



**TRADEMARK PUBLIC ADVISORY COMMITTEE
FISCAL YEAR 2010 ANNUAL REPORT**

Trademark Public Advisory Committee Fiscal Year 2010 Annual Report

I. Introduction.

Note: A glossary of the abbreviations, acronyms and initialisms used in this report appears at the end of the document.

This is the eleventh annual report of TPAC. This report reviews the trademark operations of the USPTO for the FY ending September 30, 2010. TPAC's mission, which is specified in 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 60 days following the end of the federal FY and is transmitted to the President, the Secretary of Commerce and the Committees on the Judiciary of the Senate and the House of Representatives. This report is submitted for publication in the Official Gazette of the USPTO. The report will be available to the public on the USPTO website, www.uspto.gov.

Members of TPAC. As of the end of FY 2010, the following individuals are members of TPAC:

- Robert Anderson, Arlington, Virginia (term ends December 6, 2010).
- James G. Conley, Clinical Professor of Technology, Kellogg School of Management, Northwestern University, Evanston, Illinois (term ends September 3, 2012).
- Makan Delrahim, Shareholder, Brownstein Hyatt Farber Schreck, LLP, Washington, D.C., and Los Angeles, California (term ends October 6, 2011).
- Mary Boney Denison, Member, Manelli Denison & Selter PLLC, Washington, D.C. (term ends October 6, 2011).
- John B. Farmer (appointed TPAC Chair), Member, Leading-Edge Law Group, PLC, Richmond, Virginia (term ends June 6, 2011).
- James H. Johnson, Jr., Counsel, Sutherland, Asbill & Brennan, LLP, Atlanta, Georgia (term ends December 6, 2010).
- Timothy J. Lockhart, Member, Willcox & Savage P.C., Norfolk, Virginia (term ends October 6, 2011).
- Kathryn B. Park, Senior Counsel, General Electric Corporation, Fairfield, Connecticut (term ends September 3, 2012).
- Elizabeth R. Pearce, Director of the Intellectual Property Group, American International Group, Inc., New York, New York (term ends December 6, 2010).

In addition to the above voting Members, the following people are non-voting TPAC members representing the membership of USPTO unions:

- Harold Ross of the National Treasury Employees Union ("NTEU") Chapter 243.

- Howard Friedman of NTEU Chapter 245.
- Randall P. Myers of the Patent Office Professional Association.

II. Overview.

A. Organization Notes.

1. TPAC Championed Issues. TPAC tracks individual issues by TPAC issue “Champions.” A Champion is an individual TPAC member. A Champion has primary responsibility within TPAC for that issue. TPAC keeps the USPTO apprised of these championed issues. It meets with USPTO officials regarding these issues at each in-person TPAC meeting in Alexandria. Champions also stay in touch with their USPTO counterparts on these issues throughout the year. This annual report includes reports on issues championed during FY 2010 – both issues that are completed and active issues. For each championed issue, this report provides both background and a status report.
2. What This Report Isn’t. This report does not attempt to report on all facets of USPTO performance that bear on trademarks, and it is not the vehicle for USPTO officials to present their views on the USPTO’s performance. The USPTO issues a detailed annual report that fills that role. Instead, this report does two things: (a) it reports on the performance aspects of the USPTO that the TPAC enabling statute requires be addressed, with an emphasis on the performance issues that are of greatest interest to the trademark community, and (b) it reports on the status of issues TPAC is championing or has championed during FY 2010.

B. Report Highlights. Each of the issues addressed in these highlights are addressed in greater detail in the body of the report.

1. Another Great Job by the Trademark Operation. The Trademark Operation, led by Commissioner for Trademarks Lynne G. Beresford, had another superb fiscal year. All of the Trademark Operation’s quantitative production numbers remain excellent. The Trademark Operation continues to raise its own standards for quality and to add new means of meeting those raised standards. The Trademark Operation continues to set an example of excellence for the entire USPTO and federal government.
2. TTAB Making Strides. TPAC is happy to report that an update to the primary procedural manual of the TTAB – the TBMP – should be published early in calendar year 2011. This update is long overdue and will be a relief to the trademark bar. TPAC hopes the TTAB will be given the dedicated resources necessary to keep the TBMP up to date in a timely fashion – at least annually – in the future.

Also, the TTAB is taking initial steps to reduce the time it takes to complete *inter-parties* TTAB litigation by encouraging use of Accelerated Case Resolution (“ACR”) and by being more proactive in encouraging settlement. TPAC hopes that the TTAB will move boldly and quickly to bring these and other litigation time-and-burden-reduction improvements into practice.

3. TMNG Moves Forward. The USPTO is working on creating a computing environment dedicated to trademarks – “Trademark Next Generation” (“TMNG”). TPAC was thrilled when Director David J. Kappos ordered this development at the start of his administration. TMNG has not progressed as quickly as originally ordered but it is progressing steadily. There are many improvements to the trademarks system that cannot be made until TMNG progresses much further. TPAC strongly supports TMNG and will continue to monitor its progress closely.
4. No Trademark Money Flowed Through the Fence. In 2009, the President signed legislation empowering the USPTO to borrow trademark funds to help keep the USPTO’s Patent Operation afloat financially. Fortunately, no trademark funds were borrowed before this borrowing authority expired during the summer of 2010. TPAC salutes the USPTO and particularly the leadership of the USPTO Director David J. Kappos for producing this good result.
5. Please Create a Sustainable Funding Model. In its FY 2009 Annual Report, TPAC called upon Congress and the President to end fee diversion from the USPTO. TPAC firmly reiterates that call. Fees are paid to the USPTO for it to do things. The USPTO needs that money to do those things. If problems such as the patent application backlog are to be cured, the USPTO should be empowered to keep and spend all of its fee payments without limit. Also, the USPTO needs to be able to keep all fees in order to build operating reserves that can be used to weather economic volatility. In addition, TPAC asks that ending of fee diversion be coupled with giving the USPTO complete fee-setting authority, in order to strengthen its ability to build a sustainable funding model.
6. Online Trademark Registration Services. TPAC encourages the USPTO to be aggressive in monitoring for possible unauthorized practice of law by online trademark registration services and to be aggressive in reporting it to appropriate bar authorities. TPAC also encourages consumer protection agencies such as the Federal Trade Commission and state attorneys general to examine closely whether these online trademark-registration services may be giving consumers misleading impressions regarding the nature and scope of trademark services they perform.
7. Limitations on TPAC Working Time. Recently, the General Counsel’s Office of the USPTO has emphasized to TPAC members that they may

work on TPAC matters only 60 days per year, and that they may not work any more, even on an unpaid, volunteer basis. TPAC has been warned of the dire consequences that could arise from exceeding this limit.

While TPAC will carefully adhere to this limit, it is impossible for TPAC to be optimally effective within this interpretation of the law. In order to be responsive to requests from USPTO officials and in order to pursue important issues spotted by TPAC members and by the trademark community, TPAC needs the freedom to do its work on more than 60 days per year.

This does not mean TPAC members need to work more than 60 full days per year. What TPAC needs to be effective is the flexibility to aggregate work done on more than 60 days per year into no more than 60 full work days per year. TPAC calls upon Congress or any other capable power to give TPAC this flexibility. While this may not be the only possible solution, TPAC suggests the language of draft legislation that, if enacted, would fix this problem.

8. Restructure TPAC. TPAC believes its effectiveness is hampered by several facets of its organization. The terms of TPAC members end at various times of the fiscal year. The TPAC chair is appointed to a three-year term, which is too long for a job requiring so much work. The TPAC chair may be selected from outside of TPAC's membership, which creates the risk that an unproven, new chair may not work hard or well at the job. Sometimes there are gaps between terms of TPAC members. Unfortunately, these things can be fixed only with changes to the law. Later in this report, TPAC suggests draft legislation that, if enacted, would fix this problem.

III. Discussion of Specific Issues.

A. Trademark Operation Performance.

1. Performance Statistics.
 - a. Small Increase in Applications. In FY 2010, the trend that started in 2009 of a decline in trademark applications began to correct, with an increase in filings to a total of 368,939 in FY 2010, an increase of 4.8 percent over the 352,051 applications filed in 2009, which year had been a decline of over 12 percent from the preceding fiscal year. The sharp decrease in 2009 reflected the slowing of the U.S. economy in late FY 2008 and early FY 2009, and the small increase in applications in FY 2010 seems to mirror the slow economic recovery.

- b. Balanced Disposals Met Projections. Continuing the trend shown in FY 2009, the Trademark Operation had high productivity in FY 2010. Total Examining Attorney production was 747,819 Balanced Disposals. A “Balanced Disposal” is one of three things: a first Office Action issued, approval of an application for publication (examination is complete), or abandonment of the application. The FY 2010 total of Balanced Disposals met the Trademark Operation’s target.
- c. Total Office Disposals Exceeded Projections. “Total Office Disposals” are abandonments of applications plus issued registrations. Total Office Disposals for FY 2010 were 372,117, which exceeded the Trademark Operation’s projection by 9.7 percent. The Trademark Operation’s continuing ability to increase Total Office Disposals over projections reflects its superb management of an excellent corps of Examining Attorneys.
- d. Average First-Action Pendency Remains Low and Appropriate. Average First-Action Pendency was 2.8 months through the third quarter of 2010, on target for the longstanding USPTO goal of keeping pendency in the range of 2.5 to 3.5 months. “First-Action Pendency” is the time between the filing of a trademark application and the Trademark Operation’s substantive review of that application (which usually results in either an Office Action or a notice of publication). TPAC has repeatedly endorsed that range. TPAC unanimously believes this range produces a sufficiently quick response to trademark registration applicants while fostering a stable, manageable workforce of experienced Examining Attorneys. While, in a costless world, some trademark interests might want faster first-action pendency, a faster speed would cause staffing problems due to fluctuations in application filing volume. A shorter average pendency would require having a larger corps of Examining Attorneys, which would be an added expense. During dips in filings, there would not be enough work to permit those attorneys to achieve sufficient productivity. Also, while this view is not a TPAC consensus, some trademark interests prefer to have a first-action pendency of approximately 2.5 to 3.5 months to allow them time to make decisions about mark deployment and to prepare for proving mark usage.
- e. Average Total Pendency Meets Target. “Average Total Pendency” is the average time between the filing of a trademark application and final disposition of that application, whether by registration, abandonment, or issuance of a notice of allowance. Average Total Pendency for FY 2010 was 13 months with suspended and *inter-parties* cases included (compared to 13.5 months in FY 2009), which is approximately 16 percent shorter than the Trademark

Operation projected. (An application is suspended if the outcome of another matter must be known before action on the application can be taken; this situation often occurs if a previously filed application concerns a confusingly similar trademark but that prior application has not yet either become a registration or become abandoned. An *inter-parties* case is an action in the TTAB, such as an opposition to registration.) When suspended and *inter-parties* cases are excluded, Average Total Pendency for FY 2010 drops to 10.5 months (compared to 11.2 months in FY 2009) which is approximately 19 percent shorter than the Trademark Operation had projected.

