United States General Accounting Office

GAO

Report to the Chairman, Committee on the Judiciary, U.S. Senate

March 1997

INTELLECTUAL PROPERTY

Comparison of Patent Examination Statistics for Fiscal Years 1994 and 1995

GAO/RCED-97-58

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-276028

March 13, 1997

The Honorable Orrin G. Hatch
Chairman, Committee on the Judiciary
United States Senate

Dear Mr. Chairman:

Our July 15, 1996, report provided you with statistics on "patent pendency," or the amount of time the U.S. Department of Commerce's Patent and Trademark Office (PTO) takes to examine a patent application.[1] We also discussed the statistics on patent pendency in a statement for the record that we provided for a hearing on intellectual property that you held on September 18, 1996.[2] The statistics in the report and statement for the record relied on fiscal year 1994 data from PTO's automated database; these data were the most recent and complete fiscal year data available at the time of our review.

At your request, we currently are conducting a review on intellectual property fees. In carrying out this work, we again queried PTO's automated database to obtain data for both fees and pendency, this time analyzing information for fiscal year 1995. Following discussions with your office, you requested that we update the statistics in our July 1996 report to compare pendency for fiscal years 1994 and 1995. Detailed information on this comparison is provided in appendix I. Similar to our July 1996 report, this report provides you with information on overall pendency; patent pendency by examination groups, secrecy orders,[3] foreign applications, and current and original application dates; and patent pendency attributable to applicants. More details on our scope and methodology are included in appendix II.

Results in Brief

Patent pendency declined slightly in fiscal year 1995 in comparison with fiscal year 1994. Overall average pendency in fiscal year 1995 was 19.8 months, or 0.4 month less than the 20.2-month average for fiscal year 1994. Similarly, pendency declined somewhat for 8 of the 17 examination groups and for foreign applications. Pendency remained about the same when the

[1]Intellectual Property: Enhancements Needed in Computing and Reporting Patent Examination Statistics (GAO/RCED-96-190).

[2]Intellectual Property: Patent Examination and Copyright Office Issues (GAO/T-RCED/GGD-96-230).

[3]Patent applications for inventions that could affect national security interests can be placed under a secrecy order by PTO if the applicable federal agency determines that such protection is necessary.

original rather than the current application filing date was used for the calculation. Pendency for applications subject to secrecy orders increased, but these applications were so few in number that they had virtually no effect on overall pendency. We also found that the average amount of pendency attributable to the applicant increased from 7.4 months in fiscal year 1994 to 8 months in fiscal year 1995.

Background

A patent is a grant, given by a government to an inventor, of the right to exclude others for a limited time from making, using, or selling his or her invention. In the United States, the sole granting authority for patents is PTO.

Within PTO, the patent application examination process consists of several progressive phases. First, an applicant files a patent application with PTO, where it is subjected to reviews for accuracy and completeness during a preexamination phase. Following preexamination, the application is assigned, or "docketed," to an examiner within an examination group that has expertise in a specific field, such as computer systems or biotechnology.

At this point, the examiner begins the process of determining whether the invention is a new and useful process or product that should receive a patent. Usually, early in the process, the examiner makes a preliminary decision, or "first action," which may then be followed by a series of contacts with the applicant to resolve questions and/or obtain additional information. Possibly after a number of actions by the examiner, PTO will decide whether to issue a patent. If PTO decides to issue a patent, termed an "allowance," then the agency informs the applicant and, upon the payment of the necessary fees, issues the patent. The application may be abandoned during any of these stages.[4]

PTO defines patent pendency as the period from the date when an application is filed until the date when a patent is issued or the application is abandoned. Pendency as reported by PTO excludes applications that have been filed but not yet issued or abandoned. PTO computes average pendency as the total number of months for all patents issued or abandoned over a particular period, divided by the total number of applications for that period.

[4]As used by PTO, an "abandoned" application is any application that does not result in an issued patent and is eventually taken out of the examination process by the applicant or by PTO.

As discussed in our earlier report, patent pendency has taken on an increased importance because of 1994 legislation affecting the term of most patents. Public Law 103-465 changed the patent term for most new applications from 17 years from the date of the patent's issuance to 20 years from the filing of the original application on the invention.[5] Any time spent by PTO in examining a patent application subject to the new law reduces the effective patent term left to the inventor.

