FY 2023

AGENCY FINANCIAL REPORT

uspto UNITED STATES PATENT AND TRADEMARK OFFICE ®

FINANCIAL AND RELATED HIGHLIGHTS

(Dollars in Thousands)	% Change 2023 over 2022	For the Year Ended September 30, 2023	For the Year Ended September 30, 2022
Fund Balance with Treasury	4.3%	$ 3,297,419	$ 3,162,015
Property, Plant, and Equipment, Net	(3.5%)	361,196	374,333
Other Assets	(8.2%)	44,652	48,624
Total Assets	3.3%	$ 3,703,267	$ 3,584,972
Advances from Others and Deferred Revenue	7.0%	$ 1,490,122	$ 1,393,202
Accounts Payable	(18.0%)	97,665	119,100
Accrued Payroll, Benefits, and Leave	6.9%	399,159	373,252
Other Liabilities	(1.3%)	142,500	144,419
Total Liabilities	4.9%	$ 2,129,446	$ 2,029,973
Net Position	1.2%	1,573,821	1,554,999
Total Liabilities and Net Position	3.3%	$ 3,703,267	$ 3,584,972
Total Earned Revenue	-%	$ 3,944,727	$ 3,946,553
Total Program Cost	8.2%	(4,038,712)	(3,732,273)
Net (Cost)/Income from Operations	(143.9%)	$ (93,985)	$ 214,280
Budgetary Resources Available for Spending	6.8%	$ 5,113,606	$ 4,790,111
Total Collections, Net	(62.0%)	$ 139,100	$ 366,057
Federal Personnel	2.7%	13,452	13,103
On-Time Payments to Vendors	-%	99%	99%

KEY PERFORMANCE INDICATORS

Reference to USPTO's Strategic Plan	Performance Measures		FY 2023 Target	FY 2023 Actual	Performance Results
Patents Goal 2, Obj. 2.3 Pages 28–30	Total PTA Compliance - Mailed Actions		80.0%	81.0%	Met
	Total PTA Compliance - Remaining Inventory		86.0%	82.0%	Not Met
Trademarks Goal 2, Obj. 2.2 Pages 30–32	Trademark Average First Action Pendency (months)		8.5	8.5	Met
	Trademark Average Total Pendency (months)		14.5	14.6	Not Met
	Trademark First Action Compliance Rate		95.5%	96.8%	Met
	Trademark Final Compliance Rate		97.0%	98.6%	Met
International Goal 4, Obj. 4.3 Pages 36–38	Percentage of prioritized countries (noted for FY 2023 is Brazil, China, and India) for which IP country teams have made progress on at least 3 of the 4 performance criteria a. Institutional improvements of IP office administration for advancing IP rights b. Institutional improvements of IP enforcement entities c. Improvements in IP laws and regulations d. Establishment of government-to-government cooperative mechanisms		66.0%	100.0%	Met
	Number of people, including Foreign Government Officials and U.S. Stakeholders, trained on best practices to protect and enforce IP		5,000	10,126	Met
Customer Experience (CX) Goal 5, Obj. 5.2 Pages 42-43	Percentage of customers who indicate positive satisfaction with designated priority services	Patents: Seeking assistance when filing a patent application form	82.0%	82.0%	Met
		Trademarks: Filing an initial application form for a trademark registration	70.0%	80.0%	Met
	Percentage of customers who indicate the employees they interacted with were helpful	Patents	82.0%	85.0%	Met
		Trademarks	75.0%	86.0%	Met

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MESSAGE

MESSAGE

Message from Kathi Vidal, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

In the Director's Message I provided in last year's Agency Financial Report (AFR), I promised that fiscal year (FY) 2023 would be a year of action. We have delivered.

Among our achievements, the U.S. Patent and Trademark Office (USPTO) continues to refine the Patent Trial and Appeal Board (PTAB) and Director review processes to increase transparency in reviewing patent rejections and challenges. We have worked with other U.S. government agencies and international intellectual property (IP) offices to accelerate innovations that address climate change. We are making it easier for first-time inventors to seek patent and trademark protection. We are stepping up efforts to recruit and retain employees. We have consolidated office space. And we have expanded programs intended to increase participation and diversity in the fast-growing innovation economy.

This AFR highlights our FY 2023 accomplishments and details how we overcame challenges. We are making progress in reaching the goals in our Strategic Plan, which we released this past year. We are driving inclusive innovation and focusing on advancing public awareness of IP, promoting reliable IP rights, and protecting IP, and our engaged employees are delivering superior customer service.

We are confident that the USPTO's financial and performance data are complete, reliable, accurate, and consistent. For the 31st consecutive year, the USPTO earned an unmodified (i.e., clean) audit opinion on its annual financial statements, giving the public independent reasonable assurance that the agency's financial information is presented fairly, in all material respects, and follows generally accepted accounting principles. The independent auditors also reported no material weaknesses or significant deficiencies, or instances of noncompliance with laws or regulations during the FY 2023 financial reporting period.

Kathi Vidal, Under Secretary of Commerce for Intellectual Property and Director of the USPTO

Our underlying business is also strong.

The number of utility patent application filings in FY 2023 was 594,143, a slight increase from the previous year and approximately 2,000 above projections. Design patent applications surpassed 53,000, although they were slightly below our FY 2023 projection of approximately 60,000. In September 2023, we also celebrated the issuance of the 1 millionth design patent.

The Trademarks organization received 737,018 applications, a decrease from last year and less than our forecast of 823,000. Still, demand for brand protection remains high.

There are approximately 1.26 million unexamined patent and trademark applications. To increase the efficiency of examination, the USPTO is aggressively hiring examiners and implementing new information technology and processing systems to support examiners and data security.

In FY 2023, fee collections declined slightly to $4.04 billion, due primarily to patent fee discounts that took effect for individual inventors, small companies, and micro-entities. These were mandated by the December 2022 passage of the Unleashing American Innovators Act (UAIA). Also driving the need for fee adjustments are the additional outlays required by the 4.6% annual salary increase that started in FY 2023 and a projected 5.2% pay raise in FY 2024 for employees across federal agencies. In this AFR, the Chief Financial Officer's letter details financial performance.

Our Patent and Trademark Public Advisory Committees held public listening sessions on fee changes in summer 2023, and we will start the formal proceeding in FY 2024. A USPTO biennial fee review found that increased fees are needed to maintain the issuance of reliable and robust IP protection. The USPTO will seek further public comment in FY 2024. Further discussion follows in this AFR.

We are better serving our customers through enhanced outreach, accessible customer service, and the provision of the highest-quality patents and trademarks. We also expedited the transition from our legacy patent, trademark, and back-office systems to the cloud, making it easier for our staff to serve customers.

With 98% of our workforce having formal telework agreements, the USPTO has a widely distributed staff to serve as IP ambassadors in their communities. In 2023, we began accepting expressions of interest from our frontline employees to serve as IP Champions, a program through which USPTO employees can volunteer to use their expertise to educate the public on the importance of IP. The first cohort is to begin in 2024. In addition, by December 31, 2025, under the UAIA, we will open a Southeast Regional Office and four community outreach offices, including one in northern New England.

The USPTO is also focused on employee hiring, training, and retention. We operate in a competitive high-tech and legal environment with many career options, so we must continuously improve the experience for our 13,000-plus employees to retain skilled staff. To do so, we expanded training. We added employee outreach programs, focusing on mental and physical health. We added affinity groups and created events so our employees could congregate and socialize. In 2023, the Inspiring Workplaces Group ranked the USPTO as the second-most inspiring workplace among government and nonprofit organizations in North America. Criteria included leadership, inclusion and diversity, and employee experience. Over the years, the agency's telework program has also been recognized with multiple awards. We expect our efforts will result in engaged employees who provide better services.

In FY 2023, we hired 652 patent examiners and 86 trademark examining attorneys, with plans to increase staff in FY 2024. Our vacancy rate is approximately 5%, so the agency must remain an attractive workplace. We are also working on staffing up both the PTAB and the Trademark Trial and Appeal Board (TTAB).

USPTO Director Kathi Vidal moderates a panel during an event titled "MentorshIP: The secret sauce for women entrepreneurs." The panel included (left to right): Corinne Goble, Chief Executive Officer, Association of Women's Business Centers; Zoë Dean-Smith, Senior Vice President, Leadership and Social Impact, Vital Voices; Shelly Omilâdè Bell, Founder, Black Girl Ventures; Jessica K. Landacre, Executive Director, Intellectual Property Owners Association; and Tiffany Moore, Senior Vice President of Political and Industry Affairs, Consumer Technology Association. They discussed actionable tips on how to find a mentor and how having a mentor can help one overcome challenges and achieve goals. (Photo by Michael Cleveland/USPTO)

Our country needs to make it easier for first-time inventor-entrepreneurs to participate in our IP ecosystem. To support this effort, in March 2023, the USPTO unveiled our First-time Filer Expedited Examination Pilot Program to provide faster application processing to new applicants. More than 100 patent filings have been submitted under this unique program, with expedited status granted to many.

We have also expanded efforts to attract more people into the innovation economy. Along with Secretary of Commerce Gina Raimondo, I helped launch the USPTO's Women's Entrepreneurship (WE) initiative in November 2022. The WE events the USPTO and our federal partners held across the country featured women innovators from the private sector and economic development officials. The USPTO also began the popular WE Wednesday program, providing thousands of participants with lessons from successful female entrepreneurs. In addition, the agency has a new Entrepreneurship Essentials initiative for service members and military veterans and their spouses.

We have expanded our Patent Pro Bono Program, doubling its budget to $1.2 million. Since 2015, lawyers have volunteered almost 100,000 hours of their time and have helped applicants file more than 2,000 patent applications.

The USPTO is also targeting K-12 education and outreach. In partnership with the National Inventors Hall of Fame, we increased enrollment in programs like Camp Invention by 29% to 343,000 children in FY 2023.

To support some of our other goals, we are carefully studying and gradually enhancing the USPTO's use of artificial intelligence (AI) to improve examination quality and speed. We launched the Artificial Intelligence and Emerging Technologies Partnership and held four public listening sessions across the country. Experts told us how the agency can adapt as AI becomes more sophisticated.

The USPTO is operating in a dynamic, globalized world with threats from nation-states and bad actors. Whether by combating tens of thousands of daily attempted cyber intrusions or by educating our customers on how to avoid falling victim to scams, the USPTO is protecting our nation's IP system.

We are protecting the trademark register to guarantee the rights of genuine trademark owners and prevent foreign agents from circumventing our rules. We accepted comments in 2023 about "Future Strategies in Anticounterfeiting and Antipiracy." We are working with other agencies and countries — including China, whose progress we closely monitor — to shore up these efforts.

During FY 2023, my colleagues and I met with representatives from dozens of foreign countries and the leaders of their IP offices. The work of our Global Intellectual Property Academy expanded to include over 40 programs that provided training to over 4,600 officials from 122 countries.

To enhance our country's ability to have a healthy ecosystem that fosters innovation, the USPTO is also participating in the Biden administration's government-wide approach to leveraging our country's innovative capacity to solve national and global challenges, like climate change.

On June 6, 2023, the USPTO expanded the eligibility requirements of the Climate Change Mitigation Pilot Program which helps expedite the processing of patent applications for green inventions. The program added technologies to target the goal of net-zero greenhouse gas emissions by 2050. Recognizing that many technologies that will get the planet to a zero-emissions future have not yet been developed, the USPTO offers green-energy programs for both patents and trademarks. In March 2023, the agency launched a new category of its Patents for Humanity Program, devoted to green-energy inventions. This is a win-win for award recipients and humanity. Awardees receive expedited processing of their patent applications at the USPTO, so these inventions can be patented more quickly, thereby helping to combat climate change sooner rather than later. The USPTO's new Trademarks for Humanity Program recognizes trademark holders who aim to improve environmental health.

Because transitioning to a net-zero emissions future is a global necessity, the USPTO is taking part in multinational initiatives. We continue working with the World Intellectual Property Organization (WIPO) as a technology partner for the WIPO GREEN global green-technology platform. We are in good company; there are 153 government and business partners in WIPO GREEN. The USPTO advocates for such public-private partnerships to address many issues affecting IP — not to mention the planet.

As we embark on a new fiscal year, we are laser-focused on myriad programs and initiatives to increase access and diversity in the IP arena. Each has the intended goal of making the United States a better place to invent; create a new business; hire employees; and increase the prosperity of families, communities, and the nation. We are here to support our innovators. We aim to accelerate the breadth and the pace of innovation so that millions more people can have rewarding careers and help solve major societal challenges.

For these efforts and more, I thank the dedicated employees of the USPTO and our stakeholders. Together, we are creating a hopeful future for everyone.

KATHI VIDAL

Kathi Vidal

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

November 7, 2023

INTRODUCTION

Who We Are

The USPTO is the federal agency responsible for granting U.S. patents and registering trademarks. In doing so, the USPTO fulfills the mandate of article I, section 8, clause 8 of the Constitution, which grants the legislative branch the power to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." The USPTO registers trademarks based on the Commerce Clause of the Constitution (article I, section 8, clause 3). American industry has flourished under this system of protection, with inventors designing new products and discovering new uses for old ones. These two types of achievement have created employment opportunities for millions of Americans, and the strength and vitality of the U.S. economy depends directly on effective mechanisms that protect new ideas and investments in innovation and creativity. The continued demand for patents and trademarks underscores the ingenuity of America's inventors and entrepreneurs and positions the USPTO at the cutting edge of the nation's technological progress and success.

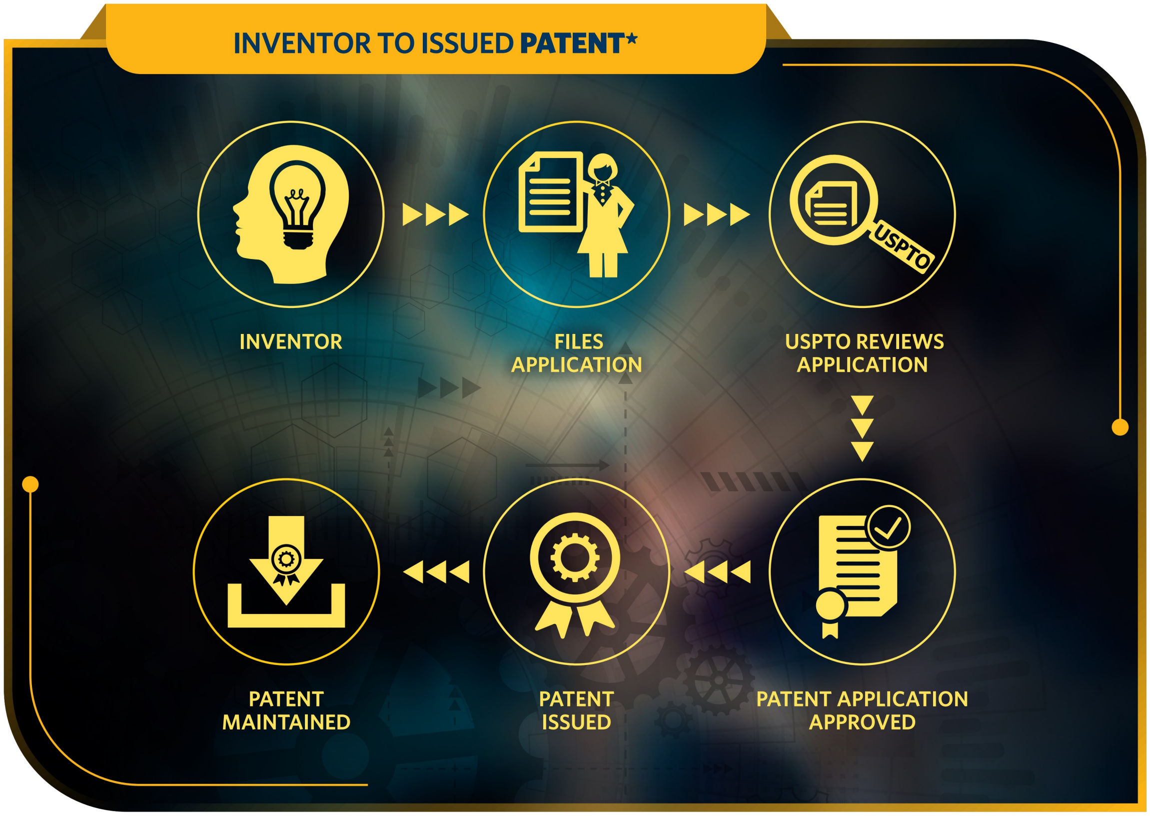
The USPTO advises the President of the United States, the Secretary of Commerce, and U.S. government agencies on IP[1] policy, protection, and enforcement. In addition, the USPTO promotes stronger and more effective IP protections around the world, including by providing training, education, and capacity building programs designed to foster respect for IP and encourage U.S. trading partners to develop strong IP enforcement regimes.

In the United States, there are four basic types of IP rights: patents, trademarks, copyrights, and trade secrets. The graphic below provides a brief description of each type. The USPTO is responsible for patents and trademarks. Its IP policy work, however, encompasses all IP, including copyrights and trade secrets.

PATENTS	TRADEMARKS	COPYRIGHTS	TRADE SECRETS
GRANT rights to exclude others from making, using, or selling a Utility, Design, or Plant invention.	**GRANT** exclusive use to any word, phrase, symbol, or design used to distinguish you from your competitors.	**GRANT** protection for original works—books, music, research, and other forms of creative expression.	**GRANT** rights for information that has either actual or potential economic value by virtue of not being generally known.
TERM Design: 14-15 years* Utility: 20 years** Plant: 20 years**	**TERM** 10 years Can be renewed	**TERM** 70 years after author's death	**TERM** Continuous

** From date of issue depending on filing date   **From the earliest claimed date for benefit*

[1] IP, as used here, refers to patents, trademarks, copyrights, or trade secrets.



**This graphic is a high-level overview. It is not intended to capture every step of the process.*

A patent for an invention represents the USPTO's granting of a right to an inventor. Generally, the term of a new patent is 20 years from the date on which the inventor filed the patent application in the United States or, in special cases[2], from an earlier, related application date, subject to the payment of maintenance fees. Under certain circumstances, patent term extensions or adjustments (PTAs) may be available, and U.S. patent grants are effective only within the United States, U.S. territories, and U.S. possessions. The right conferred by the patent grant is, in the language of the statute and of the grant itself, "the right to exclude others from making, using, offering for sale, or selling" the invention in the United States or "importing" the invention into the United States. A patent grant does not grant the right to make, use, offer for sale, sell, or import, but the right to exclude others from making, using, offering for sale, selling, or importing the invention. Once the USPTO issues a patent, the patentee must enforce it without assistance from the USPTO.

There are three types of patents:

1. **Utility patents** may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture (AofM), or composition of matter, or any new and useful improvement thereof.
2. **Design patents** may be granted to anyone who invents a new, original, and ornamental design for an AofM.
3. **Plant patents** may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.

[2] "Special cases" means any cases that have a benefit claim under 120, 121, or 365(c) considering the very high level of filing of continuing applications. See 35 USC 154(a)(2).

This graphic is a high-level overview. It is not intended to capture every step of the process.

Application and maintenance procedures for patents and general information about patents are available on the USPTO's **Patent Basics webpage**.

A trademark is a word, name, symbol, device, or any combination thereof used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. Marks may take many forms: trademarks, service marks, certification marks (a type of trademark used to show consumers that particular goods and/or services, or their providers, have met certain standards), collective marks, and collective membership marks (a mark adopted by a "collective", i.e., an association, union, cooperative, fraternal organization, or other group). A collective membership mark may be a letter or letters, a word or words, a single design, a name or nickname, or another matter that identifies the collective group. Certification marks may be used by anyone who complies with the standards defined by the owner of the particular certification mark. Collective trademarks may be used only by particular members of the organization (the collective) that owns them. A service mark is the same as a trademark, except it identifies and distinguishes the source of a service rather than a product. The terms "trademark" and "mark" are commonly used to refer to both trademarks and service marks.

Trademark rights can prevent others from using a confusingly similar mark, but not from making or selling the same goods or services under a clearly different mark. Trademarks used in interstate or foreign commerce may be registered with the USPTO. The registration procedure for trademarks and additional general information is available on the USPTO's **Trademark basics webpage**.

Copyright is a form of protection provided to the authors of "original works of authorship," including

USPTO Office of Education, in collaboration with the USPTO chapter of the Society of Hispanic Professional Engineers (SHPE) and Alexandria City Public Schools, hosts Noche de Ciencias (Night of Science) at the USPTO's headquarters in Alexandria, Virginia. Initiated in 2008, Noche de Ciencias is a SHPE national program introducing K-12 students and families to science, technology, engineering, and mathematics (STEM) through hands-on activities exposing participants to college and career information in STEM fields. (Photo by Jay Premack/USPTO)

literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished. The 1976 Copyright Act generally gives the owner of a copyright the exclusive right to reproduce the copyrighted work, prepare derivative works, distribute copies or phono records of the copyrighted work, or perform or display the copyrighted work publicly. The copyright protects the form of expression rather than the subject matter of the writing. For example, a description of a machine may be copyrighted, but this protection would only prevent others from copying the description; it would not prevent others from writing a description of their own or from making and using the machine. **The U.S. Copyright Office**, a department of the Library of Congress, registers copyrights. You can also learn more about copyrights on the USPTO's **Copyright basics webpage**.

A trade secret is information that has either actual or potential independent, economic value by virtue of not being generally known, has value to others who cannot legitimately obtain the information, and is subject to reasonable efforts to maintain its secrecy. All three elements are required; if any element ceases to exist, then the trade secret will also cease to exist. Otherwise, there is no limit on the amount of time a trade secret is protected. More information may be found on the USPTO's **Trade secrets / regulatory data protection webpage**.

About This Report

The USPTO's AFR provides the agency's financial and summary performance information for FY 2023. This report demonstrates to Congress, the Administration, and the public the USPTO's efforts to promote transparency of and accountability for the resources entrusted to the agency. This report is available on the USPTO's website and satisfies the reporting requirements contained in the following legislation:

- 35 U.S. Code section 13
- Federal Managers' Financial Integrity Act (FMFIA) of 1982
- Chief Financial Officers Act of 1990
- Government Management Reform Act of 1994
- Federal Financial Management Improvement Act (FFMIA) of 1996
- Reports Consolidation Act of 2000
- Accountability of Tax Dollars Act of 2002
- Government Performance and Results Act Modernization Act of 2010
- Leahy-Smith America Invents Act (AIA) of 2011
- Study of Underrepresented Classes Chasing Engineering and Science Success (SUCCESS) Act of 2018
- Payment Integrity Information Act of 2019

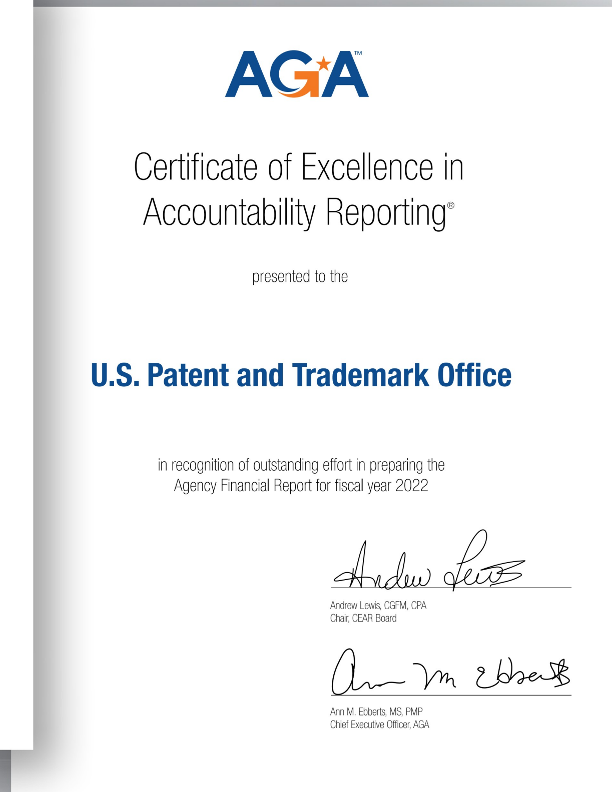
Contributors

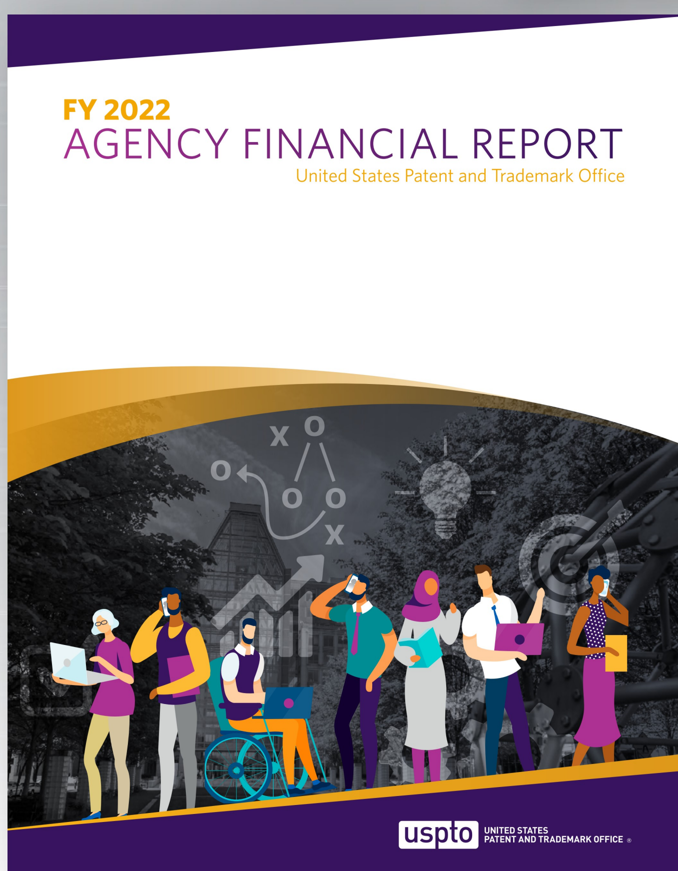
The financial and programmatic performance information presented in this report reflects the joint efforts of the Office of the Under Secretary and Director, USPTO; the Patents organization; the Trademarks organization; the Office of Policy and International Affairs (OPIA); the PTAB; the TTAB; the Office of the Chief Information Officer; the Office of the Chief Administrative Officer; the Office of Equal Employment Opportunity and Diversity; the Office of the Chief Communications Officer; the Office of the General Counsel; the Office of the Ombudsman; and the Office of the Chief Financial Officer (OCFO).

Certificate of Excellence in Accountability Reporting (CEAR®)

The AGA awarded the USPTO its 21st consecutive CEAR® for the agency's FY 2022 AFR. In addition to being recognized as a CEAR® recipient, the USPTO received a Best-in-Class Award in recognition of the AFR's outreach, inclusion, and access features. The AGA bestowed this honor for information that focused on providing greater access and support to the agency's customers across the country — in particular, those who are currently underserved. The agency established these efforts to spur innovation, create jobs, and improve the nation's welfare.

The Chief Financial Officers Council and the U.S. Office of Management and Budget (OMB) collaboratively established the CEAR® program to improve accountability by streamlining reporting and improving the effectiveness of federal agencies' reports so they clearly show both agency accomplishments with taxpayer dollars and any challenges that remain.





The USPTO's 2022 AFR cover and the AGA's CEAR® awards

Your Guide to Using This Report

This report is organized into three major sections, plus other information, an appendix of major terms, a glossary, and a Uniform Resource Locator (URL) index.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section provides an overview of the USPTO's organization, mission, and strategic framework. This report also provides information on the agency's FY 2023 programs and its financial and summary level performance, along with management's assessment of the USPTO's challenges and its assurances on the USPTO's internal controls.

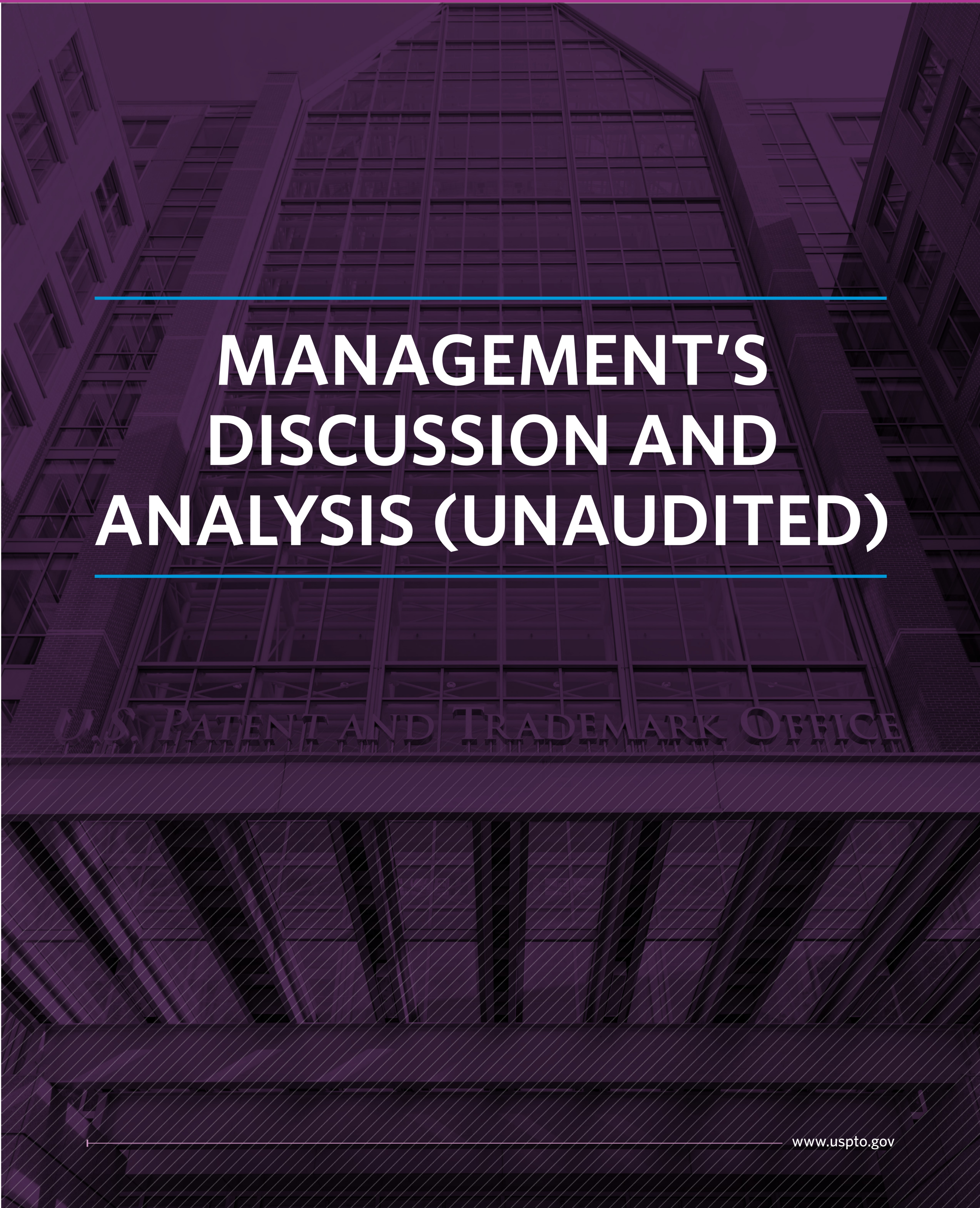
FINANCIAL SECTION

A message from the USPTO's Chief Financial Officer (CFO) opens this section, followed by the agency's audited financial statements, footnotes, and required supplementary information, as well as the independent auditors' report.

OTHER INFORMATION

This section provides a summary table of financial statement audit and management assurances; the USPTO's top management challenges, as identified by the Office of the Inspector General (OIG); USPTO facility and energy updates; information on the agency's efforts to eliminate improper payments; and a discussion of matters related to the biennial review of user fees. The FY 2023 Workload Tables are available on the **USPTO annual reports webpage**.

2022 National Inventors Hall of Fame Collegiate Inventors Competition hosted at the USPTO. A reception and awards ceremony were held in the Clara Barton Auditorium. (Photo by Jay Premack/ USPTO)



MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

USPTO Mission and Organization

The USPTO is a government agency with an unwavering commitment to delivering its mission to foster innovation, competitiveness, and job growth in the United States by enabling individuals and entities to generate tangible economic benefits via creating, inventing, and branding.

In today's challenging and competitive global economy, the USPTO's role in protecting IP remains critical to American competitiveness and economic success internationally. The growing demand for the USPTO's patent and trademark products and services illustrates the immense value of IP protection in the United States. As an agency of the U.S. Department of Commerce (DOC), the USPTO supports the department's mission to create conditions conducive to economic growth by promoting innovation, entrepreneurship, competitiveness, and stewardship. The USPTO also supports the DOC's goal of accelerating American leadership by strengthening IP protection and U.S. economic and national security.

The **USPTO 2022–2026 Strategic Plan**, finalized during FY 2023 with input from members of the public, agency employees, and other stakeholders, defines the USPTO's mission to drive U.S. innovation, inclusive capitalism, and global competitiveness. The agency accomplishes its mission via its vision of accelerating the creativity that drives U.S. innovation in all its forms, and bolstering adoption of that innovation in key and emerging technologies while bringing more Americans into the innovation ecosystem. The USPTO's ultimate ambition is to drive innovation, entrepreneurship, and creativity for the benefit of all Americans and people around the world. Guided by this mission and vision, the plan offers five unique agency goals aligned with the DOC's strategic goals and objectives of promoting accessible, strong, and effective IP rights to advance innovation, creativity, and entrepreneurship.

GOAL 1: Drive inclusive U.S. innovation and global competitiveness

GOAL 2: Promote the efficient delivery of reliable IP rights

GOAL 3: Promote the protection of IP against new and persistent threats

GOAL 4: Bring innovation to impact for the public good

GOAL 5: Generate impactful employee and customer experiences by maximizing agency operations

OUR ORGANIZATION

As shown in figure 1, the Under Secretary of Commerce for IP and Director of the USPTO leads the agency. The Patent Public Advisory Committee (PPAC) and Trademark Public Advisory Committee (TPAC) advise the Under Secretary. The USPTO executes its mission through two programs: Patents and Trademarks. The Commissioner for Patents is responsible for the patent program and leads the patent organization. The Commissioner for Trademarks is responsible for the trademark program and leads the trademark organization. The OPIA formulates U.S.

domestic and international policy regarding protection and enforcement of IP rights. Other units within the USPTO support the patent and trademark programs with cross-cutting functions like information technology (IT); human resources; financial, legal, and administrative services; equal employment opportunity; and communications.

The USPTO operates a headquarters and Eastern Regional Outreach Office in Alexandria, Virginia, and four additional regional offices across the nation (figure 2):

- The Texas Regional Office in Dallas, Texas
- The Rocky Mountain Regional Office in Denver, Colorado
- The Elijah J. McCoy Midwest Regional Office in Detroit, Michigan
- The Silicon Valley Regional Office in San Jose, California

During FY 2023, the USPTO began implementing provisions of the **UAIA of 2022** to establish a Southeast Regional Office and community outreach offices.

The USPTO is a distinctive government agency. The Omnibus Budget Reconciliation Act of 1990 mandated that the USPTO's operations be funded completely by user fees, a change that was implemented in 1991. In 1999, the American Inventors Protection Act (AIPA) incorporated performance-based attributes into the USPTO's operations. For example, the USPTO has a clear mission statement, measurable services, a performance measurement system that provides customers the agency's performance expectations, and known funding sources. In 2011, the AIA provided temporary fee setting authority that is essential to the USPTO's sustainable funding model.