- f. Overall. The Trademark Operation has substantially met or exceeded all of its FY 2010 quantitative goals and is performing well. TPAC commends the Trademark Operation, and particularly Commissioner for Trademarks Lynne G. Beresford, for this outstanding performance.

- 2. Quality. The standard of examination is high. TPAC congratulates the Trademark Operation's Examining Attorneys and managers for the continued emphasis on the quality of examination and for implementing new procedures and studies to ensure that examination standards will continue at a high level.

- a. Compliance Rate.

Currently, examination quality is measured by evaluating applications at two different points during the examining process. The review of random samples of applications in various stages of examination results in a measurement referred to as the "compliance rate" (i.e., the percentage of actions or decisions that have been determined to have no deficiencies or errors). The first point of review and evaluation is of initial Office Actions that reject applications for registration or raise other problems in the application. The second looks at the "final disposition" of applications either by a final refusal to register or a decision to approve applications for publication for opposition or registration. The goal in both instances is to ascertain whether the Examining Attorneys' decisions and written Office Actions comport with bases of refusal set forth in the Trademark Act of 1946 and/or examination guidance set forth in the Trademark Manual of Examining Procedure ("TMEP").

The Trademark Operation's revised goals for FY 2010 were 95.5 percent compliance for the first Office Actions and 97 percent for final disposition. For FY 2010, the Trademark Operation achieved 96.6 percent for first Office Action compliance, which exceeded

the revised goal by 1.1 percent. Also for FY 2010, the Trademark Operation achieved 96.8 percent final disposition compliance, which was only .2 percent shy of the revised goal.

b. New Quality Initiatives.

Comprehensive Excellence Standard. The Trademark Operation in its continuing effort to improve examination quality is currently benchmarking a new standard defined as “comprehensive excellence.” The new standard is designed to measure the percentage of first Office Actions that are excellent in all respects. It was developed using input from external customers regarding what they considered to be excellent quality. To meet the standard, an Examining Attorney must make correct decisions regarding registerability; conduct an appropriate likelihood of confusion search; provide clear, succinct and concise backgrounds of refusals or requirements and offer potential solutions where appropriate; provide appropriate evidence to support the refusal; and, if it is a telephone action, it must comport with all USPTO guidance.

Earlier this year, training was provided to Examining Attorneys focused on drafting “excellent Office Actions.” The Trademark Operation and Examining Attorneys’ union, NTEU 245, also worked together to develop a “pilot” award system using the new standard that was in effect for the last half of the fiscal year. The new award, known as the “Award for Comprehensive Excellence” (“ACE Award”), is described as an award for “quality examination based on a holistic, best practices approach.” In addition to the focus on quality of examination, there is an increased emphasis on using the telephone to work with applicants during the prosecution of the application. TPAC strongly endorses this continued focus on the quality of examination and the efforts of both management and NTEU 245 to improve standards for examination and customer service.

External Stakeholder Feedback. TPAC congratulates the Trademark Operation for initiating an effort to obtain feedback from external users to measure the “quality” of Office Actions and incorporate the results into their quality efforts. Under this program, subcommittees of INTA and AIPLA on USPTO trademark practice have reviewed the quality of examination in a sample of cases and submitted the results of the reviews to the Trademark Operation. The same files had also been reviewed by the USPTO’s Office of Trademark Quality Review and Training (“OTQR”). This allowed the Trademark Operation to compare external user assessments of quality of Office Actions with

OTQR's assessment of quality. Generally speaking, the results correlate fairly closely and in no instance were there major disparities between external and internal assessments of examination quality. In addition to the first two external groups who reviewed cases, one other national IP organization, IPO, is currently reviewing a sample of cases, and several state bar associations have expressed an interest in participating in the project. It is important to note that the new Comprehensive Excellence Standard described above incorporated results from the external reviews in establishing the new standard. TPAC strongly encourages the Trademark Operation to continue this effort and to incorporate the input from the external customers into their quality improvement efforts.

Assistance to Small Business and Individual Trademark Owners Seeking to Register Their Trademarks. Finally, TPAC congratulates the Trademark Operation for initiating several projects to improve resources available to trademark owners who are generally unfamiliar with complexities of the federal registration process but for financial reasons wish to federally register their trademarks without retaining counsel to assist them in the process. Small businesses and individuals filing trademark applications, generally referred to as pro se applicants, often encounter problems during the process. The Trademark Operation initiated a project to collect feedback from a sample of people unfamiliar with the trademark process about the user-friendliness of the Trademark Electronic Application System ("TEAS") and Examining Attorney Office Actions. Using this information, the organization has begun creating informational videos about the USPTO's trademark process and posted materials on the USPTO website showing the time frames for various internal processes. The Trademark Operation is also updating and revising their "*Basic Facts about Trademarks*" booklet and FAQ information on the USPTO website. TPAC believes this effort to shed light on what can be a complex process for individuals and small business owners who are seeking to enhance their success by registering their trademarks is commendable and should continue. TPAC also notes that the Trademark Assistance Center ("TAC") has received accolades for its customer service and its efforts to ensure that customer questions are dealt with in a prompt and clear manner. We strongly support TAC and believe it should be an integral part of this new effort.

3. TPAC-Championed Issues.
- a. Unauthorized Practice of Law in Trademark Filings Being Made By Online Non-attorney Services and Consumer Protection Concerns Regarding Those Services.
- (1) Background. TPAC has received anecdotal reports that non-attorneys may be representing applicants in trademark matters before the USPTO contrary to the provisions of TMEP Sections 602 and 608. TPAC is concerned about this issue because some applicants may receive poor legal advice as a result. In some cases, that poor legal advice may result in incorrectly prepared applications and correspondence, which may strain the efficient operation of the USPTO. The unfortunate consumers who receive substandard advice may not only lose valuable trademark benefits in the process, but develop a negative impression of the trademark system in general as a result of their experiences with these unauthorized practitioners. A member of TPAC, James H. Johnson, Jr., brought this issue to the attention of the Committee on the Judiciary in testimony presented on May 5, 2010. During the course of the testimony, The Hon. John Conyers, the Chairman of the Committee on the Judiciary, expressed interest in this issue.
- (2) Status. The USPTO has been looking at a means to assess the scope of the problem and its options for addressing it. While this process is underway, TPAC thought it important for the USPTO to warn consumers about unauthorized practitioners. TPAC prepared a warning for the USPTO. The USPTO placed the following warning on TEAS:

WARNING

Filing a trademark application is a legal proceeding that requires you to satisfy many legal requirements within strict time deadlines, all based on Eastern Standard Time. [Click here for more information](#) BEFORE you begin this process.

Only licensed attorneys may represent you before the U.S. Patent and Trademark Office (USPTO). If you hire someone to represent you, he or she must be an attorney licensed to practice law in a U.S. state and be a

member in good standing of the highest court of that state. Attorneys from other countries, except certain Canadian attorneys and agents representing Canadian filers, may NOT practice before the USPTO. See Trademark Manual of Examining Procedure Sections 602 and 608 for more details.

TPAC encourages the USPTO to be aggressive in monitoring for possible unauthorized practice of law and reporting it to appropriate bar authorities. TPAC also encourages consumer protection agencies such as the Federal Trade Commission and state attorneys general to examine closely whether these online trademark-registration services may be giving consumers misleading impressions regarding the nature and scope of trademark services they perform.

b. Deadwood on the Register – What Should Be Done, if Anything?

- (1) Background. In 2009, the Court of Appeals for the Federal Circuit issued a decision, *In re Bose Corporation*, 580 F.3d 1291, in which it held that it was insufficient for a party alleging fraud in a TTAB proceeding to prove only that the other party “should have known” of the falsity of its statement, and that the standard for fraud was that a material misrepresentation to the USPTO had been made with “intent to deceive the PTO.” This decision triggered concerns within both the Trademark Operation and the trademark bar that the *Bose* decision might have a negative impact on the U.S. trademark register, because overly broad or inaccurate identifications of goods and services would no longer, upon challenge, lead to the loss of the registration. Thus, the consequence of *Bose*, taken to its logical conclusion, would have an eroding effect on the U.S. use-based registration system. This decision, and statistics compiled by the Trademark Operation which show a dramatic increase in the number of goods and services being identified in applications, in one instance an identification so large that it crashed the entire Trademark Operation electronic filing system, led the Trademark Operation, together with George Washington University School of Law, to hold a roundtable in April of 2010, entitled “The Future of the Use-Based Register.” During the ensuing dialog, participants brainstormed about the impact of *Bose*, and possible solutions to improve accuracy

of the register. TPAC Chair John B. Farmer and TPAC member Kathryn Barrett Park participated in the roundtable discussion. During the discussion, many different suggestions were made as to ways to improve the accuracy of the register.

