



TRADEMARK PUBLIC ADVISORY COMMITTEE

ANNUAL REPORT

November 30, 2007

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TRADEMARK PUBLIC ADVISORY COMMITTEE

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TRADEMARK PUBLIC ADVISORY COMMITTEE

2007 ANNUAL REPORT

I. INTRODUCTION

Report: This is the Eighth Annual Report of the Trademark Public Advisory Committee (TPAC). The Report reviews the Trademark Operation of the United States Patent and Trademark Office (USPTO) for the fiscal year ending September 30, 2007. Our mandate, pursuant to the enabling legislation, 35 U.S.C. § 5(b)(1) and (d)(1), is “to represent the interests of diverse users of the [USPTO]” and to “review the policies, goals, performance, budget, and user fees of the [USPTO]” with respect to trademarks.

Pursuant to 35 U.S.C. § 5(d)(2), this Report is submitted within sixty (60) days following the end of the Fiscal Year and is transmitted to the President, the Secretary of Commerce and the Committees on the Judiciary of the Senate and the House of Representatives. The Report is submitted for publication in the Official Gazette of the USPTO. The Report is available to the public on the USPTO web site, www.uspto.gov.

Members of TPAC: In October 2007, the Secretary of Commerce, the Honorable Carlos M. Gutierrez, appointed Maury M. Tepper, III, of Womble Carlyle Sandridge & Rice, to fill the unexpired term of Albert Tramposch, who had resigned from TPAC earlier in the year. Mr. Tramposch’s contributions to the work of TPAC are greatly appreciated.

The following individuals served as voting members of TPAC during the past fiscal year: Jeffrey M. Samuels, of The University of Akron School of Law; Jacqueline Leimer, of Kraft Foods; Lorelei Ritchie de Larena, of Florida State University School of Law; B. Parker Livingston, of Buchanan Ingersoll; Kathleen Cooney-Porter, of Oblon, Spivak, McClelland, Maier & Neustadt; Joshua W. Rosenberg, of Hewlett-Packard Co.; Ayala Deutsch, of NBA Properties; and Van H. Leichliter, of E.I. DuPont de Nemours & Co.

In addition to the above voting Members, TPAC benefits from the views of three non-voting Members representing the membership of the USPTO unions. They are: Howard Friedman, of NTEU, Chapter 245; Randall P. Myers, of the Patent Office Professional Association; and Sharon West, of NTEU, Chapter 243.

II. OVERVIEW

Despite a double digit increase in application filings, the Trademark Operation continued to make significant progress in providing timely and quality examination of applications for federal registration of marks. As in Fiscal Year 2006, the Trademark Operation exceeded all of its quality, timeliness, e-government, production, and efficiency targets for the Fiscal Year 2007 and continued to demonstrate progress towards achieving its e-Government objectives, which rely on

electronic communications and financial incentives to provide greater and more timely access to the trademark registration system and to the information contained in the agency's records.

During Fiscal Year 2007, the Trademark Trial and Appeal Board (TTAB) promulgated its final rule relating to discovery and the institution of proceedings. TPAC worked closely with the Board to assure that the new rules, most of which took effect November 1, 2007, would promote the timely and just disposition of proceedings.

TPAC devoted considerable time and energy during the past Fiscal Year exploring a number of significant budgetary and management issues affecting the Trademark Operation. In general, these issues, which were set forth in a letter addressed to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, relate to the ability of the Commissioner for Trademarks to manage effectively the Trademark Operation. TPAC's concerns are set forth in greater detail below.

III. DISCUSSION OF SPECIFIC ISSUES

A. Performance Statistics

Total trademark filings during Fiscal Year 2007 were 394,368 classes, an increase of 11.2% over the previous fiscal year. During the past fiscal year, more than 95% of all applications were filed electronically through the Office's Trademark Electronic Application System (TEAS).

Total examiner production was 900,808 balanced disposals, which was 14.4% higher than planned. Total office disposals (abandonment and registrations) were 323,527.

As a result, first action pendency, as of September 30, 2007, was 2.9 months. This marked the first time in the past six years that first action pendency was less than three months. The average pendency to registration, abandonment, and issuance of Notices of Allowance, including suspended and *inter partes* cases, was 15.1 months.

TPAC applauds the Office's progress with respect to the reduction in first action pendency. We urge the Office to continue its effort to maintain, if not reduce, first action pendency.