FIGURE 1: **UNITED STATES PATENT AND TRADEMARK OFFICE**

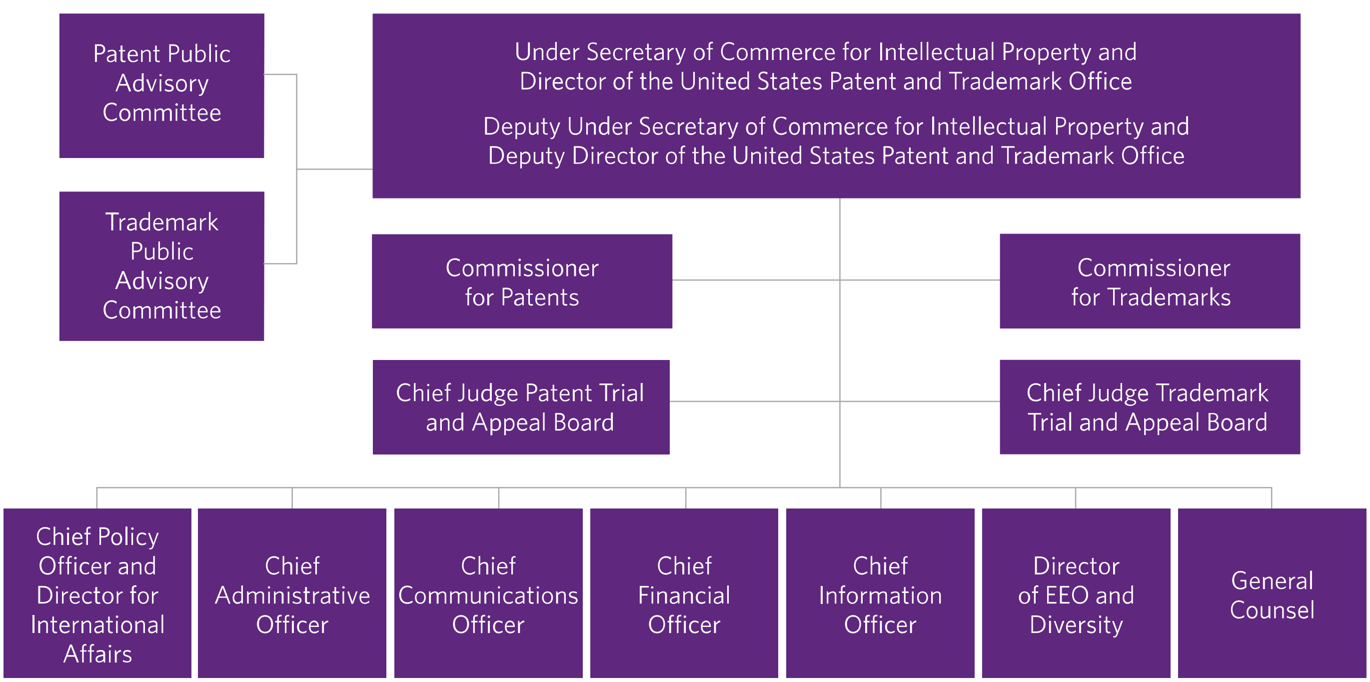
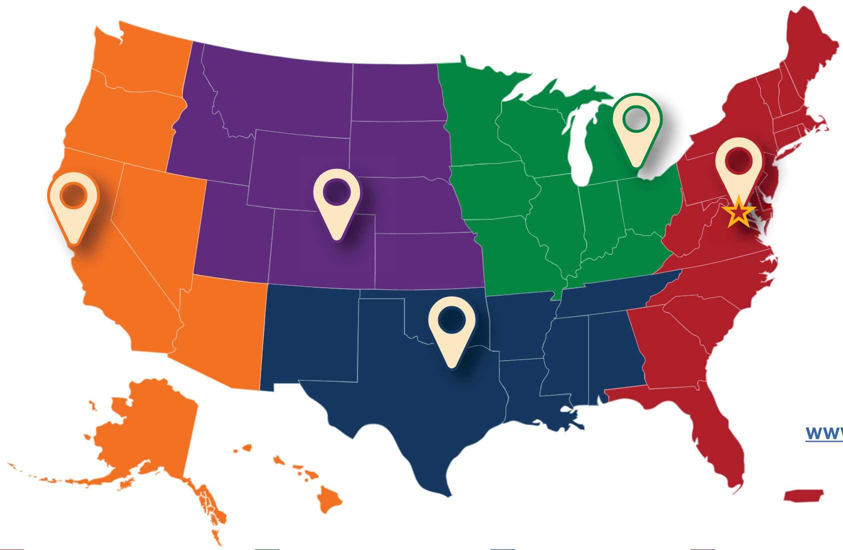


FIGURE 2: **MAP OF THE USPTO HEADQUARTERS AND REGIONAL OFFICES**



- [Alexandria, VA (USPTO headquarters, including East Coast outreach office)]
- [Dallas, Texas]
- [Denver, Colorado]
- [Detroit, Michigan]
- [San Jose, California]

www.uspto.gov/about-us/uspto-office-locations

East Coast region · Midwest region · Texas region · Rocky Mountain region · Silicon Valley region

USPTO headquarters · USPTO office location

The SUCCESS Act requires the USPTO to study, report, and provide legislative recommendations to increase entrepreneurship and total patents applied for and obtained by women, minorities, and veterans (and by small businesses owned by women, minorities, and veterans). The SUCCESS Act also amended the AIA to extend the USPTO's fee-setting authority until 2026.

The 21st Century Integrating Digital Experience Act of 2018 and the Evidence-Based Policymaking Act of 2018 emphasized acquiring and using customer feedback to shape agency operations, improve program data and information accessibility, and enhance digital customer experience (CX). In addition, in 2018, Patents and Trademarks were both designated as high impact service providers (HISPs) of federal services due to the scale and significance of their public-facing activities. In 2022, the USPTO was designated as a single HISP. As a result, the USPTO is conducting capacity assessments to track its maturity, identify areas for growth, collect feedback in line with government-wide measures, and outline specific actions directly aimed at improving critical moments in customer journeys.

PATENT PROGRAM

The USPTO implements the patent program through the Patents organization, led by the Commissioner for Patents who oversees the administration of patent operations, examination policy, patent quality management, international patent cooperation, and patent organization resource, planning, and budget administration. Patents' primary function is examination, where patent examiners (highly skilled professionals with backgrounds in science, engineering, and graphic design/art) review patent applications to determine whether the claimed invention is eligible for patent protection (useful, adequately disclosed, and clearly defined). In addition, patent examiners compare the claimed invention to a large body of technical information to determine whether it is novel (never before seen) and nonobvious (something not readily apparent to someone of ordinary skill in the relevant field). Furthermore, patent examiners respond to appeal briefs on applications appealed to the PTAB and prepare preliminary examination reports for international applications filed under the Patent Cooperation Treaty. Patents also develops policy for examination,

Fireside chat with Dr. Arlyne Simon and Derrick Brent, Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the USPTO at the 2022 inventEd Convening at the Westin Alexandria. (Photo by Jay Premack/USPTO)

patent-focused educational and stakeholder outreach, and, in collaboration with the OPIA, initiatives that support international cooperation.

The patent program is also implemented through the PTAB, a neutral body that functions like a court for patent matters at the USPTO. The PTAB reviews rejections made by examiners in appeal proceedings and decides patentability questions for issued patents raised by third parties in AIA trials.

TRADEMARK PROGRAM

The USPTO implements the trademark program through the Trademarks organization, led by the Commissioner for Trademarks who oversees the administration of trademark operations, examination policy, trademark quality management, international trademark cooperation, and trademark organization resource, planning, and budget administration.

Trademarks' primary function is to register marks (i.e., trademarks, service marks, certification marks, collective marks, and collective membership marks) that meet the requirements of the Trademark Act of 1946, as amended. The Trademark Register provides public notice of the trademark rights claimed in pending applications and existing registrations.

To execute its mission, Trademarks engages in two core practices: examining applications for trademark registration, and processing filings to maintain registrations. As part of these processes, examining attorneys search electronic databases for pending or registered marks that are confusingly similar to those in a subject application; communicate findings to applicants and approve applications to be published for opposition; and examine statements of use in claims filed under the intent-to-use provisions of section 1(b) of the Trademark Act. In addition, Trademarks evaluates and approves lawful maintenance documents and trademark registration renewals. Finally, Trademarks engages in examination policy development and trademark-focused education and stakeholder outreach.

The trademark program is also implemented through the TTAB, a neutral body that functions like a court for trademark matters at the USPTO. The TTAB handles appeals involving applications to register marks, appeals from expungement or reexamination proceedings involving registrations, and trial cases of various types involving applications or registrations.

CROSS-CUTTING, MISSION-ENABLING FUNCTIONS

The USPTO efficiently executes cross-cutting functions to enable the patent and trademark programs to achieve their goals. Prominent and strategic cross-cutting functions include promoting inclusive innovation, bringing innovation to positive impact for the public good, and delivering impactful employee and customer experiences while maximizing agency operations. Other cross-cutting functions include mission-critical activities executed for IP protection and policy. The USPTO also centralizes support activities necessary for mission-critical operations, including executive direction, financial and legal services, human capital, facilities management, and management of the IT infrastructure. Major objectives of the agency's cross-cutting functions include:

- Foster an innovation mindset in all Americans
- Improve domestic and global IP enforcement and reduce domestic and global IP crime and infringement
- Equitably deliver exceptional CX
- Develop modern IT infrastructure and applications
- Expand opportunity, discovery, and accountability through greater data maturity
- Resource mission success

These objectives are discussed in detail in this report's Performance Goals section.

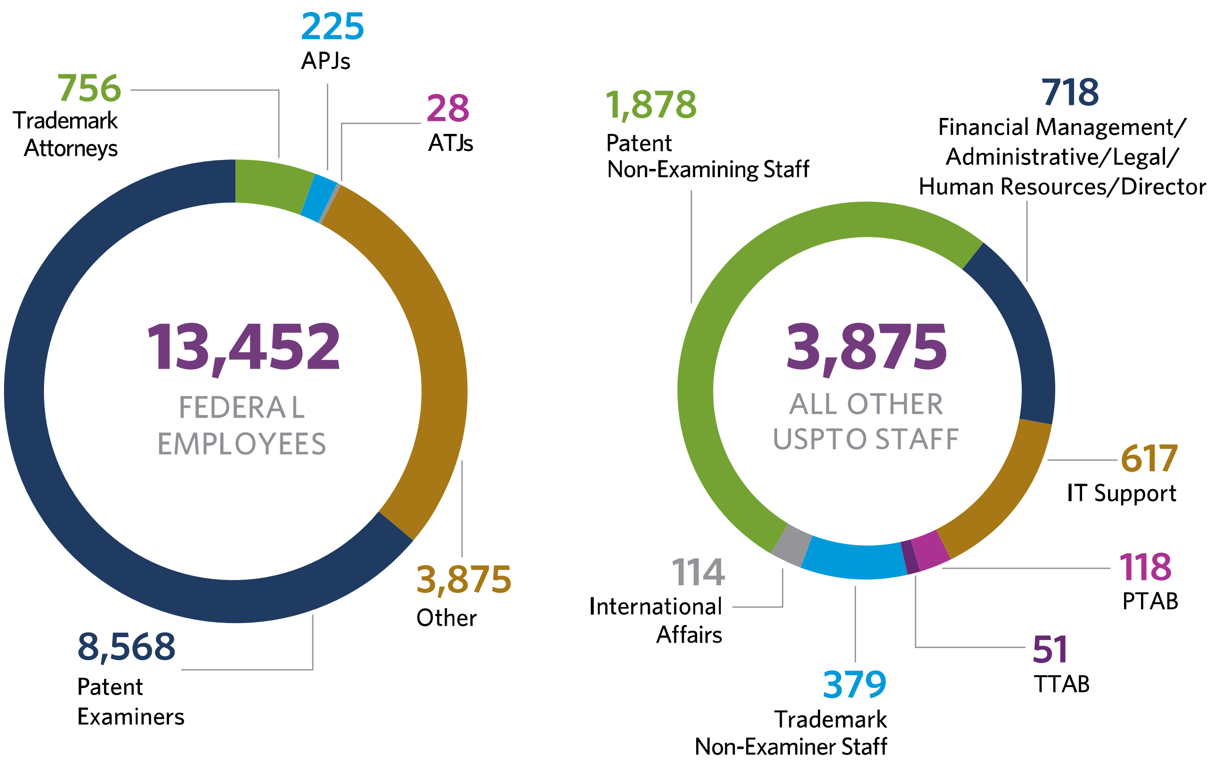
OUR PEOPLE

At the end of FY 2023, the USPTO workforce (figure 3) comprised 13,452 federal employees, including:

- 8,568 patent examiners
- 756 trademark examining attorneys
- 225 administrative patent judges (APJs)
- 28 administrative trademark judges (ATJs)
- 3,875 other staff performing functions in areas including, but not limited to, the PTAB and TTAB, international affairs, congressional relations, IT, financial management, administrative support, legal affairs, human resources, communications and public affairs, and the Under Secretary and Director's Office

USPTO Director Kathi Vidal and Donna Harris-Aikens, Deputy Chief of Staff, U.S. Department of Education read the book Abby Invents Unbreakable Crayons by Dr. Arlyne Simon to second graders at Cora Kelly School for Math, Science, and Technology during a ceremony on World IP Day. CREDIT: Jay Premack/USPTO

FIGURE 3: **USPTO STAFFING**



PERFORMANCE HIGHLIGHTS

Introduction to Performance

<table>
<tr><th colspan="6">KEY PERFORMANCE INDICATORS</th></tr>
<tr><th>Reference to USPTO's Strategic Plan</th><th colspan="2">Performance Measures</th><th>FY 2023 Target</th><th>FY 2023 Actual</th><th>Performance Results</th></tr>
<tr><td rowspan="2">Patents
Goal 2, Obj. 2.3
Pages 28–30</td><td colspan="2">Total PTA Compliance - Mailed Actions</td><td>80.0%</td><td>81.0%</td><td>Met</td></tr>
<tr><td colspan="2">Total PTA Compliance - Remaining Inventory</td><td>86.0%</td><td>82.0%</td><td>Not Met</td></tr>
<tr><td rowspan="4">Trademarks
Goal 2, Obj. 2.2
Pages 30–32</td><td colspan="2">Trademark Average First Action Pendency (months)</td><td>8.5</td><td>8.5</td><td>Met</td></tr>
<tr><td colspan="2">Trademark Average Total Pendency (months)</td><td>14.5</td><td>14.6</td><td>Not Met</td></tr>
<tr><td colspan="2">Trademark First Action Compliance Rate</td><td>95.5%</td><td>96.8%</td><td>Met</td></tr>
<tr><td colspan="2">Trademark Final Compliance Rate</td><td>97.0%</td><td>98.6%</td><td>Met</td></tr>
<tr><td rowspan="2">International
Goal 4, Obj. 4.3
Pages 36–38</td><td colspan="2">Percentage of prioritized countries (noted for FY 2023 is Brazil, China, and India) for which IP country teams have made progress on at least 3 of the 4 performance criteria
a. Institutional improvements of IP office administration for advancing IP rights
b. Institutional improvements of IP enforcement entities
c. Improvements in IP laws and regulations
d. Establishment of government-to-government cooperative mechanisms</td><td>66.0%</td><td>100.0%</td><td>Met</td></tr>
<tr><td colspan="2">Number of people, including Foreign Government Officials and U.S. Stakeholders, trained on best practices to protect and enforce IP</td><td>5,000</td><td>10,126</td><td>Met</td></tr>
<tr><td rowspan="4">Customer Experience (CX)
Goal 5, Obj. 5.2
Pages 42-43</td><td rowspan="2">Percentage of customers who indicate positive satisfaction with designated priority services</td><td>Patents: Seeking assistance when filing a patent application form</td><td>82.0%</td><td>82.0%</td><td>Met</td></tr>
<tr><td>Trademarks: Filing an initial application form for a trademark registration</td><td>70.0%</td><td>80.0%</td><td>Met</td></tr>
<tr><td rowspan="2">Percentage of customers who indicate the employees they interacted with were helpful</td><td>Patents</td><td>82.0%</td><td>85.0%</td><td>Met</td></tr>
<tr><td>Trademarks</td><td>75.0%</td><td>86.0%</td><td>Met</td></tr>
</table>

The USPTO mission is executed through the patent and trademark programs. The agency's 9,577 patent examiners, trademark examining attorneys, APJs, and ATJs efficiently deliver reliable patent and trademark rights every day. They rely upon IT as a mission-critical enabler to achieve the USPTO's organizational performance goals. A majority of the USPTO's costs — in the form of compensation, benefits, and IT costs related to patents and trademarks — finance delivery of Goal 2 of the 2022–2026 Strategic Plan.

This performance highlights section is organized by the five strategic goals outlined in the 2022–2026 Strategic Plan. To fulfill its mission and goals, the USPTO uses a comprehensive strategic performance framework and quarterly internal reporting structure to guide and monitor implementation of its objectives, initiatives, and performance measures. These measures track progress on key performance indicators, some of which are available online in the USPTO Data Visualization Center.

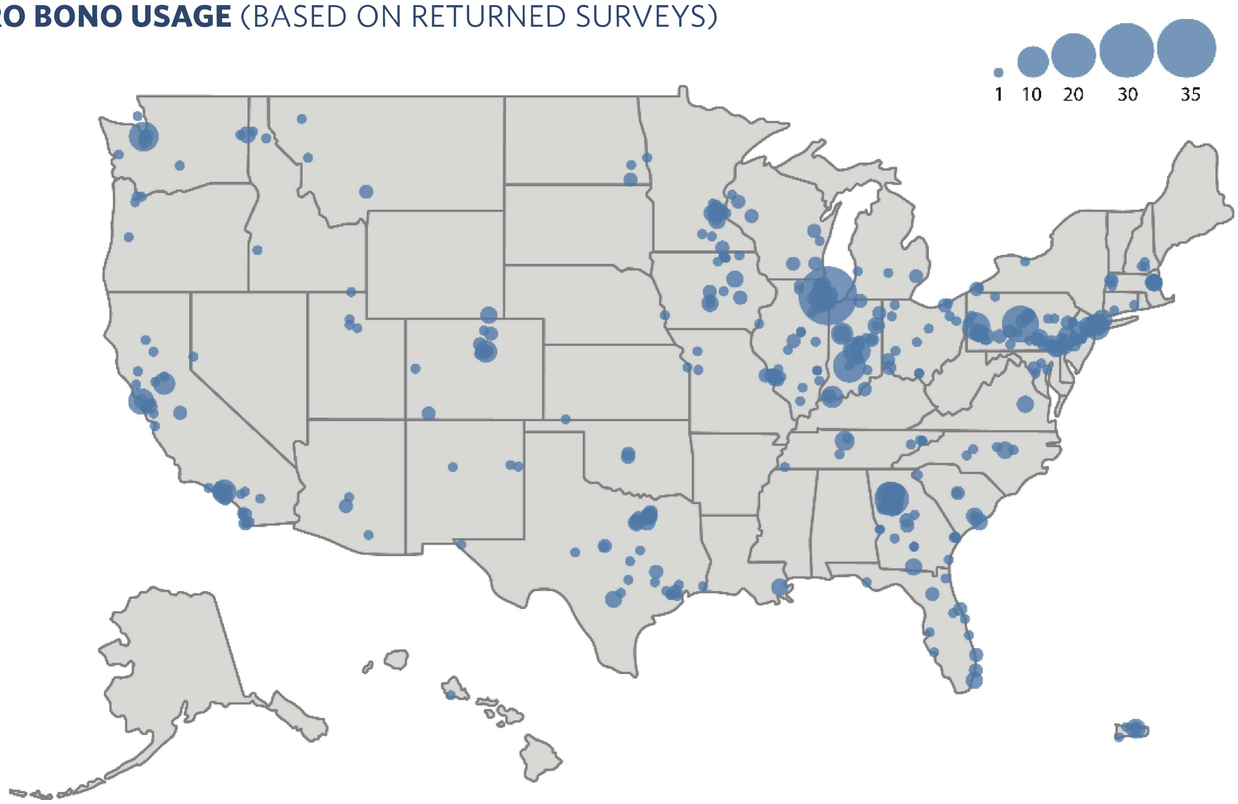
GOAL 1: Drive inclusive U.S. innovation and global competitiveness

One of the USPTO's top priorities is to provide ways for all Americans to participate in the innovation and entrepreneurial ecosystem. In FY 2023, the USPTO made substantial strides toward providing all Americans the opportunity to protect their IP, both in the United States and around the globe.

Empowering women in innovation

Since 2020, women have represented the fastest-growing category of entrepreneurs worldwide, but they are less likely to secure the capital and IP protections they need. Women are also significantly underrepresented as business owners compared to men. According to the U.S. Census

PRO BONO USAGE (BASED ON RETURNED SURVEYS)



Bureau's Annual Business Survey, while men have an ownership stake in about 80% of U.S. businesses and a majority ownership share in 63% of U.S. businesses, women hold an ownership stake in only about 37% of U.S. businesses and a majority ownership share in only 21% of U.S. businesses.

The USPTO **WE** initiative is a community-focused program that uplifts women and taps their potential to increase equity, job creation, and economic prosperity through their ideas, insights, and innovations. The program offers advice from successful women entrepreneurs, as well as resources to help women protect their IP, fund their ideas, and expand their network of mentors and advisors. During FY 2023, the WE initiative encouraged and empowered women founders across America by helping them understand critical elements of their business, including their specific IP and the best way to protect it; securing funding and accessing tools for startups from federal agencies; and creating mentorship opportunities for women founders to expand their network.

In addition, **The Intellectual Property Owners Association** (IPO) and the USPTO launched the **Women Entrepreneurs MENTEE Pilot Program**, a collaborative effort bringing together mentors and mentees to encourage community-building and empowerment of women inventors and entrepreneurs. This program provides participants an opportunity to connect with those in the IPO, an international trade association made up of diverse companies, law firms, service providers, and individuals in all industries and technology fields who own, or are interested in, IP rights.

STRATEGIC OBJECTIVES

1.1 Enhance the United States' role as a global innovation leader

1.2 Promote inclusive innovation through active engagement and widespread, ready access to IP resources and tools

1.3 Foster an innovation mindset in more Americans, starting with our youth

The National Science and Technology Medals Foundation (NSTMF) hosts an evening for student participants from Howard University and the University of Texas at Arlington in their inSTEM Mentorship Program in the Madison Atrium at the USPTO. inSTEM is an auxiliary support network of and for undergraduate students from underrepresented communities who study STEM. (Photo by Jay Premack/USPTO)

Council for Inclusive Innovation (CI²) First-Time Filer Expedited Examination Pilot Program

The USPTO receives approximately 40,000 patent applications per year that name at least one inventor who is a first-time filer. For the smaller subset of first-time micro entity filers, including those in historically underserved geographic and economic areas, wait times for the patent application process may act as a barrier. Under the **CI²**, the USPTO created a pilot program that provides expedited examination to applicants in underserved populations.

Specifically, the **First-Time Filer Expedited Examination Pilot Program** strives to increase accessibility for inventors new to the patent application process. This program expedites the first office action for pilot participants, increasing the possibility of receiving an early indication of patentability and allowing inventors to make business decisions earlier in the patent process. If the invention is patentable, a faster patent grant can get the innovation to market more rapidly than average.

Eligible participants must not have been named as the sole or joint inventor on any other nonprovisional application, must qualify for micro entity status under the gross income basis requirement, and must be reasonably trained on the basics of the USPTO's patent application process. The pilot program webpage provides a collection of free training resources for those interested in learning more about the patent application filing process. The program will run until March 11, 2024, or until 1,000 patent applications have been accepted into the program.

Throughout FY 2023, the CI² continued to work to increase participation in the innovation ecosystem, focusing on communities that are typically underrepresented.

Legal services for the underresourced

The USPTO is committed to connecting underresourced inventors and entrepreneurs to legal assistance through a variety of programs, which are featured on a **dedicated website that highlights resources and programs by state or regional office**. These resources and programs include the Patent Pro Bono Program, no-cost PTAB and TTAB services, and law school clinics that offer free legal assistance.

The **Patent Pro Bono Program** is one of the USPTO's primary tools to provide access to the innovation ecosystem. The program's network of regional programs matches volunteer patent professionals with financially underresourced inventors and small businesses. These patent practitioners prepare and file more than 220 patent applications annually, reaching communities with historically low patent participation rates. The work of the program's professionals is critical to ensuring equity and economic growth in traditionally underserved communities.

Last year, the USPTO surveyed its pro bono users and found that, of those who chose to respond, 35% identified as African American or Black, 14% identified as Hispanic, 5.7% identified as Asian American or Pacific Islander, and 1.5% identified as Native American. While only 13% of all inventors named on U.S. patents are women (per the **USPTO's 2020 Progress and Potential Report**), 43% of those who received assistance in the Patent Pro Bono Program identified as female. Additionally, 7.9% identified as a veteran.

The Patent Pro Bono Program also offers "pathways" events for current and aspiring inventors and entrepreneurs. At these events, which are conducted both in person and virtually, the USPTO connects participants with information and resources regarding IP protection, funding options, and inventor networks. The agency conducts pathways events in coordination with the Pro Bono Advisory Council and the Small Business Administration. On March 9, 2023, the **USPTO held its first pathways event in Minneapolis, Minnesota**, with approximately 40 in-person and 80 virtual attendees. The agency has also scheduled events throughout FY 2024, including **one on October 11** at the USPTO's headquarters in Alexandria, Virginia.

The UAIA requires the USPTO to conduct and share with Congress a study on patent pro bono programs. The study must include whether such programs sufficiently serve prospective and existing participants, and the agency must use the study's findings to update its pro bono programs. During FY 2023, the USPTO held two hybrid public listening sessions with more than 150 stakeholder panelists, inventors, and patent practitioners to obtain feedback on improving the Patent Pro Bono Program and potential volunteer impacts. The USPTO solicited feedback from the public via request for comment (RFC) and is reviewing the information received for incorporation into the study.

In addition to the services provided by the Patent Pro Bono Program, both the PTAB and TTAB coordinate no-cost legal assistance for qualifying inventors and entrepreneurs with proceedings before their respective jurisdictions. Originally an initiative for eligible independent inventors, in April 2023, the PTAB Pro Bono Program expanded to include financially underresourced inventor groups and inventor-owned small businesses. This expansion also eliminated the program's restriction to only micro entities and increased the income qualification threshold from 300% to 400% of the federal poverty limit. The PTAB Bar Association is the clearinghouse for the program and makes all eligibility determinations, then matches qualifying applicants with volunteer attorneys to help navigate the ex parte appeals process.

The **TTAB Pro Bono Clearinghouse Program** recognizes organizations that coordinate free legal services for members of the public in proceedings before the TTAB. The program is targeted to financially under-resourced individuals, small-to-medium enterprises, and not-for-profit/nonprofit or charitable organizations with low operating budgets. Each recognized clearinghouse sets unique requirements for accepting new clients and matches qualifying participants with volunteer member attorneys. Established during FY 2023, the program is still new and growing its participation base, bolstered by engagement from the TTAB, ATJs, and interlocutory attorneys at outreach events and other public activities.

Finally, the USPTO is increasing access to free legal services by expanding its **Law School Clinic Certification Program** to more law schools. The USPTO welcomed 2 new law schools in FY 2023, and the program now includes 60 participating law school clinics. The program provides free services to patent and trademark applicants, including help with filing applications and registering trademarks. The program's benefits are twofold; in addition to assisting inventors and entrepreneurs, it also allows the next generation of lawyers to gain hands-on experience in patent and trademark registration. Law students enrolled in participating schools process patent and trademark applications under the close guidance of an approved faculty supervisor, and with additional guidance and best practices from the USPTO, both they and their schools are better equipped to practice IP law. The program's expansion means more Americans, including those from underrepresented communities, are better able to access legal services — both today and tomorrow.

Expanding IP education to the nation's youth

Ensuring that America's future innovators, inventors, and entrepreneurs receive an education based on STEM, and consistent exposure to STEM activities, is critical to our country's economic prosperity. In

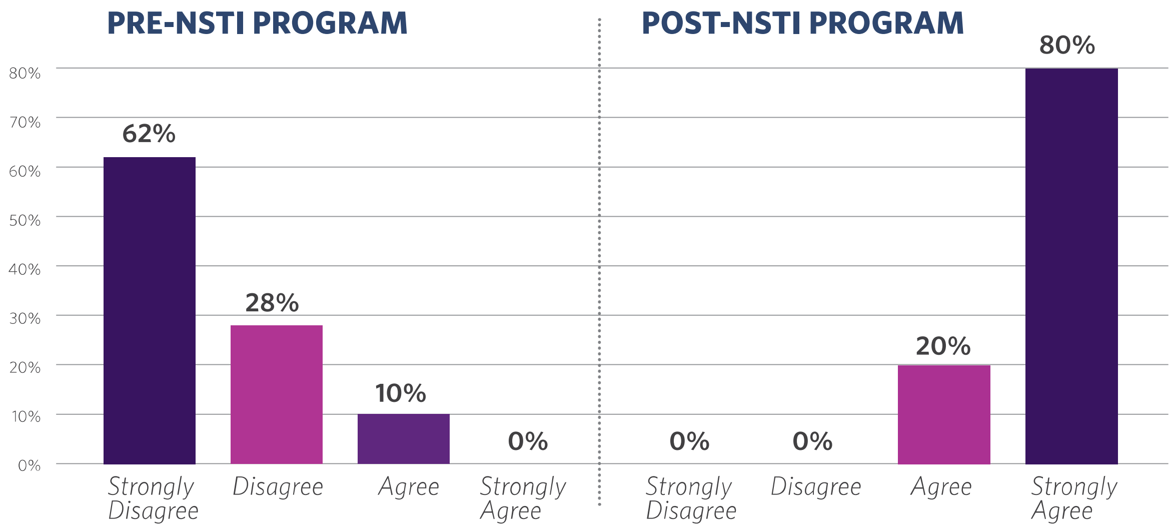
Students at Camp Invention at Mary Williams Elementary School. (Photo by Jay Premack/USPTO)

the future, STEM students will apply to the USPTO for IP protection, or they may become part of the agency's workforce. The USPTO fully supports government-wide STEM efforts through national partnerships and its own **Office of Education** and **Office of Innovation Outreach** (OIO).

The USPTO connects with teachers and learners in an effort to integrate invention education, innovation, and IP into K-12 schools and learning environments nationally. The agency launched the **Master Teacher of Invention and Intellectual Property Education Program** in 2023, a first-of-its-kind, student-centered, train-the-trainer program that provides professional development and support for problem, project, case-based, and invention education. Experienced educators with knowledge of invention or IP education may apply to become teacher-leaders and provide professional development to K-12 educators across the United States. The program's mission is to foster a national network of teacher-leaders who will inspire, motivate, and empower educators to foster invention and IP education in all communities.

The USPTO also launched **EquIP HQ**, a virtual hub for invention education. This free online portal designed for K-12 educators and learners offers educational resources that expand student learning, creativity, and innovation through gaming. The portal features teacher and student-tested lesson plans, interactive and fun activities, and videos of young inventors to inspire and unlock inclusive innovation within every student. EquIP HQ introduces students to the world of patents, trademarks, copyrights, and trade secrets at age-appropriate levels, allowing them to discover how IP plays a vital role in our everyday lives.

The USPTO's flagship annual, five-day professional development program for educators, the **National Summer Teacher Institute (NSTI)** on innovation, STEM, and IP, returned in person to the Saint Louis University campus in 2023. Educators from across the nation convened for this immersive professional development training aimed at equipping elementary, middle, and high school teachers with strategies and tools to integrate IP into their classroom instruction. The NSTI program is designed to help teachers inspire the next generation of inventors, innovators,



Impact of NSTI program. Data reflects teachers' self-reported agreement before and after the training program to the following statement: "I have the strategies and tools to implement intellectual property and invention education into classroom instruction."

and entrepreneurs. The program is open to eligible K-12 teachers nationwide and combines experiential training tools, practices, and project-based learning models.

The **National Inventors Hall of Fame (NIHF)**, a nonprofit organization that develops educational programming in partnership with the USPTO, conducts virtual and in-person models of their programs. Last year, the NIHF worked with local teachers to provide STEM enrichment to about 340,000 young people across the country — its largest group ever, nearly 75% of whom attended on financial aid or scholarship from the NIHF — using age-appropriate introductions to the USPTO and the value of IP. While certain populations like immunocompromised or rural students benefit greatly from the virtual experience, most NIHF educational programs are now in person to promote teamwork and collaborative problem solving.

Reaching more Americans through outreach and education

The USPTO conducted numerous activities throughout FY 2023 to support and empower underrepresented independent inventors, entrepreneurs, and small businesses in underserved communities. Programs included the WE initiative with its Women's Entrepreneurship Symposium event series; the CI² with IP leaders in corporate, academic, professional, and government organizations; and the OIO's "innovator events for everyone." More than 2,000 attendees heard from diverse, successful innovators who shared how they used their IP to reach their full potential (e.g., starting or growing a business or achieving commercialization of their product or service). In addition to hearing inspirational stories and learning best practices, audiences gained access to resources from the USPTO, other government agencies, and national organizations that serve underrepresented communities.

The OIO also helped independent inventors, entrepreneurs, and small business owners discover useful resources and how to use their creative works to reach their full potential through the Asian American Native Hawaiian and Pacific Islander Innovation and Entrepreneurship Program; the Black Innovation and Entrepreneurship Program; the Hispanic Innovation and Entrepreneurship Program; the Invention-Con annual 3-day conference; the Proud Innovation

Program for LGBTQIA+ innovators; the Together In Innovation Program for unique individuals in diverse teams of innovators; the Veterans Innovation and Entrepreneurship Program; and the Women's Entrepreneurship Symposium. More information about these programs is available on the **Innovator events for everyone** section of the USPTO website.

Other outreach programs offered regularly throughout the year included **one-day patents and trademarks boot camps**, which provide comprehensive IP information to pro se filers (customers filing applications without the assistance of counsel) and underrepresented communities.

> Attendees of Trademark Basics Boot Camp provided feedback that:
>
> *"This was one of the best boot camps I have attended online so 'BRAVO!' I can't wait for next Tuesday!"*
>
> *"No recommendation, cause simply, the webinar was perfect!!! Many thanks to the tutor!"*
>
> *"My brother and I spoke about the event all day. So much great information and guidance. So many myths were clarified yesterday. I felt like I could move to the next step in my process after the event. Very impressed and happy to be part."*

The **patents boot camp** provides a scaffolded approach to understand patents and IP rights, how to search prior art, how to properly draft claims, understanding the application forms, and training on Patent Center for filing electronically.

The **Trademark Basics Boot Camp** is a structured program with strong branding and marketing that takes a proactive approach to training and education. The virtual, eight-module series is designed for aspiring trademark applicants, from small business owners and startups to entrepreneurs and craftspeople. Starting with the basic definition and benefits of a trademark, successive modules cover the steps applicants must take to prepare, file, and maintain a federal trademark registration. The boot camp facilitates robust, direct contact between the USPTO and its customers and stakeholders as they begin their trademark journeys.

> Attendees at boot camps for underserved communities said:
>
> *"It is a phenomenal presentation. I learned a lot to be able to file myself or hire an attorney."*
>
> *"So much info and so great it could run over 2 days."*

In addition to the eight-module series, the USPTO expanded the boot camp to reach customers more effectively by:

- Holding in-person, one-day Trademark Basics Boot Camps in broadband deserts
- Hosting in-person and virtual one-day events for underserved communities
- Launching a new, full-color, printable **Trademark Basics Registration Toolkit** as a companion resource to the Trademark Basics Boot Camp webinar series

The USPTO's long-term goal for outreach programming is to help build a new generation of knowledgeable trademark owners to benefit the U.S. economy and, in turn, increase trademark examination efficiency.

GOAL 2: Promote the efficient delivery of reliable IP rights

As America's innovation agency, the USPTO understands the importance of delivering timely, efficient services that help innovators, creators, entrepreneurs, and brand owners bring their ideas to impact more quickly and efficiently. Robust and reliable patents and trademarks offer meaningful, enforceable IP protection to those who hold them and those around them who operate in the same competitive landscape. Since 2000, patent application filings from domestic and foreign entities have more than doubled. During that same period, the number of trademark application filings from U.S. residents have increased more than 50%, and filings from foreign entities have nearly quadrupled — an increase of 290%. In FY 2023, the USPTO also issued **U.S. design patent 1 million**, an important milestone in American innovation and creativity. The USPTO is dedicated to delivering high-quality and timely examinations of patent and trademark applications and is taking a variety of steps to address inventory.

KEY PERFORMANCE RESULTS: *Patent program pendency and quality efforts*

In FY 2023, the USPTO received 462,215 serialized patent applications (new patent filings), which represents an increase of 1.0% over the number received in FY 2022. The number of patent grants was 346,152, a 2.0% decrease from last year. While the quantity of patent applications (filings) has increased, processing time has remained relatively stable, with some fluctuations. The USPTO established patent timeliness goals based on PTA, the agency's overall adherence to statutorily defined time frames. Reducing issued PTAs provides consistently shorter processing time for all applications and gives applicants greater certainty of timeliness in their own cases.

STRATEGIC OBJECTIVES

- **2.1** Issue and maintain robust and reliable patents that incentivize and protect innovation
- **2.2** Issue and maintain accurate and reliable trademark registrations that protect brands and investments
- **2.3** Improve patent application pendency
- **2.4** Improve trademark application pendency
- **2.5** Optimize patent and trademark application processes to enable efficiencies for applicants and other stakeholders

The USPTO exceeded its FY 2023 target of 80%, achieving 81% total PTA compliance for mailed actions (i.e., office actions the agency mailed to applicants). ***Key performance indicator exceeded FY 2023 target.*** An office action is an official letter from the patent examiner to the patent applicant during the patent examination process (i.e., patent prosecution). The USPTO did not meet its PTA compliance target for remain-

The NSTMF hosts an evening for student participants from Howard University and the University of Texas at Arlington at their inSTEM Mentorship Program in the Madison Atrium at the USPTO. (Photo by Jay Premack/USPTO) ing inventory (i.e., cases awaiting action from the agency); total PTA compliance was 82%, 4% below the target of 86%. ***Key performance indicator did not meet FY 2023 target.*** The agency has implemented numerous approaches, including catch-up overtime, revisions to the examiner award program, and increased hiring targets, to address remaining inventory.