Minor Changes in Pendency Occurred in Fiscal Year 1995

In comparing patent pendency in fiscal year 1995 with that experienced in fiscal year 1994, we found minor variations from what was reported in our July 1996 report. We analyzed changes in total pendency, pendency by examination groups, pendency for patents under secrecy orders, pendency for foreign applications, pendency using current and original application filing dates, and the applicants' impact on pendency.

Total Pendency

As shown in table I.1, overall patent pendency was 19.8 months in fiscal year 1995—a decrease of 0.4 month, or 2 percent, from the 20.2-month average pendency in fiscal year 1994. This decrease was evident in the average pendency for both issued patents, which decreased from 21.3 to 21 months, and abandoned applications, which decreased from 18.3 to 17.9 months.

The total number of patents issued and applications abandoned decreased slightly from fiscal year 1994 through fiscal 1995, dropping from 187,633 to 186,195, or about 0.8 percent. The primary reason for this decrease was a decline in abandoned applications, which fell 3.2 percent, from 73,949 to 71,553. The number of patents issued increased by 0.8 percent, from 113,684 to 114,642.

Pendency by Examination Groups

As shown in tables I.2, I.3, and I.4, pendency continued to vary widely among the individual examination groups in fiscal year 1995. The highest pendency again was for computer systems, where it was 26.2 months in total, 27.6 months for issued patents, and 24.4 months for abandoned applications. The lowest pendency continued to be for solar, heat, power,

[5]Under P.L. 103-465, the term of a design (configuration, shape, or surface ornamentation) patent—14 years from the date of issuance—remains unchanged. Utility (process, machine, manufacture, or composition of matter) and plant (asexually propagated) patents had a term of 17 years from the date of issuance under the old law and 20 years from the date of the earliest filing under the new law. Reissued patents (replacement of defective patents) are for the unexpired part of the term of the original patents.

and fluid engineering devices, where the average was 17.4 months in total, 18.4 months for issued patents, and 14.6 months for abandoned applications.

Among the 17 examination groups for which we calculated statistics, 9 groups had an increase in overall average pendency, and 8 groups had a decrease. In most cases, the variations in pendency from fiscal year 1994 through fiscal 1995 were small; only three groups had a change of more than a month in overall pendency. The largest change was for special designs, where overall pendency decreased by 3.6 months in total, 3.3 months for issued patents, and 4.6 months for abandoned applications.

Pendency for Patents Under Secrecy Orders

As shown in table I.5, fewer patents were issued or applications abandoned in fiscal year 1995 for those applications that had been subject to secrecy orders at one time. Overall, the number declined from 464 in fiscal year 1994 to 396 in fiscal year 1995—a decrease of 14.7 percent.

Pendency for applications subject to secrecy orders increased significantly from fiscal year 1994 through fiscal 1995. Average pendency for applications subject to secrecy orders at one time increased from 62.9 months to 75.3 months overall, or an increase of 12.4 months per application. The average increase varied from 8.0 months for issued patents to 23.2 months for abandoned applications.

As in fiscal year 1994, the high level of pendency for applications subject to secrecy orders had no significant effect on overall pendency, since these cases accounted for only 0.2 percent of the total patents issued and applications abandoned in fiscal year 1995. In fact, those applications not subject to secrecy orders had an overall pendency of 19.7 months compared with an overall pendency of 19.8 months for all applications.

Pendency for Foreign Applications

As shown in table I.6, the average pendency for foreign patent applications decreased in fiscal year 1995.[6] The overall pendency for foreign applications was 20.6 months in fiscal year 1995 compared with 20.9 months in fiscal year 1994—a decrease of 0.3 month. Pendency on domestic applications decreased an average of 0.4 month, from 19.7 months in fiscal year 1994 to 19.3 months in fiscal 1995.

[6]PTO considers a patent application to have originated in a foreign country if the first applicant named in the application is a foreign resident.

Pendency Using Current and Original Application Filing Dates

According to PTO officials, a patent application may spawn other applications during the examination period. Several generations of applications are possible from one invention. The new, or current, application is referred to by PTO as the "child," and the earlier application is referred to as the "parent." In our July 1996 report, we reported that pendency would be greater if PTO were to use the filing date of the original, or parent, application to compute pendency rather than the filing date of the current, or child, application. As shown in table I.7, in fiscal year 1995, applications with a parent continued to constitute a significant portion—30.2 percent—of the patents issued and applications abandoned.