B. Budget Matters

Over the course of Fiscal Year 2007, and indeed, over the last several years, TPAC has noted the trend in spending trademark user fees more on the indirect costs of the USPTO (finance, information systems, office of general counsel, general miscellaneous expense) and less on the direct cost of the Trademark Operation (e.g., the examination and processing of trademarks). For example, in FY 2007, the operating plan called for 42.2% of total spending to be allotted to trademarks direct and 57.8% to be allocated for trademarks indirect. The final spending for FY 2007 was very close to these numbers (43.3% direct, 56.7% indirect). The FY 2008 preliminary operating plan continues this trend, calling for 42.6% to be allocated to trademark direct and 57.3% to trademark indirect.

TPAC believes that this trend is not a healthy one for the trademark community since it decentralizes accountability for the investments of trademark filers and other users of the trademark system. Instead, because the Commissioner for Trademarks is accountable for the overall Trademark Operation, TPAC believes that the Commissioner should be given more direct control over the expenditure of trademark fees.

Without a more direct relationship between operational accountability and control of budgetary resources, it is difficult to tell whether trademark processes are achieving maximum performance in the areas of quality production, e-government and fiscal efficiency.

TPAC supports and encourages the USPTO's efforts to find ways to reverse this trend so that the majority of user fees go directly to trademark processes and activities and there is greater transparency in the way costs are related directly to trademark activities.

C. Cost Allocation

TPAC also has raised an additional concern in the budget planning and spending process: that trademark costs are allocated pursuant to differing methods, causing the Trademark Operation to pay what appears to be a disproportionate share of costs for indirect functions compared with the share paid by the Patent Operation. For example, the share of costs paid by Patent Operation fees and Trademark Operation fees, respectively, for the following functions are as follows:

Chief Information Officer (CIO)	Patents	Trademarks
FY 2007 spending	74.5%	25.5%
FY 2008 operating plan	74.0%	26.0%
Chief Financial Officer (CFO)		
FY 2007 spending	78.6%	21.4%
FY 2008 operating plan	78.4%	21.6%
Office of General Counsel (OGC)		
FY 2007 spending	74.7%	25.3%
FY 2008 operating plan	75.0%	25.0%
Miscellaneous Annual Expense (MAE)		
FY 2007 spending	88.0%	12.0%

FY 2008 operating plan 88.2% 11.8%

These numbers indicate that, although Trademark Operation fees account for only 12.4% of total user fees paid into the USPTO (Patent Operation fees account for the remaining 87.6%), Trademark Operation fees paid for well over 20% of total costs of the CIO, CFO, and OGC's offices in Fiscal Year 2007. Admittedly, in some instances, there are good explanations for these differences or reasons why the Trademark Operation may consume more than a pro-rata share of functional resources. The differences in so many spending categories, however, prompted TPAC to inquire into the allocation process between patent and trademark costs and the drivers used in the allocation process. Although TPAC appreciates the allocation and cost driver information provided by the USPTO, TPAC believes the process needs to be reviewed thoroughly and improved so that all costs to which Trademark Operation fees are allocated are allocated properly, based on direct connections to trademark examination and processes and other reasonable and logical links to USPTO operations that benefit Trademarks.

D. Management Structure

After numerous briefings on the Fiscal Year 2007 and 2008 budgets, TPAC expressed concerns that the Commissioner for Trademarks controls only the Trademark direct portion of the budget (42-43% of total budget - see above), with the heads of other functions (e.g., CIO, CFO, OGC) controlling the remaining 57-58% of the trademark budget. Under this arrangement, the Commissioner has insufficient fiscal authority over the trademark budget to assure maximum performance in quality, production, e-government and fiscal efficiency of the Trademark Operation. TPAC recommends that the Commissioner have authority over how trademark user fees are spent in support of both direct trademark activities and indirect activities, including CIO, CFO, and OGC. While it appears that significant collaboration exists between the Commissioner for Trademarks and the heads of other offices with respect to program and budget planning, the cost allocation process, and cost drivers, the fact remains that the Commissioner lacks authority to determine how trademark user funds are spent and how costs are allocated for functions that impact on the Trademark Operation. TPAC encourages the USPTO to institute the necessary changes in management structure to assure that the Commissioner for Trademarks possesses the ability to control the expenditure of Trademark Operation fees and, thereby, maintain the confidence of the trademark community in the USPTO.