The cornerstone of the USPTO's work is the quality of its IP protections. Emerging technology using AI, machine learning (ML), and robotic process automation (RPA) all bring potential opportunities to maximize the agency's operations and workforce. These tools can serve as catalysts for operating efficiencies and cost savings, enhancing the work of patent examiners and increasing access to prior art. In October 2022, the USPTO released the new AI-based Similarity Search feature to examiners' Patents End-to-End (PE2E) Search suite. This feature receives examiner-selected application information, including specification, as input and uses trained AI models to produce a list of domestic and foreign patent documents similar to the searched patent application.

Recognizing that patent applications are becoming increasingly complex and that technologies are converging, the USPTO ensures patent examiners have access to the best prior art as early as possible in the prosecution process. During FY 2023, the USPTO continued its stewardship of the Global Dossier, which enables agency examiners to view work done by examiners in other IP offices, including prior art references cited in related patent applications. The Global Dossier is delivered by the Five IP Offices (IP5) — the USPTO, the European Patent Office, the Japan Patent Office, the Korean Intellectual Property Office, and the China National Intellectual Property Administration.

Last year, the USPTO captured customer perceptions of the quality of its work through external surveys. These surveys focused on respondent opinions regarding patent examiners' adherence to rules and procedures; the correctness, clarity, and consistency of rejections; and overall examination quality. The agency invited more than 3,000 randomly selected frequent customers to participate, and results showed a Quality Net Promoter Score of 58, above targeted performance. This survey cycle marked the agency's fifth consecutive reporting period and its highest results on record, with over 60% of customers rating quality as good or excellent.

Employee training and guidance are of utmost importance for supporting high-quality examination. The USPTO recognizes that quality begins with an extensive, structured, entry-level training program that enables patent examiners to identify all allowable subject matter and address all issues that could hinder patentability during prosecution. The USPTO's Patent Examiner Technical Training Program (PETTP) provides opportunities for technologists, scientists, engineers, and other experts from industry and academia to voluntarily provide technical training and expertise to patent examiners, increasing their knowledge of specific technologies.

In FY 2023, PETTP arranged for 184 volunteer guest speakers spanning 79 organizations in a total of 93 courses, including Site Experience Education (SEE). This program allows commercial, industrial, and academic institutions within the continental United States to voluntarily host patent examiners for technical site visits. Approximately 242 patent examiners participated in 19 SEE trips, visiting more than 80 sites. Individuals and organizations participating in PETTP and the SEE program contribute to improved patent examination quality by keeping examiners updated on technologies and innovations in their examination fields.

The USPTO also developed patent examiner training in collaboration with external stakeholders, including the American Intellectual Property Law Association and the IPO. This collaborative training is intended to connect examiners to the patent ecosystem and 2022–2026 Strategic Plan. Additionally, the agency offered legal studies to strengthen workforce expertise and regularly organized or participated in continuing legal education credit offerings across the country.

During FY 2023, the USPTO continued to build, retain, and effectively manage the highly educated and talented workforce it needs to serve the public and its stakeholder community. The agency leveraged a recruitment bonus for certain new hires, helping to recruit candidates in the most in-demand technology fields while reducing attrition. The USPTO also modified the patent examiner productivity award system to provide a more accurate level of achievement that many examiners routinely attain, and to inspire others to strive for a new level of excellence. In addition, the USPTO expanded overtime and compensatory time opportunities for patent examiners and others directly involved in patent examination and application processing. Lastly, the agency created an online platform that provides information regarding high-inventory technology areas, allowing patent examiners to request a work transfer to fields that match their background and interests.

KEY PERFORMANCE RESULTS:
Trademark program pendency and quality efforts

Registered trademarks play a critical role in promoting innovation across all sectors of the American economy. The USPTO received 737,018 trademark application classes for registration in FY 2023, 50,777 classes fewer than FY 2022. Although the rate of new trademark applications declined, FY 2023 trademark filings were roughly in line with FY 2020 and returning to historical growth rates.

Two important metrics for measuring the trademark program are first action pendency and total pendency. First action pendency is the average time from the date an application is filed to the examining attorney's first office action. Total pendency is the average time between the date an application is filed and the notice of abandonment, notice of allowance, or registration.

Trademark pendency is a top management priority. For over a decade, the USPTO maintained trademark first action pendency between 2.5 and 3.5 months. An unprecedented surge in trademark filings during FY 2020 and FY 2021 resulted in a backlog that, in turn, increased pendency. Although new trademark application filings have since softened and inventory is stabilizing, the backlog remains high and will take several years to complete. Therefore, the USPTO did not meet its total pendency target for FY 2023 — 14.6 months, 0.1 months higher than the goal of 14.5 months. ***Key performance indicator did not meet FY 2023 target.*** First action pendency, however, was 8.5 months, which met the planned target. ***Key performance indicator met FY 2023 target.***

During FY 2023, the USPTO launched several initiatives to reduce trademark pendency and keep customers informed:

- **Hiring examining attorneys and specialists.** The USPTO hired a total of 86 examining attorneys — a class of 46 in October 2022 and another class of 40 in April 2023 — who were trained virtually. The Office of Trademark Services also hired additional specialists to support examination of maintenance fillings.
- **Enlisting paralegal support.** The USPTO established the TMFlex program after analyzing paralegal support in the Register Protection Office (RPO). Paralegals hired under the program support investigative tasks, primarily for anti-scam work. TMFlex

has streamlined anti-scam efforts and had a positive effect on final (disposal) pendency. The agency is also discussing possibilities for nonlawyers to assist in the application process.

- **Publishing a website pendency widget.** Based on stakeholder feedback, the USPTO added a widget to several Trademarks webpages showing the date of applications currently in examination, thereby increasing transparency.
- **Exploring opportunities for efficiency.** The USPTO hired a third-party management consulting firm to identify changes that could improve efficiency and effectiveness. Trademarks also holds internal ideation sessions with the union and other USPTO leaders to brainstorm additional improvements and make the examination process more efficient. In addition, Trademarks is exploring opportunities to automate processes where possible.

Trademark examination quality is based on first and final office actions, which must meet certain legal and procedural standards. Quality measurement considers the application's adherence to registrability standards and the comprehensive excellence of the office action itself, including research, writing, legal decision-making, and evidence.

The USPTO uses two measures of trademark quality: first action compliance rate and final compliance rate. The first action compliance rate is the total number of first actions without any substantive decision-making errors made, substantive decision-making errors missed, or substandard refusals under section 2 of the Trademark Act, divided by the total number of first actions reviewed. The final compliance rate is the total number of cases without any substantive decision-making errors divided by the total number of reviewed final actions and cases approved for publication.

Derrick Brent, Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director of the USPTO, left, swears in new members of the TPAC in the Clara Barton Auditorium in the Madison Building, from left: Deborah Gerhardt, Amy Hsiao, and Donna Griffiths. (Photo by Jay Premack/USPTO)

The TPAC holds a hybrid public hearing on the USPTO's proposed setting or adjustment of trademark fees pursuant to the USPTO's fee setting authority under section 10 of the AIA. (Photo by Jay Premack/USPTO)

The USPTO exceeded all trademark quality targets in FY 2023 despite the added strain on resources related to the pandemic filing surge. As of September 30, 2023, compliance rates for first and final office actions were at 96.8% and 98.6%, respectively, versus the 95.5% and 97.0% targets. Trademarks remains committed to maintaining high compliance quality metrics and is reviewing internal standards to ensure alignment with examination efficiency goals. ***Key performance indicators exceeded FY 2023 targets.***

The USPTO's efforts to maintain trademark quality during FY 2023 included:

- **Standardizing training and feedback.** To respond to unexamined trademark inventory, the USPTO increased hiring of trademark examination staff and established an academy to provide new trademark examining attorneys efficient and consistent training during their first year. As an example, the USPTO developed novel trademark training modules to address emerging challenges in substantive and procedural matters. The trademark training academy successfully completed its first full year during FY 2023, graduating two classes of trademark examiners. Two more classes are currently undergoing training in the academy.
- **Promoting online tools and enhanced processes.** Trademark applicants may now submit secure, third-party-generated electronic signatures approved for use in the Trademark Electronic Application System (TEAS) and the Trademark Electronic Application System international (TEASi) using software like DocuSign and Adobe Acrobat. The USPTO also launched Trademark Examination (TM Exam), a browser-based, end-to-end examination system that has improved examining attorneys' efficiency and work quality. These advancements reflect the USPTO's commitment to simplifying, streamlining, and modernizing trademark processes for applicants and attorneys.
- **Improving examination guidance.** The USPTO uses its annual quality review data to help identify opportunities to improve trademark examination guidance. The agency regularly revises the Trademark Manual of Examining Procedure (TMEP) and the Trademark ID Manual with updated legal guidance and procedures for trademark examining attorneys, applicants and registrants, and trademark practitioners. The TMEP's FY 2023 revisions included statutory and regulatory changes, relevant precedential decisions of the TTAB and Court of Appeals for the Federal Circuit, and examination guidance issued since the July 2022 update.

GOAL 3: Promote the protection of IP against new and persistent threats

The USPTO is committed to protecting patent and trademark owners from fraud, theft, and abuse by those intent on stealing their proprietary ideas, designs, brand identities, and livelihoods. By reinforcing IP protections and deterring fraudulent practices, the USPTO will bolster confidence in America's innovation ecosystem.

STRATEGIC OBJECTIVES

3.1 Protect patents from fraudulent and abusive behaviors

3.2 Protect the integrity of the trademark register

3.3 Improve domestic IP enforcement and reduce domestic IP crime and infringement

3.4 Improve global IP enforcement and reduce global IP crime and infringement

3.5 Support the development and enforcement of clear IP laws

3.6 Work with and on behalf of stakeholders to enable them to better protect their IP

In FY 2023, the USPTO supported **STOPfakes.gov**, the multiagency IP portal, by publishing a new edition of the **China IPR Toolkit**. The USPTO restarted its in-person **China IP Road Show series,** a one-day event coordinated with a variety of organizations including universities, the USPTO's regional offices, business groups, state and local governments, and other federal agencies. These programs bring to local businesses and stakeholders the expertise and knowledge of the USPTO's China specialists, as well as that of special invited guests who often include local businesspeople. The USPTO also continued its series of quarterly public webinars on the latest IP developments in China, which attracted more than 500 participants.

The USPTO also worked with the National Association of Attorneys General to deliver programming that enhances awareness among state attorneys general on the importance of IP enforcement in the context of criminal activity and consumer protection.

Addressing fraudulent patent filings

During the last few years, the USPTO has noted an uptick in fraudulent patent application filings (e.g., erroneous micro entity certifications filed by inventors who do not qualify as micro entities). The problem is particularly acute among rocket docket design applications, which translates to longer wait times for all design patent applicants, loss of USPTO revenue, and unnecessary expenditure of agency resources. The USPTO is proactively taking steps to address questionable filings, including mailing applicants notices that request information to resolve apparent irregularities. Section 7(b)(1) of the UAIA authorized the USPTO to issue fines for falsely asserting entity status and USPTO is working to implement the provisions. The agency will continue investigating anomalies as they appear and explore more efficient and effective ways to identify suspect filings.

Protecting the integrity of the Trademark Register

The RPO is a new organization within the trademark examination policy organization dedicated to combating scams, particularly those involving fraudulent trademark applications. The RPO is staffed with trademark examining attorneys, paralegals, and investigators, all of whom address scams and protect the Trademark Register by:

- Completing administrative reviews of suspicious filings for possible sanctions
- Referring practitioners to the Office of Enrollment and Discipline for suspected attorney misconduct
- Suspending USPTO.gov accounts used for improper submissions
- Eliminating unused registrations through nonuse cancellation proceedings
- Conducting post-registration audits that require registrants to provide proof of use of their mark
- Imposing a maintenance filing deletion fee penalty when registrants cannot provide proof of use
- Creating scam awareness communications, including examination guidance, webpages, and blogs

In December 2022, the USPTO implemented phase two of the Trademark Modernization Act and shortened response times for preregistration office actions from six months to three months, with a possible extension to the full six months. This initiative has significantly shortened the time for applicants to respond before their applications undergo examination. Expediting the examination process better enables Trademarks to prevent scammers from obstructing the progress of legitimate applicants. Trademarks also introduced identity verification for USPTO.gov account holders using the TEAS and TEASi applications and leveraged technology provided by **ID.me** for identity verification and authentication.

The number and sophistication of scams targeting trademark applicants and registrants has risen significantly. These fraudulent applications and maintenance filings include fake or digitally created specimens of use or false information designed to circumvent agency rules and policies. In response, during FY 2023, the USPTO published two scam awareness webpages about trademark auction sites and specimen farms, and sent an accompanying Trademark Alert and internal staff email. The agency is also working to shut down USPTO.gov accounts established by a holder but controlled by a scammer.

In August 2023, the USPTO issued **Examination Guide 3-23** to help trademark examining attorneys and post-registration examiners review domicile addresses in applications and registrations. The exam guide addresses the agency's concern that applicants and owners/holders who claim no domicile due to a virtual business could attempt to circumvent the U.S. Counsel Rule, which is a possible fraud indicator. Applicants must instead present their claim in a petition to the Director.

To enhance transparency and accessibility, the USPTO published the **Trademark Decisions and Proceedings database** in March 2023. This public search tool allows for easy access to issued sanctions, orders, and nonuse cancellation proceeding documents, with petitions to the Director to be added soon.

The USPTO made considerable advancements throughout 2023 to protect the integrity of the Trademark Register through statutory, technological, and operational adjustments. The agency will continue strengthening the RPO's capabilities and capacity and increase the reach of the Administrative Sanctions Program to fight scams.

Go for Real campaign/anti-counterfeiting

Since 2019, the USPTO has partnered with the National Crime Prevention Council on the **Go For Real campaign** to educate young people, caregivers, and educators on spotting counterfeit products and avoiding the harms associated with fake goods. Targeted messaging includes public service announcements on radio, television, and online, combined with ads and short videos on social media platforms. Other campaign resources include interactive games to help spot fakes, flash cards highlighting poisonous substances in counterfeit products, educational videos, activity sheets and games, and a downloadable multimedia kit.

The scope of counterfeited and pirated products seeking entry into the U.S. market is significant. In FY 2021, U.S. Customs and Border Protection made more than 27,000 seizures with an estimated retail value in excess of $3.3 billion, an increase of 152% over the previous year. As part of its IP enforcement efforts, the USPTO published a **Federal Register Notice** seeking insights from businesses, IP rights holders, and other stakeholders regarding the future of anti-counterfeiting and anti-piracy trends and strategies. This information will form the basis for a public roundtable in October 2023, "**Future strategies in anti-counterfeiting and anti-piracy**."

Trade-related initiatives

During FY 2023, the USPTO assisted the Office of the United States Trade Representative (USTR) in preparing its annual review of global developments in trade and IP, the "**Special 301 Report**." This Report is the outcome of a Congressionally-mandated annual review of the global state of intellectual property (IP) rights protection and enforcement. Likewise, the USPTO provided substantive information that the USTR used in compiling its annual **Notorious Markets List**, which highlights prominent online and physical marketplaces that reportedly engage in and facilitate substantial copyright piracy and trademark counterfeiting.

USPTO and Food and Drug Administration (FDA) collaborate on IP

The USPTO is committed to ensuring the United States' strong patent system incentivizes lifesaving innovation in medications without unnecessarily delaying access to generic, biosimilar, and more affordable versions of drugs. In furtherance of the President's July 2021 **Executive Order on Promoting Competition in the American Economy**, the USPTO collaborated with the FDA to incentivize innovation and reduce potential misuse of the patent system to improperly delay competition. This collaboration included cross-training events where discussions involved public resources and information from the FDA that patent examiners may use as prior art during patent application examination. The USPTO and the FDA also hosted a joint public listening session to hear from representatives of patient advocacy groups, pharmaceutical and biologic industries, generic and biosimilar industries, and academia. Please visit the **USPTO-FDA webpage** to learn more about this collaboration.

Cooperation between the USPTO and U.S. Department of Agriculture (USDA)

In March 2023, the USDA, in consultation with the USPTO, published a report on competition and innovation in seeds and other agricultural inputs, "**More and Better Choices for Farmers.**" The report outlined a series of recommendations received in response to public comments regarding competition and market power, IP, and other business practices in the seed industry that could affect American farmers' ability to participate in a fair and competitive market. The USDA published the report in response to President Biden's July 2021 executive order.

In addition to the report, a newly established **USDA-USPTO Working Group on Competition and Intellectual Property** will strengthen cooperation between the USPTO and the USDA and expand resources available for assessing the patentability of seeds, while addressing the use of patents to unnecessarily reduce competition. The working group's initiatives will include exploring joint opportunities to collect broader input from stakeholders in the seed and agricultural markets; exploring initiatives to enhance the quality of patent examination for innovations related to agricultural products and processes; collaborating on initiatives that enhance the transparency of IP information for agriculture-related innovations; and considering and evaluating new proposals for incentivizing and protecting innovation in the seed and agriculture space.

PTAB provides education and outreach

The USPTO has continued to create and revise education and outreach materials to reach broader audiences, and issue precedential and informative decisions regarding PTAB rules and practices to enhance procedural clarity. The USPTO used the **PTAB Boardside Chats** webinar series to educate and inform the stakeholder community about the PTAB's work. These webinars provided practitioners the opportunity to ask questions and receive answers about best practices. In addition, the USPTO enhanced clarity and certainty around the Director review and discretionary denial processes, positioning the PTAB to start policy-making through notice-and-comment rulemaking. The USPTO also published RFCs to expand the patent bar and practice before the PTAB, and to consider a design patent bar that will allow the agency to begin notice-and-comment rulemaking on these topics. More information can be found on the USPTO's dedicated **PTAB webpage**.

KEY PERFORMANCE RESULTS:
Fostering global IP protection

The USPTO provided capacity-building and training workshops around the globe in FY 2023. These programs focused on IP enforcement and were targeted to audiences that included police, prosecutors, and customs and border enforcement officials. The USPTO conducted some of these programs in partnership with other federal agencies, foreign governments, and nongovernmental organizations, including those conducted pursuant to a memorandum of understanding with INTERPOL, the International Criminal Police Organization.

Throughout last year, the USPTO provided policy advice and technical training on domestic and international IP matters in partnership with multiple federal agencies. These efforts included over 140 USPTO-organized programs delivered through the agency's **Global Intellectual Property Academy**. Altogether, in FY 2023 the USPTO trained more than 10,000 U.S. stakeholders and foreign officials responsible for the protection and enforcement of IP, exceeding its target of 5,000. These included capacity-building programs with foreign IP officials, such as patent and trademark examiners. ***Key performance indicator exceeded FY 2023 target.***

Lastly, USPTO IP attachés and IP specialists stationed worldwide support U.S. IP interests and assist U.S. rights holders in doing business around the globe. In FY 2023, the agency's IP attachés assisted over 5,500 U.S. inventors and businesses, including many small and medium-sized enterprises and first-time or new-to-market exporters.

GOAL 4: Bring innovation to impact for the public good

During FY 2023, the USPTO expanded its offerings and partnerships to help those pursuing IP protection identify available funding sources — public and private — to bring their innovations to impact for the public good. The USPTO continued to support a strong IP system that encourages innovation in high-impact sectors, including incentivizing innovation in key technology areas such as healthcare, manufacturing, and climate protection. To further promote U.S. competitiveness and economic growth, the USPTO partnered with agencies that fund research and development and provided IP education and outreach to drive federally funded innovations to impact for the American people.

STRATEGIC OBJECTIVES

4.1 Help innovators, entrepreneurs, and creators identify available funding sources

4.2 Promote the protection and domestic deployment of federally funded innovations

4.3 Provide leadership to foster domestic and global ecosystems that support innovation

Green technology initiatives

On May 17, 2023, the USPTO, in collaboration with the Federal Laboratory Consortium and AUTM, held the **Green Energy Innovation Expo** in Alexandria to highlight the impact of green energy in the fight against climate change. The event was attended by more than 300 members of the technology development and commercialization community who work in the green energy sector. The event's intent was to match licensors of federally funded green energy technologies with green energy licensees.

The expo included panel discussions; a networking session for potential licensees and licensors; a pitch competition featuring some of the best clean energy startups in the country; and a reverse pitch that involved industry licensees giving presentations to potential licensors about their respective green technology needs. The program facilitated partnerships between the green energy industry and licensees of federally funded technologies, which include federal laboratories and universities, and private-sector innovators, including government-funded startups.

To positively impact the climate by accelerating the examination of patent applications for innovation that mitigate climate change, the USPTO expanded and extended its **Climate Change Mitigation Pilot Program**, a replacement for the Green Technology Pilot Program that ended in 2012. By affording more opportunities for participation through a broader pool of eligible innovations, this program supports the USPTO's ongoing commitment to addressing climate change by encouraging and accelerating innovations that lead to net-zero emissions. The USPTO will advance qualifying applications involving technologies that reduce, remove, prevent, or monitor greenhouse gas emissions out of turn (i.e., made special) to expedite a first office action.

Patents for Humanity program

In 2023, the USPTO launched the latest iteration of its Patents for Humanity program, the **Patents for Humanity Green Energy awards competition**, to recognize and reward innovators and inventions that are addressing climate change through clean energy technologies in the green energy sector. This new award category aligns with the Administration's priority to incentivize innovations in this sector.

The Patents for Humanity awards competition recognizes innovators who use game-changing technologies to meet global humanitarian challenges and provides business incentives for patent holders who find ways to reach underserved communities. Program applicants describe what actions they have taken with their patented or patent-pending technology to address the welfare of impoverished populations, or how they furthered humanitarian purposes through research. Outside judges use program criteria to judge the applications and make award recommendations to Under Secretary Vidal. Winners receive an acceleration certificate to expedite a future patent matter at the USPTO, as well as recognition of their efforts at a public ceremony.

The Patents for Humanity awards competition was recently codified into law with passage of the **Patents for Humanity Act of 2022**.

Trademarks for Humanity program

In April 2023, the USPTO launched the new **Trademarks for Humanity awards program**, which recognizes brand owners who are harnessing the power of trademarks to help solve humanitarian challenges. The program is focused on the environment for the 2023 awards cycle, recognizing brand owners who are improving the environment through their products and services or their business practices in connection with a federally registered trademark. Winners will receive recognition at a public awards ceremony with Under Secretary Vidal and be featured in an article on the USPTO website.

IP5 annual meeting and sustainable innovation dialogue

In June 2023, the USPTO hosted the annual meeting of the **IP5**. The office heads also conducted related meetings with industry and stakeholder groups. The theme for this year's IP5 gathering was "addressing climate change through an accessible and inclusive IP system."

Preceding the office heads' meeting, on June 13, 2023, the USPTO hosted a "**sustainable innovation dialogue**." At this event, the IP5 leaders shared information on initiatives that encourage patent filings in climate technologies, streamline patent examination, and encourage eco-friendly efforts like paperless filing and energy efficiency. The dialogue also brought together innovators, accelerators, and funders, as well as representatives of the National Oceanic and Atmospheric Administration, who described how IP offices can be catalysts for bringing climate change technologies from research to the marketplace. The IP5 issued a **special report** detailing the five offices' initiatives on climate change.

Cancer Moonshot Expedited Examination Pilot Program

As a result of the success of the USPTO's Cancer Immunotherapy Pilot Program, as well as the renewed national Cancer Moonshot initiative, in December 2022 the USPTO announced its new **Cancer Moonshot Expedited Examination Pilot Program**. The new program broadens the scope of qualifying technologies to include methods of treating or reducing the incidence of a cancer using immunotherapy, certain additional methods of treating or detecting a cancer, certain methods of treating nicotine dependence to promote smoking cessation, and certain products and apparatuses used in these methods.

KEY PERFORMANCE RESULTS: *Engaging with international partners*

The USPTO represented the United States and the interests of U.S. rights holders at a number of international organizations, including the **World Intellectual Property Organization** (WIPO), World Trade Organization, **IP5**, **Five Trademark Offices** (TM5), Industrial Design Forum, International Union for the Protection of New Varieties of Plants (UPOV), Association of Southeast Asian Nations and its Intellectual Property Experts Group, Asia-Pacific Economic Cooperation, and others. Altogether, the agency participated in more than 45 high-level meetings of these international bodies in FY 2023.

The USPTO exceeded its target in achieving a percentage of prioritized countries (Brazil, China, and India) for which IP country teams have made progress on at least three of the four performance criteria specified in Strategic Objective 1.5, Strategy 4 in the **DOC Strategic Plan 2022–2026**. During FY 2023, the percent of action steps made for Brazil was 86%, China 76%, and India 77%. ***Key performance indicator met FY 2023 target.***

In August 2023, the USPTO signed a memorandum of understanding with Mexico that will allow for accelerated patent grant procedures to benefit U.S. patent holders. The USPTO also concluded 15 other agreements and memorandums of understanding in FY 2023 with IP offices and partner organizations, including Canada, Mongolia, and Panama.

GOAL 5: Generate impactful employee and customer experiences by maximizing agency operations

The USPTO requires a diversely talented workforce that is equipped to deliver high-quality, exemplary service. While welcoming talent that reflects the diversity of the American people, the USPTO will support workforce professional development by providing employees with best-in-class training and opportunities to grow as leaders who value health, wellness, community connections, and innovation. The USPTO will ensure its leaders pursue ongoing learning regarding management and leadership best practices aimed at attracting and retaining the workforce of the future. It will equip employees with the tools, training, equipment, and knowledge they need to be successful in their careers, while remain-

STRATEGIC OBJECTIVES

- **5.1** Create employee experiences that balance productivity, wellness, inclusion, and community connectedness
- **5.2** Equitably deliver exceptional customer experiences
- **5.3** Develop modern IT infrastructure and applications
- **5.4** Expand opportunity, discovery, and accountability through greater data maturity
- **5.5** Resource mission success

ing able to invest time in and attention to their health and personal pursuits. In addition, implementing a modern IT infrastructure will increase the accessibility and quality of the agency's patent and trademark services for employees, applicants, and rights holders, among other stakeholder groups. The USPTO is also working to mature its data analytics capabilities and optimize its financial management practices to better align its resources, achieve its strategic goals, provide exceptional service, and demonstrate organizational excellence. This section provides a few insights into some of these efforts.

Data as an Enterprise Asset (DaaEA)

During FY 2023, the USPTO established DaaEA to expand opportunity, discovery, and accountability through greater data maturity. The DaaEA initiative works across the entire USPTO to establish and implement principles, processes, and procedures that enable a transparent data and analytics culture though shared practices. The initiative has four overarching goals: cultivate a data-driven culture, establish shared data management practices, enable data and analytics as a service, and fuel innovation though trusted, transparent, and open data. The DaaEA team formed a Data and Analytics Council with representation from all USPTO business areas, conducted an enterprise data maturity assessment, developed a data strategy and roadmap for implementation, and established additional initiative teams to develop and implement other key aspects of the overall program. Near-term plans include implementing a data governance operating model with well-defined roles and responsibilities, literacy plans and skills assessments, and an inventory of USPTO data assets with accompanying catalog.

IT modernization

One of the USPTO's top priorities is the deployment of powerful business software products and services to employees and agency customers. During FY 2023, the USPTO prioritized moving critical systems to a new, state-of-the-art data center that enhances disaster recovery and ensures the agency has secure, resilient, and stable systems as a foundation. Longer-term benefits include the ability for teams to launch new systems easily and move critical applications to the cloud.

To date, the agency has moved hundreds of software components to the new data center in Manassas, Virginia, with critical infrastructure services available on site and through public cloud providers. If a mishap or disaster occurs in either location, critical services will continue to function. In addition, the USPTO simulates unplanned outages and failovers regularly to minimize business disruptions.

The USPTO's commitment to cloud adoption drives greater operational excellence and IT modernization. Successful cloud migrations can improve the efficiency, speed, and resilience of how the agency builds, deploys, and scales its IT products and systems. The USPTO has more than 500 active cloud developers and engineers working on 50 software components at various migration stages. Thirty software components now run in the cloud across three platforms, including Patent Public Search, EventHub, Cooperative Patent Classification, Global Dossier, Trademarks International, the USPTO financial system, and more.

The USPTO's IT team will continue to move software components to the cloud where it makes solid business sense. The USPTO recently established "Cloud Smart Services," through which its cloud team will provide consulting, sandbox support, and coprototyping with its business product teams. Two critical patent systems, Official Correspondence and Document Application Viewer, will leverage this new service going forward. And, in addition to Amazon Web Services, both Microsoft Azure and the Google Cloud Platform received cybersecurity authorizations during FY 2023.

Emerging technology for the patent program

All patent examiners are now using PE2E Search which includes AI search features. Around 55% of patent examiners are now using these AI search features and have run about 1.5 million queries, indicating an increase in adoption and acceptance of this technology. Additionally, over 67% of patent examiners have used Similarity Search, a new feature launched during the transition into FY 2023. Technical teams collect continual feedback on this product and perform rigorous testing to ensure features meet performance standards. In the patent search product, continuous improvements are made to the AI based on examiner feedback and enhancements to the underlying ML models, allowing it to become more powerful over time. Ongoing assessments have yielded positive results.

A guiding principle in these endeavors is an emphasis on the human element of AI. Human input is vital and helps any AI/ML model improve. In fact, AI empowers rather than replaces human experts by exposing relevant information and suggesting new avenues of investigation.

IT priorities for the trademark program

Trademarks has two important modernization priorities: first, retiring the legacy Trademark Reporting and Application Monitoring (TRAM) technology; and second, developing new systems to deliver cutting-edge capabilities to employees and customers.

At 40 years old, TRAM houses systems including TEAS, the First Action System for Trademarks 1 (FAST 1), and the Trademark Electronic Search System (TESS). It is based on outdated Common Business-Oriented Language, making it difficult and expensive to maintain and problematic to upgrade. In short, TRAM is preventing Trademarks from using more advanced IT.

As of September 30, 2023, TRAM was approximately 85% retired — a tremendous achievement. The USPTO will retire the remaining portions of TRAM by spring 2024. While the agency temporarily put various IT improvements on hold to focus on TRAM retirements, Trademarks continued modernizing the following systems in parallel.

- **TM Exam replaces FAST 1.** In August 2022, Trademarks delivered a voluntary use, early adopter version of TM Exam, the new examining attorney capability. Then, in December 2022, Trademarks fully deployed TM Exam and retired the legacy system FAST 1.
- **TESS replacement to launch.** A new external search, Trademark Public Search, will replace TESS and is now available to the public as an open beta.
- **XSEARCH replacement in development.** Trademarks is developing a new search capability with examining attorneys, which will soon launch in a limited-use beta.
- **TEAS to be replaced.** Trademarks will deploy the first next-generation module of its electronic filing system, Trademark Center eFile, in fall 2023.

Once TRAM is retired and new systems are running, the USPTO expects rapid advancements in AI, ML, RPA, and natural language processing, which will:

- Keep Trademarks at the forefront of the international IP community
- Support internal needs to reduce pendency, improve quality, and enable data-to-information processes
- Help trademark applicants submit higher-quality applications and increase their chances of quick and efficient examination

Even with improvements in IT, trademark examination requires significant time and a robust workforce. To mitigate these challenges, the USPTO increased funding, reprioritized projects, and reworked development teams to address changes in how trademark employees work. The agency continues to engage trademark employees and supervisors to enhance their work experience with IT.

Diversity, Equity, Inclusion, and Accessibility (DEIA) efforts

In compliance with recommendations listed in section 4f of **Executive Order 14035, "Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce"**, the USPTO hired its first-ever diversity officer during FY 2023. This position exercises broad managerial responsibility for planning, developing, coordinating, and evaluating initiatives designed to promote and expand DEIA in employment, pay, benefits, and services in the USPTO workplace. The diversity officer, in conjunction with the USPTO Diversity Program, focuses on identifying and removing systemic barriers to DEIA throughout the USPTO headquarters and its regional offices; serves as an advisor, advocate, and expert strategist in the development, advancement, and promulgation of DEIA strategies, training, education, and information to drive intellectual and cultural shifts in the agency's approach to achieving DEIA goals; and exercises direct budgetary, policy, and staff responsibility for ensuring DEIA principles are ingrained throughout the agency.

The USPTO is also establishing a DEIA Advisors and Ambassadors Council, which will work with leadership to foster DEIA through community-building, training, awareness-raising, and processes and practices that support fair and equal access to career growth and advancement opportunities. The goal is for every member of the USPTO workforce to have equal opportunity to thrive and advance professionally.

This council will also work with the diversity officer to support engagement with the USPTO's employee organizations, external employee groups, and other stakeholders to explore, develop, and implement initiatives that promote DEIA. The council and the diversity officer will coordinate and align with the DOC and other federal agencies to share best practices and ensure the USPTO adheres to all federal laws and regulations. The first full council meeting is scheduled for January 2024.

Mandatory unconscious bias training for all employees

From May to July 2023, the USPTO diversity officer conducted 32 live instruction sessions on the topic of unconscious bias. Nearly 12,500 employees out of 13,000 completed the training — a 93% completion rate. Topics covered in the training included:

- An overview of unconscious bias and how the human brain works
- How bias negatively impacts decision-making and relationships
- Types of biases and how they show up at work
- Recognizing and addressing microaggressions
- Using microaffirmations to build up others
- Proven methods for mitigating unconscious biases

In conjunction with the live sessions, the USPTO recorded a computer-based training (CBT) and will add it to the roster of required trainings for all new employees. Current employees who did not attend a live session will complete the CBT to meet the training mandate.

Director's Speaker Series

Introduced in FY 2023, Under Secretary Vidal's "Director's Speaker Series" features one-hour presentations and discussions with thought leaders and innovative thinkers. The USPTO created the series in response to feedback from employee listening sessions. Specifically, employees asked for more creative sessions to help them develop more broadly and deeply, excel in their current positions, and prepare for advancement opportunities. The series explores themes related to connectedness, equity, and why the USPTO is a great place to work. Events usually occur every month, and employees are welcome to suggest speakers and topics through the Director's Speaker Series portal. More than 6,935 employees have attended the sessions virtually and in-person since November 2022, with topics including impact players; a fireside chat with the Secretary of Commerce; increasing resilience in our work; prioritizing wellness and belonging in the workplace; strengthening team connections in the new era of work; and rethinking stress. Upcoming topics include building connections through mindfulness and turning towards difficulty, rather than avoiding it.

Labor Management Forum (LMF)

A key factor in the USPTO's status as one of the best federal workplaces is a strong labor management partnership dedicated to improving work conditions across the agency. As such, in collaboration with the agency's three unions — the Patent Office Professional Association, the National Treasury Employees Union (NTEU) Chapter 243, and NTEU Chapter 245 — the USPTO reestablished its LMF in FY 2023.

The LMF supports the USPTO's commitment to working with its labor partners to find solutions to employee issues for the entire agency's benefit. Since the kickoff meeting held December 19, 2022, the LMF has continued its momentum with monthly leadership meetings and dedicated working groups focused on a multitude of employee matters. For example, a working group focused on worker empowerment and collective bargaining rights developed an informational notice document to inform employees about their rights under the Federal Service Labor-Management Relations Statute. Additionally, the LMF recently provided a path for discussing AI initiatives currently in development across the agency.

Hiring practice improvements

It is critical that the USPTO be fully staffed, especially in the patent and trademark programs, to achieve the performance goals noted in the 2022–2026 Strategic Plan. In FY 2023, the agency made great strides in implementing improved hiring practice initiatives and generating impactful experiences by supporting and advancing recruitment opportunities for candidates across a wide range of groups and diverse demographics. Using writing tools that check for inclusive language, the USPTO revamped vacancy announcements and digital and print materials to be more accessible and relevant to all audiences. The agency shared its improved content via recruitment events, social media, email campaigns, webinars, and paid advertising campaigns. And, by regularly attending minority serving institution career fairs, disability-focused hiring events, and veteran outreach opportunities, the USPTO actively promoted DEIA recruitment.

As an additional hiring practice improvement, the USPTO expanded agency pipelines for executive leadership preparedness via a Senior Executive Service "boot camp" five-part lunch and learn series. Approximately 880 attendees participated in one or more of the sessions, including a newly targeted audience: nonsupervisory GS-13 rising star employees.

