

FY 2010 and FY 2011 Budget and Fee Collection Update

March 3, 2010





FY 2010 Fee Collections

FY 2010 CJS language appropriates the use of \$1,887M of fee collections to USPTO

FY 2010 collections are significantly above this level

- Patent maintenance and issue fee increases are the main drivers

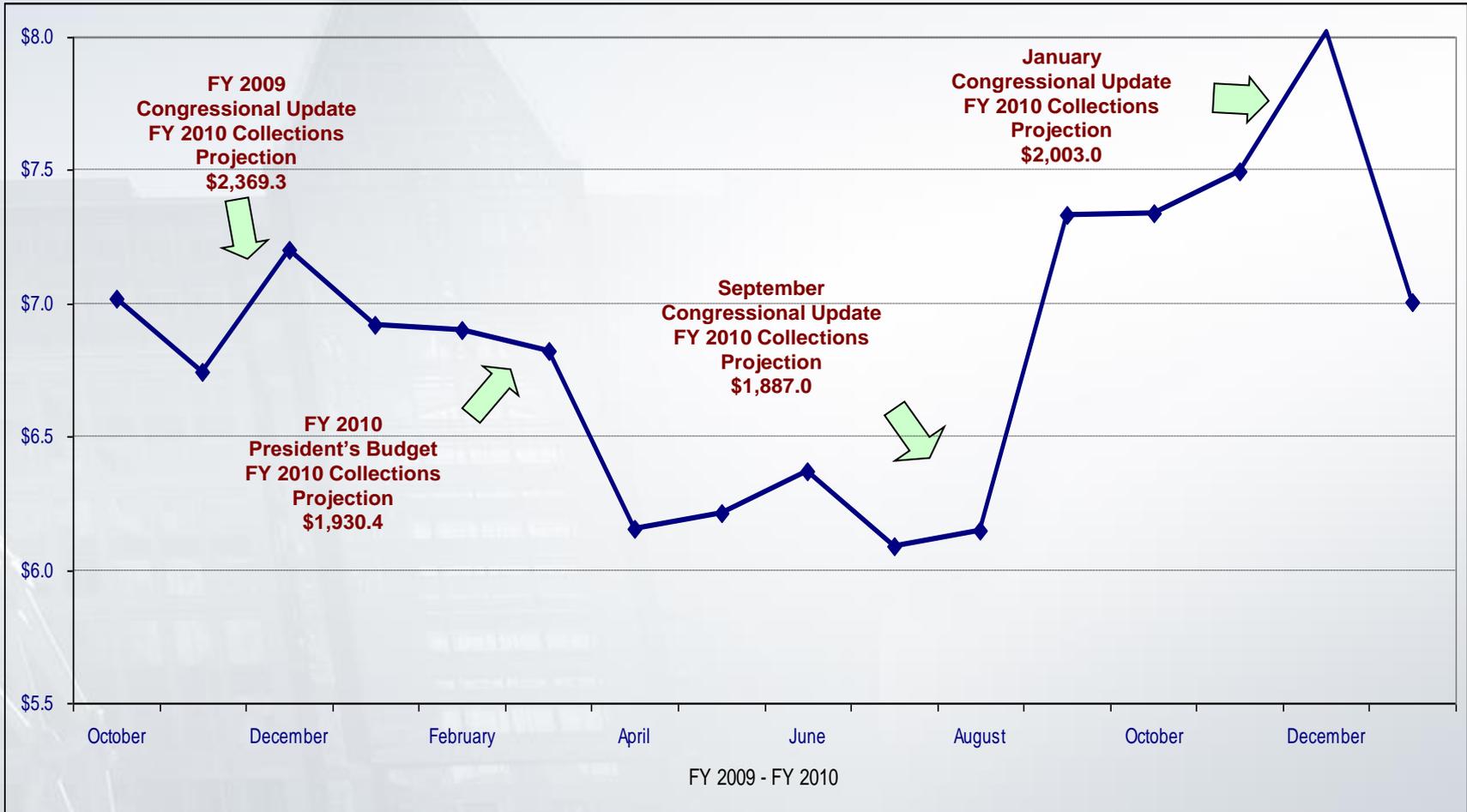
Fee Collections are estimated to be at least \$2,003M for FY 2010