After the seminar, the USPTO posted on its website a list of the suggestions it received during the roundtable, along with its own assessment as to the usefulness of each suggestion, the ease of implementing it, and the costs associated with taking such step. In response, the Trademark Operation received additional suggestions and comments. At present, the Trademark Operation is developing a pilot program to assess accuracy on the register, which will provide more objective data on this issue.

- (2) Status. TPAC applauds the Trademark Operation and Commissioner Beresford for taking the initiative on a very important issue, and one that goes to the heart of having a use-based register. TPAC supports the pilot program that the Trademark Operation is developing, and believes additional data on the accuracy of the register will help determine the appropriate steps that should be taken to maintain the integrity of the system. TPAC plans to continue to work closely with the Trademark Operation to develop methods to help curb the problem of overly broad and long identifications that may crowd the register and disadvantage other applicants.

c. Ease of Telephonic and Email Communications Between Trademark Examining Attorneys and Applicants or their Counsel.

- (1) Background. Regarding telephonic communications, the primary concern relates to the ability to reach Examining Attorneys when the telephone call is made. For email communication, the primary concern is related to the fact that Examining Attorney email addresses are not available on the USPTO's website or in required communications between the Examining Attorney and the applicant.

- (2) Status.

Telephonic Communications.

First, it appears that the primary issue related to telephonic communications is the fact that more often than not, the call is not directly answered by the Examining Attorney

and the caller must leave a voice message. TPAC also notes that Examining Attorneys have indicated that the same issue arises when they attempt to call applicants or return applicant calls. Factors that have been put forth during the discussion of this issue are: (a) that calls are being made during periods of time that the Examining Attorney or the applicant is not working; (b) that the party being called does not answer the telephone but rather lets the call “roll-over” to voice messaging; and, (c) that the USPTO’s implementation of Voice over Internet Protocol (“VoIP”) for Examining Attorneys who work at home has intermittent problems because of outdated VoIP hardware and software and the lack of sufficient bandwidth to properly support the VoIP system.

To encourage Examining Attorneys to use the telephone to contact applicants, the Trademark Operation has instituted a program to recognize Examining Attorneys who utilize telephonic communication with applicants. Although the effectiveness of this program will not be fully known until after the end of FY 2010, initial anecdotal reports are that telephonic “Office Actions” appear to have increased. In any case, it does appear that both Examining Attorneys and applicants are using telephonic communications to resolve problems in applications at a higher level than the recent past. This is possibly due to the new ACE Award that encourages use of the telephone to contact applicants regarding problems in the application.

Because of the USPTO’s flexible work schedules, as opposed to the more traditional work schedules in most law firms and commercial offices, TPAC believes the best solution to the problem of people not being at their “desk” to answer calls could be resolved if Examining Attorneys established blocks of time coinciding with “normal” office hours to take and/or make calls. However, unless the blocks of time are common throughout the Trademark Operation or are included as a footnote in Office Actions or are available on the USPTO website for individual Examining Attorneys, there may well be misunderstandings regarding when specific Examining Attorneys would be available for telephone calls. Regarding answering calls when the telephone rings, TPAC strongly encourages the Trademark Operation to emphasize that part of good customer service is answering the telephone if the Examining Attorney is working at his or her desk.

In addressing the VoIP problems, John B. Owens, II, the Chief Information Officer, has indicated that he is working to address VoIP software, hardware and bandwidth issues, but the solutions will not be in place quickly. TPAC strongly recommends that the CIO focus on the bandwidth issue because the negative consequences of demand for bandwidth are likely to get worse before they get better given hiring levels in the Patent Operation and the continued expansion of USPTO work-at-home programs. Similarly, VoIP software and hardware must be upgraded as soon as feasible.

Availability of Examining Attorney Email Addresses.

Currently Examining Attorney email addresses are available only to applicants if the Examining Attorney voluntarily makes the address available. An informal survey indicated that only approximately 30 percent of the Examining Attorneys include their email address in Office Actions sent to applicants. Examining Attorneys are encouraged to use email in communicating with applicants.

Discussions within the Trademark Operation indicate that Examining Attorneys and their Union (NTEU 245) have some issues with the release of email addresses for all Examining Attorneys. Examining Attorneys are primarily concerned that some applicants will misuse email to send to Examining Attorneys responses to Office Actions and/or to ask general questions that are not related to the prosecution of the application, that applicants do not respond promptly to email and then the Examining Attorney must contact them by other means, and that it is difficult and time-consuming to upload email to the Trademark Image Capture and Retrieval System ("TICRS") as required by Trademark Operation procedures. Trademark Operation managers indicate they are aware of the issues raised by the Examining Attorneys and that problems such as the difficulty Examining Attorneys have uploading email to TICRS could be solved with the TMNG system being planned for Trademarks. The issue of inappropriate materials being submitted via email, particularly responses to formal Office Actions, which must be submitted through TEAS, is addressed in the TMEP. However, clearly other measures are needed to solve the underlying problem because the TMEP guidelines are being ignored by applicants who include responses to Office Actions and

other materials that must be filed using the TEAS system in emails with Examining Attorneys.

Finally, the problem of applicants and others using email in an attempt to have Examining Attorneys answer questions unrelated to their applications has some connection with general problems with email, e.g., email boxes being filled with spam and other materials that have little importance in the general scheme of things and the review of those messages taking time away from work activities. If Examining Attorney email addresses were generally available, there is a high probability that one consequence would be that Examining Attorney mailboxes would often contain materials that have little or nothing to do with their assigned work.

TPAC believes a potential solution would be an email structure that would mask the Examining Attorney direct email address and process emails related to prosecution of an application between the Examining Attorney and the applicant through the TEAS structure which would deposit outgoing and incoming email into the appropriate application or registration record contained in TIGRS. After receipt, the applicant's email would be forwarded to the Examining Attorney's desktop using the First Action System for Trademarks ("FAST"). Similarly, emails from the Examining Attorney to the applicant would be sent through TEAS to the applicant email address of record at the USPTO.

In any case, TPAC believes there is little question that the creation of a solution for easy and reliable email communication between Examining Attorneys and applicants is not only appropriate in the Trademark Operation's electronic workplace, but that a solution should be a priority for the organization. Perhaps the TMNG system can create an environment that addresses Examining Attorney concerns, provide better service to applicants in working with Examining Attorneys to register trademarks entitled to registration, and take another step toward moving the Trademark Operation into the 21st century.

- d. The Trademark Operation's Plans to Expand Its Consistency Initiative.

- (1) Background. After assessing the initial pilot program, which began in September of 2008, the USPTO decided to extend it with two significant changes.

Basically, an applicant can submit a request for consistency review when a substantive or procedural issue has been addressed in a significantly different manner in different cases owned by that applicant. The program originally restricted requests to registrations issued in the past year and excluded issues involving identifications of goods and services.

Under the expanded program, requests can cite registrations issued within the past five years and can also address identifications of goods and services.

- (2) Status. For FY 2010, the Trademark Operation received 15 requests of which eight were granted, four were denied, one was moot and two are still pending. Applicants should continue to send requests to tmconsistency@uspto.gov.

e. Issue Electronic Records of Registration with a Paper Certificate Optional at Extra Cost.

- (1) Background. Because the Trademark Operation is moving towards a completely electronic environment, TPAC believes that the practice of issuing certificates of registration on paper should no longer be the rule, but the exception, and that all certificates of registration should be issued electronically, with paper copies optional at an additional charge. TPAC believes this change would create efficiencies for the Trademark Operation and would further expedite the issuance of certificates of registration.

- (2) Status. The Trademark Operation has indicated that moving towards electronic certificates of registration is a change that will be considered within the TMNG initiative. TPAC will continue to advocate for this change.

f. Get the Trademark Manual of Examining Procedure (“TMEP”) Updated Frequently; Create “Wiki” Version of TMEP.

- (1) Background. The TMEP is the definitive reference guide for trademark application prosecution and maintenance. Periodic revisions to the TMEP are required to address changes in the law arising from legislative changes, issuance of TTAB precedential decisions as well as other

developments. TPAC believes that the TMEP should be updated at least annually, and ideally, on a more frequent basis.

- (2) Status. The sixth edition of the TMEP, dated September 2009, was issued on October 12, 2009, and two revisions, the first from October 27, 2009 and the second from May 21, 2010, have updated the sixth edition. A seventh edition is due to be issued in October 2010. This is a significant improvement. Prior to the September 2009 sixth edition, the TMEP had last been issued in September of 2007, with various examination guides issued in the intervening period.

TPAC believes the TMEP should be updated at least annually and, ideally, on a more frequent basis. TPAC understands the Trademark Operation is in favor of updating the TMEP more frequently, and will work with the OCIO over the next year to develop a process to update the TMEP on a scheduled basis. The Trademark Operation will also work with the OCIO to establish a system whereby users can comment on the TMEP, to create a "wiki" version of the TMEP.

g. Get the Official Gazette Published in HTML Rather Than in PDF and, as an Interim Step, Eliminate the Large-PDF-File Problem.

- (1) Background. Trademark applicants review the Official Gazette to obtain a copy of the publication of their marks. The Official Gazette is voluminous, and in order to find the publication, an applicant has to download the entire PDF of the Official Gazette, which requires a significant amount of time and resources. TPAC favors having the Official Gazette available in HTML format, which an applicant could then search to find and download only its mark's publication.
- (2) Status. The Trademark Operation understands the desire for the applicant to be able to download only its particular mark's publication, and will work to include that functionality in TMNG. As an interim step, the Trademark Operation created a method by which the download of the Official Gazette has been optimized, decreasing the size of the file by 400 percent so that it downloads much more quickly. TPAC applauds the Trademark Operation for making this interim improvement, which has improved

access to the Official Gazette and has been welcomed by the user community.

h. If a Statement of Use (“SOU”) is Denied Approval in an Intent-to-Use Application, Should the Application Become Eligible for Extensions Just as if No Improper SOU Had Been Filed?

