Oman	7	5	5	5	N/A	Vanuatu (New Hebrides)	2	1	2	1	N/A
Pakistan	20	29	14	42	N/A	Venezuela	35	26	51	35	N/A
Panama	3	6	6	6	N/A	Vietnam	10	9	26	17	N/A
Paraguay	-	2	1	3	N/A	West Bank/Gaza	1	-	1	-	N/A
Peru	8	16	3	11	N/A	Zimbabwe	-	4	3	1	N/A
Philippines	84	99	76	87	N/A						
Poland	178	249	279	397	N/A						
Portugal	113	115	114	134	N/A						
Qatar	2	20	17	20	N/A						
Romania	64	102	86	117	N/A						
Russian Federation	600	741	837	1,001	N/A						
Saint Kitts and Nevis	-	-	1	1	N/A						
Samoa	2	-	-	-	N/A						
San Marino	1	1	1	-	N/A						
Saudi Arabia	267	337	397	648	N/A						

- Represents zero.

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

² FY 2013 data are updated and final.

³ FY 2014 preliminary data should be available in January 2015 at www.uspto.gov, and finalized in the FY 2015 PAR.

⁴ Countries/Territories not previously reported.

⁵ Country of origin information not available.

TABLE 10: Patents Issued By the United States to Residents of Foreign Countries^{1,3} (FY 2010-FY 2014)²

Residence	2010	2011	2012	2013	2014	Residence	2010	2011	2012	2013	2014
Total	117,264	124,252	138,607	150,014	167,899	Ecuador	5	1	4	9	4
Afghanistan	-	-	-	1	1	Egypt	14	19	32	32	40
Albania	-	1	-	1	-	El Salvador	1	-	-	2	-
Algeria	1	-	-	-	-	Estonia	11	14	37	37	38
Andorra	8	4	2	1	2	Ethiopia ⁴	-	-	-	-	1
Angola	-	-	1	1	-	Faroe Islands	-	-	-	1	-
Anguilla	-	1	1	-	-	Finland	1,223	1,030	1,111	1,205	1,499
Antigua and Barbuda	1	-	6	1	1	France	4,835	5,024	5,616	6,245	7,144
Argentina	60	49	58	76	83	Gabon ⁴	-	-	-	-	1
Armenia	2	4	5	4	5	Georgia	2	2	2	3	5
Aruba	-	-	-	2	-	Germany	12,916	13,020	14,569	15,798	17,926
Australia	1,940	2,213	1,777	1,878	2,063	Ghana	1	1	3	2	1
Austria	850	916	986	1,065	1,294	Gibraltar	-	3	6	4	2
Azerbaijan	-	1	2	1	2	Greece	59	57	80	81	70
Bahamas	9	12	8	5	4	Greenland	-	-	-	-	1
Bahrain	1	-	1	1	4	Guatemala	2	-	2	-	1
Bangladesh	-	-	1	2	3	Guernsey	1	2	5	3	1
Barbados	2	2	-	-	3	Guinea ⁴	-	-	-	-	1
Belarus	7	4	6	10	7	Haiti	-	-	1	1	-
Belgium	853	945	996	1,111	1,267	Honduras	-	1	-	1	-
Bermuda	2	5	4	2	4	Hungary	92	103	107	135	167
Bolivia	1	1	-	-	3	Iceland	22	27	26	17	39
Bosnia and Herzegovina	-	-	2	1	-	India	1,076	1,195	1,599	2,222	2,932
Brazil	209	232	261	265	352	Indonesia	5	10	12	15	10
British Virgin Islands	-	1	-	2	1	Iran	7	15	26	37	33
Brunei Darussalam	-	1	-	-	-	Ireland	259	313	329	435	486
Bulgaria	57	45	30	23	52	Isle of Man	11	14	19	14	9
Cameroon	4	-	2	5	1	Israel	1,828	2,054	2,432	2,948	3,555
Canada	5,225	5,687	6,197	6,915	7,896	Italy	2,150	2,322	2,458	2,834	3,043
Cayman Islands	3	4	7	18	7	Jamaica	4	2	2	4	4
Chile	23	30	41	55	57	Japan	44,893	47,674	51,609	53,359	56,640
China (Hong Kong)	726	680	715	733	826	Jersey	1	4	5	8	3
China (Macau)	2	6	2	7	14	Jordan	-	4	5	3	8
China (Mainland)	3,059	3,465	5,044	6,181	7,717	Kazakhstan	1	-	1	2	3
Colombia	10	15	18	22	22	Kenya	4	1	2	2	7
Costa Rica	13	14	12	14	17	Korea, Democratic People's Rep of	-	1	1	-	-
Croatia	9	18	23	17	30	Korea, Republic of	11,811	12,858	13,956	15,058	17,815
Cuba	8	4	5	12	19	Kuwait	17	23	26	72	97
Curacao ⁴	-	-	-	-	1	Latvia	5	3	5	4	6
Cyprus	5	3	2	10	10	Lebanon	5	8	21	8	10
Czech Republic	79	76	137	174	196	Liechtenstein	18	15	16	22	37
Denmark	706	837	941	1,009	1,309	Lithuania	7	10	3	7	6
Dominican Republic	3	2	2	6	3						

TABLE 10: Patents Issued By the United States to Residents of Foreign Countries^{1,3} (FY 2010–FY 2014)² (continued)

Residence	2010	2011	2012	2013	2014
Luxembourg	50	41	51	56	60
Macedonia	-	1	1	-	1
Malaysia	230	175	199	247	242
Malta	3	4	2	9	8
Mexico	105	116	138	190	227
Moldova ⁴	-	-	-	-	1
Monaco	9	8	9	11	23
Mongolia	-	-	-	1	-
Morocco	1	2	3	2	1
Nepal, Fed. Dem. Republic of ⁴	-	-	-	-	2
Netherlands	1,823	1,959	2,205	2,391	2,883
Netherlands Antilles	1	-	-	-	-
New Zealand	243	238	295	285	308
Nicaragua	-	-	-	1	1
Nigeria	-	1	1	3	-
Norway	414	411	441	510	601
Oman	2	3	1	5	3
Pakistan	2	2	11	14	8
Panama	4	1	4	3	1
Paraguay	1	-	1	2	-
Peru	1	5	4	1	4
Philippines	33	37	38	35	45
Poland	48	61	108	101	172
Portugal	28	34	47	58	52
Qatar	1	1	3	6	7
Romania	17	24	47	52	68
Russian Federation	246	311	335	409	438
Saint Kitts & Nevis	-	-	-	-	1
Samoa	2	-	-	-	-
San Marino	-	-	-	1	1
Saudi Arabia	51	56	152	206	273
Senegal	1	-	-	-	1
Serbia	4	5	11	8	12
Seychelles	-	-	1	1	4
Singapore	591	693	800	840	963
Slovakia	15	22	21	14	26
Slovenia	26	30	42	47	50
South Africa	143	134	156	179	179
Spain	484	528	708	739	862
Sri Lanka	4	8	3	5	6
Sweden	1,509	1,757	2,207	2,309	2,905
Switzerland	1,833	1,825	2,016	2,278	2,660
Syrian Arab Rep	-	1	-	1	1
Taiwan	9,202	9,584	11,309	12,169	12,271
Thailand	58	65	57	87	121
Trinidad & Tobago	5	1	3	9	7
Tunisia	2	2	5	2	8
Turkey	49	45	48	78	103
Turks and Caicos Islands	-	-	-	2	-
Ukraine	12	13	42	35	42
United Arab Emirates	7	11	22	20	53
United Kingdom	4,817	4,905	5,605	6,292	7,234
Uruguay	5	4	7	9	10
Uzbekistan	-	-	1	-	-
Vanuatu	-	1	-	-	-
Venezuela	16	19	22	16	21
Vietnam	2	-	1	11	8
Zimbabwe	-	-	1	3	-

- Represents zero.