At this level, \$116M in patent fee collections will be unavailable

- USPTO is in discussions with OMB and DOC regarding full access to fee collections in FY 2010

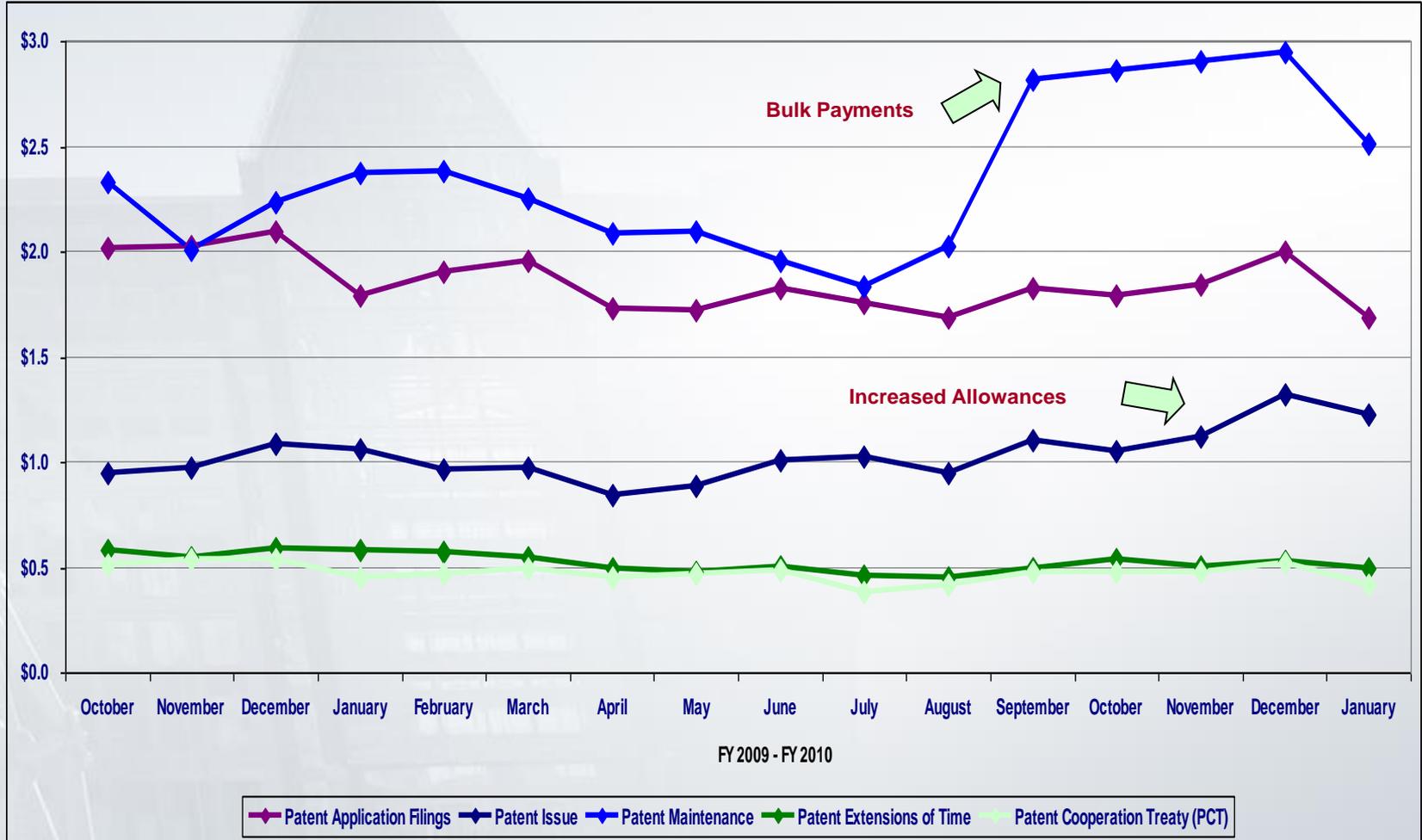


Average Workday Patent Fee Collections





Average Workday Patent Fee Collections, *by Type*





FY 2011 President's Budget

- President Obama released his Budget on Feb 1st
- USPTO Congressional Justifications were distributed to the Congress as a part of the DOC package on Feb 2nd
- President's Budget Highlights:
 - Introduces a new set of Strategic Priorities
 - Requests \$435M increase in appropriation level over FY 2010
 - Multi-year plan to achieve goal of an average first action pendency of 10 months, with an average total pendency of 20 months
 - Requests a 15 percent interim fee adjustment on most Patent Fees
 - Requests authority to set fees by regulation to recover the estimated cost of operations
 - Establishes an operating reserve to help deliver on patent pendency goals



Strategic Priorities

The USPTO has identified strategic priorities that are in support of the Administration/Department performance goal. These include:

- Reduce Patent Pendency and Backlogs
- Improve Quality of Examination
- Improve/Enhance Patent Appeal and Post-Grant Processes
- Demonstrate Global Leadership in all Aspects of IP Policy Development
- Improve Information Technology Infrastructure and Tools
- Secure a Sustainable Funding Model, and
- Improve Relations with Stakeholders



Patent Pendency and Backlog Reduction

- 10 months to first action and 20 months total pendency for patent applications
- An inventory reduction of 326,000 cases
- Achieving a targeted inventory level per examiner of 10 months

This will be accomplished by:

- Hiring 1,000 patent examiners in each of FY 2011 and 2012
- Initiating a new hiring model that emphasizes:
 - Recruiting candidates with significant IP experience (IP professionals, such as agents and attorneys, and technologists with invention experience)