- (1) Background. The refusal by the USPTO of an SOU for an intent-to-use (“ITU”) application results in what has been perceived as an anomaly by applicants – that the application is abandoned (if the six-month period for proving use has elapsed) even if the applicant otherwise would have been able to obtain additional six-month extensions within the 36-month period following the issuance of the notice of allowance but for the fact it had filed a defective SOU. At the time the U.S. first adopted an ITU system, this result was intentionally established in order to help prevent the warehousing of potential trademarks and thus protect the integrity of the Register. Since that time, there has been some discussion in the user community as to whether the rule should be liberalized, and that applicants should be given an opportunity to withdraw a defective SOU.

As a practical matter, although the issue has gotten a fair degree of attention from the trademark bar, the number of cases in which an application is abandoned because of this rule is quite small. Out of 312,000 applications filed on a 1(b) basis, there were only 627 instances in which an inadequate statement of use resulted in the loss of the application. Further, applicants who are uncertain as to whether a specimen may be acceptable can file a safety extension, which extends the time in which an applicant could file a response to refusal together with arguments and/or a replacement specimen. The Trademark Operation has written about this practice, and this advice has been disseminated in publications of the INTA and other organizations.

Further, the Trademark Operation has pointed to the fact that changing the current practice would result in significant challenges from the perspective of its procedures, and would require a work-around in terms of the IT and infrastructure that would be difficult to achieve.

- (2) Status. Although TPAC was initially concerned that the practice on defective SOU’s created an unfair burden on

those applicants because of the loss of the application, it has concluded that the reasons for this practice were based in a legitimate concern that the Register not be used for warehousing marks, and it recognizes the difficulty that would be imposed on the USPTO in trying to change the practice now. It concurs with the Trademark Operation that this issue can be re-examined (if change is desirable to the trademark community at that time) as part of TMNG, and that, in addition, if change is later desirable, it may require a legislative fix. TPAC agrees that this issue does not need to be further addressed at this time.

i. Make Processing of Trademark Registration Applications Entirely Electronic from End-to-End.

- (1) Background. While almost all trademark-related transactions can be accomplished electronically, there are still some functions that require paper. The Trademark Operation has been committed to achieving total electronic processing, as it will be cost-effective, efficient, and less prone to contain errors, all desirable outcomes. Further, complete electronic processing would be likely to further decrease pendency, by increasing Examining Attorney productivity.
- (2) Status. The percentage of applications filed electronically is over 98 percent, and in FY 2010, over 66 percent of applications were processed entirely by electronic means, exceeding the target set for the year of 65 percent.

Further, to improve its electronic processing, the Trademark Operation continued to make new electronic forms available, including a new global TEAS form that could be used where a specific form was not available, and to make enhancements to existing TEAS forms.

Progress was also made by implementing FAST, which is the external electronic docketing system. Thus, the Trademark Operation continues to take steps to further its goal of having a fully electronic operation completely replace all paper-based systems.

The development and implementation of the TMNG system should enable the Trademark Operation to create an environment in which all processing pertaining to a trademark application or registration is done electronically.

The USPTO is considering imposing a surcharge on paper filings to encourage applicants to use electronic filing for all aspects of prosecution. TPAC supports this idea.

j. Create a Complaint Procedure and Praise Procedure on the USPTO Website for Trademark Matters.

- (1) Background. Although there are many ways to contact the Trademark Operation, there had not been a single method designated for either making a complaint, or offering praise, about either an aspect of the Trademark Operation or any of its employees. TPAC had asked the Trademark Operation to consider whether having a designated place for this sort of communication would be beneficial.
- (2) Status. The Trademark Operation introduced a new feedback system on February 24, 2010, in response to this issue by adding a feedback button on the main page of the website entitled “Trademark User Feedback.” When the user clicks on that button, it is led to a page that contains the following text:

You may use the “Trademark Feedback mailbox,” available at TMFeedback@uspto.gov, to contact the USPTO with complaints, compliments, or other feedback for the Trademark Operation. Such an e-mail does not constitute an official filing in connection with trademark applications or registrations, and will not become part of the official record. You should make official filings through the Trademark Electronic Application System (TEAS), available at <http://www.uspto.gov/teas/e-TEAS/index.html>, and request technical assistance with TEAS at TEAS@uspto.gov.

Please note that sending an e-mail to TMFeedback@uspto.gov does not provide a basis to request suspension of an application or appeal and will not stay the period for replying to an Office Action, filing a notice of appeal, or submitting any other filing that is due to the USPTO.

If you prefer to direct your feedback to the relevant area within the Trademark Operation, see <http://www.uspto.gov/teas/contactUs.htm> for a complete listing of Trademark Operation contact

information (Trademark Assistance Center, Law Offices, Division units, *etc.*).

You may **not** send an e-mail to TMFeedback@uspto.gov for any patent-related matters.

To date, there have been 72 submissions to the feedback link, so users are making use of this additional functionality, and the Trademark Operation is responding to all comments received. Thus, TPAC is satisfied that the goal of a dedicated, express procedure has been established to receive customer praise and complaints.

B. Budget and Budget-Control Issues.

1. TPAC-Championed Issues.

a. Trademark Fence.

- (1) Background. The “Trademark Fence” is codified at 35 U.S.C. § 42(c). This section states, in pertinent part:

All fees available to the Director under section 31 of the Trademark Act of 1946 shall be used only for the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover a proportionate share of the administrative costs of the Patent and Trademark Office.

In short, the law required trademark user fees be used to fund only the Trademark Operation and a proportionate share of the USPTO overhead. This makes sense, because the Trademark Operation and Patent Operation perform independent functions. These separate operations are analogous to two unrelated roommates sharing an apartment and splitting the cost.

The Patent Operation came into dire financial straits at the end of 2008. Previous leadership of the USPTO pushed for and secured a new statute temporarily abrogating the Trademark Fence. In essence, the new statute permitted the USPTO to borrow up to \$70,000,000 from the Trademark Operation to support the Patent Operation.

In August 2009, Congress authorized the Director of the USPTO to use up to \$70 million of trademark fee funds for the Patent Operation if necessary to avoid furloughs and reductions-in-force – as long as the Trademark Operation was not put at risk in the same manner. To reimburse the Trademark Office for any such borrowing, a surcharge on patent fees would have been established. The authority to use these funds terminated on June 30, 2010, and the CFO told TPAC that no borrowing had been necessary based upon economic forecasts and extensive cost-cutting measures.

- (2) Status. TPAC is pleased to report that ultimately no borrowing of trademark fees occurred. It salutes the leadership of Director David J. Kappos in producing this result.

b. Current Fee Collections and Surplus.

- (1) Background. Both the economy and trademark fee collections rallied in FY 2010, demonstrating the growing importance of IP to the world economy. There is a projected end-of-year surplus of \$92 million.
- (2) Status. Beginning in FY 2011, the surplus will supplement current year fee collections to fund the multiyear investment program to update and modernize the Trademark Office IT infrastructure.

c. Ongoing Trademark Cost Analysis.

- (1) Background. The Trademark Office continued to track the primary and secondary costs of trademark filing and maintenance on a quarterly basis, and the results have been fully integrated into the Activity-Based Information (“ABI”) Trademark model. The ABI model is used to produce financial reports that determine the share of revenues used to support trademark activities across the USPTO. A key addition to the analysis in FY 2010 was data from the TTAB. The USPTO has made progress in implementing various recommendations made by outside consultants during the independent review of the ABI program. For example, the drivers (allocation methodology) for business-sustaining activities were finalized in August 2010. Further, specific project codes to be used if an activity benefits a specific activity or program were recently implemented.

- (2) Status. Not surprisingly, the per-unit cost of handling paper filings continues to rise. The possibility of imposing a surcharge for paper filings is being discussed. (As noted above, TPAC supports such a surcharge to encourage electronic filing.) Happily, the per-unit cost for most electronic filings is dropping. No further fees changes are anticipated at this time.

d. FY 2010 Direct v. Indirect Spending Requirements.

- (1) Background. The financial data and analysis supplied by the USPTO for FY 2010 showed a commitment to both proper internal accounting for Trademark user fees and responsible expenditure of those fees by business units outside of the Trademark Operation.

- (2) Status. TPAC will continue to monitor this issue.

e. Five-Year Strategic Plan.

- (1) Background. The important budgetary elements of the plan related to developing a long-term sustainable funding model for the USPTO. During the summer of 2010, TPAC was asked to comment on a revision being made to the USPTO FY 2010–2015 year strategic plan. This document was formed to explain the logic of why USPTO leadership is allocating resources as planned over the near and future terms. TPAC welcomed the opportunity to meaningfully contribute to the dialogue about this expressed agency intent.

A number of TPAC’s concerns with early drafts expressed during conversations with OCFO leadership were addressed in the August 11, 2010 draft.

Exemplary elements of the plan contents of interest to TPAC (beyond those discussed elsewhere in this report) include:

- Strategic Goal II Objective 4: Enhance Operations of Trademark Trial and Appeal Board.
- Strategic Goal III Objective 2: Provide Leadership on International Policies for improving the Protection and Enforcement of IP Rights.

- Management Goal Objective 3B: Enhance Current and Future Agency Leadership by Focusing Leadership Development, Accountability, and Succession Planning.

In his message at the beginning of the plan, Director David J. Kappos says that he intends to use this plan as a management tool to track progress against the expressed objectives of the plan. Related performance metrics are to be reported to the Director on a “biweekly, monthly or quarterly basis.”

- (2) Status. In the interest of efficiently performing its statutory function, TPAC welcomes the opportunity to review this data as soon as it is prepared for the Director.

f. Sustainable Funding Model.