KEY PERFORMANCE RESULTS:
Transparency and accountability for CX

Recognizing the importance of CX and its impact on the patent and trademark programs, the USPTO strives to provide exceptional service by continuously seeking stakeholder feedback. Per **OMB**

Circular A-11, section 280, the USPTO maintained its HISP-designated services, including trademark application and registration. ***Key performance indicators met and exceeded FY 2023 targets.*** The positive satisfaction rate for applicants filing a patent application was 82%, meeting the target of 82%. The positive satisfaction rate for trademark filers was 80%, exceeding the target of 70%. The percentage of customers who indicated the employees they had interacted with were helpful was 85% for patents and 86% for trademarks. This exceeded the FY 2023 targets of 82% for patents and 75% for trademarks. To further improve CX, in FY 2023 the USPTO began sending "**Welcome Letters**" to patent and trademark applicants. The letters provide information on free trainings and resources to help recipients learn more about the application process. The USPTO also completed its CX action plan items, which included the implementation of the **Stakeholder Application Readiness Training**, Patents Customer Ambassador Pilot, and analysis supporting trademark customer survey responses. This survey, designed to identify ways to improve the trademark filing experience, informed the design of the Trademark Center beta. Subsequent prototype testing with customers indicated the agency has made improvements to navigation, fee calculation transparency, and the expanded save functionality. To maximize agency operations, the USPTO will invest in learning about and implementing best practices in CX while aligning its efforts with employee experience. For more information on the USPTO's CX action plans and quarterly results, visit **performance.gov.**

Telework and leased space

Throughout FY 2023, the USPTO continued to be a telework heavy agency. As the USPTO's telework program continues to grow, the agency is reducing its physical leased space, beginning with one auxiliary facility in Northern Virginia during FY 2023, and two main campus and two auxiliary buildings in Alexandria in late FY 2024. When fully implemented, the resulting footprint reductions — which exceed one million square feet — will net an annual savings of approximately $50 million in lease and operational costs. The USPTO continues to evaluate future space needs.

Performance measurement reporting process

The USPTO uses a comprehensive strategic performance framework to guide and monitor implementation of the mission, goals, and objectives outlined in the 2022–2026 Strategic Plan. The Annual Performance Plan, in conjunction with the FY 2023 President's budget request, includes performance measures and annual targets the USPTO uses to track progress toward achieving its strategic goals and objectives.

While formulating the budget, USPTO program subject matter experts review and adjust the performance measures to ensure they adequately capture progress toward the agency's strategic goals and facilitate improvements to program performance, objectives, and outcomes. Senior leadership tracks, monitors, and discusses implementation and performance quarterly. Many agency metrics are viewable online in the USPTO's **Data Visualization Center**. A summary of FY 2023 year-end performance results is presented on page 20 of this report. Detailed performance results will be published in the FY 2023 Annual Performance Report, which is scheduled for publication in February 2024 and will be posted to the **USPTO annual reports section** of the agency website.

Verification and validation of performance data

The USPTO requires complete, accurate, and reliable performance data to assess the agency's progress toward its strategic objectives and performance goals, and to make sound management decisions. Most USPTO employees work under production-based performance management systems to meet demand and achieve organizational performance goals. Employee performance is measured by comparing the amount and quality of work produced in a given period to the amount and quality of work expected to have been produced.

USPTO operates within a performance-based process that uses quantitative and qualitative measures and standards to evaluate cost-effectiveness. Employee Production data (plan and actual) feed complex organization production models used to determine the level of resources and costs needed to deliver on organizational performance commitments.

The USPTO's approach to verification and validation of performance data, intended to improve accuracy and reliability, includes:

1. Development of performance measures through strategic planning and annual performance planning.
2. Confirmation, via the USPTO's program managers, that procedures are in place to ensure data is accurate and that performance measurement sources are complete and reliable. Agency program managers follow a standard reporting procedure to document detailed information about each performance measure, with information including (but not limited to):
    - Performance measure definitions
    - Performance measure rationale
    - Data sources
    - Data collection and computation methods
3. USPTO program managers, IT product owners, and Agile teams monitor and maintain automated systems and databases that collect, track, and store performance indicators. Each system, such as Docket and Application Viewer, Official Correspondence, Patent Application Location and Monitoring, and Trademark Reporting and Application Monitoring, incorporates internal program edits to control the accuracy of supporting data. The automated system typically evaluates data against expected results for reasonableness, consistency, and accuracy. Cross-checks between other internal automated systems also provide assurances of data reasonableness and consistency. In addition to internal monitoring of each system, experts outside the business units routinely monitor the data collection methodology.
4. The OCFO is responsible for monitoring the agency's performance, providing direction and support on the data collection methodology and analysis, ensuring that data quality checks are in place and reporting performance management data. During FY 2023, in collaboration with the program managers, the OCFO reviewed the processes and internal controls in place over the verification and validation of the performance measures, with no issues noted.
5. Periodically verifying and validating performance measures to ensure quality, reliability, and credibility. At the beginning of each fiscal year and at various points during the reporting or measurement period, the USPTO reviews and adjusts sampling techniques and sample counts to ensure the data are statistically reliable for making inferences about the population as a whole. Teams also conduct data analyses to assist the business units in interpreting program data, such as the identification of statistically significant trends and underlying factors that may affect a specific performance indicator.
6. Analyzing progress toward performance measure targets and broader progress toward achieving the agency's strategic goals and objectives. The

USPTO also discusses program risks and develops mitigation strategies.

These procedures help assure that performance data reported by the agency are complete, accurate, consistent, and reliable, as appropriate to their intended use, and that internal controls are maintained and functioning as intended.

Commissioners' performance for FY 2023

The AIPA, title VI, subtitle G, also known as the Patent and Trademark Office Efficiency Act, requires the establishment of annual performance agreements between the Commissioner for Patents, the Commissioner for Trademarks, and the Secretary of Commerce. The Commissioners for Patents and Trademarks each have FY 2023 performance agreements with the Secretary of Commerce that outline measurable organizational goals and objectives for which they are responsible. The commissioners may be awarded a bonus (up to 50% of their base salary, so long as it does not exceed the aggregate salary limitation equivalent to the Vice President's salary) based on a performance evaluation defined in the agreement. The USPTO will document the results achieved in FY 2023 in the Annual Performance Report. FY 2023 bonus information was not available when this report was published, but the USPTO will include it in next year's AFR. For FY 2022, the Commissioner for Trademarks received a bonus of 9.82% of the base salary. The Commissioner for Patents had resigned prior to the end of the evaluation period and received no bonus for FY 2022.

Performance audits and evaluations

The DOC OIG completed and issued one final audit report pertaining to the USPTO for FY 2023, "USPTO Needs to Improve Oversight and Implementation of Patent Classification and Routing Processes," Final Report No. OIG-23-026-A. In this report, the OIG recommended seven corrective actions to mitigate the audit findings. The USPTO concurred with all recommendations and is working with the OIG in response to corrective actions.

The Government Accountability Office (GAO) issued one new audit report for the USPTO during FY 2023, **Patent Trial and Appeal Board: Increased Transparency Needed in Oversight of Judicial Decision-Making**, which includes four open recommendations. There are no open recommendations from previously issued GAO reports.

Mayowa Awe, NSTMF's inSTEM Director speaks with Derrick Brent, Under Secretary of Commerce for Intellectual Property and Director of the USPTO during a fireside chat in the Madison Atrium. (Photo by Jay Premack/USPTO)

Analysis of Systems, Control, and Legal Compliance

Management Assurances

United States Patent and Trademark Office

Under Secretary of Commerce for Intellectual Property and Director of the USPTO

On the basis of the USPTO's comprehensive internal control program in place during FY 2023, the USPTO can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations, reporting, and compliance with applicable laws and regulations, as of September 30, 2023, was operating effectively. Accordingly, I am pleased to certify with reasonable assurance that the USPTO's systems of internal control, taken as a whole, comply with section 2 of the FMFIA. The USPTO also is in substantial compliance with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level as well as federal financial system requirements. Accordingly, the USPTO fully complies with section 4 of the FMFIA, with no material nonconformances.

In addition, the USPTO conducted an assessment of the effectiveness of its internal control over reporting, which includes the safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of this evaluation, the USPTO provides reasonable assurance that its internal control over reporting, as of June 30, 2023, was operating effectively, and no material weaknesses were found in the design or operation of the internal control over reporting. In addition, no material weaknesses related to internal control over reporting were identified between July 1, 2023, and September 30, 2023.

Kathi Vidal

Kathi Vidal

September 30, 2023

Federal Managers' Financial Integrity Act (FMFIA)

To ensure the integrity of federal programs and operations, the FMFIA requires federal agencies to evaluate and report on the effectiveness and efficiency of their internal controls and financial management systems annually. The USPTO's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the FMFIA. The goal of the USPTO's management control system is to provide reasonable assurance that:

- Obligations and costs comply with applicable laws.
- The USPTO safeguards assets against waste, loss, unauthorized use, or misappropriation.
- The USPTO properly records and accounts for revenues and expenditures applicable to agency operations, permitting accurate accounts, reliable financial reports, and full accountability of assets.
- The USPTO efficiently and effectively carries out programs in accordance with applicable laws and management policy.

During FY 2023, the USPTO reviewed its management control system in accordance with the requirements of the FMFIA and OMB and DOC guidelines. The USPTO continually evaluates the efficiency of its operations using:

- Information obtained from reviews and audits conducted by the GAO and the OIG
- Independent public accountants' opinions on the USPTO's financial statements
- Independent public accountants' reports on internal control and compliance with laws and regulations
- Evaluations conducted by other federal agencies such as the Office of Personnel Management
- USPTO internal evaluations, control assessments, and analyses

The USPTO's diverse reviews during FY 2023 provided assurance that agency systems and management controls comply with standards established under the FMFIA.

The revised appendix A to OMB Circular A-123, Management of Reporting and Data Integrity Risk, expands assurance beyond finance for internal controls over reporting. In preparing its statement of assurance, the USPTO considered activities related to the Digital Accountability and Transparency Act (DATA Act) of 2014, the OIG's Top Management Challenges, performance reporting, strategic plans and performance metrics, real property and asset management, and human resource reporting. The USPTO also considered controls related to its risk profile and fraud risk in providing assurance on internal controls. In addition, the USPTO is not identified on the GAO's High Risk List related to controls governing various areas.

Managing risk

While eliminating all uncertainties is not possible, USPTO strategies for managing risk are essential to minimizing losses and threats that deter mission success. Enterprise Risk Management (ERM) operationalizes those strategies and offers a forum for openly identifying and discussing risks and developing mitigation plans. There are cascading levels of leadership and responsibility for ERM across the USPTO, including a top-down, bottom-up governance structure for advancing maturity. The USPTO uses a Risk Management Council to manage risk agency-wide and participates in the monthly Departmental Enterprise Risk Management Council to review enterprise strategies that inform acceptable risk-taking and prioritization.

The USPTO conducted an annual, enterprise-wide risk assessment to identify new risks the agency may face in FY 2023. The USPTO's management then scored all newly identified and existing risks on the likelihood of occurrence and degree of impact before prioritizing based on final scores. The agency used the output to update its risk register for FY 2023, which tracks all identified risks, and its FY 2023 Risk Profile, which tracks the highest-priority risks. The USPTO developed the format of its risk profile, including the scoring parameters, in accordance with the requirements of OMB Circular A-123 and DOC ERM guidance. The agency also created action plans in alignment with the risk assessment's results, which heavily influenced the allocation of leadership's time and attention. In FY 2024, the agency will continue integrating program management, audit activities, performance, financial management, analytics, and budget into the ERM process.

Federal Financial Managment Improvement Act (FFMIA)

The FFMIA requires federal agencies to report on their 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 appendix D of OMB Circular A-123, an agency achieves substantial compliance when its financial management systems routinely provide reliable and timely financial information for managing day-to-day operations, producing reliable financial statements, maintaining effective internal controls, and complying with legal and regulatory requirements. The USPTO complied substantially with the FFMIA during FY 2023.

Other compliance with laws and regulations

Federal Information Security Management Act (FISMA)

The USPTO is vigilant in reviewing administrative controls over information systems and continually seeks ways to improve its security program. During FY 2023, the USPTO continued its efforts to comply with FISMA standards and improve its security program. The agency's strategy for continuous monitoring includes conducting credentialed compliance and vulnerability scans on servers, network devices, databases, and web applications quarterly. The USPTO performs monthly analyses to ensure operating systems are configured in accordance with their security baseline and the appropriate software patch levels. Additionally, the agency integrated artifacts to support the security impact analysis within the systems development life cycle. These artifacts allow the USPTO to assess testing requirements for systems undergoing new development, enhancement, or maintenance. This proactive approach to security within the development process has allowed the USPTO to assess changes and enable system compliance with security requirements in real time.

The USPTO successfully met FISMA compliance requirements and OMB reporting requirements during FY 2023. All USPTO systems achieved a 100% FISMA compliance reporting level, with no deficiencies considered to be the result of any material weaknesses in internal control. As a result, the USPTO maintained its continuous monitoring and accurately summarized information according to OMB requirements for year-end reporting.

The Inspector General's Statement of Management Challenges for DOC (referred to in the Other Information section of this report) identified IT security as a cause for concern department-wide. The

USPTO Office of Education, in collaboration with the USPTO chapter of SHPE and Alexandria City Public Schools, hosts Noche de Ciencias (Night of Science) at the USPTO's headquarters in Alexandria, Virginia. (Photo by Jay Premack/USPTO)

USPTO's management does not believe that any agency-specific FISMA findings, either individually or collectively, rise to a level that require addressing as material weaknesses. The USPTO continues to coordinate closely and review annual assessments with the OIG to gain additional insight and ensure compliance with requirements.

Improper Payments Elimination and Recovery Act

The USPTO continues to maintain internal control procedures that help monitor the disbursement of federal funds for valid obligations. The agency also assesses improper payment risks for all programs and activities as required by appendix C of OMB Circular A-123, **Requirements for Payment Integrity Improvement**. The USPTO updates these assessments, including assessments of the control and procurement environments, annually. Additional details can be found in the Other Information section of this report (see page 117).

Prompt Payment Act

The Prompt Payment Act requires federal agencies to report on their efforts to make timely payments to vendors, as well as the amount of interest penalties paid for late payments. In FY 2023, the USPTO made timely payments on 99.8% of the 6,283 vendor invoices it processed, representing payments of approximately $1,003.9 million. Of the 14 invoices the USPTO did not process in a timely manner, the agency paid penalties on 12. The USPTO paid $5 in interest penalties for every million dollars disbursed in FY 2023 and a total of $5.5 thousand in interest penalties. The agency processed virtually all recurring payments by electronic funds transfer, in accordance with the electronic funds transfer provisions of the Debt Collection Improvement Act of 1996.

The USPTO continues to identify opportunities for new or improved business processes for its prompt payment percentage. Per OMB Memorandum M-15-19, Improving Government Efficiency and Saving Taxpayer Dollars through Electronic Invoicing (July 17, 2015), federal agencies are required to transition to electronic invoicing for appropriate federal procurements. During FY 2023, the USPTO completed its transition to electronic invoicing through its Vendor Portal.

Debt Collection Improvement Act

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

DATA Act

The DATA Act intends to increase the accessibility, accuracy, and usefulness of federal spending information. The act establishes government-wide data standards for financial data; seeks to simplify financial reporting; and provides consistent, reliable, accurate, and searchable spending data that is displayed for taxpayers and policy-makers on **USAspending.gov**.

The USPTO has continually expanded its internal management practices to ensure the accuracy of federal spending information. The budget, financial spending, and award data required to comply with the DATA Act are currently housed in a single-source system at the USPTO. Most activities required in the reporting of DATA Act information entail extracting, validating, and reconciling the data before submitting it to the Department of the Treasury. With each applicable contract obligation in the USPTO's financial system of record (Momentum), a draft record is automatically created in the government-wide Federal Procurement Data System-Next Generation (FPDS-NG) for review and validation.

Intergenerational Conversations, part two of a three part series from the United States Patent and Trademark Office as part of the Black Innovation and Entrepreneurship Program held at the Earl G. Graves School of Business and Management at Morgan State University. From left: Wayne Swann, Director of Technology Transfer, Morgan State University; Iris R. Wagstaff, Ph.D., STEM Program Director, American Association for the Advancement of Science; and Joyce Ward, Director, Office of Education, USPTO; joined virtually by James Lillard, Jr., Ph.D., Professor and Senior Associate Dean for Research and Innovation, Morehouse School of Medicine; Fellow, National Academy of Inventors (NAI) discuss education as an engine of opportunities. (Photo by Jay Premack/USPTO)

Once the USPTO processes the financial obligation in Momentum, the agency is responsible for finalizing the record in FPDS-NG within three business days after contract award, in accordance with Federal Acquisition Regulation section 4.604.

As an internal control to ensure all applicable contract actions are finalized in FPDS-NG, the USPTO cross-references FPDS-NG data with information on completed actions in Momentum. The USPTO also matches results from a Momentum-generated report to FPDS-NG data monthly to verify actual processed actions. Every month, the agency validates financial and obligation data against the Department of the Treasury and FPDS-NG reporting via the USAspending.gov DATA Act broker. When the USPTO completes its data validation, the DOC combines the agency's data with the rest of the department's DATA Act data and uploads it to USAspending.gov.

In accordance with DATA Act requirements and data standards established by the Department of the Treasury and OMB, the USPTO reported financial and payment data for all periods required during FY 2023. Without exception, the USPTO successfully reconciled all financial data to the data it reported separately to the Department of the Treasury in the government-wide Treasury Account Symbol Adjusted Trial Balance System. The USPTO also successfully reconciled procurement data to FPDS-NG actions.

Other systems and control considerations

Financial management systems strategy

The USPTO has 30 IT products organized into four product lines for capital planning and investment control. The Enterprise Business Product Line includes three products that support the overall USPTO financial management function: the Financial Management Product; the Fee Management Product; and the Planning, Budgeting, and Governance Product. In addition, the overall USPTO financial management function is supported by a fourth product in the Enterprise Business Product Line: the Data and Analytics Product. In FY 2021, the USPTO migrated the Fee Management Product to the Amazon Web Services cloud. In FY 2022, the USPTO migrated some components of the Planning, Budgeting, and Governance Product to a public cloud software-as-a-service model. In FY 2023, the USPTO migrated the Financial Management Product and some components of the Data and Analytics product to the Amazon Web Services cloud. In FY 2024 and FY 2025, the USPTO will migrate the remaining components from the Data and Analytics and Planning, Budgeting, and Governance Products to the Amazon Web Services cloud.

The Financial Management Product leverages several commercial-off-the-shelf (COTS) components, including a core financial and acquisition tool, Momentum; a supplemental acquisition tool, Aeon (eAcquisitions and Vendor Portal); and a travel tool, Concur. The Financial Management Product supports acquisition, payroll, travel, accounting, and funds management. During FY 2023, the USPTO focused on acquisition planning. During FY 2024, the agency will focus on finding efficiencies through robotics process automation.

The Fee Management Product, which is the result of custom development, integrates with Momentum, which maintains the USPTO's revenue subsidiary ledger. This product provides services that include maintenance fee, stored payment account, pricing, order, and funds management. In FY 2023, the agency focused on integrating various USPTO next-generation storefronts for payment processing. During FY 2024, the USPTO will focus on CX improvements such as chatbots.

The Planning, Budgeting, and Governance Product leverages several COTS components: budgeting tools, Oracle Enterprise Performance Management and Oracle APEX, both budgeting tools; Alteryx, a fee forecasting tool; and Cost Perform, a cost accounting tool, to support planning, forecasting, budgeting, and performance management. In FY 2023, the USPTO focused on decentralized, non-IT budget execution process requirements. During FY 2024, the agency will focus on decentralized, non-IT budget formulation process requirements. The USPTO's vision is to enter data once and propagate it throughout integrated budgeting, acquisition, and accounting systems. This vision supports the agency's goal to reduce time spent on transaction processing tasks in favor of decision support and analysis.

In addition to the source databases supporting these COTS components, a COTS content repository, Cassandra and DataStax, stores unstructured data like scanned check images from the Fee Management Product and vendor submissions from the Financial Management Product. This content repository is currently part of the Data and Analytics Product.

The Data and Analytics Product includes both structured data in the Enterprise Data Warehouse (EDW), unstructured data in the Big Data Reservoir, and Collibra, a COTS master data management tool. To date, the USPTO's financial management function has primarily leveraged the EDW. The EDW community uses the business intelligence tools Business Objects and Tableau, and system administrators use SAP Data Services, a data pipeline tool. As the USPTO's culture shifts toward viewing data as an asset within a robust governance model, usage of these tools should increase exponentially.

FINANCIAL DISCUSSION AND ANALYSIS

Financial Highlights

Similar to a private sector business, the USPTO finances its operations solely through user fees—fees that support the agency's work in maintaining the U.S. innovation ecosystem, primarily through intellectual property (IP) rights. Total fee collections correlate with demand for the USPTO's products and services. The agency routinely forecasts both demand and anticipated fee collections to plan for and manage annual operating expenses. These forecasts are inherently uncertain, as economic conditions are inexact and actual demand for patents and trademarks may be higher or lower than projected. The USPTO must maintain operations and meet actual demand regardless of these forecasts. To mitigate the risk of this uncertainty, the USPTO routinely updates forecasts, tracks operational and financial performance, and monitors changes in the economy. The agency also maintains operating reserves in accordance with Government Accountability Office best practices to lessen the impacts of demand and revenue volatility.

The USPTO received an unmodified (clean) audit opinion from KPMG LLP, an independent public accounting firm, on its Fiscal Year (2023) financial statements—the agency's 31st consecutive unmodified audit opinion. This outcome provides independent assurance to the public that the USPTO's financial statements are fairly presented in all material respects and conform to accounting principles generally accepted in the United States. In addition, KPMG LLP reported no material weaknesses or significant deficiencies in the USPTO's internal controls, and no instances of noncompliance with laws and regulations affecting the financial statements. Their full opinion is published in the Financial Section of this report; see Other Information for the Summary of Financial Statement Audit and Management Assurances.

The financial highlights presented in this section provide an analysis of the information that appears in the USPTO's FY 2023 financial statements (amounts may vary slightly due to rounding). The USPTO's financial management processes comply with laws and regulations; its internal controls over financial reporting are effective; and agency leaders routinely receive complete and dependable financial decision-making information. These financial statements and highlights are components of the USPTO's objective to continually improve the accuracy and usefulness of its financial management information, decision support, and analyses to realize the OCFO's mission of delivering cost-effective, data-driven, and customer-centric business solutions.

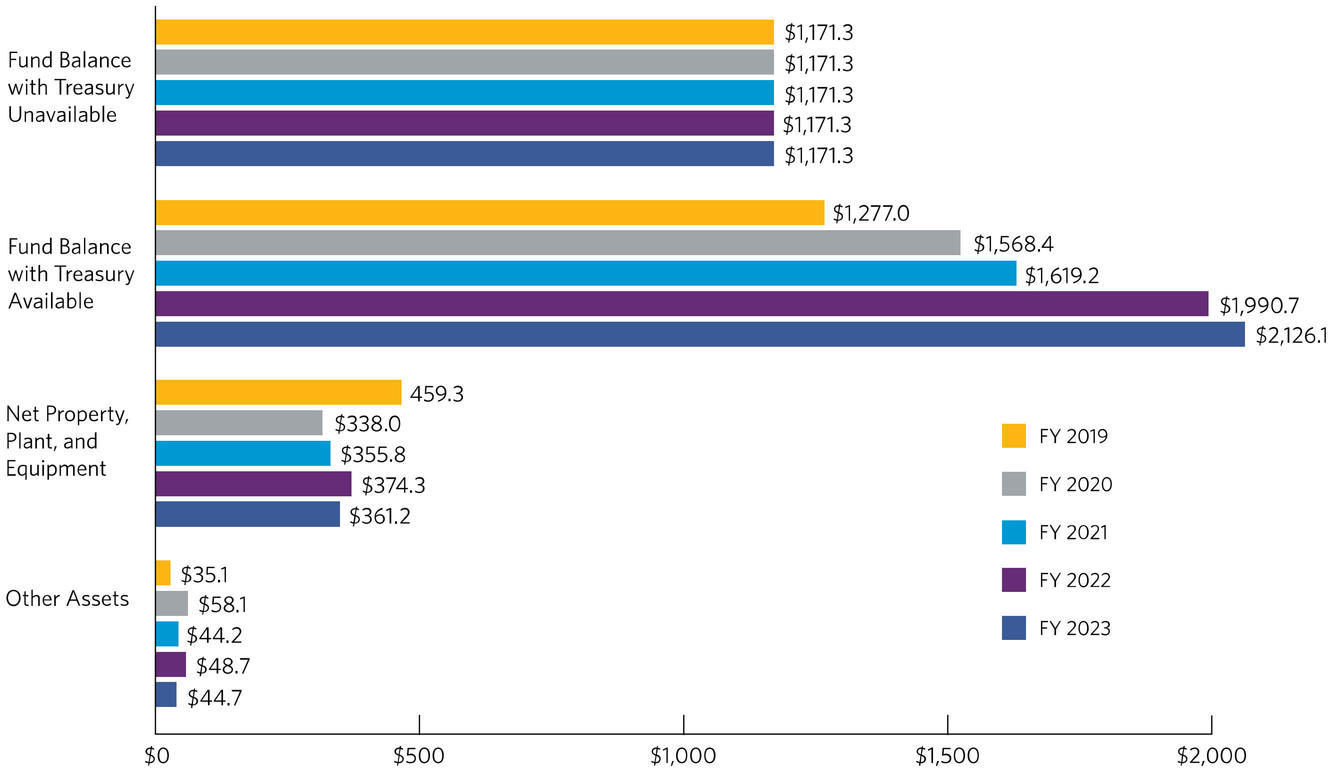
Balance Sheet and Statement of Changes in Net Position

At the end of FY 2023, the USPTO's Balance Sheet (see page 79) presented total assets of $3,703.3 million; total liabilities of $2,129.5 million; and a net position of $1,573.8 million.

Assets

The agency's total assets increased during FY 2023 and, over the last four years, grew 25.8%, largely due to strategic operating reserve deposits that reached near-optimal levels for mitigating financing risk. Figure 4 shows changes in assets during this period.

FIGURE 4: **COMPOSITION OF ASSETS** *(dollars in millions)*



Fund Balance with Treasury

The fund balance with Treasury is the single-largest asset on the Balance Sheet and represents 89.0% of the agency's total assets at the end of FY 2023. The unavailable fund balance with Treasury comprises 35.5% of the USPTO's total assets and represents fees the USPTO collected between FY 1992 and FY 2013, but has not been authorized to spend through the annual appropriations process. Its total $1,171.3 million includes temporarily unavailable fees of $937.8 million and unavailable special fund receipts under the Omnibus Budget Reconciliation Act (OBRA) of $233.5 million. These funds require congressional appropriation before the USPTO may use them. The remaining 64.5% of the fund balance with Treasury is available for use and comprises unexpended obligated funds of $841.3 million; other funds held on deposit for customers of $139.2 million; and appropriated but unobligated funds carried over from one year to the next (i.e., operating reserves) of $1,145.5 million. See Note 2 (pages 89-90) for additional information.

Operating Reserves

As required by 35 U.S.C. § 42(c)(3), the USPTO maintains and tracks two distinct operating reserves—one derived from patent fees for patent operations, and one derived from trademark fees for trademark operations. The operating reserves contain unobligated carry-over balances available for agency use without further congressional appropriation and are a critical financing mechanism to bridge differences in daily fee collections and costs, while also mitigating external risks. The operating reserves enable the USPTO to finance agency operations in a variety of scenarios, including when fee collections are partially or wholly unavailable (e.g., continuing resolution, lapse in appropriation, etc.); fee collections are lower than expected (e.g., unexpected economic downturn or unanticipated legislative changes); demand for patent and/or trademark services unexpectedly increases, resulting in higher-than-planned spending requirements to address increases in work volume (e.g., unexpected economic upturn); and other unanticipated spending requirements necessary when USPTO operations exceed planned estimates (e.g., increased operating costs due to inflationary pressures or unanticipated pay raises). As part of normal financing operations, the USPTO typically relies on the operating reserves more heavily at the beginning of a fiscal year; for example, in situations where new fee collections are unavailable due to continuing resolution, while awaiting reprogramming approval for prior-year fee collections in the Patent and Trademark Fee Reserve Fund (PTFRF), and for other obligations that coincide with the start of a new fiscal year.

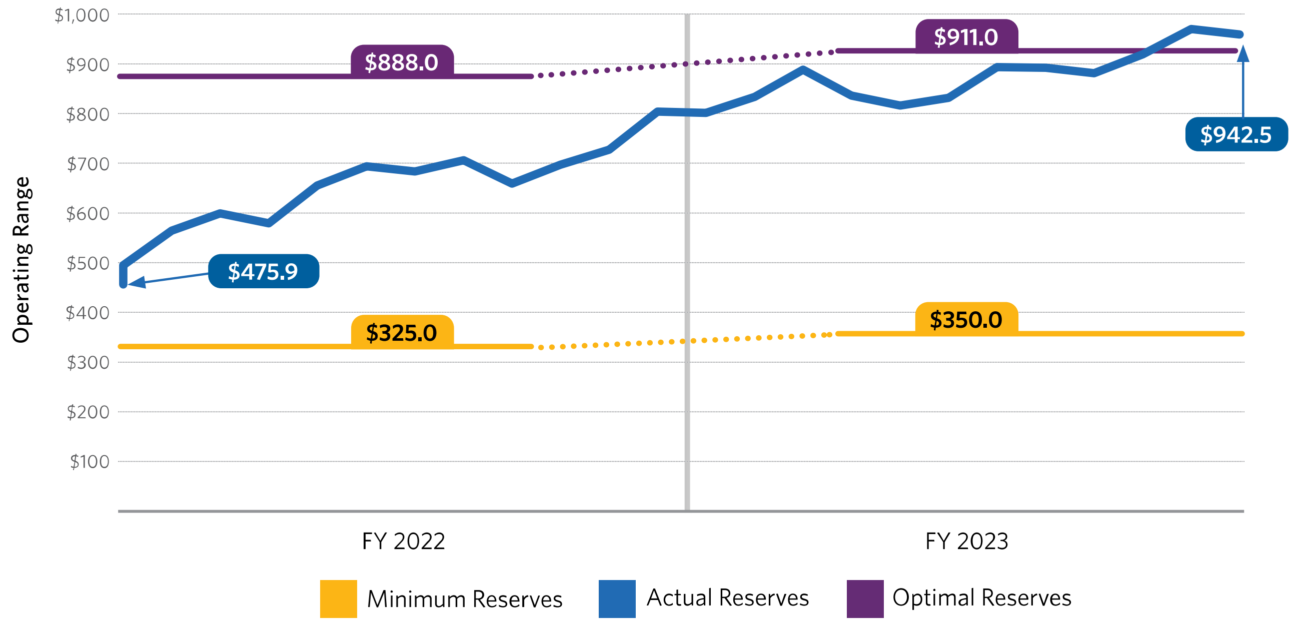
The USPTO maintains its operating reserves within a designated operating range—above minimal levels but at or below optimal levels—to enable the service-level performance targets it communicates to intellectual property stakeholders. The financial risk for executing the USPTO mission at planned performance levels is directly tied to the operating reserves: higher when balances are closer to minimal levels, and lower when balances approach optimal levels. Stakeholders rely on the agency to execute on planned performance at established levels to bring innovative ideas to market and secure investments for business and job growth.

The COVID-19 pandemic, previous economic downturns, lapses in appropriation, and legislative changes all emphasized the USPTO's commitment to maintaining sufficient operating reserves to mitigate economic and funding uncertainty risks and sustain operations. The USPTO maintained both operating reserve balances above minimum planning levels during the last two fiscal years: $325 million minimum in FY 2022 and $350 million minimum in FY 2023 for Patents, and $120 million minimum in FY 2022 and FY 2023 for Trademarks. The agency increased the trademark minimum threshold during FY 2022 to reflect greater economic uncertainty and overall higher spending requirements associated with application growth, but will resume a $100 million minimum during FY 2024.

The patent operating reserve rose from $775.0 million (2.8 months of operating expenses) at the end of FY 2022 to $942.5 million (3.2 months of operating expenses) at the end of FY 2023, representing an increase of $167.5 million, or 21.6%. Patent fee collections were $95.7 million greater than patent spending during FY 2023, despite a decrease in total patent fee collections. This net increase, along with other income and $23.5 million in FY 2022 patent fee collections deposited into the PTFRF and transferred during FY 2023, account for the growth in the patent operating reserve.

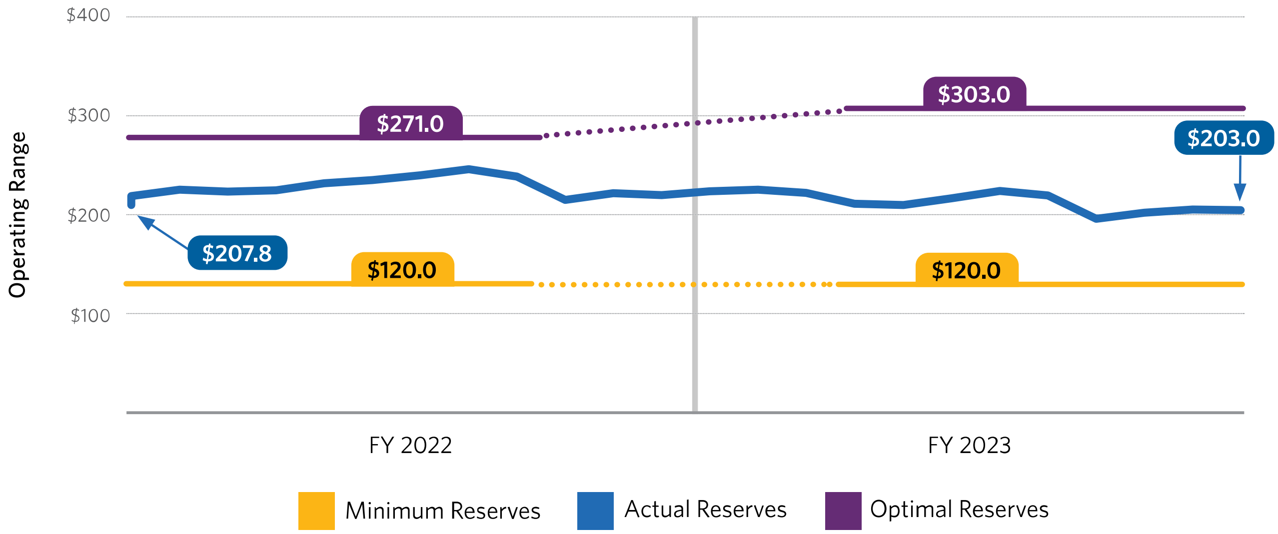
At current fee rates, the USPTO forecasts that annual patent costs will exceed annual patent fee collections beginning in FY 2024, resulting in a gradual, planned decline in the patent operating reserve. The agency primarily attributes this decline to decreased fee collections stemming from increased small and micro entity discounts enacted by the Unleashing American Innovators Act (UAIA) of 2022, along with cost upward inflationary pressures and historically higher government-wide pay raises. The USPTO recently completed a comprehensive patent program fee review and concluded an adjustment is necessary to recover revenue lost from newly discounted entity rates and to meet anticipated cost increases. As designed, the patent operating reserve is mitigating the USPTO's financing risk while the agency recalibrates the fee schedule for implementation in FY 2025.

FIGURE 5: **PATENT OPERATING RESERVE** *(dollars in millions)*



The trademark operating reserve decreased slightly from $208.7 million (5.5 months of operating expenses) at the end of FY 2022 to $203.0 million (5.1 months of operating expenses) at the end of FY 2023, representing a decrease of $5.7 million, or 2.7%. Although the operating reserve maintained a similar year-over-year balance, the USPTO forecasts that higher trademark operating costs will reduce the amount of time it could sustain operations. As with the patent program, the USPTO recently completed a comprehensive trademark program fee review and concluded an adjustment is necessary to recover anticipated aggregate costs in future years. The trademark operating reserve is mitigating the USPTO's financing risk, as designed, while the agency recalibrates the fee schedule for implementation in FY 2025. For more on trademark operations, please refer to page 17.

FIGURE 6: **TRADEMARK OPERATING RESERVE** *(dollars in millions)*



Patent and Trademark Fee Reserve Fund

Every fiscal year, all fees the USPTO collects up to its annual appropriation are available for obligation; the agency deposits excess fees above the appropriation into the PTFRF. The USPTO's FY 2023 enacted appropriation was $4,253.4 million, but total fee collections did not meet this figure—hence, the agency did not deposit any fees into the PTFRF during FY 2023. At the end of FY 2022, the USPTO deposited into the PTFRF $23.5 million in patent fee collections and $8.2 million in trademark fee collections, funds that were authorized for spending without further appropriation pending reprogramming requirements. The agency completed a reprogramming notification with congressional appropriators on March 20, 2023, and then transferred the collected fees to the agency's regular spending account.