¹ Data includes utility, design, plant, and reissue patents.

² Past years' data may have been revised from prior year reports to reflect patent withdrawal information that was updated during the year. It is not uncommon for the withdrawal status of patents issued in prior years to change.

³ Each patent grant is listed under only one country of residence. Country listings include possessions and territories of that country unless separately listed in the table.

⁴ Countries/Territories not previously reported.

TABLE 11: Utility Patents Issued to Small Entities (FY 2010–FY 2014)

Fiscal Year of Grant	2010	2011	2012	2013	2014
Percentage Micro Entity*	-	-	-	0.53%	1.54%
US origin**	-	-	-	0.98%	2.82%
Foreign origin**	-	-	-	0.12%	0.34%
Percentage Small Entity	19.87%	19.80%	20.32%	20.54%	19.47%
US origin**	27.76%	27.87%	28.21%	28.03%	25.84%
Foreign origin**	12.22%	12.16%	13.04%	13.75%	13.47%
Percentage Large Entity	80.13%	80.19%	79.68%	78.93%	78.99%
US origin**	72.24%	72.13%	71.79%	70.99%	71.37%
Foreign origin**	87.78%	87.84%	86.96%	86.13%	86.19%

*The Micro Entity Status category was introduced March 19, 2013.

**Patent origin is based on residence of the first-named inventor.

TABLE 12: Statutory Invention Registrations Published (FY 2010–FY 2014)

Assignee	2010	2011	2012	2013	2014
Air Force	-	1	-	-	-
Army	-	-	-	-	1
Energy	-	-	-	-	-
Navy	5	7	3	8	-
Health & Human Services	-	-	-	-	-
VA	-	1	-	-	-
USA ¹	-	-	-	-	-
Other Than U.S. Government	12	6	4	6	7
Total	17	15	7	14	8

- Represents zero.

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

² Past year's data may have been revised from prior year reports.

TABLE 13: United States Government Agency Patents¹ (FY 2010-FY 2014)³

Agency	2010	2011	2012	2013	2014	Total
Agriculture	39	44	52	54	66	255
Air Force	51	40	51	44	72	258
Army	136	141	146	155	166	744
Attorney General	1	1	-	-	-	2
Commerce	10	15	11	12	14	62
DHS ⁴	-	-	-	-	3	3
Energy	42	25	36	41	33	177
EPA	9	12	16	17	5	59
FCC	-	-	-	-	-	-
HEW/HHS	128	146	137	131	182	724
Interior	4	1	3	2	2	12
NASA	89	106	106	95	108	504
Navy	284	300	366	383	357	1,690
NSA	24	11	10	11	4	60
NSF	1	-	1	2	1	5
Postal Service	37	25	39	27	32	160
State Department	-	-	1	-	-	1
Transportation	1	-	-	-	1	2
TVA	1	-	-	-	-	1
USA ²	5	3	6	7	5	26
VA	9	13	9	8	7	46
Total	871	883	990	989	1,058	4,791

- Represents zero.

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

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

³ Past years' data may have been revised from prior year reports to reflect patent withdrawal information that was updated during the year.

It is not uncommon for the withdrawal status of patents issued in prior years to change.

TABLE 14A: Ex Parte Reexamination (FY 2010-FY 2014)

	2010	2011	2012	2013	2014
Requests filed, total	780	759	747	298	343
By patent owner	63	104	64	13	20
By third party	717	654	683	285	323
Commissioner ordered	-	1	-	-	-
Determinations on requests, total	662	773	548	526	362*
Requests granted:					
By examiner	606	685	502	486	346
By petition	1	6	4	2	6
Requests denied	55	82	42	38	16
Requests known to have related litigation	347	349	311	381	195
Filings by discipline, total	780	759	747	298	343
Chemical	137	143	149	61	81
Electrical	414	395	398	174	166
Mechanical	229	221	192	55	96
Design	-	-	8	8	-

- Represents zero.

*Total determinations include late-filed requests from FY13.

TABLE 14B: Inter Partes Reexamination (FY 2010-FY 2014)

	2010	2011	2012	2013*	2014
Requests filed, total	281	374	640	-	-
Determinations on requests, total	231	366	354	347	-
Requests granted:	224	344	325	322	-
By examiner	224	342	320	320	-
By petition	-	2	5	2	-
Requests denied	7	22	29	25	-
Requests known to have related litigation	196	280	311	260	-
Filings by discipline, total	281	374	640	-	-
Chemical	45	57	116	-	-
Electrical	174	216	316	-	-
Mechanical	62	101	204	-	-
Design	-	-	4	-	-

- Represents zero.

*On September 16, 2012, inter partes review replaced inter partes reexamination as an avenue for a third party's patentability challenge. http://www.uspto.gov/ia_implementation/faqs_inter_partes_reexam.jsp

TABLE 14C: Supplemental Examination (SE) (FY 2010-FY 2014)

	2014
SEs filed, total	86
SEs granted a filing date, total	58
Determinations on SE granted a filing date, total	53
SNQ found:	38
SNQ not found:	15
Requests known to have related litigation	1
Filings by discipline, total	86
Chemical	24
Electrical	36
Mechanical	21
Design	5

TABLE 15: Summary of Contested Patent Cases (Within the USPTO, as of September 30, 2014)

Item	Total
Appeals from adverse examiner decisions	
Docketed cases pending as of 9/30/13	25,437
Cases docketed during FY 2014	9,949
Disposals during FY 2014, total	
Decided, total	9,880
Affirmed	5,295
Affirmed-in-Part	1,272
Reversed	3,096
Dismissed/Withdrawn	160
Remanded	57
Docketed cases pending as of 9/30/14	25,634
Appeal Rehearings	
Cases pending as of 9/30/14	42
Interference cases	
Cases pending as of 9/30/13	49
Cases declared or reinstated during FY 2014	35
Interference cases, FY 2014 total	84
Cases terminated during FY 2014	53
Cases pending as of 9/30/14	31
Inter Partes Review cases	
Cases pending as of 9/30/13	464
Cases filed during FY 2014	1,310
Inter partes review cases, FY 2014 total	1,774
Cases not instituted, terminated, decided during FY 2014	573
Cases pending as of 9/30/14	1,201
Transitional Program for Covered Business Method cases	
Cases pending as of 9/30/13	49
Cases filed during FY 2014	177
Transitional Program for Covered Business Method cases, FY 2014 total	226
Cases not instituted, terminated, decided during FY 2014	75
Cases pending as of 9/30/14	151
Post Grant Review cases	
Cases pending as of 9/30/13	-
Cases filed during FY 2014	2
Post Grant Review cases, FY 2014 total	2
Cases not instituted, terminated, decided during FY 2014	-
Cases pending as of 9/30/14	2
Derivation Proceeding cases	
Cases pending as of 9/30/13	1
Cases filed during FY 2014	5
Derivation Proceeding cases, FY 2014 total	6
Cases not instituted, terminated, decided during FY 2014	3
Cases pending as of 9/30/14	3