E. Trademark E-Government/Automation

The Trademark Operation, in cooperation with the Office of the Chief Information Officer, continued to enhance the automated systems and expand the number and types of transactions accessible to trademark users that can be completed on-line. To date, 26 electronic forms are available on the USPTO web site. Use of the trademark electronic systems increased dramatically from Fiscal Year 2006. The number of Madrid applications submitted from the U.S. to the International Bureau rose 18%. Likewise, the number of applications submitted from the International Bureau to the U.S. increased by 10%. TEAS received 795,208 e-filings: a growth of 19% from Fiscal Year 2006. The average number of Trademark Application and Registration Retrieval (TARR) system queries rose 21% from Fiscal Year 2006. The average number of search requests per month submitted to the Trademark Document Retrieval (TDR) system grew a

remarkable 40% from Fiscal Year 2006, with approximately 239,319 requests by trademark users per month.

Use of the Trademark Operation's internal Trademark Image Capture and Retrieval System (TICRS), used to scan, store, and provide access to images of papers associated with trademark registrations, also increased. The number of documents loaded into TICRS increased 7%, with a total of 6,382,672 documents, and the number of pages loaded increased to 24,672,332, representing a remarkable increase of 28%. The Trademark Reporting and Monitoring System (TRAM), used by the Trademark Examining Attorneys within the USPTO, grew 37%. The average number of search transactions per month conducted on the USPTO's Trademark Electronic Search System (TESS) grew 43%. The average response time for a TESS request was .5 seconds, down 17% from Fiscal Year 2006. TPAC commends the Trademark Operation for this outstanding performance measurement for Fiscal Year 2007.

The Trademark Operation also enhanced the First Action Systems for Trademarks (FAST) and introduced FAST 2.1 to the Legal Instrument Examiners (LIEs). FAST 2.1 extends electronic management and workload tools within the Trademark Operation, which includes the routing and assignment of new work to the LIEs and monitoring of cases and processes beyond the Examining Corps.

Most significantly, in the past year, the USPTO celebrated the 1 millionth application filed electronically through TEAS,. The application was filed by Donald Junck, of South Dakota.

The Trademark Operation also deployed IT capability to an additional 39 trademark work-at-home employees. The USPTO's Trademark Telework Program received the *2007 Work-Life Innovative Excellence Award* from the Alliance for Work-Life Progress. TPAC applauds the USPTO on its receipt of this award, as well as the 10-year anniversary of its Trademark Work-at-Home program. This program now includes 85% of eligible Examining Attorneys working from home nearly full time, with 85% of eligible trademark employees working from home at least one day per week. TPAC acknowledges that the advances and successes of the computer automation systems of the Trademark Operation enable these programs to work effectively.

TPAC looks forward to completion of the Trademark Operation's process mapping, which will be used to monitor both the effectiveness and quality of electronic work flow and file management systems within the USPTO.

TPAC renews its support for further development and deployment of compatible electronic systems within the Trademark Operation (e.g., compatibility of the records at the TTAB with trademark records available on TEAS).

F. Quality

TPAC applauds the USPTO's efforts and accomplishments toward meeting the objectives set forth in the 2007-2012 Strategic Plan. The Members of TPAC believe, through their own experience and through talking to other practitioners, that the Trademark Office is producing higher quality work in great volumes. It has become easier to work with the Trademark

Operation during the last year. Unlike most agencies, costs are being controlled and customer concerns are being considered with high interest. The current Commissioner has instituted a state-of-the-art work flow management system which will continue to increase production capacity and work quality.

During the past Fiscal Year, the Office of Trademark Quality Review continued the program initiated in 2002 to review first actions and final office actions issued by Examining Attorneys and apply the relevant review standards of quality for determining the deficiency rate for statutory refusals under Section 2 of the Lanham Act. The first office action compliance rate for Fiscal Year 2007 was 95.9%, higher than the Office's target of 95.5%. The final action compliance rate for the Fiscal Year was 97.4%, which exceeded the Office's target of 96%. The first action pendency rate at the end of the Fiscal Year was 2.9 months. The target rate for Fiscal Year 2007 was 3.7 months. TPAC commends the Trademark Office on its first office action pendency rate and notes that the improvement in pendency is partially attributed to the quarterly award system issued to the Examining Attorneys.

The average disposal pendency also demonstrated improvement, with registration occurring within 13.4 months from filing (or within 15.1 months from filing, including suspended and *inter partes* cases).

TPAC acknowledges the Trademark Operation's efforts to minimize the post-examination process. The Trademark Operation decreased the time between approval for publication by the Examining Attorney, publication in the *Official Gazette*, and issuance of the Certificate of Registration. TPAC recognizes that these important changes helped reduce disposal pendency to the lowest level in fourteen years. This has a direct and positive impact on the trademark community.

TPAC notes that searching and examination quality continues to increase. The Office continues its use of on-line tools to improve training and increase the use of electronic filing.