Using the original filing date for the patents issued and applications abandoned in fiscal year 1995 that actually had a parent, the overall pendency would have been 47.2 months compared with 17.8 months using the current filing date. This difference was about the same as it was in fiscal year 1994, when pendency on applications with a parent would have been 47.7 months using the original filing date and 17.9 months using the current filing date.

When the original filing date is used, the impact on pendency for all applications in fiscal year 1995—rather than just those with a parent—showed slight differences compared with the impact in fiscal 1994. Had the original application date been used for all calculations, the overall pendency for fiscal year 1995 would have been 28.7 months rather than 19.8 months. In comparison, the use of the original filing date uniformly in fiscal year 1994 would have resulted in an overall pendency of 28 months rather than 20.2.

Applicants' Impact on Pendency

In our July 1996 report, we noted that the applicants themselves can be responsible for a portion of the pendency. We included statistics on one element—the amount of time spent by applicants in responding to PTO office actions during examination. In commenting on our 1996 report, PTO agreed that applicants often are responsible for pendency's being higher and that there were numerous other reasons for higher pendency beside the responses to PTO's queries. PTO provided us with its own analysis of overall delays caused by applicants. We referred to these in our 1996 report but did not include the details of PTO's analysis.

In preparing our updated statistics, we asked PTO to provide us with an updated analysis of applicant-caused delays using fiscal year 1995 data. The results of PTO's analysis are shown in table I.8. Consistent with our

July 1996 report, we have presented the data as provided to us by PTO rather than conducting our own analysis from the fiscal year 1995 database. Although we did not verify the accuracy of PTO's computations, in the one area where we could compare results—applicants' response time to PTO office actions—our statistics were within 0.05 month of PTO's statistics. This one area accounted for nearly one-half of the overall pendency attributable to applicants.

PTO identified seven areas where applicants create delays. In total, these areas accounted for 8 months of the 19.8 months in overall pendency during fiscal year 1995. In comparison, 7.4 months were attributable to applicants' delays in the 20.2 months of overall pendency during fiscal year 1994. In both years, the single largest contributor to delays was the applicant's response time to PTO office actions, which was 3.7 months in fiscal year 1995 compared with 3.6 months in fiscal 1994.

Agency Comments and Our Evaluation

We transmitted a draft of this report to the Department of Commerce for its review and comment. Generally, the Department agreed with the information in the draft report. The only area where the Department recommended changes related to table I.7, which compared pendency using current and original application dates. The Department said that its own data showed no significant differences between the statistics for fiscal years 1994 and 1995, while our statistics showed a decrease in pendency for fiscal 1995.

In follow-up discussions with PTO, we found that the data that PTO had provided us with—and from which we had made our calculations—on original application filing dates were incomplete. PTO later provided us with the complete data, and we revised our calculations. These new calculations are shown in table I.7. They indicate there was no substantial difference in pendency for fiscal years 1994 and 1995.

The Department raised two other points in its comments, neither of which required any changes in the report. The first point addressed the pendency of applications subject to secrecy orders. PTO noted that it can take no final action until the classifying agency has declassified the invention. We agree and made this same point in our earlier report on pendency that was issued in July 1996.

The Department's second point was that its own pendency statistics (1) do not include design patents and (2) actually report pendency for the fiscal

year on the basis of statistics at the end of the fourth quarter. As in our earlier report, we believe that our statistics, which include design patents and calculate pendency for all patents issued and applications abandoned during the fiscal year, provide a better appraisal of patent pendency. The full text of the Department's written comments appears in appendix III.

We will send copies of this report to the appropriate House and Senate committees; interested Members of Congress; the Secretary of Commerce; the Assistant Secretary of Commerce and Commissioner of Patents and Trademarks; the Director, Office of Management and Budget; and other interested parties. We will make copies available to others on request. If you or your staff have any questions or need additional information, please call me at (202) 512-3841. Major contributors to this report are listed in appendix IV.

Sincerely yours,

Allen Li
Associate Director, Energy, Resources,
and Science Issues

Contents

Abbreviations

GAO	General Accounting Office
PALM	Patent Application Location and Monitoring (system)
PTO	Patent and Trademark Office

Statistics on Patent Pendency, Fiscal Years 1994 and 1995

Table I.1: Comparison of Patent Pendency for Patents Issued or Applications Abandoned During Fiscal Years 1994 and 1995

	Number of applications			Average pendency in months		
Applications	**1994**	**1995**	**Change**	**1994**	**1995**	**Change**
Issued	113,684	114,642	958	21.3	21.0	–.3
Abandoned	73,949	71,553	–2,396	18.3	17.9	–.4
Total	**187,633**	**186,195**	**–1,438**	**20.2**	**19.8**	**–.4**

Source: Patent Application Location and Monitoring system, Patent and Trademark Office (PTO); GAO's computations.