- (1) Background. Like a typical business, the USPTO receives requests for services – applications filed for patents and trademark registrations – and charges fees projected to cover the cost of performing those services. Unlike a business, however, the USPTO does not have the flexibility to adjust its fees or spending authority if projected revenue does not match actual revenue.

The USPTO’s funding model is essentially triangular: (a) the work submitted through application filings, (b) the examination capacity and associated operating costs to address the work, and (c) the fees collected to cover the costs of performing the services. The component estimates must be evaluated over a multi-year period and are frequently influenced by economic volatility. This can affect the quantities of filings, fee estimates, and the ability to hire and retain high-quality staff. (Occasionally, court decisions also affect USPTO procedures, practices, and operating requirements.)

Under positive circumstances, more applications may be filed than originally planned and thus the examination capacity (cost and production) increases – as would the collected fees.

Currently, there is no routine mechanism to provide the USPTO with the authority to spend those excess fees. Without this mechanism, the USPTO has no choice but to

operate like most Federal agencies – adjusting its annual operating costs to remain within a fixed spending authority and living with a reduced performance level.

Customers of the USPTO understandably expect that fees paid to perform USPTO services will be spent on those services in an effective manner. To serve its customers well, the USPTO must find a mechanism to ensure that all fees entrusted to it are available to execute its mission within reasonable timeframes.

In FY 2010, the USPTO began working on a sustainable funding model. The FY 2011 President’s Budget recommends the following: (a) ensuring access to fee collections to support performance objectives, (b) instituting an interim increase on certain patent fees as a financial bridge until the USPTO obtains fee-setting authority and develops a new fee structure that will provide sufficient financial resources in the long term, (c) pursuing legislative authority to adjust the fee structure by regulation to better align fees with the cost of providing services, and (d) creating an operating reserve to manage operations on a multi-year basis.

- (2) Status. TPAC believes that fee-setting authority, coupled with maintaining an operating reserve from past fee collections by letting the USPTO keep and spend all fees, would let the USPTO adjust for volatility in the economy without putting the agency at risk.

C. Trademark E-Government and Automation.

1. TPAC-Championed Issues.

a. Trademark Next Generation (“TMNG”).

- (1) Background. The USPTO’s information technology (“IT”) infrastructure that currently supports the Trademark Operation is, to a large extent, a patchwork of legacy applications and databases (all hosted by the USPTO) that operate on relatively old software, are not well documented, and are not fully compatible. Moreover, that IT infrastructure does not provide nearly all of the functionality that Examining Attorneys or trademark owners and practitioners need, especially to support end-to-end electronic trademark application processing and to provide for the increasing large and sophisticated electronic

specimens of use now being filed in connection with trademark applications.

The Director of the USPTO has recognized that this significant problem actually presents the USPTO with a valuable opportunity to transition from its various legacy trademark systems to an entirely new, technologically advanced, and fully integrated system to be called “Trademark Next Generation” (“TMNG”). The reasons for developing TMNG include: (a) to work at peak efficiency, trademark IT needs to be wholly separate from patent IT; (b) the Trademark Operation currently has money to upgrade its IT; and (c) the Trademark Operation has a largely developed, detailed strategy – part of the USPTO’s August 2008 “OCIO Road Map and Transformation Plan” – for what it wants to do with respect to IT.

A key feature of TMNG will be that the new system will include “cloud computing,” which the United States National Standards for Information Technology has defined as “a model for enabling convenient, on-demand network access to a shared pool of configurable resources (for example, networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.” Having TMNG include cloud computing will make the USPTO a leader among federal agencies with respect to embracing this new technology.

Accordingly, on August 14, 2009, the Director of the USPTO instructed the CIO to start separating the trademark IT infrastructure from the rest of the USPTO IT infrastructure and to begin planning, developing, and implementing TMNG.

- (2) Status. The CIO originally estimated that developing and implementing TMNG would take two to three fiscal years, with most of the work completed within 12 to 18 months after initiation. However, to give the Trademark Operation as much expanded and updated IT capability as possible in the shortest possible time, the OCIO is now taking a more “evolutionary” (as opposed to “revolutionary”) approach and gradually adding new functionality to the existing IT infrastructure while simultaneously building toward TMNG. According to the CIO, almost all of this new functionality will be reflected in TMNG as the new system is implemented over the next one to three fiscal years.

For example, in FYs 2011 and 2012, the OCIO plans to spend approximately \$6.5 million annually on TMNG while spending approximately \$3.5 million annually on enhancements to the current trademark IT infrastructure and approximately \$8.5 million annually on operations and maintenance of all trademark IT infrastructure. (The operations and maintenance costs are expected to decrease as the OCIO transitions to TMNG.)

TMNG work in FY 2011 will focus on creating the IT platform and starting to separate, virtualize, and prepare trademark systems for movement to a cloud environment. Specific steps will include:

- Defining the FY 2011 program plan down to the project-level including scopes, milestones and budgets;
- Sequencing the evolutionary, iterative process of standing up the TMNG IT platform and the migration of functional and technical services and trademark systems to the new platform;
- Developing and prototyping a new architecture for internal processing;
- Developing Trademark Document Retrieval (“TDR”) 2.0 in a cloud environment; and
- Continuing to enhance functionality as identified by trademark owners and practitioners.

The OCIO’s plans for FY 2012 include adding more functional and technical services and trademark systems to the new IT platform.

TPAC believes that TMNG is good news for the trademark community as well as for the Trademark Operation and the USPTO as a whole. TPAC commends the USPTO for being forward-looking with respect to IT issues. TPAC also commends John Owens, II, for his continuing strong leadership of the OCIO as he begins his third year in that key position.

b. Reducing the Number of Desktop Computer Configurations.

- (1) Background. Historically, the USPTO has not required its employees to maintain and use standard desktop or laptop computer configurations. Thus, until recently, very few of the USPTO's thousands of desktops and laptops shared the same configurations. The USPTO has come to recognize that it can save considerable maintenance time and money by adopting a few standard configurations and requiring all of its employees to use them. Accordingly, the USPTO is now in the process of reducing its employees' permissible desktop/laptop configurations to a range of six to eight standard configurations.
- (2) Status. The OCIO originally projected that, if adequate funding were available, the USPTO could develop and implement the new standard computer configurations by the end of FY 2010. Although it has made some progress with this initiative, the OCIO now projects that the project will not be completed until the end of FY 2011 and possibly not until sometime in FY 2012. Part of the delay results from remediation efforts necessary to ensure the USPTO's legacy applications will run on Windows 7. The OCIO anticipates that when this project is completed, USPTO employees will have business-class Intel quad-core laptops that have eight gigabytes of RAM each and run both Windows 7 and Office 2010.

c. Foster Strong Communications Between the Trademark Operation and the OCIO.

- (1) Background. To develop and implement TMNG and otherwise improve the trademark IT infrastructure as effectively and efficiently as possible, frequent, clear, and candid communications between the Trademark Operation and OCIO are essential. In the past, TPAC has had concern that such communications were somewhat lacking.
- (2) Status. As discussed in the TPAC Annual Report for FY 2009, both the OCIO and the Commissioner for Trademarks have made strong and fruitful efforts to improve the two-way communications between their offices. TPAC has noted and publicly commended those efforts, which continued during FY 2010. However, TPAC believes that still more can be done in this area.

For example, at the September 2, 2010, TPAC Public Meeting, the Commissioner for Trademarks noted that of four IT Work Request Forms (“WRF’s”) her office submitted to the OCIO on August 31, 2009, only one had been completed. The OCIO had not previously discussed with TPAC the specific status of those WRF’s or the OCIO’s timeline for completing them, and the CIO seemed surprised at how the Commissioner for Trademarks publicly raised the issue. More frequent and more candid communications between the two offices might have avoided this somewhat confrontational situation and could help to avoid or alleviate such situations in the future.

D. Trademark Trial and Appeal Board.

1. Precedential Decisions; Performance Statistics, Including Speed of Opposition and Cancellation Proceedings; *Inter-parties* Cases that have been on the Docket for a Long Time.

a. Precedential Decisions.

TPAC has encouraged the TTAB to issue more precedential decisions. TPAC is pleased to note that in FY2010 the number of precedential decisions issued increased to 54 from 49 in FY 2009.

b. Speed of Opposition and Cancellation Proceedings.

In FY 2010, new oppositions were down 15%, new cancellations were down 1% and new appeals were down 13%. However, pendency increased, in some cases significantly, in FY 2010.

- The pendency of issued final decisions almost doubled from 6.6 weeks for FY 2009 to 12.4 weeks from the RFD date.¹ The total number of final decisions on the merits was down 35% in FY 2010.
- The average pendency of trial cases² increased from 192 weeks in FY 2009 to 204 weeks in FY 2010. The median time to disposition for trial cases increased to 169 weeks from 150 weeks in FY 2009.

¹ The “RFD date” is the ready-for-decision date for final decisions on the merits. That is either the date the ex parte appeal or *inter-partes* proceeding is submitted for consideration on the briefs or the date of oral hearing if a hearing was held.

² Interlocutory decisions disposing of *inter-partes* cases are not included in these figures.

- For appeals, in FY2010 the average time to disposition was 45.5 weeks from filing to decision, basically the same as FY 2009's 44 week average.³ The median time to disposition for appeals increased to 38 weeks compared to 34 weeks in FY 2009.
- The pendency of issued decisions on contested motions rose slightly from 6.9 weeks in FY 2009 to 7.8 weeks from the RFD date in FY 2010.⁴ The total number of decisions issued on contested motions decreased 19% from FY 2010.

The increase in pendency has impacted the number of cases awaiting decision. At the end of FY 2009, 67 cases were awaiting final decision. At the end of FY2010, that number had almost doubled to 127.