TABLE 16: Summary of Trademark Examining Activities (FY 2010-FY 2014)

Item	2010	2011	2012	2013	2014
Applications for Registration:					
Applications including Additional Classes	368,939	398,667	415,026	433,654	455,017
Applications Filed	280,649	301,826	311,627	321,055	336,275
Disposal of Trademark Applications:					
Registrations including Additional Classes	221,090	237,586	243,459	259,681	279,282
Abandonments including Additional Classes	151,027	141,908	139,832	145,731	150,587
Trademark First Actions including Additional Classes	367,027	389,084	420,621	441,615	458,162
Applications Approved for Publication including Additional Classes	307,001	323,072	345,649	360,958	374,870
Certificates of Registration Issued:¹					
1946 Act Principal Register	93,238	103,233	110,000	116,420	123,086
Principal Register					
ITU-Statements of Use Registered	64,086	66,796	64,057	67,952	73,914
1946 Act Supplemental Register	7,006	7,632	8,704	8,749	9,555
Total Certificates of Registration	164,330	177,661	182,761	193,121	206,555
Renewal of Registration:[*]					
Section 9 Applications Filed	48,214	49,000	63,636	74,280	92,521
Section 8 Applications Filed ^{**}	48,275	49,037	63,642	74,283	92,525
Registrations Renewed	46,734	44,873	59,871	63,709	56,166
Affidavits, Sec. 8/15:					
Affidavits Filed	61,499	65,771	76,646	93,174	155,108
Affidavits Disposed	58,510	58,341	72,346	76,731	93,711
Amendments to Allege Use Filed	7,629	7,647	7,999	7,721	7,927
Statements of Use Filed	80,927	86,159	86,935	85,004	71,685
Notice of Allowance Issued	169,085	166,035	172,122	183,030	192,609
Total Active Certificates of Registration	1,614,121	1,719,247	1,838,007	1,903,849	2,013,462
Pendency—Average Months:					
Between Filing and Examiner's First Action	3.0	3.1	3.2	3.1	3.0
Between Filing, Registration (Use Applications), Abandonments, and NOA's—including suspended and inter partes proceedings	13.0	12.6	12.0	11.7	11.5
Between Filing, Registration (Use Applications), Abandonments, and NOA's—excluding suspended and inter partes proceedings	10.5	10.5	10.2	10.0	9.8

– Represents zero.

¹ With the exception of Certificates of Registration, Renewal of Registration, Affidavits filed under Section 8/15 and 12(c), the workload count includes extra classes.

"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. Each class application must be individually researched for registerability. "Applications filed, including additional classes" reflects this fact, and therefore more accurately reflects the Trademark business workload. With the exception of Certificates of Registration, Renewal of Registration, Affidavits filed under Section 8/15 and 12(c), the workload count includes extra classes.

^{*}Renewal of registration is required beginning 10 years following registration concurrent with 20-year renewals coming due.

^{**}Section 8 Affidavit is required for filing a renewal beginning October 30, 1999 (FY 2000) with the implementation of the Trademark Law Treaty.

TABLE 17: Trademark Applications Filed for Registration and Renewal and Trademark Affidavits Filed (FY 1994–FY 2014)

Year	For Registration	For Renewal	Section 8 Affidavit
1994	155,376	7,004	20,850
1995	175,307	7,346	23,497
1996	200,640	7,543	22,169
1997	224,355	6,720	20,781
1998	232,384	7,413	33,231
1999	295,165	7,944	33,104
2000	375,428	24,435	28,920
2001	296,388	24,174	33,547
2002	258,873	34,325	39,484
2003	267,218	35,210	43,151
2004	298,489	32,352	41,157
2005	323,501	39,354	47,752
2006	354,775	36,939	48,444
2007	394,368	40,786	49,241
2008	401,392	42,388	68,470
2009	352,051	43,953	65,322
2010	368,939	48,214	61,499
2011	398,667	49,000	65,771
2012	415,026	63,636	76,646
2013	433,654	74,280	93,174
2014	455,017	92,521	155,108

¹ Renewal of registration term changed with implementation of the Trademark Law Reform Act (Pub.L. 100-667) beginning November 16, 1989 (FY 1990).

TABLE 18: Summary of Pending Trademark Applications (FY 2014)

Stage of processing	Application Files	Classes
Pending applications, total	457,501	646,757
In preexamination processing	77,404	99,934
Under examination, total	293,652	426,369
Applications under initial examination	92,126	138,149
Amended, awaiting action by Examiner	88,782	133,584
Awaiting first action by Examiner	3,344	4,565
Intent-To-Use applications pending Use	155,283	220,399
Applications under second examination	8,736	12,148
Administrative processing of Statements of Use	53	67
Undergoing second examination	2,578	3,420
Amended, awaiting action by Examiner	6,105	8,661
Other pending applications¹	37,507	55,673
In postexamination processing (Includes all applications in all phases of publication and issue and registration)	86,445	120,454

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

TABLE 19: Trademarks Registered, Renewed, and Published Under Section 12(C)¹ (FY 1994-FY 2014)

Year	Certificates of Regis. Issued	Renewed ²	Registrations (Incl. Classes)
1994	59,797	6,136	68,853
1995	65,662	6,785	75,372
1996	78,674	7,346	91,339
1997	97,294	7,389	112,509
1998	89,634	6,504	106,279
1999	87,774	6,280	104,324
2000	106,383	8,821	127,794
2001	102,314	31,477	124,502
2002	133,225	29,957	164,457
2003	143,424	34,370	185,182
2004	120,056	34,735	155,991
2005	112,495	32,279	143,396
2006	147,118	37,305	188,899
2007	150,064	47,336	194,327
2008	209,904	42,159	274,250
2009	180,520	42,282	241,637
2010	164,330	46,734	221,090
2011	177,661	44,873	237,586
2012	182,761	59,871	243,459
2013	193,121	63,709	259,681
2014	206,555	56,166	279,282

- Represents zero.

¹ Includes withdrawn numbers.

² Includes Renewal of registration term changed with implementation of the Trademark Law Reform Act (Pub.L. 100-667) beginning November 16, 1989 (FY 1990).

TABLE 20: Trademark Applications Filed By Residents of the United States (FY 2014)

State/Territory	2014	State/Territory	2014	State/Territory	2014
Total	355,104	Kentucky	2,075	Oklahoma	1,835
		Louisiana	2,362	Oregon	3,807
Alabama	1,895	Maine	855	Pennsylvania	9,713
Alaska	264	Maryland	6,087	Rhode Island	1,145
Arizona	1,297	Massachusetts	8,777	South Carolina	2,673
Arkansas	6,279	Michigan	7,090	South Dakota	396
California	76,348	Minnesota	6,315	Tennessee	4,913
Colorado	7,632	Mississippi	715	Texas	23,299
Connecticut	5,076	Missouri	4,724	Utah	4,212
Delaware	3,690	Montana	707	Vermont	673
District of Columbia	3,333	Nebraska	1,367	Virginia	8,247
Florida	26,561	Nevada	6,305	Washington	7,195
Georgia	10,104	New Hampshire	1,155	West Virginia	310
Hawaii	1,166	New Jersey	13,011	Wisconsin	4,166
Idaho	1,038	New Mexico	944	Wyoming	588
Illinois	13,690	New York	37,350	Puerto Rico	529
Indiana	3,874	North Carolina	7,010	Virgin Islands	41
Iowa	1,569	North Dakota	307	U.S. Pacific Islands ¹	34
Kansas	1,922	Ohio	8,327	United States ²	107

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

² No State indicated in database, includes Army Post Office filings.