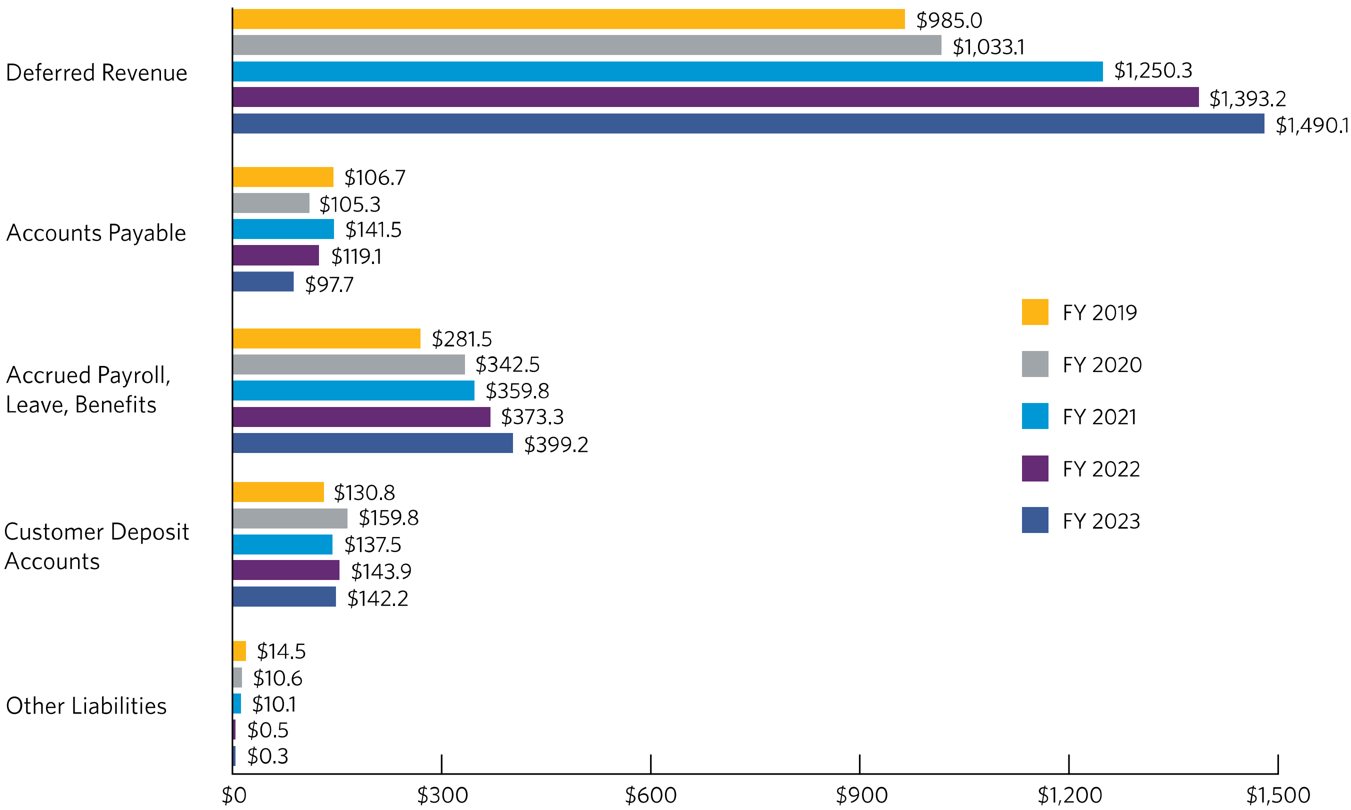
Property, Plant, and Equipment

The USPTO has continued investing in information technology (IT), as evidenced by the $111.3 million increase in the acquisition value of the agency's next major asset—property, plant, and equipment (PPE)—during FY 2023. Although the net value of the USPTO's PPE decreased by $98.1 million over the last four years due to depreciation and amortization, its acquisition values increased by $333.5 million during the same time frame. The USPTO is modernizing its IT products by employing cloud-based solutions that offer improved reliability, stronger cybersecurity protection, and an enhanced user experience. These continued investments will lead to future increases in software and software-in-development acquisition values; FY 2023 alone accounted for $108.5 million of the total $386.4 million increase in software and software-in-development between FY 2019 and FY 2023. Recent IT modernization efforts included system and software development activities in support of the Patents, Trademarks, Enterprise Business, and Enterprise Infrastructure product lines. As the USPTO retires its legacy systems, these software and software-in-development acquisition values will decrease.

Liabilities

The agency's total liabilities increased from $2,030.0 million at the end of FY 2022 to $2,129.5 million at the end of FY 2023, representing an increase of $99.5 million, or 4.9%. Figure 7 shows the composition of liabilities during the last five fiscal years.

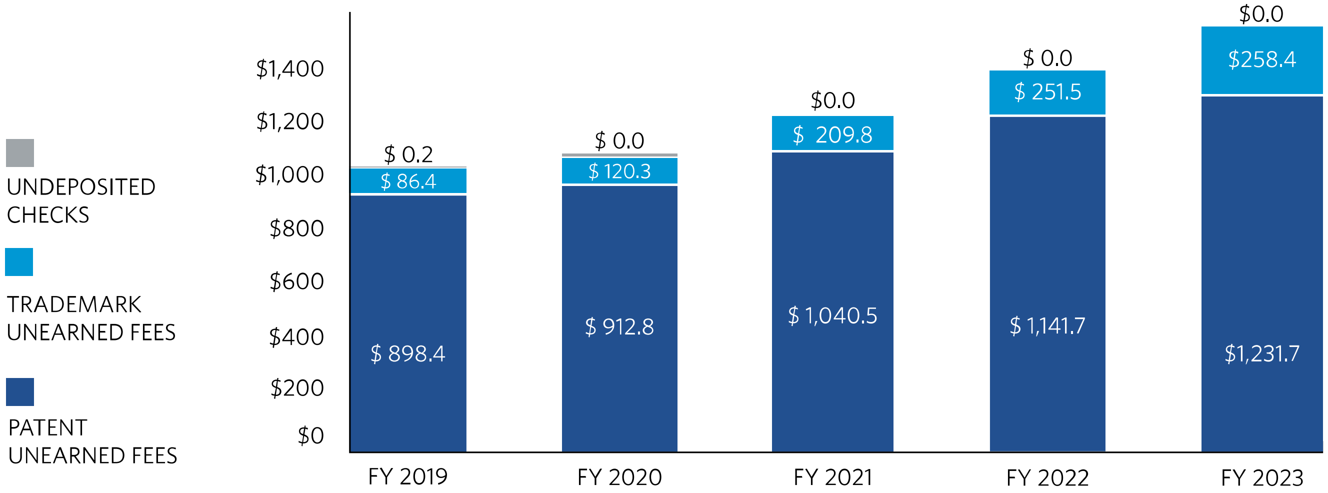
FIGURE 7: **COMPOSITION OF LIABILITIES** *(dollars in millions)*



Deferred Revenue

The USPTO's deferred revenue (i.e., fees collected for services not yet provided) is the largest liability on the Balance Sheet and accounted for the largest change during FY 2023. The agency estimates deferred revenue liability by analyzing the operating process required to complete each fee service. To estimate deferred revenue liability, the USPTO applies the percentage of incomplete work from pending inventory and total completion status to fee collections. FY 2023 saw an increase of $96.9 million, or 7.0%, in deferred revenue liability from FY 2022. This figure includes unearned patent and trademark fees, as well as an immaterial amount of undeposited checks (unearned patent fees comprised 82.7% of this liability). Figure 8 depicts the composition of deferred revenue liability during each of the last five fiscal years.

FIGURE 8: **DEFERRED REVENUE LIABILITY** *(dollars in millions)*



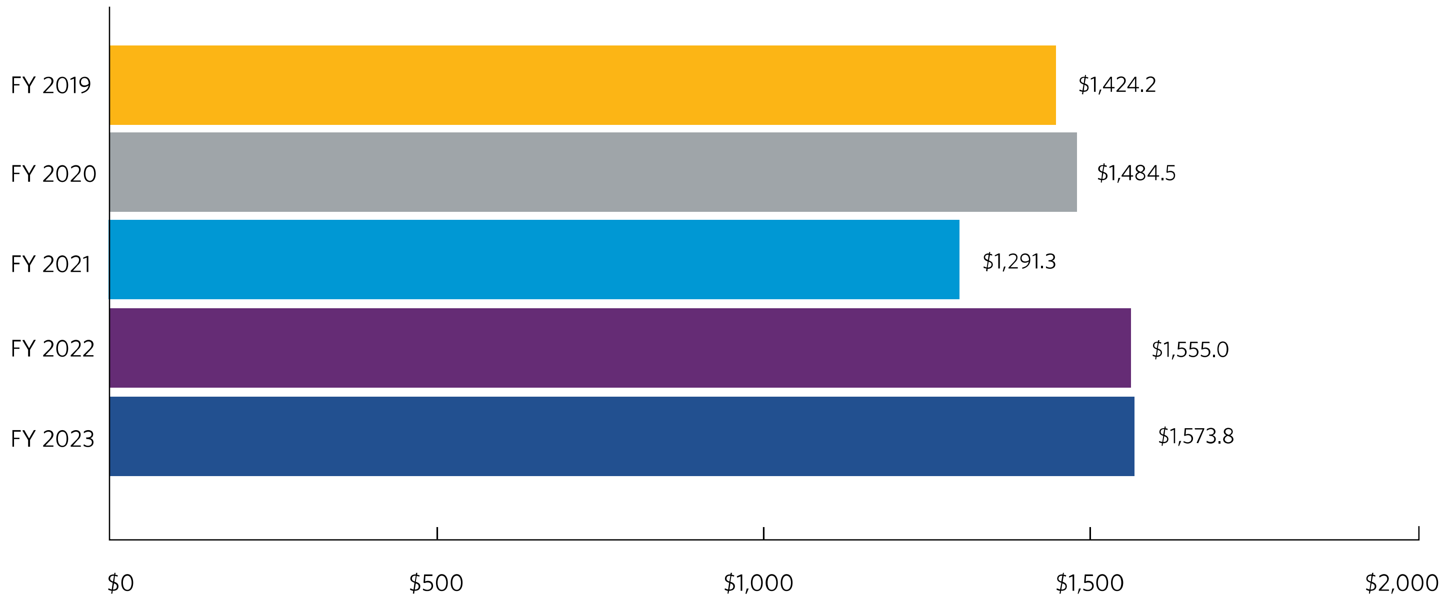
Deferred revenue at the USPTO is largely impacted by changes in patent and trademark filings, as well as unexamined patent and trademark inventories at applicable fee rates. Increases to these drivers result in increases to deferred revenue.

During FY 2023, a 2.3-month increase in time before a first action on a patent application (from 18.5 months to 20.8 months), combined with a 7.1% increase in unexamined patent application inventory, resulted in a 7.9% increase in unearned patent fees (see page 28 for information on patent program pendency). Based on recent USPTO estimates that incorporate future demand, the agency anticipates that serialized patent application filings will gradually increase to 2.0% between FY 2024 and FY 2028, while unexamined patent application inventory will decrease to 701,700 by the end of FY 2024. This decline in unexamined inventory will result in a decrease in patent deferred revenue offset by fee increases in the outyears.

Trademark deferred revenue increased by $6.9 million, or 2.7%, from FY 2022 to FY 2023, culminating in a total 199.1% increase over the last four fiscal years. The 74.4% rise in deferred revenue between FY 2020 and FY 2021 was the most significant increase, while FY 2023's increase was consistent with greater processing time in the trademark application review cycle. During FY 2023, first action pendency increased 0.2 months (from 8.3 months to 8.5 months), and unexamined trademark inventory increased by 1.6% (see page 30 for information on trademark program pendency). The USPTO experienced an unprecedented surge in trademark application filings beginning in late FY 2020, resulting in a 9.6% growth rate from FY 2019—growth that increased nearly threefold to $27.9% in FY 2021. For context, the 10 years prior to FY 2020 saw an average annual 7.2% growth rate in trademark application filings. During FY 2022, these filings returned to their historical growth trends, with demand continually tapering through the first half of FY 2023 before stabilizing during the last two quarters. The USPTO anticipates trademark application filings will return to historical growth rates, but recent estimates suggest it could take the agency several years to sufficiently address the backlog of unexamined applications and return to pre-surge pendency levels . Decreases in unexamined trademark application inventory will result in decreased trademark deferred revenue offset by fee increases in the outyears.

The Statement of Changes in Net Position (see page 81) presents changes to the USPTO's financial position due to results of operations (discussed in the next section), primarily annual net income and/or annual net cost. Changes during the last five fiscal years are depicted in Figure 9.

FIGURE 9: **NET POSITION** *(dollars in millions)*



Statement of Net Cost

The Statement of Net Cost (see page 80) presents the USPTO's results of operations according to the patent and trademark programs. This presentation, delineated by the two primary responsibility segments of granting patents and registering trademarks, allows for clear alignment of the USPTO's budget plans and results of operations.

Table 1 presents the USPTO's total results of operations for the last five fiscal years. During FY 2023, the USPTO generated a net cost of $94.0 million due to increased personnel services and benefit costs while earned revenue remained flat.

TABLE 1: **NET (COST)/INCOME** *(dollars in millions)*

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Earned Revenue	$ 3,388.7	$ 3,657.1	$ 3,384.4	$ 3,946.6	$ 3,944.7
Program Cost	(3,478.2)	(3,623.0)	(3,627.4)	(3,732.3)	(4,038.7)
Net (Cost)/Income	$ (89.5)	$ 34.1	$ (243.0)	$ 214.3	$ (94.0)

The Statement of Net Cost compares earned revenue (fees) to costs incurred during a given fiscal year. It is not necessarily an indicator of net income or net cost over the life of a patent or trademark. Instead, net income or net cost for the fiscal year is dependent upon work completed over various phases of the production life cycle. The net income calculation reports fees earned during the fiscal year regardless of collection date. Maintenance fees largely determine total net income or net cost, as the agency considers these fees to be earned immediately. For example, maintenance fees collected in FY 2023 represent patents issued 3.5, 7.5, and 11.5 years ago that customers have elected to renew, rather than a reflection of patents issued during the year. Trademark renewal fees reflect trademarks registered between nine and 10 years ago, 19 and 20 years ago, 29 and 30 years ago, etc. These fees can have a significant impact on matching costs and revenue for the purpose of the Statement of Net Cost.

Earned Revenue

The USPTO derives earned revenue from fees collected for patent and trademark products and services. The agency recognizes fee collections as earned revenue when it completes the activities that accomplish the work associated with the fee.

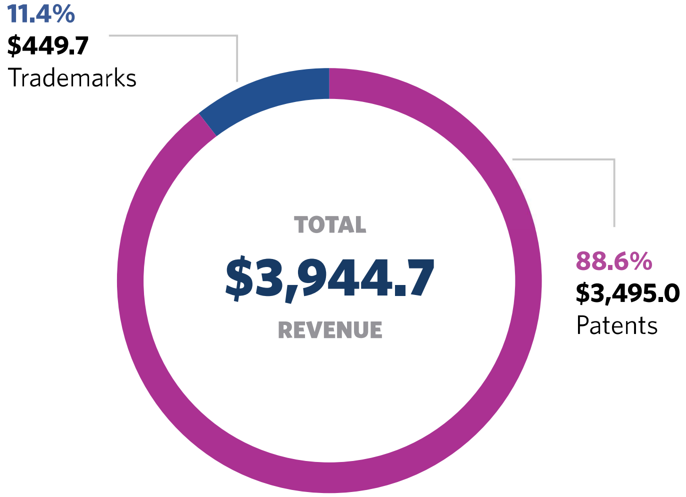
Figure 10 shows USPTO funding resources and how the agency uses each to deliver its mission and goals, thereby recognizing earned revenue.

FIGURE 10: **USPTO FUNDING RESOURCES**

Two Primary SOURCES OF FUNDING	**PATENT USER FEES**	**TRADEMARK USER FEES**
Are appropriated as this FUNDING TYPE	**SALARIES AND EXPENSES**	
To support USPTO PROGRAMS	**Patent Program**	**Trademark Program**
Which support these STRATEGIC GOALS		
Goal 1: Drive inclusive U.S. innovation and global competitiveness	✓	✓
Goal 2: Promote the efficient delivery of reliable IP rights	✓	✓
Goal 3: Promote the protection of IP against new and persistent threats	✓	✓
Goal 4: Bring innovation to impact for the public good	✓	✓
Goal 5: Generate impactful employee and customer experiences by maximizing agency operations	✓	✓

During FY 2023, the USPTO's earned revenue totaled $3,944.7 million—a decrease of $1.9 million, or 0.1%, from FY 2022's earned revenue of $3,946.6 million. Of FY 2023's earned revenue, $768.1 million derived from fees collected in a prior fiscal year with associated work performed during FY 2023; $1,918.3 million comprised maintenance and renewal fees collected during FY 2023 (earned immediately at the time of receipt); $1,254.3 million originated from fees collected and work performed during FY 2023; and $4.0 million came from other reimbursable amounts.

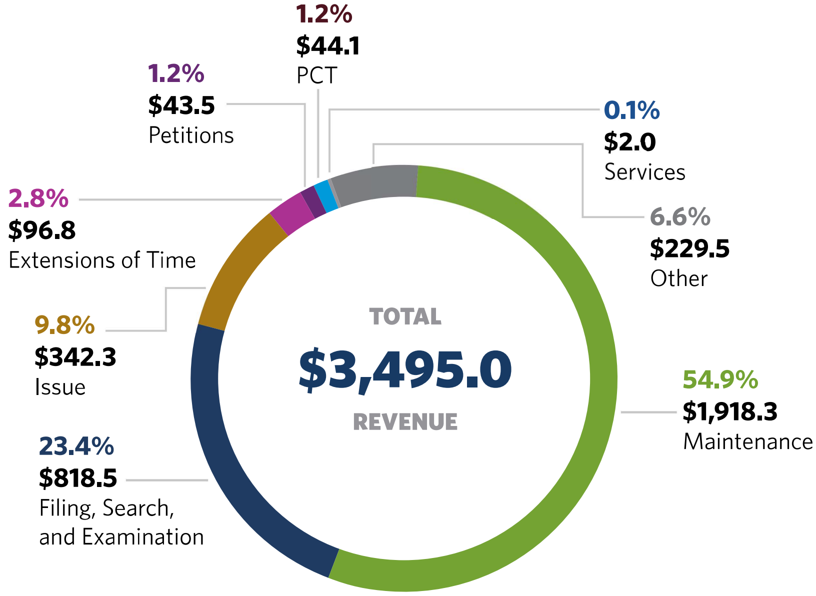
FIGURE 11: **FY 2023 EARNED REVENUE** *(dollars in millions)*



Patents

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 88.2% of total patent income. Figure 12 depicts shares of patent revenue by the most significant patent fee types.

FIGURE 12: **FY 2023 PATENT EARNED REVENUE BY FEE TYPE** *(dollars in millions)*



Overall, patent earned revenue decreased $35.3 million, or 1.0%, from FY 2022 to FY 2023. Earned revenue for patent issue fees decreased from $359.2 million in FY 2022 to $342.3 million in FY 2023, a decrease of 4.7%. Earned revenue for patent petition fees decreased from $54.0 million to $43.5 million, a decrease of 19.4%. Earned revenue for patent application filings decreased from $828.5 million in FY 2022 to $818.5 million in FY 2023, a decrease of 1.2%. A slight increase in patent maintenance fees offset these decreases in earned revenue during FY 2023.

Patent maintenance fees are the USPTO's largest source of earned revenue by fee type. During FY 2023, the agency's maintenance fee collections increased $19.2 million, or 1.0%, from FY 2022. To maintain exclusive rights, a patent holder must pay maintenance fees at three separate stages: 3.5, 7.5, and 11.5 years from the patent's issue date. Failure to pay these fees results in a lapse in patent protection, and the rights provided by the patent are no longer enforceable. Maintenance fees may be paid during a "window period," the six-month period preceding each due date. Additionally, maintenance fees may be paid, with a surcharge, during the "grace period," the six-month period immediately following each due date. If a patent holder does not pay these fees in a timely manner and wants to have their rights reinstated, they must submit a petition and pay its requisite fees. The USPTO immediately recognizes maintenance fees as earned revenue, and fluctuations in both the timing of renewal payments and renewal rates could have a significant impact on the agency's total earned revenue. Table 2 depicts renewal rates for all three stages of maintenance fees based on the fiscal year of issue.

The USPTO's fee structure is designed to keep initial filing fees below the full cost of performing the agency's work to maintain lower barriers to entry for intellectual property (IP) protection. Maintenance fee payments, which are made after the USPTO issues a patent, recover the remaining aggregate costs of performing the work, thereby providing the necessary aggregate financing to fund operations (i.e., the revenue from maintenance fees allows the agency to recoup costs incurred during the initial patent application process). As a result, the

USPTO closely monitors payment behaviors (both renewal rates and payment timing) to forecast maintenance fee revenue. At the end of FY 2023, the first stage patent renewal rate was 0.7% above FY 2022; second stage renewals were 1.0% above FY 2022; and third stage renewals were 0.5% below FY 2022. These figures will change slightly as the agency receives additional payments via petitions. A patent owner's decision to renew may be influenced by many factors, including federal court decisions, IP budgets, the patent's perceived value, the USPTO's fee rates, and the economy. The USPTO closely monitors renewal trends , especially as they impact future revenue estimates. Although some renewal rates have decreased slightly in past years, the number of patents eligible for renewal has continued to increase, resulting in year-over-year increases in fee collections and earned revenue from maintenance fees in most years.

TABLE 2: **USPTO RENEWAL RATES**

Utility Patent Issue Date	Utility Issues	First Stage Renewal Rate	Second Stage Renewal Rate	Third Stage Renewal Rate
2003	171,493	86.7%	68.5%	47.7%
2004	169,295	87.3%	70.2%	47.6%
2005	151,077	86.7%	69.6%	46.3%
2006	162,509	85.1%	67.1%	44.4%
2007	160,306	86.2%	67.3%	44.3%
2008	154,699	87.5%	67.0%	43.4%
2009	165,213	87.1%	66.2%	41.6%
2010	207,915	86.1%	66.2%	43.0%
2011	221,350	85.6%	65.0%	42.5%
2012	246,464	85.4%	64.7%	
2013	265,979	85.8%	64.2%	
2014	303,930	86.4%	65.4%	
2015	295,460	86.3%	66.4%	
2016	304,568	86.3%		
2017	315,367	85.8%		
2018	306,912	86.5%		
2019	336,846	87.2%		

Note: First stage refers to the end of the fourth year after the initial patent is issued; second stage refers to the end of the eighth year after the initial patent is issued; and third stage refers to the end of the 12th year after the initial patent is issued. For example, 87.2% of patents issued in 2019 paid the first stage maintenance fee. Past years' data may be revised from prior year reports.

The USPTO's application fee revenue earned upon filing decreased slightly from $102.5 million in FY 2022 to $101.8 million in FY 2023 (decrease of 0.7%), despite serialized (new) application filings increasing from 457,510 to 462,215 over the same period (increase of 1.0%). At the same time and in line with the agency's proactive steps to reduce the need for requests for continued examination (RCEs), RCE filings decreased from

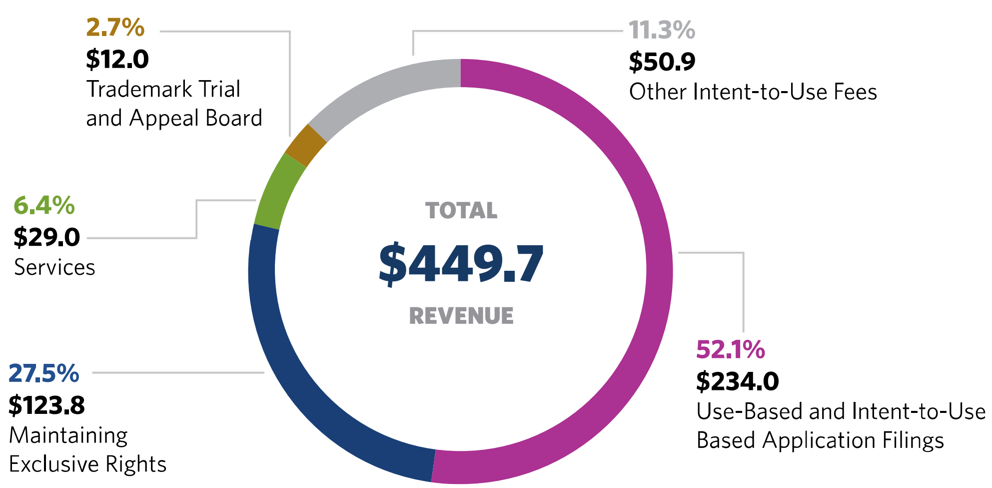
133,777 to 133,672 (decrease of 0.1%) during this same period. These relatively small changes resulted in a comparably small change in earned revenue. Recent USPTO estimates indicate that serialized patent application filings will steadily increase at similar rates in the outyears, contributing to continued budgetary resources and earned fee revenue.

The USPTO's earned issue fee revenue decreased from $359.2 million in FY 2022 to $342.3 million in FY 2023, a decrease of 4.7%. This decline is due to a decrease in total patents issued, from 353,107 to 346,152 over the same period (decrease of 2.0%). Historically, the number of patents the agency issues in any given year may fluctuate, but overall growth in invention and innovation, which tends to increase maintenance fees in future years, has driven a recent, generally upward trend.

Trademarks

Trademark fees comprise those paid for application filing, maintaining exclusive rights (post-registration, to include renewals), services, and the Trademark Trial and Appeal Board. The USPTO fee schedule also includes fees for intent-to-use filings, as these applications introduce additional requirements for registration. Figure 13 depicts the most significant trademark fee types.

FIGURE 13: **FY 2023 TRADEMARK EARNED REVENUE BY FEE TYPE** *(dollars in millions)*



Overall, trademark earned revenue increased $33.4 million, or 8.0%, from FY 2022 to FY 2023. Earned revenue for trademark application filings rose from $218.2 million in FY 2022 to $234.0 million in FY 2023, an increase of 7.2%. This increase in earned revenue occurred despite a year-over-year decrease in trademark applications.

A change in trademark deferred revenue also contributed to the USPTO's overall increase in earned revenue. During FY 2023, deferred revenue increased by only 2.7%, compared to the 19.9% increase in FY 2022. Although total application filings decreased, the agency earned more revenue from both fees collected during FY 2023 and those deferred from an earlier fiscal year. A smaller increase in work paid for but not yet performed also contributed to an overall increase in earned revenue in FY 2023. A 12.5% rise in earned revenue to maintain exclusive rights was a significant driver in this growth: $123.8 million in FY 2023, up from $110.1 million in FY 2022. Total trademarks registered by the agency also decreased by 8.7%, from 453,558 to 414,043 over the same period.

Trademark registrations do not incur a term limit, and renewal fees for maintaining exclusive trademark rights are an ongoing source of USPTO earned revenue. As with the patent fee schedule, trademark renewal fees offset the agency's costs during initial examination (though Trademarks is less dependent on renewal fees than Patents is on maintenance fees). In general, pro se and foreign registrants—both of whom comprise a growing share of new applicants—make fewer post-registration maintenance filings, a trend that emerged prior to the COVID-19 pandemic. Table 3 shows how trademark renewal rates declined over the last several fiscal years, but rebounded slightly in FY 2023.

TABLE 3: **TRADEMARK RENEWAL RATES**

Trademark Renewal Rates*	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023[1]
Renewals	30.1%	26.3%	22.8%	19.2%	20.3%
**Note: Renewals occur every 10th year for registered trademarks. For example, in FY 2023, 20.3% of the trademarks registered 10 years ago were renewed by their owners.*					

Program Costs

The USPTO's program costs consist of both direct operational costs and overall support costs allocated to the patent and trademark programs. In setting its annual spending plans, the agency maximizes resources directed to its mission areas. For FY 2023, costs directly attributable to the patent and trademark programs represented 79.3% of total USPTO costs; support costs comprised the remainder and were allocated from the executing business areas to the patent and trademark programs using activity-based cost accounting.

Program costs totaled $4,038.7 million for FY 2023, an increase of $306.4 million, or 8.2%, over FY 2022 program costs of $3,732.3 million. Personnel services and benefits comprise the approximately 69.5% of the USPTO's total program costs, the by far the most significant of all cost categories. Major changes or fluctuations in staffing or pay directly impact overall program costs from year to year. Total direct and allocated personnel services and benefits costs for FY 2023 were $2,808.2 million, an increase of $221.4 million, or 8.6%, over FY 2022's $2,586.8 million. This change primarily reflects an increase in payroll compensation and benefits costs resulting from salary increases (e.g., congressionally mandated pay raises), as well as growth in onboard personnel (from 13,103 at the end of FY 2022 to 13,452 at the end of FY 2023. Figures 14 and 15 depict the USPTO's FY 2023 program costs.

FIGURE 14: **USPTO PROGRAM COSTS** *(dollars in millions)*

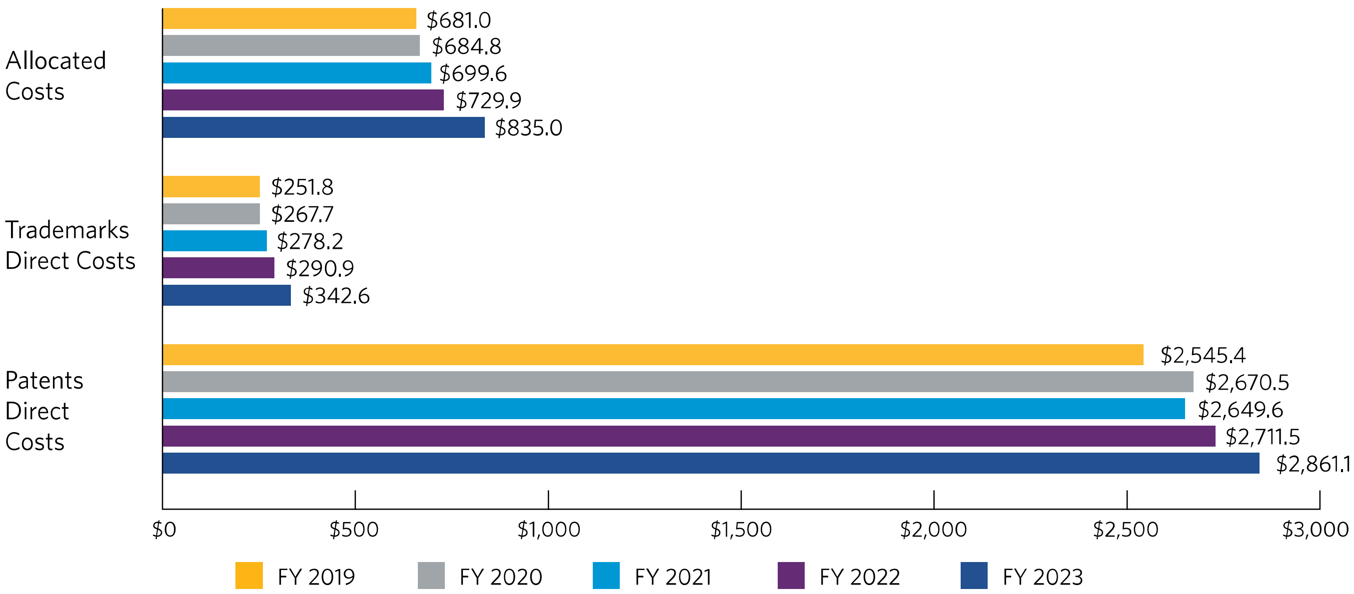
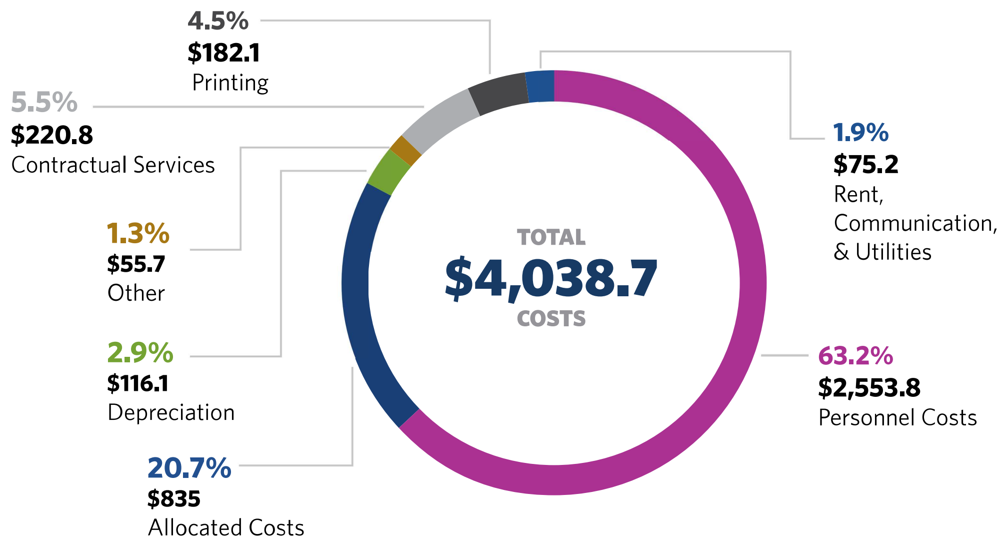


FIGURE 15: **FY 2023 USPTO PROGRAM COSTS*** *(dollars in millions)*



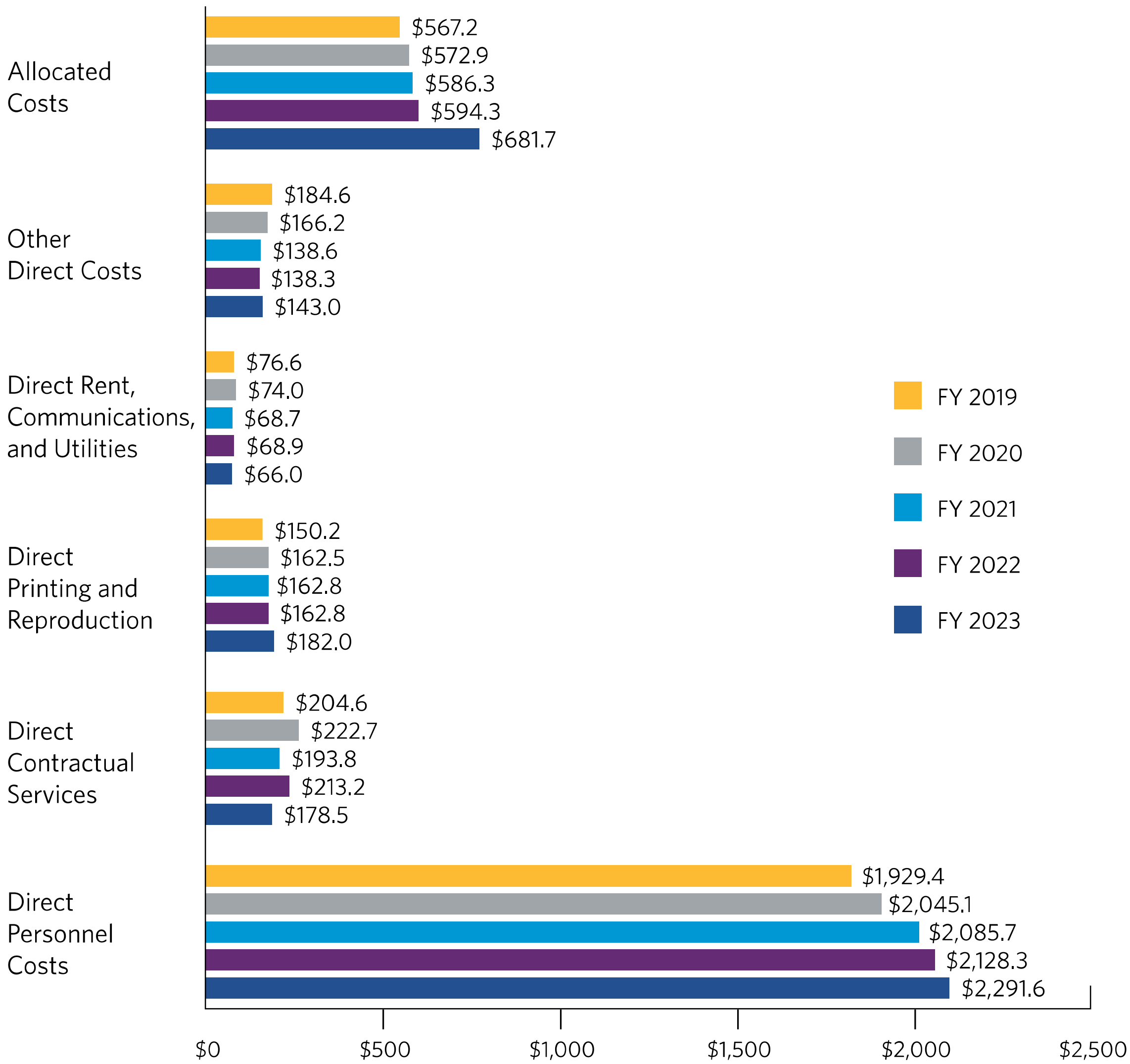
**All costs except those designated as allocated are direct costs. Allocated costs include the same types of costs as those that are direct; however, they also include mission-enabling costs.*

Patents

Total costs for the patent program increased $430.2 million, or 13.8%, from FY 2019 through FY 2023. The Patents organization's most significant direct program costs were personnel services, which accounted for 84.2% of the increase in total direct operational costs during the last four fiscal years. Patents personnel costs for FY 2023 were $2,291.6 million, an increase of $163.3 million, or 7.7%, over FY 2022's personnel costs of

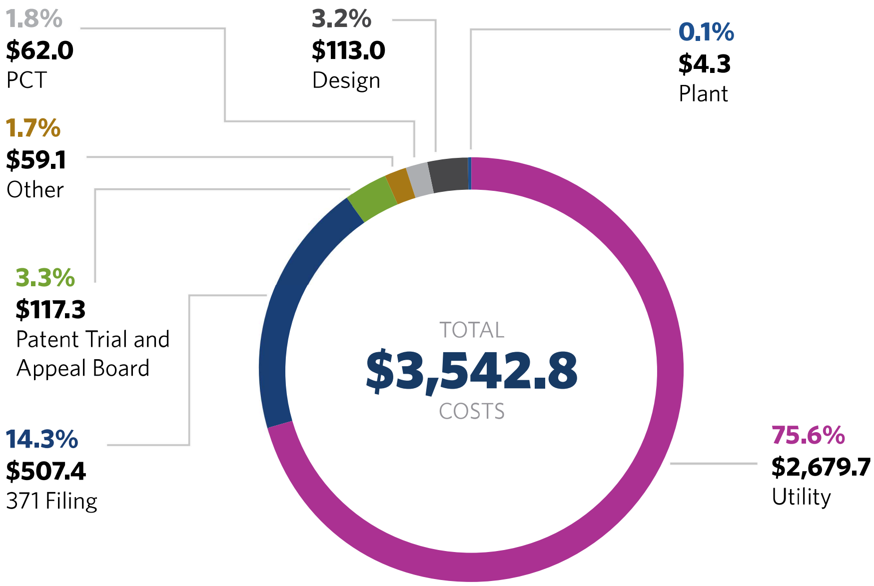
$2,128.3 million. This change primarily reflects an increase in payroll compensation and benefits costs resulting from salary increases, as well as a net increase of 204 personnel (from 10,225 at the end of FY 2022 to 10,429 at the end of FY 2023). Costs allocated to Patents were $681.7 million, an increase of $87.4 million, or 14.7%, over FY 2022's allocated costs of $594.3 million. This change is primarily reflective of allocated personnel costs and IT infrastructure cost increases (short-term investments to capture longer-term cost savings), combined with improvements in the cost allocation methodology. Figures 16 and 17 depict FY 2023 patent costs.