TPAC believes that this slippage in pendency is largely attributable to (1) the significant allocation of resources to completion of the TBMP revision and (2) the reduced number of judges available due to retirements and medical issues. Two new judges were hired near the end of FY 2010 and the TTAB had largely completed its role in the revision of the TBMP at the end of FY 2010. Therefore, TPAC hopes and anticipates that by the end of first quarter 2011 (or at the latest second quarter 2011), the speed statistics will be back to those achieved in FY 2009. TPAC encourages the TTAB to set publicly defined speed goals for its decisions and then to report on whether those goals are being met, similar to the procedure followed by the Trademark Operation.

c. *Inter-parties* Cases Filed Prior to November 1, 2007.

Effective November 1, 2007, the TTAB instituted a major rules change for cases filed after that date. Cases filed prior to that date were governed by the earlier rules. Three years after the rules change began, the TTAB is still operating under two different sets of rules. The TTAB and TPAC agree that the TTAB could be more efficient if it had to operate under only one set of rules.

As of August 27, 2010, some 820 consolidated cases (including oppositions, cancellations and concurrent use proceedings) were pending under the old rules. Of those, more than half have been suspended for civil action or settlement discussions between the

³ Interlocutory decisions disposing of *inter-partes* cases are not included in these figures.

⁴ The RFD date for decisions on contested motions is the date of filing of the reply brief on the motion (final reply brief if multiple motions are involved) or the due date for the reply brief when no reply brief is filed or the date of the phone conference with the interlocutory attorney if a conference is held after the motion is briefed.

parties. With TPAC's strong support, the TTAB is preparing to initiate a program for TTAB judges to hold settlement conferences with parties in the suspended pre-November 1, 2007 cases to encourage settlement. Funding from the FY 2011 budget will provide settlement training to TTAB judges and interlocutory attorneys.

2. TPAC-Championed Issues.

a. The TTAB Manual of Procedure ("TBMP").

(1) Background. The TBMP has not been updated since March 2004, well before the major revision of TTAB rules effective on November 1, 2007. The delay in updating has caused serious concerns among members of the bar. As a result, TPAC has pushed the TTAB to update the TBMP as soon as possible and to keep it updated. Specifically, TPAC set these goals regarding the TBMP:

- TPAC would like to have the TBMP posted on the USPTO website in HTML rather than PDF, because HTML is quicker to load and easier to use. The TMEP sets a good standard here.
- TPAC would like to make the entire TBMP searchable in a single search. Presently, one has to open the TBMP chapter by chapter (in PDF) and use the PDF software's search function. TPAC would like to see the search capability of the TBMP match that of the TMEP.
- TPAC would like the TBMP to be updated more frequently. Ideally, the TBMP would be kept continuously up to date and, at a minimum, the TBMP would be updated annually.
- TPAC encouraged the USPTO to provide an employee to the TTAB who could take lead working responsibility for TTAB revisions and do much of the work on an ongoing basis (e.g., a new senior-level person at the TTAB).

(2) Status. TPAC had hoped that the TBMP would be completed and posted on the USPTO website by the end of FY 2010. That has not happened due to the enormous amount of work involved in the revision and staffing shortages caused by staff medical issues and retirements.

However, TPAC is pleased to report that it now believes that the revised TBMP will be released by early in calendar year 2011. TPAC expects that when the TBMP is posted it will be in HTML in addition to the PDF format used in the past.

As noted in TPAC's FY 2009 report, TPAC supported funding in FY 2011 or FY 2012 for a senior level employee dedicated to continuous updates of the TBMP to avoid delays to future TBMP updates. The USPTO decided against funding such a position for the immediate future. Instead, future updates will be handled by assigning individual TTAB judges to specific TBMP chapters to monitor for updates. TPAC will monitor how this new system works and whether the TTAB is able to issue updates at least annually without a full-time employee dedicated to this project.

b. Should the TTAB be More Assertive in Encouraging Settlement?

- (1) Background. In the past, the TTAB has played little, if any, direct role in encouraging settlement of cases. TPAC has for some time pushed the concept of settlement involvement by the TTAB.
- (2) Status. The TTAB has considered the matter and now has listed encouraging settlement as one of its strategic goals. The TTAB is also working on a Request for Comments seeking input from the public on the nature of the role that the TTAB should play in settlement of its cases.

TPAC sees encouragement of settlement as critical to the reduction of the number of pending cases governed by the pre-November 1, 2007 rules. As of September 1, 2010 there were some 517 cases suspended for settlement or civil action under the pre-November 1, 2007 rules. The TTAB will shortly begin to involve judges in attempted settlement of those cases. After resolving as many of the older suspended cases as possible, the TTAB will consider means to achieve settlement of other cases.

c. Consideration of Whether There Should Be a Parallel, Optional Fast Track for TTAB Cancellation and Opposition Proceedings, Perhaps on a Showing of Adequate Cause by the Party Requesting Speed.

- (1) Background. TPAC has discussed with TTAB officials the possibility of having a parallel, optional fast track for TTAB cancellation and opposition proceedings.
 - (2) Status. To avoid taking precious resources away from the new settlement initiative, TPAC will defer further discussions of this issue until calendar year 2011.
- d. Should There be New Limits on Consented Extensions?
- (1) Background. TPAC has discussed with TTAB officials the possibility of having limits on consented extensions for TTAB cancellation and opposition proceedings.
 - (2) Status. To avoid taking precious resources away from the new settlement initiative, TPAC will defer further discussions of this issue until calendar year 2011.
- e. Accelerated Case Resolution Procedure.
- (1) Background. The TTAB has an accelerated case resolution procedure known as ACR. The procedure requires that the parties stipulate to its use. ACR can be used to shorten the standard TTAB litigation schedule by treating the briefing of a summary judgment motion as presenting the case for a final decision on the merits, when such briefing includes a stipulation by the parties that the Board can resolve any lingering or unforeseen issues of material fact; or it can be used to create a package of agreed alternatives to traditional discovery, trial and briefing and thereby result in an abbreviated trial on the merits. The ACR procedure is flexible and can be adapted to meet the parties' needs. As noted in TPAC's FY 2010 report, many, if not most, practitioners were not familiar with ACR at that time. Therefore, TPAC encouraged the TTAB to publish articles on ACR in bar publications and to provide additional information on the USPTO website on ACR.
 - (2) Status. In FY 2010, the TTAB published articles on ACR in a number of bar publications and promoted the concept in a number of public speeches to bar groups. The TTAB has also posted additional materials on its website on ACR. Use of ACR remains limited; however, TPAC hopes that greater public awareness of ACR will encourage greater use of the procedure. The TTAB is also working with bar groups to establish "plug and play" options that practitioners could consider adopting in lieu of standard

TTAB procedures. To date, AIPLA has submitted comments now under consideration. Examples of ACR “plug and play” options could include: both parties could agree to file cross motions for summary judgment with declarations but without discovery or both parties could agree to cross motions for summary judgment, declaration testimony and limited written discovery.

TPAC believes that offering easy alternatives to litigants will encourage use of ACR. TPAC also believes that use of ACR is unlikely to be widespread until the “plug and play” options referenced above are offered to litigants.

E. International Issues.

1. TPAC-Championed Issues.

a. Possible Future Changes to the Madrid Protocol.

- (1) Background. The Madrid Protocol is an international trademark filing system. With the Madrid Protocol one can file an application in one’s home country and extend the coverage to more than one hundred other countries. The World Intellectual Property Organization (“WIPO”) is considering the implications of removing the requirement for a prior national application/registration when filing an international trademark application. Japan and other countries that use different letter formats note that the requirement that the prior national application mirror the international application puts them at a disadvantage for those countries that do not recognize or speak the Japanese characters. Because it does not make sense to use these characters in countries that would not understand them, these registrations become vulnerable to cancellation due to non-use. Eliminating the basic mark requirement would enable these countries to file for marks in languages other than the home country language without facing cancellation for non-use in the home country.

For the United States, the requirement that the international application must match the basic home application means that U.S. applicants are limited to the identification regimen of the United States, which is far more restrictive than the other Madrid Protocol countries. Eliminating the requirement would enable United States nationals to file for broader identification of goods/services than would be acceptable in the United States.

- (2) Status. TPAC and other members of the intellectual property community are studying the implications of such a change and whether amendment of United States trademark law would be required. Such a change is not progressing within WIPO at this time. TPAC will continue to monitor this issue and will be prepared to comment on it if it becomes viable in the future.

F. Other Issues.

1. Congressionally-Mandated Study. The recently enacted Trademark Technical and Conforming Amendment Act of 2010 (“Technical Amendment Act”) contains this study mandate:

(a) In General- Not later than 1 year after the date of enactment of this Act, the Secretary of Commerce, in consultation with the Intellectual Property Enforcement Coordinator, shall study and report to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives on--

(1) the extent to which small businesses may be harmed by litigation tactics by corporations attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner; and

(2) the best use of Federal Government services to protect trademarks and prevent counterfeiting.

(b) Recommendations- The study and report required under paragraph (1) shall also include any policy recommendations the Secretary of Commerce and the Intellectual Property Enforcement Coordinator deem appropriate.

Senate bill S3689, passed by the Senate but not yet considered by the House of Representatives, would amend subsection (a)(1) above as follows (the proposed change appears in italics): “. . . litigation tactics *the purpose of which* is to enforce trademark rights beyond a reasonable interpretation”

- a. Background. Congress is concerned that some large trademark owners may be abusing their trademark rights by alleging that a likelihood of confusion exists between their marks and marks used by small businesses when, in fact, an objective observer would conclude that no such likelihood exists. Congress’ concern arises from certain instances where apparently such abuse may have

occurred. Because the net effect of such abuse is to lessen the ability of affected small businesses to exercise the full scope of their rights, Congress has mandated, as set forth above, a study of the situation. The USPTO is now in the process of performing its portion of that study.