TABLE 21: Trademarks Registered to Residents of the United States¹ (FY 2014)

State/Territory	2014	State/Territory	2014	State/Territory	2014
Total	168,057	Kentucky	946	Oklahoma	927
		Louisiana	1,103	Oregon	2,080
Alabama	979	Maine	465	Pennsylvania	4,956
Alaska	148	Maryland	2,941	Rhode Island	606
Arizona	3,131	Massachusetts	4,262	South Carolina	1,324
Arkansas	586	Michigan	3,665	South Dakota	261
California	34,311	Minnesota	3,434	Tennessee	2,354
Colorado	3,880	Mississippi	346	Texas	10,962
Connecticut	2,397	Missouri	2,466	Utah	1,903
Delaware	1,360	Montana	374	Vermont	324
District of Columbia	1,528	Nebraska	722	Virginia	3,929
Florida	12,053	Nevada	2,653	Washington	3,460
Georgia	4,532	New Hampshire	597	West Virginia	161
Hawaii	548	New Jersey	6,012	Wisconsin	2,280
Idaho	579	New Mexico	517	Wyoming	220
Illinois	7,149	New York	16,418	Puerto Rico	184
Indiana	1,893	North Carolina	3,654	Virgin Islands	22
Iowa	873	North Dakota	141	U.S. Pacific Islands ²	25
Kansas	854	Ohio	4,562	United States ³	-

¹ When a trademark registers, the residence of the owner is used to determine the state.

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

³ No State indicated in database, includes APO filings.

TABLE 22: Trademark Applications Filed By Residents of Foreign Countries (FY 2010-FY 2014)

Residence	2010	2011	2012	2013	2014
Total	79,664	85,116	89,100	99,949	99,913
Afghanistan	3	11	4	8	6
Albania	-	6	1	2	5
Algeria	-	-	2	-	1
Andorra	7	-	20	3	13
Angola	11	11	1	3	4
Anguilla	3	17	34	22	22
Antigua & Barbuda	18	15	6	-	2
Argentina	279	283	268	266	217
Armenia	7	32	16	32	47
Aruba	3	1	3	4	5
Australia	3,004	3,154	3,381	3,960	4,011
Austria	980	1,212	1,155	1,292	1,281
Azerbaijan	-	8	3	1	4
Bahamas	99	153	331	191	138
Bahrain	20	31	21	10	9
Bangladesh	1	7	6	1	3
Barbados	274	161	198	116	162
Belarus	46	35	43	30	20
Belgium	788	760	917	1,093	976
Belize	20	30	33	32	47
Benin	-	1	1	-	-
Bermuda	164	182	222	253	353
Bolivia	3	4	5	1	2
Bosnia & Herzegovina	1	1	-	1	5
Botswana	1	48	6	-	7
Brazil	546	548	608	676	779
British Virgin Islands	558	597	825	1,087	985
Brunei Darussalam	13	2	4	8	1
Bulgaria	77	72	109	178	218
Burkina Faso	1	-	-	-	-
Cambodia	1	-	-	-	2
Cameroon	-	1	1	-	-
Canada	8,707	9,257	9,823	9,984	10,268
Cayman Islands	263	292	400	351	504
Channel Islands	73	127	58	-	-
Chile	193	263	178	170	205
China (Hong Kong)	1,190	1,492	1,768	1,785	2,430
China (Macau)	1	-	8	-	23
China (mainland)	2,808	3,652	3,735	4,756	6,323
Colombia	185	184	300	296	272
Cook Islands	4	-	-	-	5
Costa Rica	91	65	59	44	36
Cote D'Ivoire	-	-	-	-	11
Croatia	33	14	40	64	62
Cuba	1	3	5	2	2
Curacao	-	60	65	41	63
Cyprus	151	210	718	333	375
Czech Republic	164	256	201	307	274
Denmark	884	827	869	1,120	1,095
Dominica	2	2	-	6	12
Dominican Republic	79	51	71	63	86
Ecuador	27	47	34	35	36
Egypt	27	38	18	58	32
El Salvador	36	36	25	56	34
Estonia	64	37	56	86	114
Ethiopia	-	1	4	3	5
Faroe Islands	-	2	-	4	3
Fiji	6	5	15	26	2
Finland	746	675	714	1,117	797
France	6,176	5,868	6,375	6,575	5,959
French Polynesia	-	11	-	4	7
Gabon	-	10	-	-	-
Georgia	8	27	9	18	25
Germany	10,300	10,603	10,525	11,504	10,042
Ghana	-	1	1	4	13
Gibraltar	30	61	63	49	89
Greece	209	166	135	203	173
Grenada	-	1	4	3	-
Guadeloupe	3	-	-	1	2
Guatemala	27	16	44	44	31
Guernsey	-	-	-	-	51
Guinea	3	-	-	-	-
Guyana	-	1	5	4	5
Haiti	5	2	8	3	2
Honduras	15	2	4	7	9
Hungary	118	87	102	161	147
Iceland	67	62	65	100	84
India	645	717	606	684	824
Indonesia	51	56	91	70	99
Iran	38	28	11	31	69
Iraq	-	1	-	1	1
Ireland	567	615	619	699	1,036
Isle of Man	82	56	48	113	53
Israel	598	677	795	1,025	1,133
Italy	3,770	4,284	3,960	4,382	4,502
Jamaica	14	20	42	46	27
Japan	4,633	5,054	5,358	6,110	5,786
Jordan	28	33	30	32	42
Kazakhstan	-	3	-	12	10
Kenya	9	1	12	2	8
Korea, Dem. Republic of	6	-	-	-	-
Korea, Republic of	2,069	2,028	2,323	3,160	2,729
Kuwait	20	10	14	21	32
Kyrgyzstan	-	-	3	2	2
Lao, People's Dem. Republic of	-	-	-	-	1
Latvia	48	33	40	45	33
Lebanon	28	34	32	57	57
Liberia	-	1	1	1	2

TABLE 22: Trademark Applications Filed By Residents of Foreign Countries (FY 2010-FY 2014) (continued)