 - Hiring outside the Washington, D.C. area
- Achieving efficiency improvements of 3 percent a year by reengineering management and operations systems and processes; for example:
 - Compact prosecution and training
 - First Action interviews
 - A reengineered count system
 - Patent Prosecution Highway/Work-Sharing
 - Addressing historic ex parte appeal workload growth



Information Technology Investment

- Funds are requested to begin working towards a new IT Vision which includes:
 - Conducting a ground up redesign of the USPTO's infrastructure and applications on 21st Century platforms
 - Stabilizing current systems to "keep the trains running"
- This will be done by investing \$122M for:
 - Patent end-to-end electronic processing
 - Trademark's Next Generation
 - Stabilize current systems



USPTO Requests a Sustainable Funding Model: *Addressing Short Term and Long Term Needs*

Short Term / Interim Funding Authority - Begins putting USPTO on stable ground to set USPTO priorities in motion

- Full access to USPTO fee collections
- Interim Fee Adjustment on Patent fees
- Fee Setting Authority
- Operating reserve

Long Term / Sustainable – Reform USPTO Fee Structure and manage multi-year plans

- Establish fees that reflect costs of services
- Structure fees to provide appropriate incentives for innovation
- Structure fees to facilitate the effective administration of patent and trademark processes
- Maintain Operating Reserve



USPTO Requirements vs. Funding

Dollars in Millions

	FY 2011	FY 2012	FY 2013
Total Requirements	2,331	2,476	2,533
Fee Collections/ Other Income	2,116	2,229	2,258
Interim Funding Adjustment	224	232	228
Total Collections	2,340	2,461	2,486
Reserve-Activity	9	(15)	(47)
Reserve-Balance	100	85	38



Requirements vs. Funding *by Business Line*

PATENTS

Dollars in Millions

	FY 2011	FY 2012	FY 2013
Total Requirements	2,081	2,222	2,275
Fee Collections/ Other Income	1,903	1,992	2,001
Surcharge	224	232	228
Total Collections	2,127	2,224	2,229
Reserve-Activity	46	2	(46)
Reserve-Balance	52	54	8