- b. Status. The Trademark Operation has taken or will take the following major steps to perform its portion of the study:
- Draft a white paper to explain the process for obtaining, maintaining, policing, and enforcing a trademark in the United States;
 - Contribute to an interagency white paper explaining the best use of federal government services to protect trademarks and prevent counterfeiting;
 - Solicit information from the public, through the collection of written comments and public forums, on litigation and pre-litigation processes and tactics used and identify perceived overzealous enforcement tactics; and
 - Contribute to a comprehensive interagency white paper to satisfy the foregoing legislative requirement to report findings to the Committee on the Judiciary of the Senate and Committee on the Judiciary of the House of Representatives.

To assist the USPTO, TPAC drafted a list of questions to be used in soliciting and collecting written comments on litigation and pre-litigation processes and tactics perceived as overzealous enforcement tactics. TPAC provided that list to the USPTO on July 14, 2010. Then, during a working-group meeting held at the USPTO on September 1, 2010, TPAC advised senior managers within the Trademark Operation about various private-sector organizations of trademark owners and/or practitioners that might be willing to promulgate the questions to their members. The USPTO has revised and expanded the list of questions drafted by TPAC and is preparing to disseminate it to one or more such organizations. TPAC plans to send one or more of its members to any public forums in the Washington, D.C., area that the USPTO sponsors on this initiative.

2. Possible Changes to PAC Structure.

- a. Background. There are problems with how TPAC is organized that impinge upon its effectiveness. Legislation is needed to fix

the situation. Attached to this report as an appendix is an example of a draft amendment to the PAC statute that would accomplish this goal.

- (1) Problem #1 – Appointment Timing. The beginning of this report listed the terms of the current TPAC members. There is no common date for the ending of terms. The dates fall at various times during the year – June, September, October and December. This creates problems. The PAC year is built around the federal fiscal year (which ends September 30) and the requirement that a PAC produce an annual report within 60 days after the end of each fiscal year. It creates hardship when PAC membership changes in the middle of a fiscal year or in the 60-day period immediately thereafter.
 - (a) Possible Solution. It would be better if TPAC members were appointed to terms that coincide with the calendar year due to the statutory requirement that TPAC produce an annual report to the President, the Secretary of Commerce and Congress. 35 U.S.C. § 35(d)(2) requires that this report be submitted within 60 days of the end of the federal fiscal year. That means the report is due by November 29 each year. The report needs to be written by TPAC members who were on TPAC for the prior federal fiscal year. Not much happens on TPAC for the rest of the calendar year after preparation of the annual report due to the hard work it takes to produce it and due to the December holiday season. Thus, it makes sense for turnover to occur at or near the end of the year. Here, there are two options:
 - (i) Appoint for calendar year terms, to keep things simple.
 - (ii) Have all TPAC terms run from December 1 to November 30, to line things up with the annual report duty.
- (2) Problem #2 – Getting the Right Chair. The PAC enabling statute (5 U.S.C. § 35(a)(1)) says the Secretary of Commerce (the “Secretary”) “shall designate a chair of each Advisory Committee, whose term as chair shall be for 3 years.” Accordingly, under present law, one of two things must happen. Each option is sub-optimal:

- (a) An existing TPAC member must be appointed chair. If the appointed person is completing a three-year term on TPAC, that would mean the person would serve six years on TPAC with three years as chair. Because being effective on TPAC requires a large time commitment, some TPAC members might decline continued service for an additional three years.
- (b) Someone who is not a member of TPAC must be appointed chair.

In fact, TPAC recommends that the job of chair is too time-consuming to be a three-year job. TPAC members have full-time jobs in addition to their TPAC duties.

- (c) Possible Solution. Create a TPAC officer chain of a (i) secretary/chair-elect and (ii) a chair. Expand TPAC to eleven members, so there are nine regular members and two officers. Each year, the Secretary would appoint three new members to a three-year term. Absent extraordinary circumstances, each year the new secretary/chair-elect would be drawn from the three TPAC members completing their third year on TPAC. Yet, the statute should permit drawing from outside of this pool of TPAC members if circumstances make doing so wise. The secretary/chair-elect and chair each would serve for one year. The secretary/chair-elect would automatically become chair after one year without additional appointment being necessary.
- (3) Problem #3 – Gaps in Terms. TPAC history demonstrates many TPAC members will not complete their three-year terms for various reasons. Also, even when the term of a member is set to expire, sometimes a replacement is not appointed in time for that person's term to dovetail with the term of the departing member.
 - (a) Possible Solution. Any replacement members should continue to be appointed for the balance of the term left by the departing member, to keep things on schedule. Also, the law should provide that appointments last for the longer of the appointed term or until a replacement can be sworn in. That way TPAC is not left short-handed to address its work.

3. Recommended Change to 60 Days for how TPAC Work is Measured. In the summer of 2010, the General Counsel of the USPTO contacted TPAC about a TPAC time issue. In a nutshell, the General Counsel emphasized that TPAC members can work on TPAC business only 60 days per year. He also stated that TPAC members may not work on TPAC business more than 60 days per year even on a voluntary, unpaid basis. Also, TPAC was warned by the General Counsel and later an ethics representative of the Department of Commerce that violation of this limitation could be a felony-level violation of criminal ethics law.

While the General Counsel has cited legal authority for these work limitations, ultimately we on TPAC simply take the word of the General Counsel that these are immutable elements of applicable law. We are not experts on complex federal employment law. Also, of course, TPAC will adhere to these work limitations.

In fairness, when each current member of TPAC joined TPAC, that person was given some form of ethics briefing concerning these work limitations, although the limitations were not always explained in the same way as the recent advice of the General Counsel.

Yet, unfortunately, because TPAC will adhere fastidiously to these work limitations, TPAC will be unable to be as active as it has been or should be. TPAC has chosen to designate only three days per calendar month as TPAC work days, because the remainder of 60 days must be set aside for attending TPAC meetings at the USPTO, traveling to those meetings and preparing this annual report.

TPAC believes it has a duty to pursue three groups of issues, which may overlap somewhat but are not identical in composition: (a) issues presented to TPAC by the USPTO for feedback, (b) issues raised by TPAC based upon the combined and varied trademark experience of TPAC members, and (c) important issues to which TPAC is alerted by the trademark community. TPAC cannot do these things effectively, plus write an annual report, while working on only 60 days per year.

A major problem with the 60-day limitation is that it does not acknowledge the need to be responsive and to work around busy schedules. It is impractical to make progress on an issue if you can have substantive phone or email conversations on only three days per calendar month. Calls and emails need to be returned promptly. Some people are unavailable on TPAC work days. Some issues need quicker turnaround. The USPTO often gives TPAC only a week or even sometimes only two or three days to react to an important item, such as a USPTO budget or a strategic plan revision.

Also, TPAC members all have full-time jobs outside of TPAC. Sometimes the demands of those jobs make it difficult or impossible to do TPAC work on designated TPAC work days. Many TPAC members have made significant time and income sacrifices to serve on TPAC. TPAC members serve primarily in hope of making a difference – in helping make the USPTO better for the trademark community. One hopes that, in appreciation for this work and sacrifice, those with relevant power would want to give TPAC as much flexibility as possible to be responsive and to spread TPAC work over more days.

TPAC does not call for the ability to work more than a total of 60 full days (i.e., more than 60 twelve-hour days). (The General Counsel’s office has provided guidance that TPAC members may be paid for up to 12 hours per workday.) But it would be helpful if TPAC members were permitted to aggregate time worked during a calendar week into a smaller number of full work days, perhaps a single week workday. For example, if a TPAC member worked on TPAC business one hour per day Monday through Friday, such flexibility would enable that person to report just one five-hour day. (For simplicity’s sake, this concept is “Time Aggregation.”)

TPAC recognizes the public’s interest in TPAC members not having excessive contact with USPTO officials. This interest exists because most TPAC members practice before the USPTO. Because, under Time Aggregation, TPAC members would remain limited to not doing TPAC work more than the equivalent of 60 full work days, the public interest in not giving TPAC members excessive contact with USPTO officials would be preserved. Indeed, most of TPAC’s work is done independently by individual members of TPAC or by TPAC subcommittees. Stated conversely, most of TPAC’s work is not done in the presence of USPTO officials or even on the USPTO premises.

TPAC does not know whether a statutory change is necessary to give TPAC members this Time Aggregation flexibility or, instead, whether another means could accomplish this goal. TPAC hopes the USPTO will recognize this problem and energetically assist TPAC in finding a means of creating this flexibility. Yet, in case a statutory change is necessary, attached to this report as an appendix is an example of a draft amendment to the PAC statute that would accomplish this goal.

IV. Glossary of Abbreviations, Acronyms and Initialisms.

“ACR” means “Accelerated Case Resolution,” which means expediting Trial Cases through consent to quicker procedures.

“AIPLA” means the American Intellectual Property Law Association.

“Champion” means a member of TPAC who has primary responsibility for an issue TPAC is following.

“Examining Attorneys” means trademark examining attorneys. They review, and approve or reject, applications for U.S. trademark registrations.

“FY” means the federal government’s fiscal year.

“INTA” means the International Trademark Association.

“IPO” means the Intellectual Property Owners Association.

“IT” means information technology.

“OCFO” means the Office of the Chief Financial Officer of the USPTO.

“OCIO” means the Office of the Chief Information Officer of the USPTO.

“Office Action” is a response to a trademark registration application. It can raise substantive obstacles to registration (such as likelihood of confusion with another trademark registration) or procedural ones (such as changes needed to the description of goods and/or services).

“TBMP” means the Trademark Board Manual of Procedure, which explains and discusses application of the rules of procedure for litigating matters before the TTAB.

“TEAS” means the Trademark Electronic Application System.

“TMEP” means the Trademark Manual of Examining Procedure, which is a reference guide for trademark application prosecution and registration maintenance.

“TMNG” means “Trademark Next Generation” – a new computer system being designed and built for the Trademark Operation.

“TPAC” means the USPTO’s Trademark Public Advisory Committee.