Residence	2010	2011	2012	2013	2014
Liechtenstein	99	182	152	105	106
Lithuania	10	30	26	41	51
Luxembourg	888	807	831	1,044	887
Macao	5	10	-	126	-
Macedonia	8	4	27	11	14
Madagascar	-	-	1	-	-
Malaysia	122	89	89	131	148
Malta	34	63	99	424	519
Marshall Island	4	12	7	3	3
Martinique	-	1	1	-	1
Mauritania	-	-	-	-	3
Mauritius	39	64	29	74	45
Mexico	1,790	1,792	1,990	1,898	2,124
Micronesia	-	1	1	-	-
Monaco	96	168	135	144	178
Mongolia	2	30	3	1	11
Montserrat	-	6	-	-	-
Morocco	48	23	50	43	66
Myanmar	1	-	-	-	-
Namibia	-	2	4	-	-
N. Marianas Island	9	2	7	4	5
Nepal	-	5	1	1	5
Netherlands	2,387	2,357	1,851	2,419	2,418
Netherlands Antilles	113	41	-	-	1
New Zealand	482	520	522	520	674
Nicaragua	7	8	16	6	8
Nigeria	8	4	6	11	4
Norway	556	638	434	813	629
Oman	5	6	-	-	8
Pakistan	17	17	12	31	79
Palau	-	-	-	-	1
Panama	167	148	126	159	193
Papua New Guinea	3	-	-	3	-
Paraguay	4	12	6	18	14
Peru	38	69	62	84	42
Philippines	54	65	128	88	85
Poland	225	240	330	381	354
Portugal	335	261	232	301	384
Qatar	20	43	26	56	89
Republic Moldova	14	9	7	15	24
Romania	78	83	61	94	73
Russian Federation	650	591	1,036	1,025	799
Saint Christ-Nevis	6	-	-	-	-
Saint Kitts & Nevis	-	31	18	22	30
Saint Lucia	21	12	8	15	26
Saint Marten	-	2	3	5	3
Saint Vincent/ Grenadines	17	1	4	5	5
Samoa	15	11	11	10	17
San Marino	10	8	13	16	2
Sao Tome/Principe	1	1	-	-	-
Saudi Arabia	61	66	108	71	141
Scotland	27	56	57	46	48
Senegal, Republic of	-	7	-	-	-
Serbia/Montenegro	38	47	38	30	40
Seychelles	19	38	27	37	72
Singapore	470	695	627	880	769
Slovakia	56	65	84	90	227
Slovenia	82	129	89	98	68
South Africa	232	253	271	294	278
Spain	1,789	2,200	2,097	1,881	2,133
Sri Lanka	17	19	21	13	45
Suriname	1	-	2	-	1
Swaziland	-	1	-	-	-
Sweden	1,467	1,536	1,709	1,804	1,760
Switzerland	4,750	4,770	4,901	5,613	4,836
Syria	14	7	-	-	2
Taiwan	1,359	1,525	1,661	1,464	1,673
Tanzania	1	2	-	3	-
Thailand	105	174	190	167	134
Timor-Leste	-	1	-	-	-
Togo	-	8	2	14	2
Trinidad & Tobago	13	5	13	10	23
Tunisia	14	17	6	30	1
Turkey	363	571	610	868	570
Turkmenistan	-	-	6	-	-
Turks and Caicos Islands	30	18	48	34	24
Uganda	-	3	2	1	1
Ukraine	102	92	118	155	171
United Arab Emirates	135	172	224	192	254
United Kingdom	7,727	8,451	8,939	10,629	10,779
Uruguay	47	35	14	53	59
Uzbekistan	-	-	2	3	1
Vanuatu (New Hebrides)	-	-	1	9	1
Venezuela	38	62	46	52	94
Vietnam	71	61	99	108	98
West Bank/Gaza	3	1	2	-	-
Yemen	1	4	1	2	1
Yugoslavia	3	-	-	-	-
Zambia	-	-	-	1	-
Zimbabwe	-	-	4	-	-
Other ¹	11	8	3	-	-

- Represents zero.

¹ Country of Origin information not available or not indicated in database; includes African Regional Industrial Property Organization filings.

TABLE 23: Trademarks Registered to Residents of Foreign Countries (FY 2010-FY 2014)

Residence	2010	2011	2012	2013	2014
Total	31,847	33,752	34,003	36,916	38,498
Afghanistan	3	4	2	8	3
Albania	4	-	3	-	3
Algeria	3	2	1	2	2
Andorra	1	4	3	4	-
Angola, Republic of	-	2	2	1	-
Anguilla	7	7	25	17	8
Antigua & Barbuda	4	3	4	5	1
Argentina	127	161	150	158	126
Armenia	8	17	11	12	20
Aruba	-	2	2	-	1
Australia	1,295	1,338	1,331	1,385	1,564
Austria	322	337	361	361	369
Azerbaijan	-	1	2	1	1
Bahamas	44	60	71	60	56
Bahrain	3	18	6	9	4
Bangladesh	3	1	6	1	1
Barbados	62	89	67	51	51
Belarus	6	13	17	18	15
Belgium	309	287	302	362	408
Belize	20	12	29	25	16
Benelux Convention	9	18	8	12	-
Benin	1	-	-	1	-
Bermuda	161	105	95	128	171
Bhutan	-	-	1	-	-
Bolivia	7	1	3	2	4
Bosnia & Herzegovina	-	1	2	1	-
Botswana	-	-	2	1	2
Brazil	188	180	209	242	236
British Virgin Islands	302	315	258	396	295
Brunei Darussalam	1	-	-	3	3
Bulgaria	24	21	28	45	59
Burkina Faso	-	1	-	-	-
Cambodia	1	1	1	-	2
Cameroon	2	3	2	4	-
Canada	3,714	4,069	3,888	3,944	4,010
Cayman Islands	151	133	124	155	123
Channel Islands	15	25	29	-	-
Chile	97	100	122	92	92
China (Hong Kong)	502	562	601	775	883
China (Macau)	5	2	1	1	9
China (mainland)	1,356	1,705	2,024	2,444	2,901
Colombia	105	94	134	132	94
Congo	1	-	-	-	-
Cook Islands	1	-	1	2	-
Costa Rica	36	21	25	51	16
Cote D'Ivoire	-	1	4	1	-
Croatia	10	14	7	16	11
Cuba	7	7	4	8	1
Curacao	-	1	9	18	8
Cyprus	44	78	80	135	159
Czech Republic	68	57	94	107	80
Denmark	378	372	333	377	393
Djibouti	-	-	1	-	-
Dominica	1	2	1	1	2
Dominican Republic	26	47	29	24	26
Ecuador	15	23	19	14	23
Egypt	6	8	16	16	12
El Salvador	36	20	26	17	26
Estonia	16	15	14	33	28
Ethiopia	4	3	-	1	1
Faroe Islands	-	1	1	1	-
Fiji	-	1	2	1	4
Finland	196	225	212	217	263
France	2,154	2,353	2,160	2,390	2,338
French Polynesia	-	2	-	2	-
Gabon	-	-	1	1	-
Georgia	3	4	14	8	10
Germany	3,759	3,730	3,660	3,641	3,702
Ghana	3	2	5	5	4
Gibraltar	10	29	38	43	45
Greece	52	42	67	55	55
Greenland	1	-	-	-	-
Grenada	-	-	-	1	-
Guatemala	24	-	-	-	-
Guernsey	-	-	-	-	12
Guinea	-	-	1	-	-
Guinea (Equatorial)	-	1	1	-	-
Guinea-Bissau	-	1	3	1	-
Guyana	-	4	3	3	4
Haiti	5	2	4	3	3
Honduras	17	4	7	5	1
Hungary	64	36	34	52	42
Iceland	48	17	29	37	26
India	202	252	259	294	249
Indonesia	36	23	40	34	40
Iran	9	4	17	8	1
Iraq	1	2	-	-	-
Ireland	211	212	227	257	275
Isle of Man	-	24	13	25	31
Israel	348	341	412	462	443
Italy	1,556	1,733	1,657	1,821	1,843
Jamaica	24	21	28	27	19
Japan	2,344	2,272	2,198	2,568	2,770
Jordan	7	16	20	14	21
Kazakhstan	-	1	1	3	1
Kenya	5	3	1	4	5
Korea, Dem. Republic of	4	2	9	7	-
Korea, Republic of	773	904	1,043	1,153	1,272
Kuwait	6	3	7	8	12