FIGURE 16: **PATENT COSTS** *(dollars in millions)*



Patents activity costs were predominantly directed to two patent products: utility patents and international applications, also called 371 filings. Cost percentages are based on direct and indirect costs allocated to patent operations.

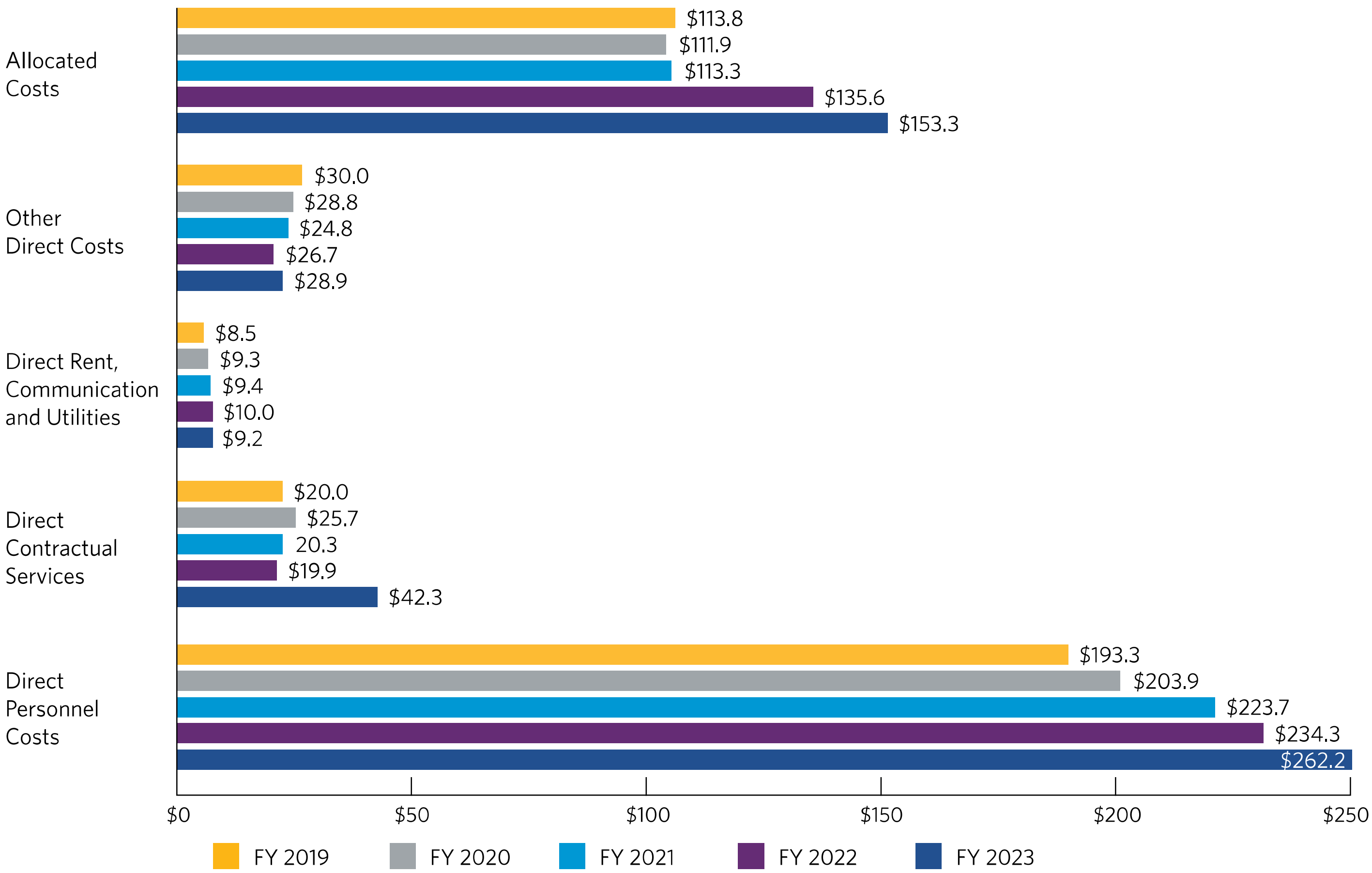
FIGURE 17: **FY 2023 PATENT COSTS BY PRODUCT** *(dollars in millions)*



Trademarks

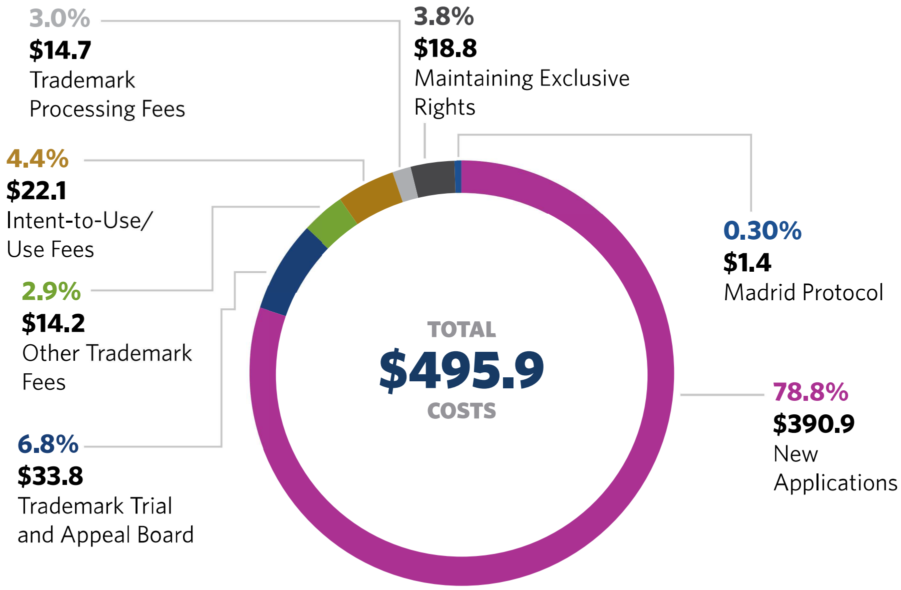
Total costs for the trademark program increased $130.3 million, or 35.6%, from FY 2019 through FY 2023. The Trademarks organization's most significant direct program costs were personnel services, which accounted for 52.9% of the increase in total direct operational costs during the last four fiscal years. Trademarks personnel costs for FY 2023 were $262.2 million, an increase of $27.9 million, or 11.9%, over FY 2022's personnel costs of $234.3 million. This change primarily reflects an increase in payroll compensation and benefits costs resulting from salary increases, as well as a net increase of 61 personnel (from 1,072 at the end of FY 2022 to 1,133 at the end of FY 2023). Costs allocated to Trademarks were $153.3 million, an increase of $17.7 million, or 13.1%, over FY 2022's allocated costs of $135.6 million. This change is primarily reflective of allocated personnel costs and IT infrastructure cost increases (short-term investments to capture longer-term cost savings), combined with improvements in the cost allocation methodology. Figures 18 and 19 depict FY 2023 trademark costs.

FIGURE 18: **TRADEMARK COSTS** *(dollars in millions)*



Cost percentages are based on direct and indirect costs allocated to trademark operations.

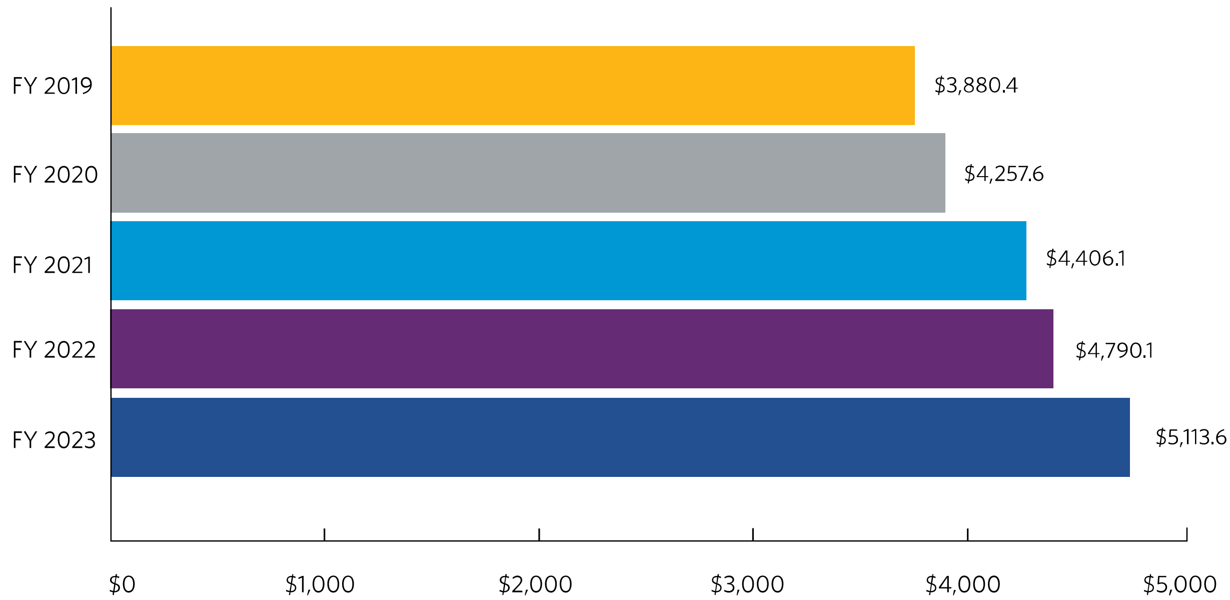
FIGURE 19: **FY 2023 TRADEMARK COSTS BY PRODUCT** *(dollars in millions)*



Statement of Budgetary Resources

During FY 2023, the USPTO's total budgetary resources available for spending were 6.8% greater than FY 2022. with a 31.8% increase over the last four fiscal years. The change in budgetary resources available for use is depicted by Figure 20. Total budgetary resources available in any given year are directly related to demand for the USPTO's services (as manifested in application filings and IP rights renewals) and the agency's operating reserves, including deposits to the PTFRF. The increase in budgetary resources from fee collections during FY 2023 correlates to an increase in demand. Figure 20 depicts the USPTO's growth in budgetary resources since FY 2019.

FIGURE 20: **ANNUAL GROWTH IN AVAILABLE BUDGETARY RESOURCES**
(dollars in millions)



The USPTO's congressional appropriation for FY 2023 was $4,253.4 million in anticipated fee collections. Actual FY 2023 fee collections amounted to only $4,040.2 million, falling short of the appropriation (see Figure 21, Sources of Funds). This total reflects a reduction in fee collections of $49.8 million during FY 2023, primarily due to increased discounts for small and micro entities enacted by the UAIA.

Prior to 2012—when the USPTO lacked appropriation authority to spend all collected fees—excess fee collections were classified as temporarily unavailable. The America Invents Act established a statutory provision that requires the USPTO to deposit in the PTFRF fees collected in excess of a given fiscal year's appropriation. The agency made deposits of $23.5 million in patent fee collections and $8.2 million in trademark fee collections to the PTFRF at the end of FY 2022. The FY 2022 appropriation provided the USPTO authorization to spend those fees without further appropriation, subject to reprogramming requirements. The USPTO completed a reprogramming notification with congressional appropriators on March 20, 2023, and transferred these funds into the agency's regular spending account (depicted in Figures 21 and 22).

The USPTO frequently reviews and analyzes operational and global economic data to assess the need for an adjustment to the patent and trademark fee schedules. These fee schedules are designed to achieve the agency's financial and operational targets while recovering aggregate operational costs. The USPTO's process to review, analyze, and set fees typically takes at least two years to complete, and the agency began a biennial fee review during FY 2021 and FY 2022. The USPTO projected that its aggregate operational costs will increase as the agency continues to grow and manage inflationary pressures.

This data informed the agency's determination that certain adjustments to the patent and trademark fee schedules are necessary. The USPTO presented fee proposals to the public at fee setting hearings conducted by the Patent and Trademark Public Advisory Committees on May 18, 2023, and June 5, 2023, respectively. The agency is drafting notices of proposed rulemaking , which will provide another opportunity for public comment, and expects the final patent and trademark fee rules to become effective during the first half of FY 2025.

Figures 21 and 22 depict the USPTO's available budgetary resources during FY 2023 and their use in total obligations and the operating reserves, as reflected in the Statement of Budgetary Resources.

FIGURE 21: **FY 2023 SOURCES OF FUNDS** *(dollars in millions)*

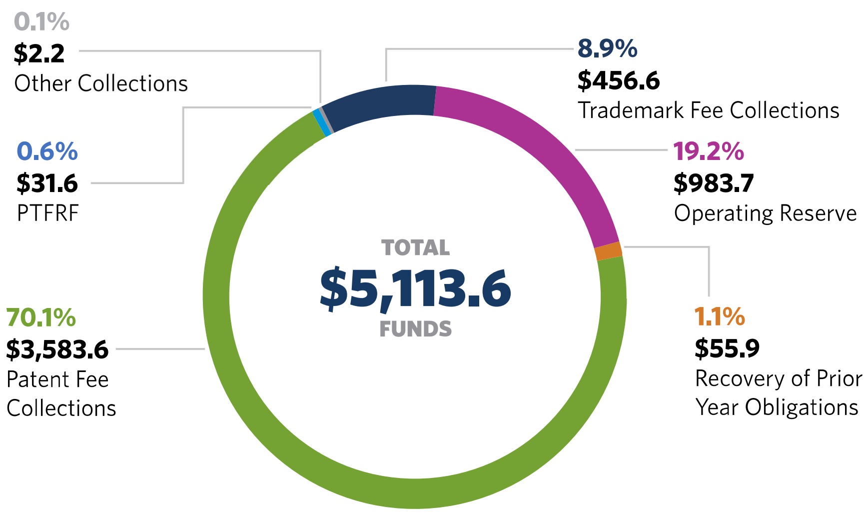


FIGURE 22: **FY 2023 USES OF FUNDS** *(dollars in millions)*

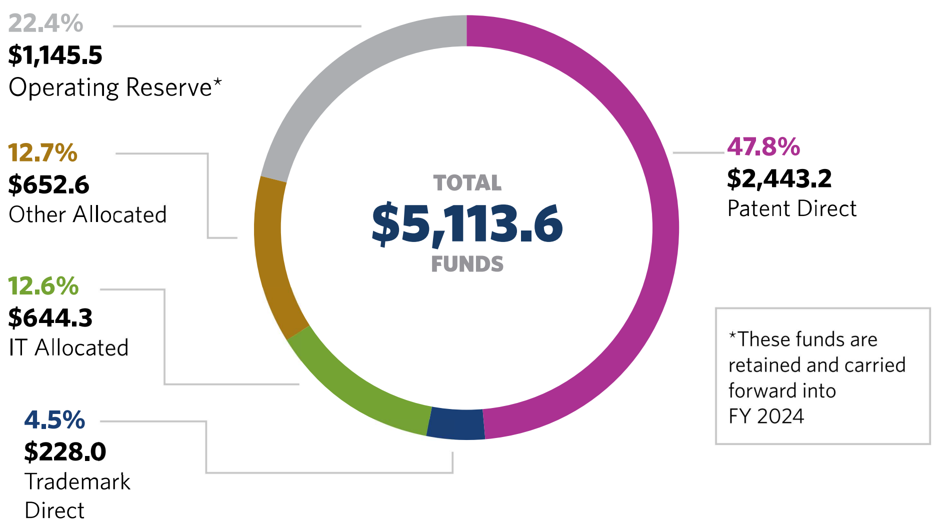


Table 4 illustrates the USPTO's congressional appropriations of fee collections over the last five fiscal years, as well as cumulative unavailable fee collections.

TABLE 4: **TEMPORARILY UNAVAILABLE FEE COLLECTIONS** *(dollars in millions)*

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fiscal Year Fee Collections	$ 3,398.7	$ 3,682.6	$ 3,625.0	$ 4,090.0	$ 4,040.2
Fiscal Year Collections Appropriated	(3,398.7)	(3,682.6)	(3,625.0)	(4,090.0)	(4,040.2)
Fiscal Year Unavailable Collections	$ -	$ -	$ -	$ -	$ -
Prior Year Unavailable Collections	937.8	937.8	937.8	937.8	937.8
Subtotal	$ 937.8	$ 937.8	$ 937.8	$ 937.8	$ 937.8
Special Fund Unavailable Receipts	233.5	233.5	233.5	233.5	233.5
Cumulative Temporarily Unavailable Fee Collections	$ 1,171.3	$ 1,171.3	$ 1,171.3	$ 1,171.3	$ 1,171.3

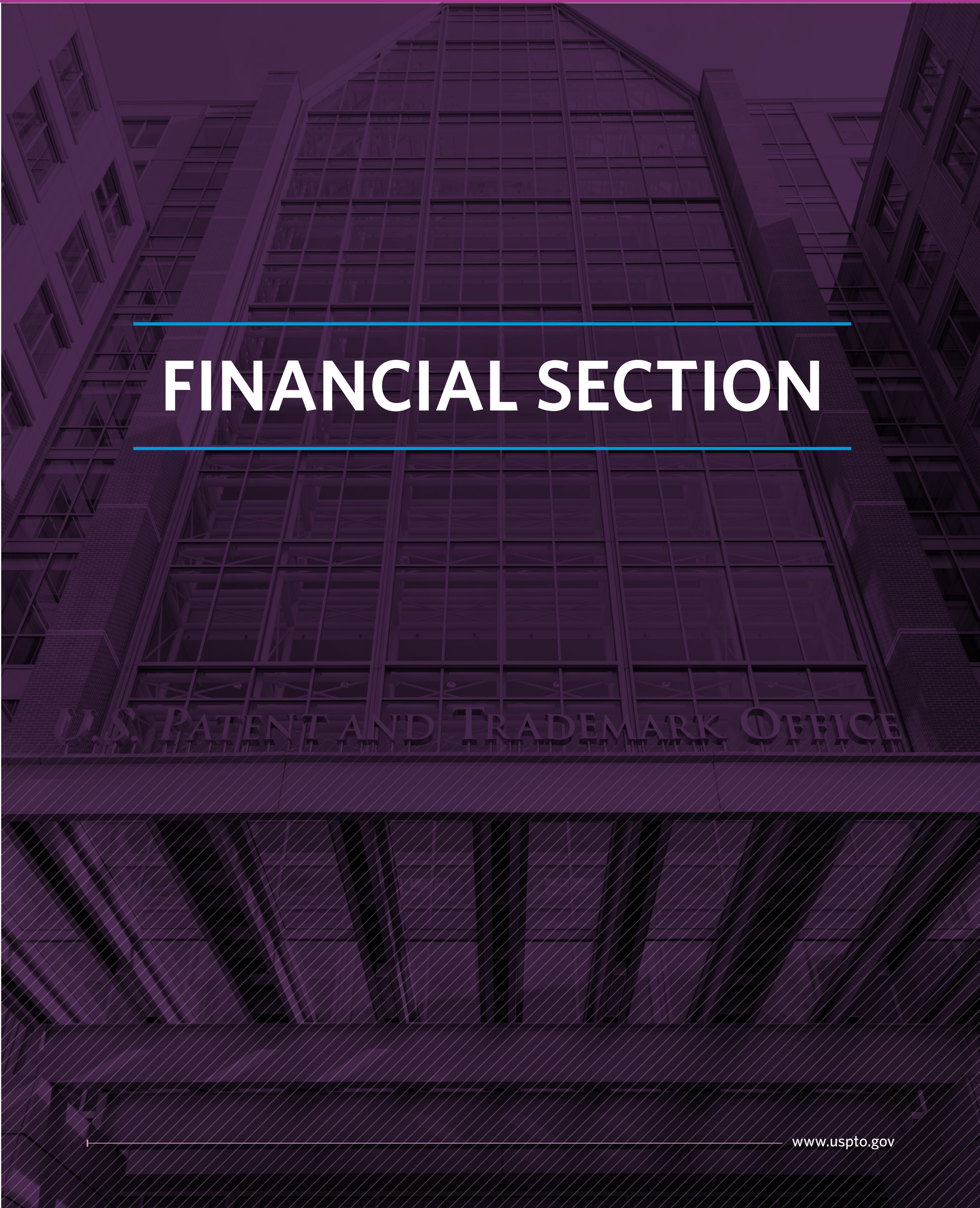
Since FY 2013, the USPTO has not collected any fees that were designated as temporarily unavailable. As a result, the agency maintained a $937.8 million balance of temporarily unavailable fee collections during FY 2023 (shown in Table 4 as "Prior Year Unavailable Collections"). In accordance with the OBRA, the agency maintains another $233.5 million in unavailable fee collections in a special fund receipt account at the U.S. Department of the Treasury. These cumulative unavailable fee collections will remain in the USPTO's general fund account at the Treasury until Congress appropriates their use. Unavailable balances are not reflected in the USPTO's Statement of Budgetary Resources but are included on the Balance Sheet as part of the agency's fund balance with Treasury.

Limitation on Financial Statements

The principal financial statements included in this AFR were prepared by USPTO management to report the agency's financial position and operational results, pursuant to the requirements of 31 U.S.C. § 3515(b). While the statements were prepared from the USPTO's books and records in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed 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 represent a component of the U.S. government, a sovereign entity.

Management Responsibilities

The USPTO's 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. Agency management is also responsible for 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.



FINANCIAL SECTION

FINANCIAL SECTION

Message from the Chief Financial Officer

The OCFO is committed to fiscal responsibility, financial prudence, and operational efficiency in providing America's innovators and entrepreneurs the highest level of service and accountability. That commitment includes ensuring the USPTO's leaders have the information they need to make sound decisions, that all business units receive excellent and timely financial management support, and that our external stakeholders receive transparent, reliable information about the agency's finances and operations.

The USPTO uses resilient financing strategies that make innovation and entrepreneurship accessible to all Americans. The OCFO plays an important role in delivering the agency's mission through strong financial management practices and mature analytical problem-solving capabilities that support executive decision-making. We remain flexible and attuned to our business partners' needs in delivering decision support and analysis to continuously improve the OCFO and the USPTO.

On December 29, 2022, President Biden signed the UAIA into law, which immediately expanded discounts on patent-related fees for small and micro entities. The OCFO team sprang into action to implement the new discount fee mandates, enabling all eligible applicants to benefit from lower patenting costs. Within two hours of enactment, the agency implemented the fee changes and notified the public via webpage communications. In addition, the team analyzed every payment made in the hours before the fees were updated in agency systems and issued partial refunds to reflect the new fee rates for eligible small and micro entities. The OCFO has also played a crucial role in analyzing and implementing other key components of the UAIA, including analysis that supports expanded regional and community outreach office site selections required by the act.

Jay Hoffman, Chief Financial Officer

Overall, the USPTO's FY 2023 financial health was sound. Operating reserve levels were above minimum thresholds and approached optimal targets. We continued to monitor global demand signals and evaluate economic conditions to evaluate and revise revenue and spending projections. Demand for patent services remained relatively stable throughout the year and was consistent with our FY 2023 demand forecasts. However, as a consequence of the UAIA's expanded discounts for small and micro entities, actual fee receipts were approximately $75 million lower than forecasted; the new discounts were not included in our pre-UAIA fee forecasts. Despite being lower than expected, patent fee collections exceeded total annual operating costs, and we deposited unspent fees into the patent operating reserve.

At the same time, demand for trademark services was generally stable, but revenue growth was considerably lower than our forecasted growth rate. In addition to lower revenue growth, Trademarks continued to have a persistently large unexamined application inventory. The agency did not make downward adjustments in trademark spending corresponding to lower-than-expected fee collections, thereby retaining capacity for Trademarks to continue working through the inventory backlog. Consequently, trademark spending exceeded fee collections in FY 2023 and will likely do so again in FY 2024. These factors resulted in a modest reduction in the trademark operating reserve, which will finance the revenue shortfall — as it is intended to do — until implementation of a fee adjustment.

The USPTO conducts biennial reviews to determine if the patent and trademark fee schedules require adjustments to maintain operations, achieve policy objectives, and ensure the operating reserves remain above minimum levels. During our last review, we concluded that certain adjustments to both patent and trademark fees are necessary to finance ongoing operations, recover UAIA unplanned fee discounts and higher inflation-driven costs, and meet stakeholder needs. As such, during May and June 2023, the USPTO introduced fee proposals at separate meetings of the Patent and Trademark Public Advisory Committees. Taking into consideration public feedback and committee recommendations, the agency is currently drafting notices of proposed rulemaking to establish a fee schedule that appropriately recovers aggregate costs and meets agency priorities. We expect the final rules to become effective during the first half of FY 2025.

The USPTO carefully considers each fee setting effort and works to offset fee increases wherever possible by identifying agency-wide cost savings. During FY 2023, we worked to deliberately analyze future real estate and IT costs. We continued implementing plans for divesting unused leased space of more than 1 million square feet, which began in FY 2022 and will result in an annual cost savings of more than $50 million beginning in FY 2025. In addition, the agency is finding efficiencies in IT delivery to offset inflation and foster growth of innovative, mission-focused IT solutions by retiring legacy systems, reducing technical debt, and improving resiliency via data center relocations and cloud solutions. The OCFO is supporting these efforts through critical

The USPTO hosted YMCA of Greater Washington's Thingamajig Invention Convention, with participating students from YMCA camps around the capital area. (Photo by Jeff Isaacs/USPTO) capacity and cost analyses and specifically migrating critical financial systems to the cloud.

The OCFO also introduced several organizational cost savings initiatives during FY 2023 to enhance customer experience. We established a pilot email program to reduce printing and mailing of hard copy maintenance fee reminders and expiration notices to opted-in customers. Internal to the agency, we successfully integrated business unit spend plans with automated procurement plans, which greatly enhanced efficiencies in procurement planning agency-wide. Our contracting team conducted an "acquisition summit" in support of the OCFO mission to engage, educate, and enable customers across the USPTO. We are also working to identify emerging risks more quickly, including an increase in analytics to proactively identify potentially fraudulent activity.

Finally, I am pleased to share three specific FY 2023 achievements that showcase our commitment as responsible stewards of our customers' fees. First, during May 2023, the AGA awarded the USPTO its 21st consecutive Certificate of Excellence in Accountability Reporting for the FY 2022 Agency Financial Report (AFR). We also received a Best-in-Class Award for Outreach, Inclusion, and Access features that focused on supporting the agency's underserved customers. We are humbled by this recognition, as FY 2022 was our first year producing an agency AFR. We remain dedicated to improving our financial reporting each and every year.

Second, we closed FY 2023 with our 31st consecutive unmodified opinion from an independent auditor on our financial statements. The auditor reported no material weaknesses or significant deficiencies in the design and operation of the USPTO's system of internal controls over financial reporting. It also validated that the agency's financial system complies with requirements in the Federal Financial Management Improvement Act of 1996 and Appendix D of Office of Management and Budget Circular A-123.

Third, the OCFO developed critical analytics to enhance decision support regarding mission performance and organizational health. Within the OCFO, our mission performance continued to achieve high marks and our organizational health continues to improve, buoyed by our "Hybrid First" work environment. The OCFO's employees are central to our mission performance, and we proactively monitor our work environment — which includes both regular telework and remote options, enables a healthy organizational culture, and facilitates a flexible, inclusive, and equitable work experience for every employee, regardless of work location. During FY 2023, we embarked on several wellness initiatives, including maturing of a Hybrid First Council made up of employee volunteers focused on team engagement in the hybrid workspace. Our dedication to the fundamental principle of maximizing both employee wellness and the OCFO's value to the USPTO and America's innovation ecosystem is enduring.

The USPTO's FY 2023 accomplishments are the result of our people relentlessly pursuing financial management excellence. I appreciate the entire agency's continued support and give special thanks to the Department of Commerce Office of the Inspector General and KPMG audit team. Together, we will sustain financial management excellence at the USPTO.

Jay Hoffman

Chief Financial Officer

November 7, 2023

Principal Financial Statements

UNITED STATES PATENT AND TRADEMARK OFFICE

BALANCE SHEETS

As of September 30, 2023 and 2022

(Dollars in Thousands)	2023	2022
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 3,297,419	$ 3,162,015
Accounts Receivable, Net (Note 3)	576	-
Advances and Prepayments (Note 6)	5,618	5,979
Total Intragovernmental	3,303,613	3,167,994
With the Public:		
Cash and Other Monetary Assets (Note 4)	9,751	10,473
Accounts Receivable, Net (Note 3)	280	655
General Property, Plant, and Equipment, Net (Note 5)	361,196	374,333
Advances and Prepayments (Note 6)	28,427	31,517
Total with the Public	399,654	416,978
Total Assets (Note 7)	$ 3,703,267	$ 3,584,972
LIABILITIES		
Intragovernmental:		
Accounts Payable	$ 9,692	$ 8,188
Other Liabilities:		
Benefit Program Contributions Payable	36,401	33,881
Customer Deposit Accounts (Note 7)	10,978	10,399
Total Intragovernmental	57,071	52,468
With the Public:		
Accounts Payable	87,973	110,912
Federal Employee Benefits Payable (Note 10)	243,948	231,369
Advances from Others and Deferred Revenue (Note 9)	1,490,122	1,393,202
Other Liabilities:		
Accrued Payroll	118,810	108,002
Customer Deposit Accounts (Note 7)	131,222	133,520
Contingent Liabilities (Note 12)	300	500
Total with the Public	2,072,375	1,977,505
Total Liabilities (Note 8)	$ 2,129,446	$ 2,029,973
NET POSITION		
Cumulative Results of Operations (Consolidated)— Funds from Dedicated Collections (Note 14)	1,573,821	1,554,999
Total Net Position	$ 1,573,821	$ 1,554,999
Total Liabilities and Net Position	$ 3,703,267	$ 3,584,972

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

UNITED STATES PATENT AND TRADEMARK OFFICE
STATEMENTS OF NET COST
For the years ended September 30, 2023 and 2022

(Dollars in Thousands)	**2023**	**2022**
PATENT		
Program Cost	$ 3,542,776	$ 3,305,822
Program Earned Revenue	(3,495,016)	(3,530,253)
Net Program Cost/(Income)	47,760	(224,431)
TRADEMARK		
Program Cost	495,936	426,451
Program Earned Revenue	(449,711)	(416,300)
Net Program Cost	46,225	10,151
Net Cost/(Income) from Operations (Note 14)	$ 93,985	$ (214,280)
TOTAL		
Total Program Cost (Notes 15 and 16)	$ 4,038,712	$ 3,732,273
Total Earned Revenue	(3,944,727)	(3,946,553)
Net Cost/(Income) from Operations (Note 14)	$ 93,985	$ (214,280)

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

UNITED STATES PATENT AND TRADEMARK OFFICE

STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2023 and 2022

(Dollars in Thousands)	2023	2022
	Funds from Dedicated Collections (Consolidated Totals)	**Funds from Dedicated Collections (Consolidated Totals)**
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 1,554,999	$ 1,291,306
Transfers Out Without Reimbursement	(2,450)	(781)
Imputed Financing	115,257	50,194
Net (Cost)/Income from Operations	(93,985)	214,280
Net Change in Cumulative Results of Operations	18,822	263,693
Cumulative Results of Operations - Ending	$ 1,573,821	$ 1,554,999
Net Position, End of Year	$ 1,573,821	$ 1,554,999

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

UNITED STATES PATENT AND TRADEMARK OFFICE
STATEMENTS OF BUDGETARY RESOURCES
For the years ended September 30, 2023 and 2022

(Dollars in Thousands)	**2023**	**2022**
BUDGETARY RESOURCES		
Unobligated Balance, Brought Forward (Note 17)	$ 1,015,373	$ 683,646
Recoveries of Prior Year Obligations	55,878	50,210
Unobligated Balance from Prior Year Budget Authority, Net (discretionary)	1,071,251	733,856
Spending Authority from Offsetting Collections (discretionary)	4,042,355	4,091,198
Total Budgetary Resources	$ 5,113,606	$ 4,825,054
STATUS OF BUDGETARY RESOURCES		
New Obligations (Note 17)	$ 3,968,093	$ 3,809,681
Unobligated Balance, End of Year:		
Apportioned	1,145,513	980,430
Unapportioned	-	34,943
Total Unobligated Balance, End of Year:	1,145,513	1,015,373
Total Status of Budgetary Resources	$ 5,113,606	$ 4,825,054
OUTLAYS, NET		
Net Collections (discretionary)	$ (139,100)	$ (366,057)

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

Notes to the Financial Statements

As of and for the years ended September 30, 2023 and 2022

NOTE 1. Summary of Significant Accounting Policies

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, and budgetary resources for the USPTO. 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, these statements 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. 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.

The USPTO presents cost of operations by program. Program costs consist of costs related directly to our primary responsibility segments, granting patents and registering trademarks. All costs are assigned to specific programs.

Certain prior year balances were reclassified to conform with the current year presentation.

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.

The USPTO is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

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.

NOTE 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Basis of Accounting

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when 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. The information in the Statements of Budgetary Resources is presented on a combined basis.

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, fee reserve fund, and the special fund receipts. Additional details are provided in Note 14.

Fiduciary Activities

Fiduciary activities are not recognized on the financial statements, but reported on schedules in the notes to the financial statements. 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 and the Madrid Protocol fund. Additional details are provided in Note 19.

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.

NOTE 1. Summary of Significant Accounting Policies (continued)

Revenue and Other Financing Sources

Exchange Revenue: Since FY 1992, 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. Individual fees for patent maintenance fees and trademark renewal fees are recorded as exchange revenue when received and help to recoup costs incurred during the initial patent and trademark review processes. All amounts remitted by customers without a request for service are recorded as liabilities in customer deposit accounts until services are ordered. In 2011, the USPTO received fee setting authority under section 10 of the Leahy-Smith America Invents Act. Section 10(a) of the Leahy-Smith America Invents Act 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, at, below, or above their respective cost.