Table I.2: Comparison of Patent Pendency by Examination Group for Patents Issued or Applications Abandoned During Fiscal Years 1994 and 1995

		Number of applications			Average pendency in months		
Group	**Description**	**1994**	**1995**	**Change**	**1994**	**1995**	**Change**
1100	General, metallurgical, inorganic, petroleum and electrical chemistry and engineering	13,477	12,835	–642	19.7	19.2	–0.5
1200	Organic chemistry drug, etc.	9,253	9,473	220	18.8	19.3	0.5
1300	Specialized chemical industries, etc.	8,239	8,635	396	19.3	19.4	0.1
1500	High polymer chemistry, plastics, coating, photography, etc.	15,550	14,079	–1,471	20.2	19.4	–0.8
1800	Biotechnology	13,094	12,605	–489	21.5	21.6	0.1
2100	Industrial electronics, physics, etc.	10,374	10,232	–142	20.5	20.9	0.4
2200	Special laws administration	4,220	5,429	1,209	24.7	24.4	–0.3
2300	Computer systems, etc.	9,181	8,701	–480	27.6	26.2	–1.4
2400	Packages, cleaning, textiles, and geometrical instruments	10,507	8,006	–2,501	17.2	18.9	1.7
2500	Electronic/optical systems, etc.	14,493	15,431	938	20.6	19.6	–1.0
2600	Communications, measuring, testing and lamp/discharge group	13,371	13,463	92	22.7	22.1	–0.6
2900	Special designs	17,036	16,134	–902	23.0	19.4	–3.6
3100	Handling and transporting media	8,501	9,121	620	17.8	17.5	–0.3
3200	Material shaping, tools, etc.	8,646	9,132	486	17.0	17.7	0.7
3300	Medical technology, sporting goods, etc.	12,056	12,186	130	18.2	18.4	0.2
3400	Solar, heat, power and fluid engineering devices	8,424	9,401	977	16.9	17.4	0.5
3500	Construction, petroleum and mining engineering	9,764	10,325	561	18.4	18.7	0.3
	Not determined	1,447	1,007	–440	N/A	N/A	
Total		**187,633**	**186,195**	**–1,438**	**20.2**	**19.8**	**–0.4**

Source: Patent Application Location and Monitoring system, PTO; GAO's computations.

Table I.3: Comparison of Patent Pendency by Examination Group for Patents Issued During Fiscal Years 1994 and 1995

		Number of applications			Average pendency in months		
Group	**Description**	**1994**	**1995**	**Change**	**1994**	**1995**	**Change**
1100	General, metallurgical, inorganic, petroleum and electrical chemistry and engineering	8,346	8,081	–265	20.7	20.3	–0.4
1200	Organic chemistry drug, etc.	5,234	5,271	37	20.0	20.9	0.9
1300	Specialized chemical industries, etc.	4,698	4,886	188	20.3	20.9	0.6
1500	High polymer chemistry, plastics, coating, photography, etc.	8,360	7,647	–713	21.4	20.8	–0.6
1800	Biotechnology	4,209	4,207	–2	25.0	25.5	0.5
2100	Industrial electronics, physics, etc.	7,093	6,903	–190	21.4	21.8	0.4
2200	Special laws administration	2,964	3,714	750	25.8	25.4	–0.4
2300	Computer systems, etc.	4,960	4,704	–256	29.0	27.6	–1.4
2400	Packages, cleaning, textiles, and geometrical instruments	6,364	5,299	–1,065	18.9	19.6	0.7
2500	Electronic/optical systems, etc.	9,819	10,308	489	21.4	20.5	–0.9
2600	Communications, measuring, testing and lamp/discharge group	7,932	7,697	–235	24.4	23.8	–0.6
2900	Special designs	11,142	11,664	522	23.2	19.9	–3.3
3100	Handling and transporting media	5,940	6,281	341	19.0	18.7	–0.3
3200	Material shaping, tools, etc.	6,106	6,264	158	18.0	18.8	0.8
3300	Medical technology, sporting goods, etc.	7,273	7,632	359	19.9	20.1	0.2
3400	Solar, heat, power and fluid engineering devices	6,447	6,887	440	17.8	18.4	0.6
3500	Construction, petroleum and mining engineering	6,792	7,186	394	19.6	20.0	0.4
	Not determined	5	11	6	N/A	N/A	
Total		**113,684**	**114,642**	**958**	**21.3**	**21.0**	**–0.3**

Source: Patent Application Location and Monitoring system, PTO; GAO's computations.