TABLE 23: Trademarks Registered to Residents of Foreign Countries (FY 2010-FY 2014) (continued)

Residence	2010	2011	2012	2013	2014	Residence	2010	2011	2012	2013	2014
Kyrgyzstan	1	-	1	2	-	Saint Christ & Nevis	26	10	31	36	15
Laos	-	1	-	-	-	Saint Lucia	2	6	1	10	9
Latvia	8	14	10	18	20	Saint Martin	-	-	3	1	1
Lebanon	12	15	15	16	17	Saint Vincent/ Grenadines	1	2	2	2	4
Liberia	12	8	6	4	-	San Marino	7	-	1	1	6
Liechtenstein	48	37	45	56	60	Saudi Arabia	14	10	38	22	23
Lithuania	7	11	16	15	25	Scotland	15	17	12	16	19
Luxembourg	177	246	270	271	312	Senegal	3	2	1	1	-
Macedonia	-	3	2	3	8	Serbia	4	6	9	7	6
Madagascar	-	-	-	1	-	Serbia/Montenegro	-	-	-	2	-
Malawi	-	1	-	-	-	Seychelles	12	14	18	17	14
Malaysia	63	78	76	45	60	Sierra Leone	-	2	1	1	-
Mali	1	-	-	-	-	Singapore	220	230	239	324	277
Malta	11	20	24	28	55	Slovakia	12	17	17	17	29
Martinique	-	1	-	2	-	Slovenia	15	29	31	30	18
Marshall Islands	6	3	5	3	10	South Africa	140	119	93	138	119
Mauritius	13	15	28	15	31	Spain	780	797	885	965	914
Mexico	736	954	897	1,040	921	Sri Lanka	13	16	12	15	8
Micronesia	3	2	-	-	-	St Kitts & Nevis	-	-	-	36	-
Monaco	19	25	19	29	37	Swaziland	-	-	3	1	-
Mongolia	-	3	1	1	-	Sweden	566	524	655	661	636
Montenegro	1	-	1	2	16	Switzerland	1,338	1,566	1,560	1,623	1,735
Montserrat	-	-	1	-	-	Syria	-	5	3	1	1
Morocco	8	9	8	10	4	Taiwan	782	843	820	957	926
Myanmar	-	1	-	-	-	Tanzania	-	1	1	1	3
N. Mariana Island	3	5	1	2	1	Thailand	53	49	67	74	91
Namibia	-	-	1	3	1	Timor-Leste	-	-	1	-	-
Nauru	-	-	-	1	-	Togo	-	-	2	1	-
Nepal	-	2	2	1	1	Trinidad & Tobago	14	5	6	7	2
Netherlands	883	831	897	810	891	Tunisia	3	5	3	2	3
Netherlands Antilles	39	30	21	8	1	Turkey	167	167	194	250	294
New Zealand	267	285	223	219	283	Turks and Caicos Islands	-	12	8	11	20
Nicaragua	2	6	10	7	4	Uganda	1	1	2	2	-
Nigeria	4	6	12	14	5	Ukraine	30	41	33	38	46
Norway	212	197	195	167	197	United Arab Emirates	56	52	62	90	75
Oman	1	6	2	-	-	United Kingdom	3,010	2,989	2,905	3,092	3,607
Pakistan	15	20	11	12	4	Uruguay	23	24	19	16	22
Palstinian Authority	-	3	-	2	-	Uzbekistan	-	1	-	1	-
Panama	68	88	53	92	79	Vanuatu (New Hebrides)	-	-	-	2	1
Papua New Guinea	-	-	-	-	1	Vatican City	-	1	1	-	-
Paraguay	5	7	2	3	3	Venezuela	42	41	49	37	19
Peru	26	31	33	32	33	Vietnam	39	37	43	52	49
Philippines	41	38	34	37	54	Western Samoa/Samoa	-	9	4	1	7
Poland	74	87	98	102	124	Yemen	1	-	4	1	1
Portugal	123	130	91	106	135	Yugoslavia	1	1	2	-	-
Qatar	9	5	1	9	10	Zambia	-	1	-	-	-
Republic Moldova	2	4	1	6	3	Zimbabwe	-	4	2	1	-
Romania	11	17	15	28	35	Other ¹	19	14	16	20	1
Rwanda	-	1	-	-	-						
Russian Federation	154	206	252	281	246						

- Represents zero.

¹ Country of Origin information not available.

TABLE 24: Summary of Contested Trademark Cases (Within the USPTO, as of September 30, 2014)

Activity	Ex parte	Opposition	Cancellations	Concurrent Use	Interference	Total
Cases pending as of 9/30/13, total	1,109	5,662	1,629	31	-	8,431
Cases filed during FY 2014	2,794	5,509	1,722	27	-	10,052
Disposals during FY 2014, total	2,573	5,607	1,594	26	-	9,800
Before hearing	2,167	5,507	1,565	24	-	9,263
After hearing	406	100	29	2	-	537
Cases pending as of 9/30/14, total	1,330	5,564	1,757	32	-	8,683
Awaiting decision	81	18	6	-	-	105
In process before hearing ¹	1,249	5,546	1,751	32	-	8,578
Requests for extension of time to oppose FY 2014	-	17,285	-	-	-	17,285

- Represents zero.

¹ Includes suspended cases.

TABLE 25: Actions on Petitions to the Director of the U.S. Patent and Trademark Office (FY 2010–FY 2014)

Nature of petition	2010	2011	2012	2013	2014
Patent matters					
Actions on patent petitions, total	51,649	53,755	51,323	48,109	48,204
Acceptance of:					
Late assignments	773	892	739	804	698
Late issue fees	1,720	1,920	1,529	1,765	1,500
Late priority papers	5	4	6	5	74
Access	14	9	4	3	1
Certificates of correction	27,611	26,033	25,441	24,738	25,088
Deferment of issue	9	8	9	9	8
Entity Status Change	2,567	2,842	3,016	2,874	2,831
Filing date	539	531	413	432	276
Maintenance fees	2,173	2,457	1,984	1,702	2,154
Revivals	9,326	9,949	8,202	8,660	6,701
Rule 47 (37 CFR 1.47)	2,259	3,077	2,748	1,648	977
Supervisory authority	411	470	439	461	404
Suspend rules	237	275	162	120	214
Withdrawal from issue	1,912	1,948	2,196	3,363	4,417
Withdrawals of holding of aband	2,093	3,340	4,435	1,525	2,861
Late Claim for Priority	1,094	1,389	1,298	1,254	1,755
Withdraw as Attorney	5,237	5,798	3,922	3,846	5,344
Matters Not Provided For (37 CFR 1.182)	1,236	1,603	1,775	1,338	1,100
To Make Special	4,264	10,573	12,832	17,805	20,283
Patent Term Adjustment/Extension	28,775	2,117	1,298	964	9,957
Trademark matters					
Actions on trademark petitions, total	21,852	23,133	21,036	22,268	24,887
Filing date restorations ¹	13	6	19	8	4
Inadvertently issued registrations	116	78	81	118	192
Letters of Protest	1,003	1,213	1,490	1,595	1,776
Madrid Petitions	28	46	43	61	79
Make special	225	170	302	244	371
Reinstatements ²	563	547	354	319	366
Revive (reviewed on paper)	1,096	1,276	698	324	623
Revive (granted electronically) ³	17,686	18,802	16,913	18,165	19,900
Waive fees/refunds	18	5	18	7	8
Miscellaneous Petitions to the Director	971	840	967	1,223	1,208
Board Matters	16	9	15	25	51
Post Registration Matters	117	141	136	179	309
Petitions awaiting action as of 9/30					
Trademark petitions awaiting response	51	60	26	29	41
Trademark petitions awaiting action	5	2	5	17	-
Trademark pending filing date issues	-	-	-	-	-

- Represents zero.