TRADEMARKS

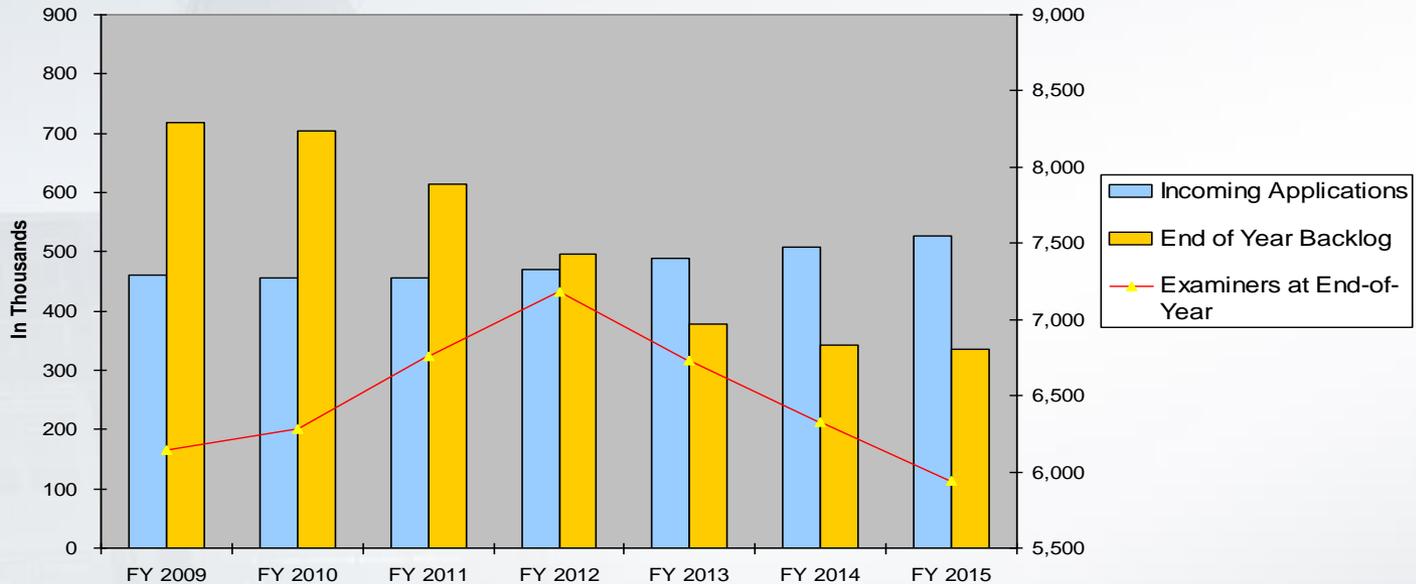
Dollars in Millions

	FY 2011	FY 2012	FY 2013
Total Requirements	250	254	258
Fee Collections/ Other Income	213	237	257
Reserve-Activity	(37)	(17)	(1)
Reserve-Balance	48	31	30



Patent Workloads and Performance Measures

Growth in Patent Applications, Backlog and Examiners



Utility, Plant and Reissue	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Applications	460,900	456,400	456,300	470,000	488,500	507,600	527,400
Growth Rate	-0.5%	-1.0%	0.0%	3.0%	3.9%	3.9%	3.9%
Production Units	464,000	454,700	523,600	563,000	580,200	520,200	512,100
Issues	166,700	181,000	198,700	216,600	225,400	209,400	201,100
End of Year Backlog	718,835	705,000	614,400	496,300	378,800	343,000	335,500
Performance Measures							
Applications Filed Electronically	82.5%	90.0%	92.0%	93.0%	94.0%	96.0%	97.0%
Inventory Position (Months)	26.0	25.6	17.8	13.2	9.7	9.9	9.8
Avg. First Action Pendency (Months)	25.8	25.4	25.8	19.1	10.7	10.9	10.8
Avg. Total Pendency (Months)	34.6	34.8	34.4	34.8	28.1	19.7	19.9
Examiners at End-of-Year	6,145	6,277	6,756	7,181	6,732	6,323	5,942