Table I.4: Comparison of Patent Pendency by Examination Group for Applications Abandoned During Fiscal Years 1994 and 1995

		Number of applications			Average pendency in months		
Group	**Description**	**1994**	**1995**	**Change**	**1994**	**1995**	**Change**
1100	General, metallurgical, inorganic, petroleum and electrical chemistry and engineering	5,131	4,754	–377	18.2	17.3	–0.9
1200	Organic chemistry drug, etc.	4,019	4,202	183	17.2	17.3	0.1
1300	Specialized chemical industries, etc.	3,541	3,749	208	18.0	17.5	–0.5
1500	High polymer chemistry, plastics, coating, photography, etc.	7,190	6,432	–758	18.8	17.9	–0.9
1800	Biotechnology	8,885	8,398	–487	19.9	19.7	–0.2
2100	Industrial electronics, physics, etc.	3,281	3,329	48	18.6	19.1	0.5
2200	Special laws administration	1,256	1,715	459	22.3	22.3	0.0
2300	Computer systems, etc.	4,221	3,997	–224	26.0	24.4	–1.6
2400	Packages, cleaning, textiles, and geometrical instruments	4,143	2,707	–1,436	14.7	17.5	2.8
2500	Electronic/optical systems, etc.	4,674	5,123	449	18.9	17.8	–1.1
2600	Communications, measuring, testing and lamp/discharge group	5,439	5,766	327	20.2	19.7	–0.5
2900	Special designs	5,894	4,470	–1,424	22.5	17.9	–4.6
3100	Handling and transporting media	2,561	2,840	279	15.1	14.8	–0.3
3200	Material shaping, tools, etc.	2,540	2,868	328	14.6	15.4	0.8
3300	Medical technology, sporting goods, etc.	4,783	4,554	–229	15.6	15.6	0.0
3400	Solar, heat, power and fluid engineering devices	1,977	2,514	537	14.1	14.6	0.5
3500	Construction, petroleum and mining engineering	2,972	3,139	167	15.4	15.7	0.3
	Not determined	1,442	996	–446	N/A	N/A	
Total		**73,949**	**71,553**	**-2,396**	**18.3**	17.9	–0.4

Source: Patent Application Location and Monitoring system, PTO; GAO's computations.

Table I.5: Comparison of Patent Pendency for Applications at One Time Subject to Secrecy Orders—Patents Issued and Applications Abandoned During Fiscal Years 1994 and 1995

	Number			Average pendency in months		
Applications	**1994**	**1995**	**Change**	**1994**	**1995**	**Change**
Subject to secrecy orders						
Issued	330	289	–41	67.5	75.5	8.0
Abandoned	134	107	–27	51.6	74.8	23.2
Total	**464**	**396**	**–68**	**62.9**	**75.3**	**12.4**
Not subject to secrecy orders						
Issued	113,354	114,353	999	21.2	20.9	–0.3
Abandoned	73,815	71,446	–2,369	18.3	17.8	–0.5
Total	**187,169**	**185,799**	**–1,370**	**20.1**	**19.7**	**–0.4**
All						
Issued	113,684	114,642	958	21.3	21.0	–0.3
Abandoned	73,949	71,553	–2,396	18.3	17.9	–0.4
Total	**187,633**	**186,195**	**–1,438**	**20.2**	**19.8**	**–0.4**

Source: Patent Application Location and Monitoring system, PTO; GAO's computations.