TPAC commends the proposed rule making and related legal matters issued by the Deputy Commissioner for Trademark Examination Policy, as well as the recent publication of the *Trademark Manual of Examining Procedure* (TMEP), Fifth Edition.

G. Trademark Trial and Appeal Board

Over the past year, TPAC continued to work with the TTAB with respect to its rule making proposal relating to discovery. TPAC reviewed the final rule notice, which incorporated a number of changes in TTAB practice and procedure. Specifically, TPAC reviewed and provided practitioner input on the standardized protective order for confidential information.

In addition, TPAC heard several briefings from Chief Administrative Trademark Judge J. David Sams and Administrative Trademark Judge Gerard Rogers regarding TTAB operations. The TTAB continues to focus on pendency concerns and reported that the addition of one new judge, four new interlocutory attorneys, and new paralegals should help reduce the current pendencies.

The TTAB reported an increase in precedential decisions, which was welcome news as this had been one area of concern raised by TPAC in the past. The TTAB also reported several quality initiatives, such as peer review and mentoring, which also were welcomed by TPAC.

Lastly TPAC raised with Chief Judge Sams and Judge Rogers various practitioner concerns relating to the liability standard for fraud in trademark applications, as that standard has been articulated in *Medinol* and other recent TTAB decisions.

H. International Issues

TPAC received reports from Under Secretary and Director Jon W. Dudas and other senior USPTO management regarding a variety of international issues.

Under Secretary Dudas reported on continued progress against counterfeiting in China and other countries due to initiatives by the USPTO, as well as intergovernmental efforts, including a World Trade Organization case against China regarding enforcement of Intellectual Property Rights. TPAC acknowledged these efforts and urged the USPTO to continue them at both the national and, in the case of China, provincial levels of government.

Commissioner Beresford reported on the 2007 Trilateral meeting, which this year also included China for a portion of the meeting. Good progress is being made with the Japan Patent Office and with the European Trademark Office of Harmonization for the Internal Market on matters such as an international trademark data standard, complimentary e-filing, and an accepted ID list.

TPAC, Under Secretary Dudas, and senior USPTO management discussed a number of initiatives related to the Madrid system, including efforts by the USPTO to advocate accession by other countries to the Madrid Protocol, and discussions in the World Intellectual Property Organization Madrid Working Group to resolve concerns related to the “Safeguard Clause” and the USPTO’s identification of goods policy.

USPTO management also asked for TPAC feedback on the TTAB decision in *Pardo’s Chicken*, the TTAB decision which held that the InterAmerican Convention is self-executing.

I. Legislative Initiatives

The TPAC heard reports from Sharon Marsh, Deputy Commissioner for Trademark Examination Policy, regarding proposed or potential legislation covering a variety of measures designed to facilitate and increase use of TEAS, including adopting a grace period to correct errors in applications filed through TEAS and making a TEAS correspondence form mandatory for all changes of correspondence address.

In addition, TPAC heard reports regarding a proposal to ease the standard for granting Letters of Protest filed prior to publication, including discussion about the evolution of the standard, the reasons why the standard was strengthened in the early 1990s, and whether a more lenient standard would lead to an increase in the percentage of Letters of Protest granted.

TPAC also discussed a proposal to allow parties to file Petitions to Revive if they inadvertently fail to respond to post-registration Office Actions (*e.g.*, in Section 8 proceedings). Currently, such petitions are available only where a party has failed to respond to an Office Action prior to registration.

Deputy Commissioner Marsh also reported to TPAC about proposed revisions to the TMEP and the Examination Guidelines, including revisions relating to applications claiming color and creative works.

TPAC heard updates regarding a proposed initiative from the Office of the Law Revision Counsel to codify the Lanham Act into a new title of the U.S. Code. Last year, TPAC adopted a resolution opposing the re-codification project. TPAC was informed that the initiative was not actively moving forward, but has not been abandoned officially.

J. Proposed Changes to the Rules of Practice

Throughout the year, TPAC heard reports on a number of proposed changes to the Rules of Practice, including a proposal to change the rules regarding Requests for Reconsideration after Final Refusal. Specifically, the proposal would require parties to file a Request for Reconsideration through TEAS within three months of the date of the Final Refusal.

TPAC also discussed a proposal to require applicants to include a description of the mark in every application, including all applications to register design marks. Commissioner Beresford explained that she believed such a requirement would facilitate more effective design search coding.

As of the end of the Fiscal Year, none of these proposed rule changes had been finally approved.