¹ Trademark Applications entitled to a particular filing date; based on clear evidence of Trademark organization error.

² Trademark Applications restored to pendency; inadvertently abandoned by the Trademark organization.

³ The petition to revive numbers were not separated into two categories (paper versus electronic) in previous years.

TABLE 26: Cases in Litigation (Selected Courts of the United States, as of September 30, 2014)

	Patents	Trademarks	OED	Total
United States District Courts				
Civil actions pending as of 9/30/13, total	196	4	-	200
Filed during FY 2014	15	3	-	18
Disposals, total	141	6	-	147
Reversed	-	-	-	-
Remanded	114	1	-	115
Dismissed	20	2	-	22
SJ Granted—USPTO	6	2	-	8
SJ Granted—Opposing Party	-	1	-	1
Transfer	1	-	-	1
Civil actions pending as of 9/30/14, total	70	1	-	71
United States Courts of Appeals¹				
Ex parte cases				
Cases pending as of 9/30/13	60	9	-	69
Cases filed during FY 2014	131	17	-	148
Disposals, total	122	16	-	138
USPTO Affirmed	51	6	-	57
District Court Affirmed	-	-	-	-
Reversed	2	-	-	2
Remanded	25	-	-	25
Dismissed	32	8	-	40
Vacated	-	-	-	-
Transfer	1	1	-	2
Mandamus Denied	11	1	-	12
Mandamus Granted	-	-	-	-
Total ex parte cases pending as of 9/30/14	69	10	-	79
Inter partes cases				
Cases pending as of 9/30/13	43	10	-	53
Cases filed during FY 2014	116	18	-	134
Disposals, total	87	19	-	106
Affirmed	15	10	-	25
Reversed	2	-	-	2
Remanded	8	2	-	10
Dismissed	60	7	-	67
Transferred	2	-	-	2
Total inter parte cases pending as of 9/30/14	72	9	-	81
Total United States Courts of Appeals cases pending as of 9/30/14	-	-	-	160
Supreme Court				
Ex parte cases				
Cases pending as of 9/30/13	2	-	-	2
Cases filed during FY 2014	2	2	-	4
Disposals, total	3	1	-	4
Cases pending as of 9/30/14, total				2

¹ Includes Federal Circuit and Other Appellate Courts.

TABLE 27: Patent Classification Activity (FY 2010–FY 2014)

Activity	2010	2011	2012	2013	2014
Original patents professionally reclassified—completed projects	90,869	25,540	6,175	29,042	472
Subclasses established	1,429	753	311	349	137
Reclassified patents clerically processed, total	156,590	165,019	31,232	40,007	10,812
Original U.S. patents	52,036	55,090	10,969	25,485	4,635
Cross-reference U.S. patents	104,554	109,929	20,263	14,522	6,177

TABLE 28: Scientific and Technical Information Center Activity (FY 2014)

Activity	Quantity
Prior Art Search Services Provided:	
Commercial Database Searches Completed	29,698
Genetic Sequence Searches Completed	6,300
Number of Genetic Sequences Searched	26,257
CRF Submissions Processed	18,322
PLUS Searches Completed	58,882
Foreign Patent Searches Completed	5,234
Document Delivery Services Provided	
Document Delivery/Interlibrary Loan Requests Processed	15,265
Copies of Foreign Patents Provided	8,312
Information Assistance and Automation Services:	
One-on-One Examiner Information Assistance	24,602
One-on-One Examiner Automation Assistance	42,902
Patents Employee Attendance at Automation Classes	17,001
Patents Employee Attendance for PTA Classes and Customized Training Classes Coordinated via STIC	19,119
Patent Employee Attendance for Examiner Training on STIC Information Sources and Services	15,817
Foreign Patents Assistance for Examiners and Public	6,666
Translation Services Provided for Examiners:	
Written Translations of Documents	3,750
Number of Words Translated (Written)	12,671,027
Documents Orally Translated*	4,195
Total Number of Examiner Service Contacts	302,322
Collection Usage and Growth:	
Print/Electronic Non-Patent Literature (NPL) Collection Usage	1,896,596
Print Books/Subscriptions Purchased	117,687
Full Text Electronic Journal Titles Available	75,048
Full Text Electronic Book Titles Available	279,594
NPL Databases Available for Searching (est.)	1,586

* Includes orally translated requests for Trademarks.

TABLE 29: End of Year Personnel¹ (FY 2010-FY 2014)

Activity	2010	2011	2012	2013	2014
Patent Business Line	8,645	9,234	10,632	10,847	11,484
Trademark Business Line	862	976	899	926	966
Total USPTO	9,507	10,210	11,531	11,773	12,450
Examination Staff					
Patent Examiners					
UPR Examiners	6,128	6,685	7,831	7,928	8,466
Design Examiners	97	95	104	123	145
Total UPR and Design Examiners	6,225	6,780	7,935	8,051	8,611
Patent Examiner Attrition Rate	3.75%	2.96%	3.07%	4.23%	3.40%
Trademark Examining Attorneys	378	378	386	409	429
Trademark Examining Attorneys Attrition Rate	3.08%	2.83%	3.98%	1.92%	2.40%

¹ Number of people on board.

TABLE 30A: Top 50 Trademark Applicants (FY 2014)

Name of Applicant	Classes ¹
MATTEL, INC.	712
NOVARTIS AG	371
Glaxo Group Limited	357
Samsung Electronics Co., Ltd.	309
King.com Limited	306
A&E Television Networks, LLC	288
LG Electronics Inc.	288
Lidl Stiftung & Co. KG	285
JOHNSON & JOHNSON	283
The Procter & Gamble Company	245
Bally Gaming, Inc.	233
Hallmark Licensing, LLC	221
Fuhu Holdings, Inc.	210
Bristol-Myers Squibb Company	196
Homer TLC, Inc.	196
Wal-Mart Stores, Inc.	195
IGT	193
UNITED STATES POSTAL SERVICE	191
DreamWorks Animation L.L.C.	190
Amazon Technologies, Inc.	172
GTECH Canada ULC	171
Sears Brands, LLC	171
Disney Enterprises, Inc.	169
Multimedia Games, Inc.	169
Societe des Produits Nestle S.A.	168
WMS GAMING INC.	166
ALDI Inc.	157
PTT, LLC	153
Dalian Wanda Group Co., Ltd.	147
S. C. Johnson & Son, Inc.	144
Alibaba Group Holding Limited	143
Advance Magazine Publishers Inc.	137
Twentieth Century Fox Film Corporation	136
Clive Palmer	135
National Pro Fitness League, LLC	135
Cellco Partnership	133
Merck Sharp & Dohme Corp.	133
Black Card LLC	132
Delicato Vineyards	132
Boehringer Ingelheim International GmbH	131
District 12, LLC	131
Marvel Characters, Inc.	129
Koninklijke Philips N.V.	128
L'OREAL	126
Wikimedia Foundation, Inc.	123
Eli Lilly and Company	122
L'Oreal USA Creative, Inc.	122
Diageo North America, Inc.	121
Board of Regents of the University System	120
ENERGOCHEMICA TRADING a.s.	120

¹ Applications with Additional Classes.