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. Only certain inter-entity costs are recognized for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. 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 collecting fees electronically for the USPTO are paid for in full by Treasury. The USPTO includes applicable Imputed Costs on the *Statements of Net Cost*. In addition, an Imputed Financing Source from Cost Absorbed by Others is recognized on the *Statements of Changes in Net Position*.

Transfers In/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 and cash and other monetary assets. 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.

NOTE 1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable balances are established for amounts owed to the USPTO from its employees and governmental entities that do business with the USPTO. 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. Additional details are provided in Note 3.

The USPTO has established an allowance for 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. Based on an analysis of past collections, the USPTO regards all intergovernmental receivable 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 and Other Monetary Assets

The USPTO's cash and other monetary assets 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. All such undeposited check amounts are considered to be cash equivalents. Additional details are provided in Note 4.

General Property, Plant, and Equipment, Net

The USPTO's capitalization policies are summarized below:

Classes of General 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 Development	$ 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

NOTE 1. Summary of Significant Accounting Policies (continued)

General Property, Plant, and Equipment, Net (continued)

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. As needed, useful lives of assets are updated to reflect current estimates; the estimated useful life is used on a prospective basis. Additional details are provided in Note 5.

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

General 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 Department of Labor (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.

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.

NOTE 1. Summary of Significant Accounting Policies (continued)

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 and post-retirement health 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, 2023 and 2022, the USPTO made current year contributions through agency payroll contributions and quarterly supplemental payments to OPM equivalent to approximately 30.8% and 30.2%, respectively, of the employee's basic pay for those employees covered by CSRS, based on OPM cost factors. For the years ended September 30, 2023 and 2022, the USPTO made current year contributions through agency payroll contributions equivalent to approximately 17.9% 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.

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 1% of the employees' compensation. In addition, the USPTO makes matching contributions ranging from 1% to 4% 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

NOTE 1. Summary of Significant Accounting Policies (continued)

Employee Retirement Systems and Post-Employment Benefits (continued)

Federal Insurance Contributions Act (FICA), for which the USPTO contributes a matching amount to the Social Security Administration.

Advances from Others and 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 balance is estimated 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. 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. 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, 2023 and 2022, Fund Balance with Treasury consisted of the following:

(Dollars in Thousands)	**2023**	**2022**
Status of Fund Balance with Treasury:		
Obligated Balance Not Yet Disbursed	$ 841,321	$ 834,811
Unobligated Balance Available - Operating Reserves	1,145,513	980,430
Unobligated Balance Unavailable - Operating Reserves	-	3,310
Unobligated Balance Unavailable - Fee Reserve Fund	-	31,633
Temporarily Not Available Pursuant to Public Law	937,819	937,819
Non-Budgetary Fund Balance with Treasury	372,766	374,012
Total Fund Balance with Treasury	$ 3,297,419	$ 3,162,015

NOTE 2. Fund Balance with Treasury (continued)

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

To sustain day-to-day operations by leveling differences between daily fee collections and daily costs and mitigating the risk of changing demand for USPTO services, the USPTO reserves a portion of the amount Congress makes available annually through appropriations to the USPTO Salaries and Expense general fund as a designated operating reserve that will be carried over for use in future years. As of September 30, 2023, the total Patent reserve was $942,490 thousand and the total Trademark reserve was $203,023 thousand. As of September 30, 2022, the total Patent reserve was $775,054 thousand and the total Trademark reserve was $208,686 thousand.

As of September 30, 2023, the USPTO collected less fees than appropriated for the fiscal year. As a result, there were no funds deposited in the fee reserve fund as of September 30, 2023. As of September 30, 2022, the USPTO collected more fees than appropriated for the fiscal year. As a result, $31,633 thousand was deposited in the fee reserve fund as of September 30, 2022. The annual appropriations legislation requires the agency to submit a reprogramming request to make the funds available for use; the funds were made available for use in the Salaries and Expense general fund during the second quarter of FY 2023.

As of September 30, 2023 and 2022, the Non-Budgetary Fund Balance with Treasury includes unavailable surcharge receipts held in a special fund of $233,529 thousand for each year presented and non-entity customer deposit accounts held in deposit funds of $139,237 thousand and $140,483 thousand, respectively.

From FY 1992 through FY 2013, the USPTO was not always appropriated all of the fees and surcharges that were collected from customers.

As of September 30, 2023, and 2022, previously collected and temporarily unavailable fee collections on deposit in the USPTO accounts at Treasury consisted of the following:

(Dollars in Thousands)	**Patents**	**Trademarks**	**Totals**
Previously Collected Fees in Excess of Appropriations	$ 580,443	$ 209,643	$ 790,086
Previously Collected Surcharge Fund Receipts	233,529	-	233,529
Previously Collected Fees Not Available	$ 813,972	$ 209,643	$ 1,023,615
Previously Collected Fees Sequestered	134,291	13,442	147,733
Total Unavailable Fees	$ 948,263	$ 223,085	$ 1,171,348

Of this amount, $790,086 thousand are previously collected fees for patent and trademark services provided to customers, $233,529 thousand are surcharge collections from patent customers withheld in accordance with the OBRA of 1990 and deposited in a special fund receipt account at Treasury, and $147,733 thousand are patent and trademark sequestered funds pursuant to the Consolidated and Further Continuing Appropriations Act, 2013 (Pub. L. No. 113-6) and remain unavailable.

NOTE 3. Accounts Receivable, Net

As of September 30, 2023, USPTO entity accounts receivable consisted of the following:

(Dollars in Thousands)	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 576	$ -	$ 576
With the Public	$ 695	$ (415)	$ 280

As of September 30, 2022, USPTO entity accounts receivable consisted of the following:

(Dollars in Thousands)	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ -	$ -	$ -
With the Public	$ 1,010	$ (355)	$ 655

NOTE 4. Cash and Other Monetary Assets

As of September 30, 2023 and 2022, cash and other monetary assets consisted of the following:

(Dollars in Thousands)	2023	2022
Deposits in Transit	$ 9,751	$ 10,466
Undeposited Checks	-	7
Total Cash and Other Monetary Assets	$ 9,751	$ 10,473

As of September 30, 2023 and 2022, cash and other monetary assets included customer deposit accounts held with the public amounting to $2,963 thousand and $3,436 thousand, respectively.

NOTE 5. General Property, Plant, and Equipment, Net

As of September 30, 2023, general property, plant, and equipment, net, consisted of the following:

(Dollars in Thousands)

Classes of General Property, Plant, and Equipment	Useful Life (Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
IT Equipment	3-5	$ 261,240	$ 228,378	$ 32,862
Software	3	1,433,428	1,177,085	256,343
Software in Development	-	51,727	-	51,727
Furniture	7	32,179	24,644	7,535
Equipment	3-8	2,067	2,067	-
Leasehold Improvements	5-20	141,283	128,554	12,729
Total Property, Plant, and Equipment		$ 1,921,924	$ 1,560,728	$ 361,196

As of September 30, 2022, general property, plant, and equipment, net, consisted of the following:

(Dollars in Thousands)

Classes of General Property, Plant, and Equipment	Useful Life (Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
IT Equipment	3-5	$ 254,890	$ 218,981	$ 35,909
Software	3	1,322,437	1,073,548	248,889
Software in Development	-	54,203	-	54,203
Furniture	7	35,818	24,327	11,491
Equipment	3-8	2,067	2,057	10
Leasehold Improvements	5-20	141,283	117,452	23,831
Total Property, Plant, and Equipment		$ 1,810,698	$ 1,436,365	$ 374,333

The USPTO does not have any restrictions on the use or convertibility of the general property, plant, and equipment balances.

(Dollars in Thousands)	2023	2022
Balance, Beginning of Year	$ 374,333	$ 355,843
Capitalized Acquisitions	160,926	194,294
Loss on Dispositions	(2,840)	(7,371)
Depreciation Expense	(171,223)	(168,433)
Balance, End of Year	$ 361,196	$ 374,333

NOTE 6. Advances and Prepayments

As of September 30, 2023 and 2022, advances and prepayments consisted of the following:

(Dollars in Thousands)	2023	2022
Intragovernmental	$ 5,618	$ 5,979
With the Public	$ 28,427	$ 31,517

The largest governmental prepayments include the National Institute of Health Information Technology Acquisition and Assessment Center for enterprise network infrastructure services support, USPTO deposit accounts held with the U.S. Government Publishing Office 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, 2023 and 2022 were predominantly $26,431 thousand and $28,118 thousand, respectively, for various hardware and software maintenance agreements and $1,783 thousand and $3,263 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. Customer deposit accounts assets have an equal customer deposit account liability recognized.

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 to use until an order has been placed. Once an order has been placed, the funds are reclassified to entity funds.

NOTE 7. Entity and Non-Entity Assets (continued)

As of September 30, 2023 and 2022, entity and non-entity assets consisted of the following:

(Dollars in Thousands)	**2023**	**2022**
Fund Balance with Treasury:		
Intragovernmental Customer Deposit Accounts	$ 10,978	$ 10,399
Customer Deposit Accounts with the Public	128,259	130,084
Total Fund Balance with Treasury	139,237	140,483
Undeposited Collections:		
Customer Deposit Accounts with the Public	2,963	3,436
Total Non-Entity Assets	142,200	143,919
Total Entity Assets	3,561,067	3,441,053
Total Assets	$ 3,703,267	$ 3,584,972

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's liabilities covered by budgetary resources are funded by realized budgetary resources. Realized budgetary resources include obligated balances funding existing liabilities and unobligated balances (operating reserve) as of September 30, 2023. Although future appropriations to fund liabilities not covered by budgetary resources are probable and anticipated, Congressional action is needed before budgetary resources can be provided. Liabilities not requiring budgetary resources consist of customer deposit accounts (see Note 7).

NOTE 8. Liabilities Covered and Not Covered by Budgetary Resources (continued)

As of September 30, 2023 and 2022, liabilities covered and not covered by budgetary resources were as follows:

(Dollars in Thousands)	2023	2022
Liabilities Covered by Resources		
Intragovernmental:		
Accounts Payable	$ 9,692	$ 8,188
Other Liabilities:		
Benefit Program Contributions Payable	34,998	32,639
Total Intragovernmental	44,690	40,827
With the Public:		
Accounts Payable	87,672	110,530
Advances from Others and Deferred Revenue	1,145,513	980,431
Other Liabilities:		
Accrued Payroll	118,810	108,002
Total with the Public:	1,351,995	1,198,963
Total Liabilities Covered by Resources	$ 1,396,685	$ 1,239,790
Liabilities Not Covered by Resources		
Intragovernmental:		
Other Liabilities:		
Benefit Program Contributions Payable	$ 1,403	$ 1,242
Total Intragovernmental	1,403	1,242
With the Public:		
Accounts Payable	301	382
Federal Employee Benefits Payable	243,948	231,369
Advances from Others and Deferred Revenue	344,609	412,771
Other Liabilities:		
Contingent Liabilities	300	500
Total with the Public:	589,158	645,022
Total Liabilities Not Covered by Resources	$ 590,561	$ 646,264
Liabilities Not Requiring Resources		
Intragovernmental:		
Other Liabilities:		
Customer Deposit Accounts	$ 10,978	$ 10,399
Total Intragovernmental	10,978	10,399
With the Public:		
Other Liabilities:		
Customer Deposit Accounts	131,222	133,520
Total with the Public:	131,222	133,520
Total Liabilities Not Requiring Resources	$ 142,200	$ 143,919
Total Liabilities	$ 2,129,446	$ 2,029,973

NOTE 9. Advances from Others and Deferred Revenue

As of September 30, 2023, deferred revenue consisted of the following:

(Dollars in Thousands)	Patent	Trademark	Total
Unearned Fees	$ 1,231,717	$ 258,405	$ 1,490,122
Undeposited Checks	-	-	-
Total Deferred Revenue	$ 1,231,717	$ 258,405	$ 1,490,122

As of September 30, 2022, deferred revenue consisted of the following:

(Dollars in Thousands)	Patent	Trademark	Total
Unearned Fees	$ 1,141,674	$ 251,521	$ 1,393,195
Undeposited Checks	6	1	7
Total Deferred Revenue	$ 1,141,680	$ 251,522	$ 1,393,202

NOTE 10. Federal Employee Benefits Payable

The Federal Employee Benefits Payable includes the FECA actuarial liability, unfunded award accrual, and unfunded accrued annual leave. This does not include Accrued Payroll, which is a funded liability for salaries and wages that have been earned but are unpaid as of September 30, 2023: rather, this is reflected under Other Liabilities.

The FECA actuarial liability is calculated annually, as of September 30th by the DOL. For FY 2023 and 2022, projected annual payments were discounted to the present value based on averaging the Treasury's Yield Curve for Treasury Nominal Coupon (TNC) issues for the current and prior four years to reflect the average duration in years for income and medical payments, respectively. Interest rate assumptions utilized for discounting were as follows:

2023	2022
For wage benefits: 2.33% in year 1, and thereafter	**For wage benefits:** 2.12% in year 1, and thereafter
For medical benefits: 2.11% in year 1, and thereafter	**For medical benefits:** 1.97% in year 1, and thereafter

Based on information provided by the DOL, the U.S. Department of Commerce estimated the USPTO's liability as of September 30, 2023 and 2022 was $6,416 thousand and $7,116 thousand, respectively.

As of September 30, 2023 and 2022, the unfunded award accrual and the unfunded annual leave liability totaled $237,532 thousand and $224,253 thousand, respectively.

NOTE 11. Leases

Operating Leases:

The General Services Administration (GSA) negotiates long-term office and warehouse 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 and warehouse space are cancelable with appropriate notification and expire at various dates between FY 2025 and FY 2034. During the years ended September 30, 2023 and 2022, the USPTO paid $89,099 thousand and $89,339 thousand, respectively, to the GSA for rent.

Under existing commitments, the future minimum lease payments as of September 30, 2023 are as follows:

(Dollars in Thousands) Fiscal Year	Total Real Property
2024	$ 56,347
2025	44,094
2026	43,718
2027	43,718
2028	43,718
Thereafter	41,386
Total Future Minimum Lease Payments	$ 272,981

The commitments shown above relate primarily to the operating lease for the USPTO headquarters and regional offices. As the USPTO's telework program continues to grow, the agency is reducing its physical leased space, beginning with one auxiliary facility in Northern Virginia during FY 2023, and two main campus and two auxiliary buildings in Alexandria in late FY 2024.

Lease Location	Lease Initiation	Lease Expiration
Detroit, Michigan	FY 2022	FY 2025
Alexandria, Virginia	FY 2004	FY 2029
Denver, Colorado	FY 2021	FY 2029
Dallas, Texas	FY 2016	FY 2031
Lorton, Virginia	FY 2019	FY 2034

NOTE 12. Other Liabilities - 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, 2023, management expects it is reasonably possible that approximately $2,700 thousand may be owed for awards or damages involving labor relations claims. As of September 30, 2022, management expected it was reasonably possible that approximately $900 thousand may be owed for awards or damages involving labor relations claims.

As of September 30, 2023, the USPTO was subject to suits where an adverse outcome was probable and the claims were $300 thousand. As of September 30, 2022, the USPTO was subject to suits where an adverse outcome was probable and the claims were $500 thousand.

For the year ended September 30, 2023, there was one payment totaling $0.5 thousand made on behalf of the USPTO from the Judgment Fund. For the year ended September 30, 2022, there were no payments made on behalf of the USPTO from the Judgment Fund.

As of September 30, 2023 and 2022, the USPTO did not have any major long-term commitments.

NOTE 13. Post-employment Benefits

For the years ended September 30, 2023 and 2022, the post-employment benefit expenses were as follows:

(Dollars in Thousands)	**2023**			**2022**		
	Funded	**Imputed**	**Total**	**Funded**	**Imputed**	**Total**
CSRS	$ 4,465	$ 1,580	$ 6,045	$ 4,963	$ 1,170	$ 6,133
FERS	319,190	52,758	371,948	303,521	4,820	308,341
FEHB	103,848	5,771	109,619	99,164	(687)	98,477
FEGLI	302	-	302	286	-	286
FICA	134,218	-	134,218	127,032	-	127,032
Total Cost	$ 562,023	$ 60,109	$ 622,132	$ 534,966	$ 5,303	$ 540,269

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. Non-entity funds, as disclosed in Note 7, are not funds from dedicated collections and are therefore excluded from the below amounts.

The **Salaries and Expenses Fund** contains moneys used for the examining and granting or registering of 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 responsibility to 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. As discussed in Note 2 and as of September 30, 2023, the salaries and expenses fund includes the Patent operating reserve of $942,490 thousand and the Trademark operating reserve of $203,023 thousand. As of September 30, 2022, the salaries and expenses fund includes the Patent operating reserve of $775,054 thousand and the Trademark operating reserve of $208,686 thousand.

The **Patent and Trademark Fee Reserve Fund** was created by the Leahy-Smith America Invents Act enacted on September 16, 2011 (Pub. L. No. 112-29) modifying 35 U.S.C §42(c). This established a statutory provision requiring the USPTO to deposit in this fund fees collected in excess of the appropriated levels for each fiscal year. Annual appropriations, subject to Congressional reprogramming requirements, provide further the authorization for the USPTO to spend those fees, which are available without fiscal limitation until expended. There were no funds deposited in the fee reserve fund as of September 30, 2023. As of September 30, 2022, $31,633 thousand was deposited in the fee reserve fund.

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 Treasury. Due to a lack of Congressional reauthorization, this surcharge expired at the end of FY 1998. The USPTO may use moneys from this account only as appropriated by Congress, and only as made available by the issuance of a Treasury warrant.

NOTE 14. Funds from Dedicated Collections (continued)

(Dollars in Thousands)	Salaries and Expenses Fund	Fee Reserve Fund	Surcharge Fund	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2023				
Intragovernmental:				
Fund Balance with Treasury	$ 2,924,653	$ -	$ 233,529	$ 3,158,182
Accounts Receivable, Net	576	-	-	576
Advances and Prepayments	5,618	-	-	5,618
Total Intragovernmental	2,930,847	-	233,529	3,164,376
With the Public:				
Cash and Other Monetary Assets	6,788	-	-	6,788
Accounts Receivable, Net	280	-	-	280
General Property, Plant, and Equipment, Net	361,196	-	-	361,196
Advances and Prepayments	28,427	-	-	28,427
Total With the Public	396,691	-	-	396,691
Total Assets	$ 3,327,538	$ -	$ 233,529	$ 3,561,067
Intragovernmental:				
Accounts Payable	$ 9,692	$ -	$ -	$ 9,692
Benefit Program Contributions Payable	36,401	-	-	36,401
Total Intragovernmental	46,093	-	-	46,093
With the Public:				
Accounts Payable	87,973	-	-	87,973
Federal Employee Benefits Payable	243,948	-	-	243,948
Advances from Others and Deferred Revenue	1,490,122	-	-	1,490,122
Other Liabilities:				
Accrued Payroll	118,810	-	-	118,810
Contingent Liabilities	300	-	-	300
Total with the Public	1,941,153	-	-	1,941,153
Total Liabilities	$ 1,987,246	$ -	$ -	$ 1,987,246
Cumulative Results of Operations	1,340,292	-	233,529	1,573,821
Total Liabilities and Net Position	$ 3,327,538	$ -	$ 233,529	$ 3,561,067
Statement of Net Cost For the Year Ended September 30, 2023				
Total Program Cost	$ 4,038,712	$ -	$ -	$ 4,038,712
Less Program Earned Revenue	(3,944,727)	-	-	(3,944,727)
Net Cost of Operations	$ 93,985	$ -	$ -	$ 93,985
Statement of Changes in Net Position For the Year Ended September 30, 2023				
Cumulative Results of Operations				
Beginning Balance	$ 1,289,837	$ 31,633	$ 233,529	$ 1,554,999
Transfers In/(Out) Without Reimbursement	29,183	(31,633)	-	(2,450)
Imputed Financing	115,257	-	-	115,257
Net Cost of Operations	(93,985)	-	-	(93,985)
Net Change in Cumulative Results of Operations	50,455	(31,633)	-	18,822
Cumulative Results of Operations - Ending	$ 1,340,292	$ -	$ 233,529	$ 1,573,821
Net Position, End of Year	$ 1,340,292	$ -	$ 233,529	$ 1,573,821

NOTE 14. Funds from Dedicated Collections (continued)

(Dollars in Thousands)	Salaries and Expenses Fund	Fee Reserve Fund	Surcharge Fund	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2022				
Intragovernmental:				
Fund Balance with Treasury	$ 2,756,370	$ 31,633	$ 233,529	$ 3,021,532
Advances and Prepayments	5,979			5,979
Total Intragovernmental	2,762,349	31,633	233,529	3,027,511
With the Public:				
Cash and Other Monetary Assets	7,037	-	-	7,037
Accounts Receivable, Net	655	-	-	655
General Property, Plant, and Equipment, Net	374,333	-	-	374,333
Advances and Prepayments	31,517	-	-	31,517
Total With the Public	413,542	-	-	413,542
Total Assets	$ 3,175,891	$ 31,633	$ 233,529	$ 3,441,053
Intragovernmental:				
Accounts Payable	$ 8,188	$ -	$ -	$ 8,188
Benefit Program Contributions Payable	33,881	-	-	33,881
Total Intragovernmental	42,069	-	-	42,069
With the Public:				
Accounts Payable	110,912	-	-	110,912
Federal Employee Benefits Payable	231,369	-	-	231,369
Advances from Others and Deferred Revenue	1,393,202	-	-	1,393,202
Other Liabilities:				
Accrued Payroll	108,002	-	-	108,002
Contingent Liabilities	500	-	-	500
Total with the Public	1,843,985	-	-	1,843,985
Total Liabilities	$ 1,886,054	$ -	$ -	$ 1,886,054
Cumulative Results of Operations	1,289,837	31,633	233,529	1,554,999
Total Liabilities and Net Position	$ 3,175,891	$ 31,633	$ 233,529	$ 3,441,053
Statement of Net Cost For the Year Ended September 30, 2022				
Total Program Cost	$ 3,732,273	$ -	$ -	$ 3,732,273
Less Program Earned Revenue	(3,946,553)	-	-	(3,946,553)
Net Income from Operations	$ (214,280)	$ -	$ -	$ (214,280)
Statement of Changes in Net Position For the Year Ended September 30, 2022				
Cumulative Results of Operations				
Beginning Balance	$ 1,057,777	$ -	$ 233,529	$ 1,291,306
Transfers (Out)/In Without Reimbursement	(32,414)	31,633	-	(781)
Imputed Financing	50,194	-	-	50,194
Net Income from Operations	214,280	-	-	214,280
Net Change in Cumulative Results of Operations	232,060	31,633	-	263,693
Cumulative Results of Operations - Ending	$ 1,289,837	$ 31,633	$ 233,529	$ 1,554,999
Net Position, End of Year	$ 1,289,837	$ 31,633	$ 233,529	$ 1,554,999

NOTE 15. Program Costs

Program costs consist of both costs related directly to the responsibility segments (patent and trademark programs) and overall support costs, which are allocated to the responsibility segments based on their proportionate share. All costs are assigned to the specific programs. Total program or operating costs for the years ended September 30, 2023 and 2022 by cost category were as follows:

(Dollars in Thousands)	2023		
	Direct	**Allocated**	**Total**
Personnel Services and Benefits	$ 2,553,843	$ 254,331	$ 2,808,174
Travel and Transportation	1,458	2,795	4,253
Rent, Communications, and Utilities	75,166	41,585	116,751
Printing and Reproduction	182,076	284	182,360
Contractual Services	220,758	377,636	598,394
Training	3,251	2,610	5,861
Maintenance and Repairs	1,676	50,809	52,485
Supplies and Materials	46,662	2,821	49,483
Equipment not Capitalized	2,141	44,220	46,361
Insurance Claims and Indemnities	510	17	527
Depreciation, Amortization, and Loss on Asset Dispositions	116,139	57,924	174,063
Total Program Costs	$ 3,203,680	$ 835,032	$ 4,038,712

(Dollars in Thousands)	2022		
	Direct	**Allocated**	**Total**
Personnel Services and Benefits	$ 2,362,621	$ 224,150	$ 2,586,771
Travel and Transportation	203	993	1,196
Rent, Communications, and Utilities	78,933	39,411	118,344
Printing and Reproduction	162,837	241	163,078
Contractual Services	233,101	310,812	543,913
Training	3,288	2,559	5,847
Maintenance and Repairs	649	38,580	39,229
Supplies and Materials	44,135	2,270	46,405
Equipment not Capitalized	1,607	49,738	51,345
Insurance Claims and Indemnities	191	150	341
Depreciation, Amortization, and Loss on Asset Dispositions	114,789	61,015	175,804
Total Program Costs	$ 3,002,354	$ 729,919	$ 3,732,273

NOTE 16. Program Costs by Responsibility Segment

The following tables present program costs for the USPTO's primary responsibility segments: granting patents and registering trademarks.

The program costs for the years September 30, 2023 and 2022 by responsibility segment were as follows:

(Dollars in Thousands)	2023		
	Patent	**Trademark**	**Total**
Direct Costs			
Personnel Services and Benefits	$ 2,291,626	$ 262,217	$ 2,553,843
Travel and Transportation	1,239	219	1,458
Rent, Communications, and Utilities	65,971	9,195	75,166
Printing and Reproduction	182,047	29	182,076
Contractual Services	178,453	42,305	220,758
Training	2,809	442	3,251
Maintenance and Repairs	1,309	367	1,676
Supplies and Materials	44,913	1,749	46,662
Equipment not Capitalized	1,324	817	2,141
Insurance Claims and Indemnities	507	3	510
Depreciation, Amortization, and Loss on Asset Dispositions	90,863	25,276	116,139
Subtotal Direct Costs	$ 2,861,061	$ 342,619	$ 3,203,680
Allocated Costs			
Automation	$ 283,624	$ 68,739	$ 352,363
Resource Management	398,091	84,578	482,669
Subtotal Allocated Costs	$ 681,715	$ 153,317	$ 835,032
Total Program Costs	$ 3,542,776	$ 495,936	$ 4,038,712

NOTE 16. Program Costs by Responsibility Segment (continued)

	2022		
(Dollars in Thousands)	**Patent**	**Trademark**	**Total**
Direct Costs			
Personnel Services and Benefits	$ 2,128,313	$ 234,308	$ 2,362,621
Travel and Transportation	192	11	203
Rent, Communications, and Utilities	68,898	10,035	78,933
Printing and Reproduction	162,798	39	162,837
Contractual Services	213,225	19,876	233,101
Training	2,933	355	3,288
Maintenance and Repairs	475	174	649
Supplies and Materials	42,460	1,675	44,135
Equipment not Capitalized	434	1,173	1,607
Insurance Claims and Indemnities	189	2	191
Depreciation, Amortization, and Loss on Asset Dispositions	91,546	23,243	114,789
Subtotal Direct Costs	$ 2,711,463	$ 290,891	$ 3,002,354
Allocated Costs			
Automation	$ 268,909	$ 59,190	$ 328,099
Resource Management	325,450	76,370	401,820
Subtotal Allocated Costs	$ 594,359	$ 135,560	$ 729,919
Total Program Costs	$ 3,305,822	$ 426,451	$ 3,732,273

NOTE 17. Budgetary Resources

Total budgetary resources are primarily comprised of Congressional authority to spend current year fee collections. 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.

For FY 2023, the USPTO was appropriated up to $4,253,404 thousand for fees collected during the fiscal year. For the year ended September 30, 2023, the USPTO collected $221,721 thousand less than the amount apportioned through September 30, 2023 (under-collections of fees of $213,243 thousand and net under-collections of other budgetary resources of $8,478 thousand).

For FY 2022, the USPTO was appropriated up to $4,058,410 thousand for fees collected during the fiscal year. For the year ended September 30, 2022, the USPTO collected $33,269 thousand more than the amount appor-

NOTE 17. Budgetary Resources (continued)

tioned through September 30, 2022 (over-collections of fees of $33,633 thousand and net under-collections of other budgetary resources of $364 thousand); excess fee collections of $31,633 thousand were deposited in the fee reserve fund and remained available until expended subject to reprogramming. The agency completed a reprogramming notification with congressional appropriators on March 20, 2023, and then transferred the collected fees to the agency's regular spending account.

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 2023, the carryover amount that was brought into the fiscal year from FY 2022 was $1,015,373 thousand, comprised of $983,740 thousand in operating reserves immediately available and $31,633 thousand in the fee reserve fund subject to Congressional reprogramming. For FY 2022, the carryover amount that was brought into the fiscal year from FY 2021 was $683,646 thousand, all of which were comprised of operating reserves which were immediately available.

As of September 30, 2023 and 2022, reimbursable obligations incurred were $3,968,093 thousand and $3,809,681 thousand, respectively.

Funding Limitations

Pursuant to the Leahy-Smith America Invents Act (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.

Since FY 1992, the USPTO has not always been appropriated all of the fees that have been collected. The total temporarily unavailable fee collections pursuant to Public Law as of September 30, 2023 are $1,171,348 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 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% of fees collected starting March 1, 2013 through the end of the fiscal year). The sequestered funds, while included in the USPTO Salaries and Expenses Fund, are not 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.

NOTE 17. Budgetary Resources (continued)

As of September 30, 2023, reimbursable undelivered orders consisted of the following:

(Dollars in Thousands)	**Unpaid**	**Paid**	**Total**
Intragovernmental	$ 28,714	$ 5,618	$ 34,332
With the Public	562,012	28,427	590,439
Total Undelivered Orders	$ 590,726	$ 34,045	$ 624,771

As of September 30, 2022, reimbursable undelivered orders consisted of the following:

(Dollars in Thousands)	**Unpaid**	**Paid**	**Total**
Intragovernmental	$ 22,012	$ 5,979	$ 27,991
With the Public	553,440	31,517	584,957
Total Undelivered Orders	$ 575,452	$ 37,496	$ 612,948

Explanation of Differences between the Statement of Budgetary Resources (SBR) and the Budget of the U.S. Government

A comparison was performed between the amounts reported in the FY 2022 SBR and the actual FY 2022 amounts reported in the FY 2024 Budget of the U.S. government for SBR lines *Total Budgetary Resources*; *New Obligations*; and *Net Outlays (discretionary)*. There were no material differences identified. The President's Budget that will report actual amounts for FY 2023 has not yet been published, and will be made available on OMB's President's Budget webpage.

NOTE 18. Incidental Custodial Collections

Custodial collections represent miscellaneous general fund receipts of $250 thousand and $380 thousand for the years ended September 30, 2023 and 2022, respectively, and includes non-electronic patent filing fees, gains on foreign exchange rates, and employee debt finance charges. Custodial collection activities are considered immaterial and incidental to the mission of the USPTO.

NOTE 19. 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 World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, Russian Intellectual Property Organization, Australian Patent Office, Israeli Patent Office, Japanese Patent Office, and Intellectual Property Office of Singapore 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.

NOTE 19. Fiduciary Activities (continued)

(Dollars in Thousands)	Patent Cooperation Treaty	Madrid Protocol	Total Fiduciary Funds
Schedule of Fiduciary Activity For the Year Ended September 30, 2023			
Fiduciary Net Assets, Beginning of Year	$ 16,622	$ 790	$ 17,412
Contributions	152,371	41,645	194,016
Disbursements To and on Behalf of Beneficiaries	(152,300)	(41,355)	(193,655)
Increase in Fiduciary Net Assets	71	290	361
Fiduciary Net Assets, End of Year	$ 16,693	$ 1,080	$ 17,773

(Dollars in Thousands)	Patent Cooperation Treaty	Madrid Protocol	Total Fiduciary Funds
Fiduciary Net Assets as of September 30, 2023			
Cash and Cash Equivalents	$ 16,693	$ 1,080	$ 17,773
Total Fiduciary Net Assets	$ 16,693	$ 1,080	$ 17,773

(Dollars in Thousands)	Patent Cooperation Treaty	Madrid Protocol	Total Fiduciary Funds
Schedule of Fiduciary Activity For the Year Ended September 30, 2022			
Fiduciary Net Assets, Beginning of Year	$ 16,559	$ 964	$ 17,523
Contributions	163,233	46,114	209,347
Disbursements To and on Behalf of Beneficiaries	(163,170)	(46,288)	(209,458)
Increase/(Decrease) in Fiduciary Net Assets	63	(174)	(111)
Fiduciary Net Assets, End of Year	$ 16,622	$ 790	$ 17,412

(Dollars in Thousands)	Patent Cooperation Treaty	Madrid Protocol	Total Fiduciary Funds
Fiduciary Net Assets as of September 30, 2022			
Cash and Cash Equivalents	$ 16,622	$ 790	$ 17,412
Total Fiduciary Net Assets	$ 16,622	$ 790	$ 17,412

NOTE 20. Reconciliation of Net Cost to Net Outlays

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 reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. This reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis

NOTE 20. Reconciliation of Net Cost to Net Outlays (continued)

below illustrates this reconciliation by listing the key differences between net cost and net outlays. *Net Outlays* is composed of Gross Outlays less Offsetting Collections. The second section reverses out items included in *Net Cost that are not part of Net Outlays*. The third section adds items included in *Net Outlays that are not part of Net Cost*. Items that do not have a budgetary impact as of the Balance Sheet date, such as collections that have been deposited but not yet confirmed, or items that have a budgetary impact without a corresponding cost impact, such as accrued asset amounts (see Note 5), are not included in this reconciliation.

For the years ended September 30, 2023 and 2022, the reconciliation of net cost to net outlays is as follows:

		2023	
(Dollars in Thousands)	**Intragovernmental**	**With the Public**	**Total**
NET COST/(INCOME) FROM OPERATIONS	$ 953,733	$ (859,748)	$ 93,985
COMPONENTS OF NET COST THAT ARE NOT PART OF NET OUTLAYS:			
Property, Plant, and Equipment Depreciation	-	(171,223)	(171,223)
Property, Plant, and Equipment Disposal and Revaluation	-	(2,840)	(2,840)
Increase/(Decrease) in Assets:			
Accounts Receivable	576	(375)	201
Cash and Other Monetary Assets	-	(242)	(242)
Advances and Prepayments	(361)	(3,090)	(3,451)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(1,504)	21,047	19,543
Benefit Program Contributions Payable	(2,520)	-	(2,520)
Federal Employee Benefits Payable	-	(12,579)	(12,579)
Advances from Others and Deferred Revenue	-	(96,927)	(96,927)
Other Liabilities:			
Accrued Payroll	-	(10,808)	(10,808)
Contingent Liabilities	-	200	200
Other Financing Sources:			
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to the Agency	(60,109)	-	(60,109)
Other Imputed Financing	(55,148)	-	(55,148)
Total Components of Net Cost That Are Not Part of Net Outlays	(119,066)	(276,837)	(395,903)
COMPONENTS OF NET OUTLAYS THAT ARE NOT PART OF NET COST:			
Acquisition of Capital Assets	(105)	162,923	162,818
Total Components of Net Outlays That Are Not Part of Net Cost	(105)	162,923	162,818
NET OUTLAYS	$ 834,562	$ (973,662)	$ (139,100)

NOTE 20. Reconciliation of Net Cost to Net Outlays (continued)

	2022		
(Dollars in Thousands)	**Intragovernmental**	**With the Public**	**Total**
NET COST/(INCOME) FROM OPERATIONS	$ 841,443	$ (1,055,723)	$ (214,280)
COMPONENTS OF NET COST THAT ARE NOT PART OF NET OUTLAYS:			
Property, Plant, and Equipment Depreciation	-	(168,433)	(168,433)
Property, Plant, and Equipment Disposal and Revaluation	-	(7,371)	(7,371)
Increase/(Decrease) in Assets:			
Accounts Receivable	-	141	141
Cash and Other Monetary Assets	-	49	49
Advances and Prepayments	2,816	2,488	5,304
(Increase)/Decrease in Liabilities:			
Accounts Payable	4,609	766	5,375
Benefit Program Contributions Payable	(3,719)	-	(3,719)
Federal Employee Benefits Payable	-	10,105	10,105
Advances from Others and Deferred Revenue	-	(142,884)	(142,884)
Other Liabilities:			
Accrued Payroll	-	(10,135)	(10,135)
Contingent Liabilities	-	(85)	(85)
Other Financing Sources:			
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to the Agency	(5,303)	-	(5,303)
Other Imputed Financing	(44,891)	-	(44,891)
Total Components of Net Cost That Are Not Part of Net Outlays	(46,488)	(315,359)	(361,847)
COMPONENTS OF NET OUTLAYS THAT ARE NOT PART OF NET COST:			
Acquisition of Capital Assets	47	211,242	211,289
Transfers In Without Reimbursements	(1,219)	-	(1,219)
Total Components of Net Outlays That Are Not Part of Net Cost	(1,172)	211,242	210,070
NET OUTLAYS	$ 793,783	$ (1,159,840)	$ (366,057)

Required Supplementary Information (Unaudited)

Deferred Maintenance and Repairs (DM&R)

The USPTO refers to maintenance and repair activities that were not performed on schedule, scheduled but not performed, or delayed to a future time period as DM&R. The agency's maintenance and repair activities aim to keep property, plant, and equipment (PP&E) in acceptable operating condition and include preventive maintenance, normal repairs, parts and structural components replacement, and other activities needed to preserve a given asset so it can deliver acceptable performance and last its full life cycle. Maintenance and repairs exclude activities aimed at expanding an asset's capacity or otherwise upgrading it to serve different or significantly greater needs than those originally intended.