Table I.6: Comparison of Patent Pendency for Foreign Patents Issued and Applications Abandoned During Fiscal Years 1994 and 1995

	Number			Average pendency in months		
Applications	**1994**	**1995**	**Change**	**1994**	**1995**	**Change**
Foreign						
Issued	42,774	42,563	–211	21.9	21.5	–.4
Abandoned	26,188	24,620	–1,568	19.2	19.1	–.1
Total	**68,962**	**67,183**	**–1,779**	**20.9**	**20.6**	**–.3**
Domestic						
Issued	70,910	72,079	1,169	21.0	20.7	–.3
Abandoned	47,761	46,933	–828	17.8	17.2	–.6
Total	**118,671**	**119,012**	**341**	**19.7**	**19.3**	**–.4**
All						
Issued	113,684	114,642	958	21.3	21.0	–.3
Abandoned	73,949	71,553	–2,396	18.3	17.9	–.4
Total	**187,633**	**186,195**	**–1,438**	**20.2**	**19.8**	**–.4**

Source: Patent Application Location and Monitoring system, PTO; GAO's computations.

Table I.7: Comparison of Patent Pendency Using Current and Original Application Filing Dates for Patents Issued or Applications Abandoned During Fiscal Years 1994 and 1995

	Number of applications			Pendency in months					
				Current filing date			Original filing date[a]		
Applications	**1994**	**1995**	**Change**	**1994**	**1995**	**Change**	**1994**	**1995**	**Change**
All applications									
Issued	113,684	114,642	958	21.3	21.0	–0.3	28.0	28.5	0.5
Abandoned	73,949	71,553	–2,396	18.3	17.9	–0.4	28.1	29.0	0.9
Total	**187,633**	**186,195**	**–1,438**	**20.2**	**19.8**	**–0.4**	**28.0**	**28.7**	**0.7**
Applications that had parent applications									
Issued	27,526	31,683	4,157	19.4	19.2	–0.2	46.9	46.4	–0.5
Abandoned	22,160	24,518	2,358	16.1	15.9	–0.2	48.5	48.2	–0.3
Total	**49,686**	**56,201**	**6,515**	**17.9**	**17.8**	**–0.1**	**47.7**	**47.2**	**–0.5**

[a]Original parent application filing date if application had a parent; current application filing date if there was no parent.

Source: Patent Application Location and Monitoring system, PTO; GAO's computations.

Table I.8: Comparison of Patent Pendency Attributable to Applicants for Patents Issued and Applications Abandoned During Fiscal Years 1994 and 1995

	Pendency in months		
Actions contributing to patent pendency	**1994**	**1995**	**Change**
Actions attributable to applicants			
Response to office actions[a]	3.6	3.7	0.1
Abandonment to revival[b]	0.1	0.1	0.0
Incomplete/informal to complete[b]	0.6	0.8	0.2
Notice of allowance to payment of issue fee/ drawing correction[b]	1.6	1.6	0.0
Office action to notice of appeal[b]	0.2	0.3	0.1
Notice of appeal to appeal brief[b]	0.1	0.1	0.0
Office action to abandonment[b]	1.2	1.4	0.2
Subtotal	7.4	8.0	0.6
Other	12.8	11.8	–1.0
Total	**20.2**	**19.8**	**–0.4**

[a]These statistics were based on our analysis of PTO's patent application database for fiscal years 1994 and 1995. PTO performed an independent analysis of responses to office actions for fiscal year 1995 alone and calculated a delay of 3.61 months compared with our calculation of 3.66 months—a difference of only 0.05 month.

[b]These statistics were provided directly by PTO. We did not verify their accuracy.

Source: Patent Application Location and Monitoring system, PTO; GAO's computations.

Scope and Methodology

To update the fiscal year 1994 patent pendency statistics in our report entitled Intellectual Property: Enhancements Needed in Computing and Reporting Patent Examination Statistics (GAO/RCED-96-190; July 15, 1996) and to compare them with fiscal year 1995 statistics, we relied on data reported through the Patent and Trademark Office's (PTO) Patent Application Location and Monitoring (PALM) system. This system contains background information on each patent application, as well as a "prosecution history" that shows the date when key actions were taken on each application during examination.

To determine the fiscal year 1995 statistics, we used the same methodology developed for the fiscal year 1994 pendency statistics included in our July 1996 report. Under this methodology, we first analyzed the periodic reports that PTO produces from the PALM system. While these reports previously proved useful in learning how the examination process works and what data were available from the automated system, they did not allow us to compare pendency over a full fiscal year for the individual categories of issued patents and abandoned applications. For this reason, we performed our own analysis of the automated data. We asked PTO to provide us with certain background information and prosecution histories from the PALM system for all patents issued and applications abandoned during fiscal year 1995. We designed our own automated program for analyzing PTO's data. In this regard, we obtained the file layouts for one of PTO's own automated reports (PALM 3515) and held discussions with PTO officials familiar with the PALM system to ensure that we were using the same data fields to extract information by examination phases, examination groups, types of applications, secrecy orders, foreign applications, et cetera. We then extracted data and computed the number of applications, the average pendency, and the pendency range for the various subsets of information shown in the tables in appendix I of this report.