TABLE 30B: Top 50 Trademark Registrants (FY 2014)

Name of Applicant	Registrations
MATTEL, INC.	426
Disney Enterprises, Inc.	186
LG ELECTRONICS INC.	156
The Procter & Gamble Company	146
SAMSUNG ELECTRONICS CO., LTD.	143
Novartis AG	140
Lidl Stiftung & Co. KG	131
Twentieth Century Fox Film Corporation	119
Societe des Produits Nestle S.A.	118
L'Oreal USA Creative, Inc.	106
Conair Corporation	104
Tri-Coastal Design Group, Inc.	103
Abercrombie & Fitch Trading Co.	101
Aristocrat Technologies Australia Pty Lt	98
L'Oreal	95
JOHNSON & JOHNSON	94
IGT	91
S. C. Johnson & Son, Inc.	82
Target Brands, Inc.	79
Boehringer Ingelheim International GmbH	78
Discovery Communications, LLC	72
Sears Brands, LLC	71
Ainsworth Game Technology Limited	70
Apple Inc.	66
Bally Gaming, Inc.	65
U.S. Marine Corps, a component of the U.	62
The Saul Zaentz Company	61
WMS GAMING INC.	61
Marvel Characters, Inc.	60
Konami Gaming, Inc.	59
Microsoft Corporation	59
Wal-Mart Stores, Inc.	59
HEB GROCERY COMPANY, LP	58
Starbuzz Tobacco, Inc.	57
VIACOM INTERNATIONAL INC.	56
A&E Television Networks, LLC	55
Comité International Olympique	55
HASBRO, INC.	55
Sanofi	55
Columbia Insurance Company	54
American International Group, Inc.	53
Conopco, Inc.	53
Kimberly-Clark Worldwide, Inc.	51
Walgreen Co.	51
Campus Crusade for Christ, Inc.	50
Celgene Corporation	49
Glaxo Group Limited	49
Siemens Aktiengesellschaft	49
PTT, LLC	47
REED ELSEVIER PROPERTIES INC.	47

GLOSSARY OF ACRONYMS AND ABBREVIATION LIST

ABC	Activity-Based Costing	FISMA	Federal Information Security Management Act
ACR	Accelerated Case Resolution	FITF	First Inventor to File
AFCP 2.0	After Final Consideration Pilot 2.0	FMFIA	Federal Managers' Financial Integrity Act
AIA	Leahy-Smith America Invents Act	FPNG	Fee-Processing Next Generation (systems)
AIPA	American Inventors Protection Act	FY	Fiscal Year
APJ	Administrative Patent Judge	GAAP	Generally Accepted Accounting Principles
ARIPO	African Regional Intellectual Property Organization	GAC	Governmental Advisory Committee
BCBCP	Bi-Coastal Biotechnology, Chemical, Pharmaceutical	GIPA	Global Intellectual Property Academy
BFS	Bureau of the Fiscal Service	GOTS	Government-Off-the-Shelf
CFS	Consolidated Financial System	GPO	U.S. Government Printing Office
COTS	Commercial-Off-the-Shelf	GPPH	Global Patent Prosecution Highway
CPC	Cooperative Patent Classification	GSA	General Services Administration
CPIC	Capital Planning and Investment Control	ICANN	Internet Corporation for Assigned Names and Numbers
CRB	CPIC Review Board	ID	Identifications
CSRS	Civil Service Retirement System	IDP	Individual Development Plan
DMCA	Digital Millennium Copyright Act	IG	Inspector General
DOC	U.S. Department of Commerce	IP	Intellectual Property
DOL	U.S. Department of Labor	IPC	International Patent Classification
E2E	End-to-End	IPERA	Improper Payments Elimination and Recovery Act
EFT	Electronic Funds Transfer	IPERIA	Improper Payments Elimination and Recovery Improvement Act
eOG	Electronic Official Gazette	IPTF	Internet Policy Task Force
EPO	European Patent Office	IT	Information Technology
EU	European Union	MPEP	Manual of Patent Examining Procedure
FECA	Federal Employees' Compensation Act	MTS	Metric Tracking System
FEGLI	Federal Employees Group Life Insurance Program	NSTI	National Summer Teacher Institute
FEHB	Federal Employees Health Benefit Program	NTIA	National Telecommunications and Information Administration
FERS	Federal Employees Retirement System	OBRA	Omnibus Budget Reconciliation Act
FFMIA	Federal Financial Management Improvement Act	OCFO	Office of the Chief Communications Officer
FICA	Federal Insurance Contributions Act		

OCFO	Office of the Chief Financial Officer	SCP	Supervisor Certificate Program
OCIO	Office of the Chief Information Officer	SFAS	Statement of Federal Financial Accounting Standard
OED	Office of Enrollment and Discipline	SIPO	State Intellectual Property Office
OEEOOD	Office of Equal Employment Opportunity and Diversity	SMEs	Small- and Medium-Sized Enterprises
OEO	Office of Education and Outreach	SOS	Schedule of Spending
OGC	Office of General Counsel	STEM	Science, Technology, Engineering and Mathematics
OHR	Office of Human Resources	TBMP	Trademark Board Manual of Procedure
OIG	Office of the Inspector General	TC	Technology Centers
OIPC	Office of International Patent Cooperation	TEAPP	Telework Enhancement Act Pilot Program
OMB	U.S. Office of Management and Budget	TMeOG	Trademark Electronic Gazette
OPIA	Office of Policy and International Affairs	TMNG	Trademarks Next Generation
OPM	U.S. Office of Personnel Management	TPAC	Trademark Public Advisory Committee
OPT	Office of Patent Training	TRDM	Trademark Reporting Data Mart
OWF	Operation Warfighter Program	TSDR	Trademark Status and Document Retrieval
PALM	Patent Application Locating and Monitoring	TTAB	Trademark Trial and Appeal Board
PCT	Patent Cooperation Treaty	U.S.	United States
PE2E	Patents End-to-End (system)	U.S.C.	United States Code
PETTP	Patent Examiner Technical Training Program	UCD	User-Centered Design
POA&M	Plan of Actions and Milestones	UMP	Upward Mobility Program
PPAC	Patent Public Advisory Committee	UPOV	Union for the Protection of New Varieties of Plants
PPH	Patent Prosecution Highway	USPTO	U.S. Patent and Trademark Office
PTAB E2E	Patent Trial and Appeal Board End-to-End (project)	USTR	U.S. Trade Representative
PTAB	Patent Trial and Appeal Board	vILT	virtual instructor-led training
Pub. L. No.	Public Law Number	VIP	Veteran Internship Program
RAM	Revenue Accounting and Management	WIPO	World Intellectual Property Organization
RCE	Requests for Continued Examination	WTO	World Trade Organization
SCCR	Standing Committee on Copyright and Related Rights	XML	Extensible Markup Language

A limited glossary containing some USPTO-specific definitions can be found here: www.uspto.gov/main/glossary/index.html

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