The USPTO's PP&E consists of furniture and fixtures, IT equipment, office and telecommunication equipment, leasehold improvements, and software. Entity policy ensures all PP&E, regardless of recorded value, is maintained, preserved, and managed safely and effectively. The USPTO conducts periodic user feedback meetings to evaluate the effectiveness of training, operations, maintenance, facilities, continuity of operations, and supporting documentation of automated systems. The agency prioritizes maintenance and repair projects, including maintaining warranties, to keep its PP&E in good operating condition, and replaces equipment as needed to keep operations and maintenance costs stable and low. Accordingly, the USPTO does not experience DM&R for its PP&E and does not periodically assess DM&R.

Combining Schedule of Budgetary Resources by Major Budget Account

The following table illustrates the USPTO's FY 2023 budgetary resources by major budget account.

(Dollars in Thousands)	Salaries and Expenses Fund	Fee Reserve Fund	Combining Total
BUDGETARY RESOURCES			
Unobligated Balance, Brought Forward	$ 983,740	$ 31,633	$ 1,015,373
Recoveries of Prior Year Obligations	55,878	-	55,878
Unobligated Balance from Prior Year Budget Authority, Net (discretionary)	1,039,618	31,633	1,071,251
Spending Authority from Offsetting Collections (discretionary)	4,073,988	(31,633)	4,042,355
Total Budgetary Resources	$ 5,113,606	$ -	$ 5,113,606
STATUS OF BUDGETARY RESOURCES			
New Obligations	$ 3,968,093	$ -	$ 3,968,093
Unobligated Balance, End of Year: Apportioned	1,145,513	-	1,145,513
Total Unobligated Balance, End of Year:	1,145,513	-	1,145,513
Total Status of Budgetary Resources	$ 5,113,606	$ -	$ 5,113,606
OUTLAYS, NET			
Net Collections (discretionary)	$ 139,100	$ -	$ 139,100

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

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

November 14, 2023

MEMORANDUM FOR: Kathi Vidal
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office

FROM: Richard Bachman
Assistant Inspector General for Audit and Evaluation

SUBJECT: *United States Patent and Trademark Office FY 2023 Financial Statements*
Final Report No. OIG-24-006-A

I am pleased to provide you with the attached audit report, which presents an unmodified opinion on the United States Patent and Trademark Office's (USPTO's) fiscal year 2023 financial statements. KPMG LLP—an independent public accounting firm—performed the audit in accordance with U.S. generally accepted auditing standards, standards applicable to financial audits contained in *Government Auditing Standards*, and Office of Management and Budget Bulletin No. 24-01, *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 accordance with U.S. generally accepted accounting principles;
- identified no material weaknesses in internal control over financial reporting; and
- identified no instances of reportable noncompliance with applicable laws, regulations, contracts, and grant agreements.

KPMG is solely responsible for the attached audit report and the conclusions expressed in it. We do not express any opinion on USPTO's financial statements; any conclusions about the effectiveness of internal control over financial reporting; or any conclusions on compliance with applicable laws, regulations, contracts, and grant agreements.

This report will appear on our website pursuant to the Inspector General Act of 1978, as amended (5 U.S.C. §§ 404 & 420).

We would like to thank USPTO's staff and management for its cooperation and courtesies extended to KPMG and my office during this 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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the United States Patent and Trademark Office (USPTO) which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of net cost and changes in net position, and statements of budgetary resources for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the United States Patent and Trademark Office as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), 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. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the USPTO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

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

KPMG

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, Government Auditing Standards, and OMB Bulletin No. 24- 01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 USPTO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audits of the basic 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.

Other Information

Management is responsible for the other information included in the *Agency Financial Report*. The other information comprises the Financial and Related Highlights, Table of Contents, the Message, Introduction, Message from the Chief Financial Officer, Other Information, Glossary of Acronyms, URL Index, and Acknowledgments sections, but it does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or

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the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2023, we considered the USPTO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the USPTO's financial statements as of and for the year ended September 30, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

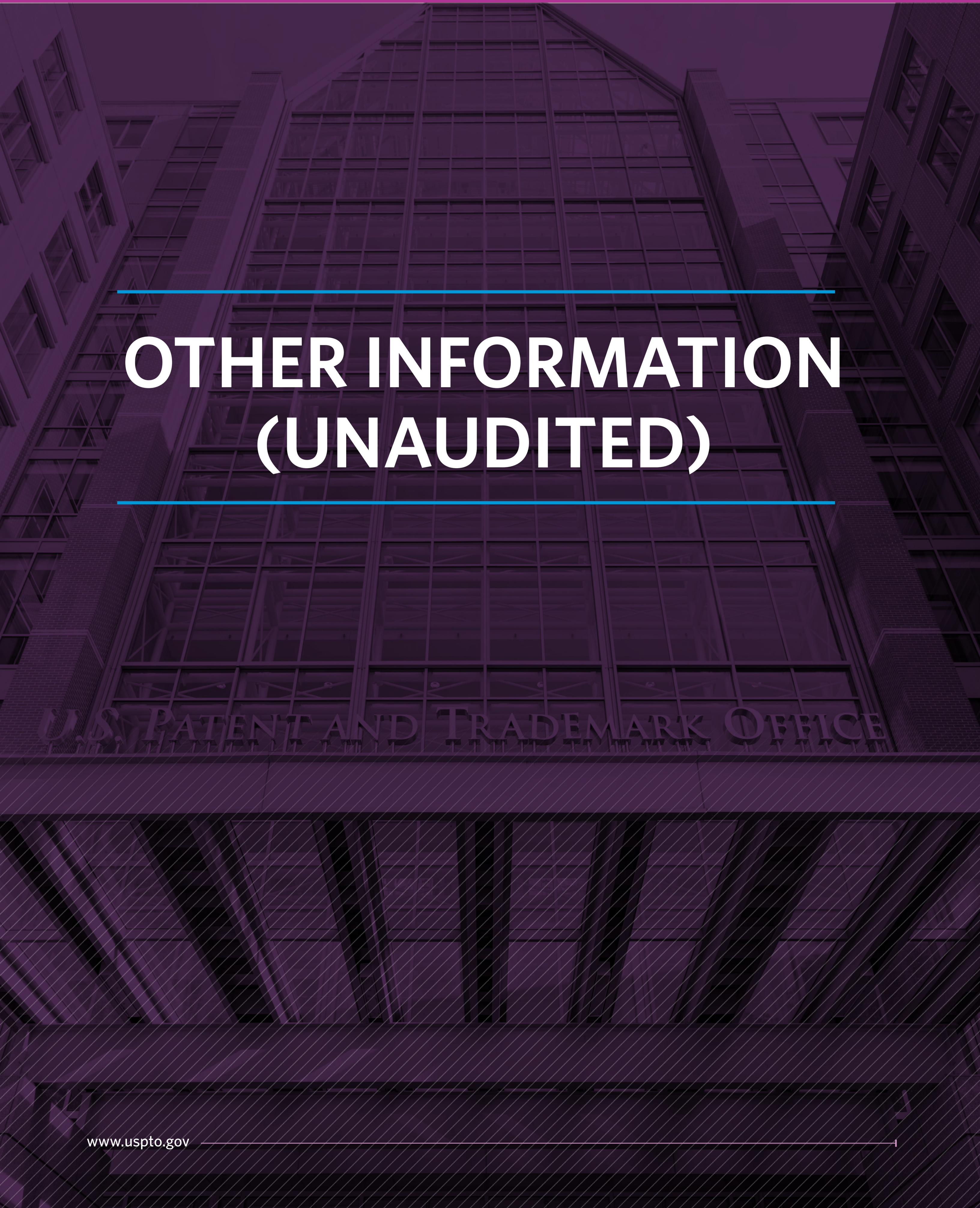
Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results 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

Washington, District of Columbia
November 7, 2023

OTHER INFORMATION (UNAUDITED)



OTHER INFORMATION (UNAUDITED)

Summary of Financial Statement Audit and Management Assurances

TABLE 5: SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
NONE	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

TABLE 6: SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control over Financial Reporting (FMFIA §2)						
Statement of Assurance	Unmodified Assurance					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
NONE	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA §2)						
Statement of Assurance	Unmodified Assurance					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
NONE	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
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	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the FFMIA		
	Agency	**Auditor**
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. U.S. Standard General Ledger at Transaction Level	No lack of compliance noted	No lack of compliance noted

Inspector General's Top Management Challenges Facing the USPTO

The USPTO is responsible for resolving Management Challenge #9, Safeguarding Intellectual Property to Promote Innovation and Economic Prosperity, as described in the OIG's October 12th report, Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2024. The USPTO is also responsible for continuing to improve its cybersecurity posture in support of resolving Management Challenge #1.

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

INFORMATION MEMORANDUM FOR SECRETARY RAIMONDO

FROM: Peggy E. Gustafson, Inspector General, (202) 793-3336

DATE: October 12, 2023

CC: Don Graves, Deputy Secretary of Commerce
Eric Morrissette, Chief of Staff
André Mendes, Chief Information Officer
Jeremy Pelter, Deputy Assistant Secretary for Administration, performing the non-exclusive functions and duties of the Chief Financial Officer and Assistant Secretary for Administration
Operating Unit Heads
Operating Unit Audit Liaisons

RE: ***Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2024***
Final Report No. OIG-24-002

The Office of Inspector General is required by statute[1] to annually report the most serious management and performance challenges facing the U.S. Department of Commerce. Attached is our final report on the Department's top management and performance challenges for fiscal year 2024. The report includes detailed discussions of the issues listed below.

Challenge 1: Continuing the transition to zero trust to overcome IT security shortcomings and strengthen cybersecurity

- Continuing the transition to zero trust
- Improving IT security shortcomings and strengthening cybersecurity

Challenge 2: Awarding and overseeing grants to expand broadband access to all Americans

- Ensuring funding is properly allocated and awarded to close the digital divide
- Overseeing broadband programs with challenging regulatory and National Telecommunications and Information Administration requirements -
- Optimizing workforce to manage increases in grant administration activities
- Implementing measures to prevent, detect, and report potential fraud and hold grantees and subgrantees accountable for performance

[1] 31 U.S.C. § 3516(d).

Challenge 3: Promoting growth in domestic semiconductor manufacturing and research

- Hiring and retaining qualified staff in a competitive labor market
- Implementing adequate internal controls and oversight

Challenge 4: Enhancing weather, water, and climate services

- Maintaining a robust satellite architecture
- Ensuring successful ship replacement efforts and communicating impacts of a potential gap in high-altitude aircraft observations
- Increasing the National Weather Service's effectiveness at protecting life and property in a changing climate

Challenge 5: Leveraging trustworthy artificial intelligence and modernizing IT systems

- Leveraging trustworthy artificial intelligence to ensure safe and effective enhancements of operations and services
- Modernizing IT systems

Challenge 6: Effectively enforcing export controls and supporting U.S. supply chain resilience

- Ensuring effective enforcement of export controls to counter China's Military-Civilian Fusion strategy
- Ensuring effective enforcement of export controls on Russia and Belarus
- Promoting U.S. supply chain resiliency through timely and impactful analysis
- Combating unfair trade practices by effectively resolving trade barriers and enforcing U.S. trade agreements

Challenge 7: Ensuring public safety entities have the network services they need to respond effectively to emergencies

- Ensuring FirstNet Authority's appropriate oversight of the Nationwide Public Safety Broadband Network (NPSBN) contract's task orders
- Ensuring AT&T is meeting its goals for NPSBN adoption and coverage
- Ensuring only eligible users have access to the NPSBN
- Ensuring FirstNet Authority's innovation and test lab benefits public safety entities

Challenge 8: Managing and overseeing contracts and grants while ensuring equitable procurement

- Managing contract and grant awards, oversight, and program performance
- Managing, strengthening, and retaining a skilled acquisition workforce to support the Department's mission
- Ensuring equity in procurement

Challenge 9: Safeguarding intellectual property to promote innovation and economic prosperity

- Adapting to emerging technologies
- Maintaining the integrity of the patent application system and trademark register
- Improving patent and trademark quality and timeliness
- Improving critical mission support functions

Challenge 10: Ensuring the Census Bureau provides quality data to stakeholders

- Incorporating lessons learned from the 2020 group quarters count into 2030 census planning
- Ensuring survey operations help produce reliable and accurate population estimates

Challenge 11: Protecting funds awarded under the Public Wireless Supply Chain Innovation Fund grant program

- Implementing strong internal controls to meet timelines and ensure funds are properly awarded

Challenge 12: Ensuring strong oversight and effective use of funding for National Institute of Standards and Technology construction and maintenance

- Prioritizing complex construction and maintenance projects
- Ensuring prudent financial management and oversight of funds

The final version of the report will be included in the Department's *Annual Financial Report*, as required by law.[2] We remain committed to keeping the Department's decision-makers informed of problems identified through our audits and investigations so that timely corrective actions can be taken.

We appreciate the cooperation we have received from the Department, and we look forward to working with you and the Secretarial Officers in the coming months. If you have any questions about this report, please contact me at (202) 793-3336.

[2] *Ibid.*

Payment Integrity Information Act (PIIA) of 2019 reporting

The PIIA requires that agencies review all programs and activities periodically; identify and take multiple actions on those that may be susceptible to significant improper payments; and annually report information on their improper payment monitoring and minimization efforts. Appendix C of OMB Circular A-123 provides guidance to agencies on complying with the PIIA and making efforts to monitor and minimize improper payments. The USPTO has not identified any programs or activities susceptible to significant improper payments, or any significant problems with improper payments.

The USPTO recognizes the importance of maintaining adequate internal controls to ensure the accuracy and integrity of the agency's payments, and it maintains a strong commitment to continuously improving its overall disbursement management process. For FY 2024 and beyond, the USPTO will continue its efforts to ensure the integrity of its disbursements.

i. Risk assessment

The USPTO annually reviews all of its programs and activities to assist in identifying, reporting on, and preventing erroneous or improper payments. The USPTO completed this review in FY 2023.

The USPTO annually assesses the effectiveness of its internal control over financial reporting in compliance with OMB Circular A-123. Furthermore, every three years, the USPTO includes a review of its internal controls over disbursement processes in its annual assessment. The most recent review, performed in FY 2021, indicated that the agency's current internal controls over disbursement processes are sound. The agency has scheduled further disbursement process testing for FY 2024.

The USPTO completes an annual improper payment risk assessment covering all of its programs and activities, as required by appendix C of OMB Circular A-123. These improper payment risk assessments also include assessments of the control and procurement environment.

The results of USPTO assessments revealed no programs that were susceptible to risk and demonstrated that, overall, the USPTO has strong internal controls over disbursement processes; the number of improper payments by the USPTO is immaterial; and the risk of improper payments is low.

ii. Statistical sampling

As none of the USPTO's programs or activities are susceptible to significant improper payments, the USPTO has not conducted a statistical sample to estimate the improper payment rate for agency programs and activities.

iii. Improper payments reporting, root causes, and corrective actions

During FY 2023, improper payments for all USPTO programs and activities amounted to $0.4 million, or 0.01% of total outlays. As none of the USPTO's programs or activities are susceptible to significant improper payments, the USPTO has not conducted an improper payment reduction outlook, root cause analyses, or corrective actions for the agency's programs and activities.

iv. Accountability

The USPTO has not identified any significant problems with improper payments. During FY 2023, improper payments for all USPTO programs and activities did not exceed the statutory thresholds for increased reporting. The USPTO recognizes the importance of maintaining adequate internal controls to ensure proper payments, and the agency remains strongly committed to continuously improving its disbursement management processes. The USPTO's CFO is responsible for establishing policies and procedures for assessing USPTO and program risks of improper payments; taking actions to reduce improper payments; and reporting the results of reduction actions to management for oversight and further steps, as appropriate. The CFO has designated the Deputy CFO to oversee initiatives related to reducing improper payments within the USPTO.

v. Recaptures of improper payments

a. Payment recapture audits

The USPTO does not currently conduct recapture audits, as prior recapture audit activities did not yield any meaningful results. As the USPTO determined that recapture audits are not cost effective, the agency does not present payment recapture rates, disposition of recaptured funds, and aging of outstanding overpayments for its programs and activities.

b. Overpayments recaptured outside of payment recapture audits

The following table summarizes overpayments identified by the USPTO. It also includes recaptured overpayments verified through sources other than payment recapture audits reportable for the current fiscal year and reported in prior fiscal years. Prior fiscal years' amounts represent reporting for FY 2011 through FY 2022, as FY 2011 was the first fiscal year in which this reporting requirement took effect. Amounts recaptured for current year reporting include payment recaptures during FY 2023 of both improper payments reported in FY 2023 and improper payments reported in prior fiscal years.

TABLE 7: OVERPAYMENTS RECAPTURED OUTSIDE FOR RECAPTURE AUDITS
(dollars in millions)

Source of Overpayments	Current Year (CY)		Prior Years (PY)		Cumulative (CY + PY)	
	Amounts Identified for Payment Recapture	Amounts Recaptured	Amounts Identified for Payment Recapture	Amounts Recaptured	Cumulative Amounts Identified for Recapture	Cumulative Amounts Recaptured
Post-payment Reviews	$0.21	$0.09	$ 6.57	$ 6.00	$6.78	$6.09
Audits and Other Reviews	0.03	-	0.53	0.27	0.56	0.27
Reported by Vendors	0.59	0.59	6.08	5.48	6.67	6.07
Total	$0.83	$0.68	$ 13.18	$ 11.75	$14.01	$12.43

The USPTO continues to enhance its processes by identifying and implementing additional procedures to prevent and detect improper payments. In FY 2023, the USPTO continued its reporting procedures to senior management and to the DOC on improper payments and payment recapture data. As part of this reporting procedure, the USPTO identified 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. The USPTO's analysis of reported data reflects that improper payments were below 0.01% in FY 2023. The USPTO has also reviewed all financial statement audit comments and the results of other payment reviews for indications of disbursement control breaches. None of these audit comments or reviews have uncovered any significant problems with improper payments or the internal controls the USPTO applied to disbursements.

The USPTO has improper payment monitoring and minimization efforts in place, including the identification of improper payments through post-payment and contract closeout reviews. The agency seeks to identify overpayments and erroneous payments by reviewing credit memos and refund checks issued by vendors or customers, as well as undelivered electronic payments returned by financial institutions. The USPTO also inquires with business units monthly about whether they, through the contract oversight process, identified any improper payments. In addition, the agency has improved processes to minimize erroneous payments resulting from vendor payment assignments, which have historically been the source of larger improper payments. The USPTO now keeps a master file for all assignments that is available to all payment technicians and approvers. The USPTO also periodically reminds technicians and approvers to monitor assignments.

c. Agency reduction of improper payments with the Do Not Pay Initiative

The USPTO employs a periodic vendor record eligibility validation process using Do Not Pay Initiative databases to prevent improper payments. In addition, the USPTO has incorporated the following PIIA-listed Do Not Pay Initiative databases into existing business processes and programs:

- » The Death Master File of the Social Security Administration
- » The General Services Administration Excluded Parties List System/System for Award Management
- » OMB Circular A-123, Appendix C, Requirements for Payment Integrity Improvement

Furthermore, the USPTO conducts monthly post-payment screenings using a batch process. The agency screens an applicable subset of payments to identify any improper payments and takes appropriate recovery, corrective, and preventative actions. Also, the USPTO continuously monitors an applicable subset of active vendor records to ensure vendors are not subject to payment and procurement restrictions. The USPTO uses its monitoring results to better maintain vendor records and reduce or prevent improper payments and awards. During FY 2023, the validation processes using the Do Not Pay Initiative databases did not result in the identification or reduction of any improper payments or awards.

TABLE 8: RESULTS OF THE DO NOT PAY INITIATIVE IN PREVENTING IMPROPER PAYMENTS
(dollars in millions)

	Number of Payments Reviewed for Possible Improper Payments	Dollars of Payments Reviewed for Possible Improper Payments	Number of Payments Stopped	Dollars of Payments Stopped	Number of Potential Improper Payments Reviewed and Determined Accurate	Dollars of Potential Improper Payments Reviewed and Determined Accurate
Reviews with the PIIA-specified databases	20,663	$939.4	0	$0	0	$0
Reviews with other databases not listed in PIIA	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Fraud reduction report

The PIIA requires federal agencies to improve their financial and administrative controls and procedures to assess and mitigate fraud risks. The PIIA also requires federal agencies to improve their development and use of data analytics to identify, prevent, and respond to fraud, including improper payments.

The USPTO considers the risk of fraudulent financial reporting and misappropriation of assets using internal controls and subsequent reviews. The agency consistently monitors internal controls, including approvals, authorizations, verifications, reconciliations, performance reviews, security activities, and the production of records and documentation. Restricting accounts' access to financial management systems and account access rights helps to reduce opportunities for fraudulent financial activities. In addition, segregating duties ensures roles are appropriately separated to decrease the likelihood of waste, abuse, fraudulent financial reporting, and the misappropriation of assets.

Control activities occur at all levels of the USPTO, and the agency reviews control activities annually to assess the risk of errors or irregularities due to fraud. The USPTO's reviews for compliance with appendix A of OMB Circular A-123 test internal controls over financial reporting, which relate to the reliability of financial statements. At the beginning of the review, the USPTO performs a risk assessment and uses a risk-based approach to test financial controls. Throughout the year, the USPTO conducts variance analyses to identify trends and possible discrepancies that could indicate fraud or waste. The agency then investigates and corrects the identified controls before potential errors are included in the financial statements.

Within the federal government, payroll, contractor payments, and purchase and travel cards have an increased risk of and vulnerability to fraud. The OIG receives and reviews whistleblower and fraud, waste, and abuse complaints.

The USPTO implements controls to prevent the risk of time and attendance abuse or other types of misconduct and regularly takes appropriate steps to avoid and address any such misconduct. The USPTO has received valuable suggestions from sources inside and outside the agency and used them to strengthen policies and increase time and attendance accountability. In the past, the agency invested significant time and effort into improving its already extensive workforce measures aimed at preventing time and attendance abuse and continuing its focus on accountability. The agency has a policy on time and attendance tools, communication, and collaboration that provides employees clear guidance on time and attendance policies and the automated tools that enable transparency for both managers and employees. All USPTO employees receive training on time and attendance requirements, as well as work schedule and leave policies, and will continue receiving similar training on an ongoing basis.

The USPTO has the authority to use any contract type it deems to be in the best interest of meeting the agency's mission. Although the USPTO is not statutorily required to provide a written justification when using high-risk contract types, as a matter of good business practice, the agency requires contracting officers to provide a rationale in the Acquisition File Documentation when selecting a high-risk contract type. High-risk contract types include noncompetitive contracts, single-offer contracts, cost-reimbursement contracts, time-and-material contracts, labor-hour contracts, incentive contracts, and indefinite-delivery contracts. As part of the rationale, contracting officers must provide the reason it is in the USPTO's best interest to use the high-risk contract type, the planned risk mitigation for using a high-risk contract vehicle, and the steps taken to avoid use of high-risk contract types in the future. The risk mitigation plan included in the contract includes various mechanisms for frequent contract surveillance.

The USPTO continuously monitors and updates internal control measures and processes to manage its purchase card and travel card programs. This monitoring includes certifying that the appropriate policies and controls are in place and that the agency has taken corrective actions to mitigate the risk of fraud and inappropriate card practices. In addition, the USPTO has monthly procedures in place for monitoring, reporting on, and managing travel card delinquencies and potential card misuse.

The USPTO continues to build on a series of multiyear initiatives to protect the integrity of the Trademark Register, strengthen controls, and enhance operations. In FY 2023, the USPTO established RPO to mitigate and combat fraudulent trademark applications and other scams by:

- Completing administrative reviews of suspicious filings for possible sanctions
- Referring practitioners to the Office of Enrollment and Discipline for suspected attorney misconduct
- Suspending USPTO.gov accounts used for improper submissions
- Eliminating unused registrations through nonuse cancellation proceedings
- Conducting post-registration audits that require registrants to provide proof of use of their mark
- Imposing a maintenance filing deletion fee penalty when registrants cannot provide proof of use
- Creating scam awareness communications, including examination guidance, webpages, and blogs

In December 2022, the USPTO implemented Phase 2 of the Trademark Modernization Act and shortened response times for preregistration office actions from six months to three months, with a possible extension to the full six months. This change in operations has significantly shortened the time for applicants to respond before examination of their applications is complete. Expediting the examination process allows Trademarks to better prevent scammers from obstructing the progress of legitimate applicants.

The USPTO published the Trademark Decisions and Proceedings Database in March 2023 to enhance transparency and accessibility. This public search tool allows for easy access to issued sanctions, orders, and nonuse cancellation proceedings documents. Later this calendar year, the USPTO will add decisions on petitions to the Director to the search tool.

The USPTO also published two scam awareness webpages about trademark auction sites and specimen farms, and sent an accompanying Trademark Alert and internal staff email. Trademarks is also working to shut down USPTO.gov accounts where a holder establishes an account that is actually controlled by a scammer.

There has been a significant rise in the number and sophistication of scams targeting trademark applicants and registrants. These fraudulent applications and maintenance filings include fake or digitally created specimens of use, or false information designed to circumvent agency rules and policies. To mitigate these challenges, the USPTO made significant progress in protecting the integrity of the Trademark Register in FY 2023 through statutory, technological, and operational adjustments. The USPTO will continue to strengthen the capabilities and capacity of the RPO and increase the reach of the Administrative Sanctions Program to fight scams.

Collectively, the USPTO's use of business intelligence, data analytics, regulatory action, and strategic operations help reduce and mitigate the impact of unauthorized, malicious, damaging, and fraudulent use of its systems. Enhancement and full implementation in subsequent years promises to strengthen the integrity of the USPTO's comprehensive ERM framework and protect the Trademark Register to the benefit of stakeholders.

Biennial review of user 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 (e.g., rights or privileges) it provides to specific beneficiaries as opposed to the general American public. The review's objectives are to identify such activities and begin charging fees, where permitted by law; and to periodically adjust existing fees to reflect current costs or market value. This process should minimize the amount general taxpayers subsidize these specialized services or things of value, which are provided directly to identifiable non-federal beneficiaries.

The USPTO is a fully fee-funded agency; the services it provides are not subsidized by general taxpayer revenue. The USPTO uses activity-based costing to calculate the costs of activities it performs for each fee and uses this information to evaluate and inform the setting of fees. When appropriate, the agency adjusts fees to be consistent with legislative requirements to recover the full costs of the goods or services it provides the public. Consistent with the provisions of the Chief Financial Officers Act, the USPTO assesses fees on at least a biennial basis.

In keeping with the biennial review schedule, the USPTO initiated a review of user fees in 2021. This review continued into 2022 and involved significant research, evaluation, and analysis to ensure patent and trademark fees recover aggregate agency costs and meet the current and future needs of the IP environment. This review was particularly important given rapid changes in the global economic and policy landscape over the previous two years.

Through this review, the USPTO determined that certain adjustments to the patent and trademark fee structures are necessary to ensure aggregate revenue recovers aggregate costs, and to preserve an optimal balance of stakeholders' needs. In accordance with the fee setting authority granted to the USPTO by the AIA and as amended by the SUCCESS Act, the USPTO introduced fee proposals to the public at the Patent and Trademark Public Advisory Committee Fee Setting Hearings on May 18, 2023, and June 5, 2023, respectively. The hearings were followed by public comment periods, and the USPTO is currently drafting Notices of Proposed Rulemaking for the patent and trademark fee proposals. The public will have additional opportunities for dialogue and input as the USPTO moves through the fee setting process. The agency expects the final patent and trademark fee proposals to become effective during the first half of FY 2025.

As directed by the UAIA, the USPTO began a fee study in FY 2023 that focuses on the balance of patent fees and the fee structure, as well as any potential impacts of fee discounts on patent application filings. The agency expects to submit the study report to Congress by the end of December 2024.

Other administrative updates

USPTO facility and energy and environmental impact

In FY 2023, the USPTO met its goals to reduce energy usage and environmental impacts. Among other reductions, the agency cut energy consumption at its Alexandria campus by 1.6% and achieved a 48% waste diversion rate, with 295 tons converted to energy and 268 tons recycled in other manners. In addition to recycling, the agency donated used furniture and electronics for reuse by other government agencies and schools. The USPTO plans to purchase 12,000 megawatt-hours of Green-E Certified renewable energy certificates through Dominion Energy's Green Power Program, representing 20% of the agency's annual energy consumption from the previous year.

The Records and Information Compliance Policy Office worked with Patents management and the National Archives and Records Administration (NARA) to develop a new Patent Granting and Maintenance Records Schedule. Approval of the schedule, which reduces the retention period for permanent records from 40 to 25 years, will allow the agency to expedite the transfer of 2,435,799 files held at both Iron Mountain and the Washington National Records Center to NARA for permanent storage. This move will save the USPTO approximately $17 million over 25 years in records storage costs.

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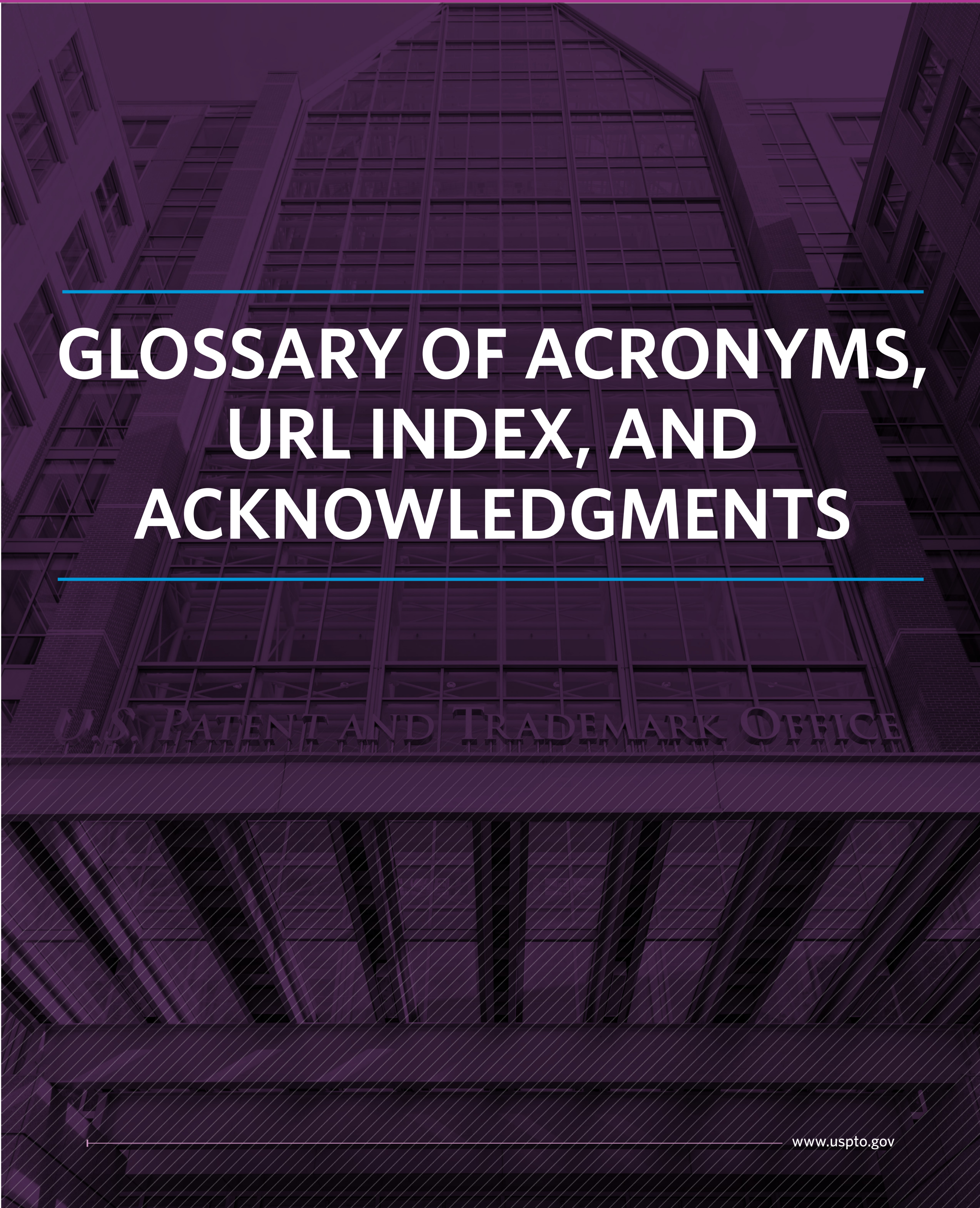

GLOSSARY OF ACRONYMS

AFR Agency Financial Report

AI Artificial Intelligence

AIA America Invents Act

AIPA American Inventors Protection Act

APJ Administrative Patent Judge

ATJ Administrative Trademark Judge

AofM Article of Manufacture

BFS Bureau of the Fiscal Service

CBT Computer-Based Training

CEAR® Certificate of Excellence in Accountability Reporting

CFO Chief Financial Officer

CI² Council for Inclusive Innovation

CIC Collegiate Inventors Competition

COTS Commercial Off-the-Shelf

CSRS Civil Service Retirement System

CX Customer Experience

CY Current Year

DATA Digital Accountability and Transparency Act

DaaEA Data as an Enterprise Asset

DEIA Diversity, Equity, Inclusion, and Accessibility

DM&R Deferred Maintenance & Repairs

DOC Department of Commerce

DOL Department of Labor

EDW Enterprise Data Warehouse

EEO Equal Employment Opportunity

ERM Enterprise Risk Management

FAST 1 First Action System for Trademarks 1

FDA Food and Drug Administration

FECA Federal Employees' Compensation Act

FEGLI Federal Employees Group Life Insurance Program

FEHB Federal Employees Health Benefit Program

FERS Federal Employees Retirement System

FFMIA Federal Financial Management Improvement Act

FICA Federal Insurance Contributions Act

FISMA Federal Information Security Management Act

FMFIA Federal Managers' Financial Integrity Act

FPDS-NG Federal Procurement Data System–Next Generation

FY Fiscal Year

GAAP Generally Accepted Accounting Principles

GAO Government Accountability Office

GSA General Services Administration

HISP High Impact Service Provider

IP Intellectual Property

IP5 Five IP Offices

IPO Intellectual Property Owners Association

IT Information Technology

LMF Labor Management Forum

ML Machine Learning

NAI National Academy of Inventors

NIHF	National Inventors Hall of Fame
NPSBN	Nationwide Public Safety Broadband Network
NSTI	National Summer Teacher Institute
NSTMF	National Science and Technology Medals Foundation
NTEU	National Treasury Employees Union
OBRA	Omnibus Budget Reconciliation Act
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OIO	Office of Innovation Outreach
OMB	Office of Management and Budget
OPIA	Office of Policy and International Affairs
OPM	Office of Personnel Management
PE2E	Patents End-to-End
PETTP	Patent Examiner Technical Training Program
PIIA	Payment Integrity Information Act
PP&E	Property, Plant, and Equipment
PPAC	Patent Public Advisory Committee
PTA	Patent Term Adjustment
PTAB	Patent Trial and Appeal Board
PTFRF	Patent and Trademark Fee Reserve Fund
PY	Prior Year
RCE	Request for Continued Examination
RFC	Request For Comment
RPA	Robotic Process Automation
RPO	Register Protection Office
SBR	Statement of Budgetary Resources
SEE	Site Experience Education
SHPE	Society of Hispanic Professional Engineers
STEM	Science, Technology, Engineering, and Mathematics
SUCCESS	Study of Underrepresented Classes Chasing Engineering and Science Success Act
TEAS	Trademark Electronic Application System
TEASi	Trademark Electronic Application System international
TESS	Trademark Electronic Search System
TM5	Five Trademark Offices
TMEP	Trademark Manual of Examining Procedure
TM Exam	Trademark Examination
TNC	Treasury Nominal Coupon
TPAC	Trademark Public Advisory Committee
TRAM	Trademark Reporting and Application Monitoring
TTAB	Trademark Trial and Appeal Board
UAIA	Unleashing American Innovators Act
UPOV	International Union for the Protection of New Varieties of Plants
URL	Uniform Resource Locator
U.S.C.	United States Code
USDA	United States Department of Agriculture
USPTO	United States Patent and Trademark Office
USTR	United States Trade Representative
WE	Women's Entrepreneurship Initiative
WIPO	World Intellectual Property Organization

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- Office of Planning and Budget: Mohamed Ahmed, Candice Goodman, Welton Lloyd, Amber Ostrup, Bonita Royall, and Walter Schlueter
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