Our analyses of pendency are based on PTO's own data. We did not independently verify or validate the PALM system or the data we extracted from the system. We did, however, discuss with officials in PTO's Search and Information Resources Administration office the layout of the PALM system, the manner by which information is added to the system, and our plans for extracting, collating, and analyzing the data we obtained from the system. We also discussed the results of our analysis of pendency with various PTO officials. Where possible, we compared aggregate data with data produced by PTO in other reports and discussed with PTO officials the potential reasons for any discrepancies.

In commenting on our earlier report, PTO officials had provided us with additional statistics on pendency caused by filers' delays. While we did not include these statistics in the pendency tables in the earlier report, we did address them in our narrative on filers' delays. For this report, we asked PTO to provide us with similar data for fiscal year 1995. While we did not verify PTO's statistics, we did compare the data in the one field—applicants' responses to office actions—where we had made an independent analysis and found that we differed by only 0.05 month.

We conducted our review from December 1996 through February 1997 in accordance with generally accepted government auditing standards.

Comments From the Department of Commerce

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

FEB 13 1997

Mr. Allen Li
Associate Director, Energy, Resources,
and Science Issues
Resources, Community, and
Economic Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Li:

Enclosed is a copy of the Department of Commerce reply to the General Accounting Office draft report entitled, "Intellectual Property: Comparison of Patent Examination Statistics for Fiscal Years 1994 and 1995" (GAO/RCED-97-58).

These comments are prepared in accordance with the Office of Management and Budget Circular A-50.

Sincerely,

William M. Daley

Enclosure

ENCLOSURE

U.S. DEPARTMENT OF COMMERCE

RESPONSE TO GAO REPORT ENTITLED

"INTELLECTUAL PROPERTY: Comparison of Patent

Examination Statistics for Fiscal Years 1994 and 1995"

GAO/RCED -97-58

Comments on the GAO Draft Report Entitled "INTELLECTUAL PROPERTY Comparison of Patent Examination Statistics for Fiscal Years 1994 and 1995"

Clarification Points:

Pendency for Patents Under Secrecy Orders *(GAO Draft Report, page 6 and Table I.5)* - The Report devotes a section and a table to specifically report the increase in the pendency for applications subject to secrecy orders from 62.9 months in fiscal year 1994 to 75.3 months in fiscal year 1995, a net increase of 12.4 months. Although the PTO concurs with the data, it is to be noted that the pendency of cases under secrecy order is not dependent on the alacrity of the patent application examination process. The PTO can take action on these cases only after the classifying Federal agency has declassified the invention.

Pendency Using Current and Original Application Filing Dates *(GAO Draft Report, page 7 and Table I.7)* - The Report provides a comparison of patent pendency using current and original application filing dates for patents issued or applications abandoned during fiscal years 1994 and 1995. PTO-computed data do not show significant differences in pendency compared to fiscal year 1994, while the GAO data show an overall decrease in parent application pendency of 10.4 months between 1994 and 1995. We recommend that GAO validate their data.

As shown in the table that follows, using the original filing date for those patents issued and applications abandoned in fiscal year 1995 that had a parent, the overall pendency is 47.8 months, compared to 47.7 months in fiscal year 1994.

	Number of applications		Pendency in months		
				Original filing date	
	All Applications	With Parents	Current filing date	With Parents	All Applications
Issued	114,642	29,460	21.0	47.1	27.7
Abandoned	71,553	22,959	17.9	48.6	27.7
Total	**186,195**	**52,419**	**19.8**	**47.8**	**27.7**

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Overall Patent Pendency - The PTO computes average pendency based on Utility, Plant and Reissue (UPR) applications issued or abandoned during the fourth quarter of each fiscal year. This number is used as the final pendency for financial reporting and budgeting purposes. Since design patents have different legislation, rules and regulations from those of UPR patents, the PTO excludes issues or abandonments of design applications in the computation of average pendency. In addition, the PTO's experience has demonstrated that using fourth quarter production data to derive pendency achieved provides a better gauge of the actual pendency at the end of the fiscal year.

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