“Trademark Operation” means the part of the USPTO that processes trademark applications and registrations. It does not include the TTAB, rent for office space, trademark employee post-retirement benefits, certain trademark information dissemination activities (e.g., recording assignments), or the cost of IT systems dedicated to trademarks.

“Trial Cases” means mark registration opposition proceedings and mark registration cancellation proceedings. These are administrative litigations conducted before the TTAB.

“TTAB” means the Trademark Trial and Appeal Board. The TTAB is an administrative court within the USPTO. Primarily, it hears oppositions to the grant of trademark

applications, petitions to cancel trademark registrations, and appeals by trademark applicants of adverse decisions of Examining Attorneys.

“User Fees” are fees paid to the USPTO for trademark processes. They include application filing fees, fees charged at some steps in the prosecution of trademark registration applications, and fees charged to keep trademark registrations in effect.

“USPTO” means the United States Patent and Trademark Office.

Note: Technically, a trademark applies to goods and a service mark applies to services. Yet, for simplicity’s sake, this report uses “trademark(s)” to refer to both trademarks and service marks.

Appendix A

Model Amended Version of PAC Statute

This is the clean version. It shows how an amended statute would read.

TITLE 35--PATENTS

PART I--UNITED STATES PATENT AND TRADEMARK OFFICE

CHAPTER 1--ESTABLISHMENT, OFFICERS AND EMPLOYEES, FUNCTIONS

Sec. 5. Patent and Trademark Office Public Advisory Committees

(a) Establishment of Public Advisory Committees.--

(1) Appointment.--The United States Patent and Trademark Office shall have a Patent Public Advisory Committee and a Trademark Public Advisory Committee, each of which shall have eleven voting members who shall be appointed by the Secretary of Commerce (the "Secretary") and serve at the pleasure of the Secretary. Each member of each public advisory committee ("Advisory Committee") shall be appointed for a term of three years, except that the chair and vice chair of each Advisory Committee each shall be appointed or serve, as provided in this section (a), for a one-year term. In making appointments to each Advisory Committee, the Secretary shall consider the risk of loss of competitive advantage in international commerce or other harm to United States companies as a result of such appointments.

(2) Timing of appointments.--The Secretary shall appoint voting members to terms that begin on January 1 of each calendar year. Vacancies shall be filled within three months after they occur. The person appointed to fill a vacancy shall serve for the remainder of the term of the voting member whose vacancy is being filled.

(3) Staggering of Terms.--The terms of the nine Advisory Committee members appointed for three years shall be staggered so that three new Advisory Committee members are appointed each year, not counting the appointment of new members to replace members who do not complete their terms.

(4) Carryover.--If the term of a voting member ends and no replacement for that person has yet been appointed, the person whose term has ended shall continue to be a voting member of the Advisory Committee until the Secretary has appointed that person's replacement.

(5) Vice Chair.--The Secretary shall appoint a vice chair of each Advisory Committee, whose term as vice chair shall be for one year. While the Secretary shall have discretion to appoint a vice chair who is not and has not been a member of the applicable Advisory Committee, ordinarily the Secretary should select the vice chair from the then-current membership of the applicable Advisory Committee, for the sake of the continuity of the work of the Advisory Committee and so that a proven worker and leader will be chosen for leadership of the Advisory Committee. The vice chair shall fill the duties of the chair if and when the chair cannot perform them. If the chair does not complete his term, the vice chair shall automatically serve as chair for the remainder of the one-year term of the departed chair and (as specified in the following subsection (6)) ordinarily will afterward serve a full one-year term as chair.

(6) Chair.--The person appointed vice chair for one calendar year, if he completes that term, shall become chair of that Advisory Committee for a one-year term for the following

calendar year without any further action unless the Secretary chooses to appoint someone else to serve as chair for that following calendar year. While the Secretary shall have discretion to appoint a chair who is not and has not been the vice chair of the applicable Advisory Committee or even a member of that Advisory Committee, ordinarily the Secretary should permit the outgoing vice chair to become chair, for the sake of the continuity of the work of the Advisory Committee and so that a proven worker and leader will be chosen for leadership of the Advisory Committee.

(7) Officer Nominating Committee.--An "Officer Nominating Committee," comprised of the current chair of the applicable Advisory Committee and the two previous chairs of that Advisory Committee, shall collectively provide to the Secretary their recommendation as to whom the Secretary should appoint as the next vice chair of the applicable Advisory Committee. Preference shall be given to a current Advisory Committee member who is then serving the final year of a three-year term on that Advisory Committee.

(8) Advisory Committee Input.--The Secretary or his designee shall consult with the applicable Advisory Committee chair when making new, three-year appointments to that Advisory Committee.

(9) The Secretary may shorten or lengthen the terms of the individuals who are members of each Committee as of the date of enactment of this statute in order to conform those terms with the staggered calendar year terms specified by this statute.

(b) Basis for Appointments.--Members of each Advisory Committee--

(1) shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory Committee, and with respect to trademarks, in the case of the Trademark Public Advisory Committee;

(2) shall include members who represent small and large entity applicants located in the United States in proportion to the number of applications filed by such applicants, but in no case shall members who represent small entity patent applicants, including small business concerns, independent inventors, and nonprofit organizations, constitute less than 25 percent of the members of the Patent Public Advisory Committee, and such members shall include at least one independent inventor; and

(3) shall include individuals with substantial background and achievement in finance, management, labor relations, science, technology, and office automation.

In addition to the voting members, each Advisory Committee shall include a representative of each labor organization recognized by the United States Patent and Trademark Office. Such representatives shall be nonvoting members of the Advisory Committee to which they are appointed.

(c) Meetings.--Each Advisory Committee shall meet at the call of the chair to consider an agenda set by the chair.

(d) Duties.--Each Advisory Committee shall--

(1) review the policies, goals, performance, budget, and user fees of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory

Committee, and with respect to Trademarks, in the case of the Trademark Public Advisory Committee, and advise the Director on these matters;

(2) within 60 days after the end of each fiscal year--

(A) prepare an annual report on the matters referred to in paragraph (1);

(B) transmit the report to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and

(C) publish the report in the Official Gazette of the United States Patent and Trademark Office.

(e) Compensation.--Each member of each Advisory Committee shall be compensated for each day (including travel time) during which such member is attending meetings or conferences of that Advisory Committee or otherwise engaged in the business of that Advisory Committee, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5. While away from such member's home or regular place of business, such member shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.

(f) Access to Information.--Members of each Advisory Committee shall be provided access to records and information in the United States Patent and Trademark Office, except for personnel or other privileged information and information concerning patent applications required to be kept in confidence by section 122.

(g) Applicability of Certain Ethics Laws.--Members of each Advisory Committee shall be special Government employees within the meaning of section 202 of title 18.

(h) Inapplicability of Federal Advisory Committee Act.--The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to each Advisory Committee.

(i) Open Meetings.--The meetings of each Advisory Committee shall be open to the public, except that each Advisory Committee may by majority vote meet in executive session when considering personnel, privileged, or other confidential information, and except that the Officer Nominating Committee shall conduct its deliberations in executive session and shall provide their report to the Secretary confidentially.

(j) Inapplicability of Patent Prohibition.--Section 4 shall not apply to voting members of the Advisory Committees.

(k) Notwithstanding any other provision of law, Advisory Committee members may amass time worked during a calendar week, and report it and treat it as

(A) work performed on a single day of that week, or

(B) as work performed on less than the number of days actually worked during that week

provided that an Advisory Committee member shall not amass more than twelve hours into a reported day of work and shall not be paid for working more than twelve hours per day.

Appendix B

Model Amended Version of PAC Statute

This is the redline version. It compares the model language in Appendix A to the present PAC statute.

TITLE 35--PATENTS

PART I--UNITED STATES PATENT AND TRADEMARK OFFICE

CHAPTER 1--ESTABLISHMENT, OFFICERS AND EMPLOYEES, FUNCTIONS

Sec. 5. Patent and Trademark Office Public Advisory Committees

(a) Establishment of Public Advisory Committees.--

(1) Appointment.--The United States Patent and Trademark Office shall have a Patent Public Advisory Committee and a Trademark Public Advisory Committee, each of which shall have ~~nine~~eleven voting members who shall be appointed by the Secretary of Commerce (the "Secretary") and serve at the pleasure of the Secretary ~~of Commerce. Members. Each member~~ of each ~~Public~~public advisory committee ("Advisory Committee") shall be appointed for a term of ~~3~~three years, except that ~~of the members first appointed, three shall be appointed for a term of 1 year, and three shall be appointed for a term of 2 years~~the chair and vice chair of each Advisory Committee each shall be appointed or serve, as provided in this section (a), for a one-year term. In making appointments to each Advisory Committee, the Secretary ~~of Commerce~~ shall consider the risk of loss of competitive advantage in international commerce or other harm to United States companies as a result of such appointments.

~~(2) Chair.--The Secretary shall designate a chair of each Advisory Committee, whose term as chair shall be for 3 years.---~~ (3) Timing of appointments.--~~Initial appointments to each Advisory Committee shall be made within 3 months after the effective date of the Patent and Trademark Office Efficiency Act~~The Secretary shall appoint voting members to terms that begin on January 1 of each calendar year. Vacancies shall be filled within ~~3~~three months after they occur. The person appointed to fill a vacancy shall serve for the remainder of the term of the voting member whose vacancy is being filled.

(3) Staggering of Terms.--The terms of the nine Advisory Committee members appointed for three years shall be staggered so that three new Advisory Committee members are appointed each year, not counting the appointment of new members to replace members who do not complete their terms.

(4) Carryover.--If the term of a voting member ends and no replacement for that person has yet been appointed, the person whose term has ended shall continue to be a voting member of the Advisory Committee until the Secretary has appointed that person's replacement.

(5) Vice Chair.--The Secretary shall appoint a vice chair of each Advisory Committee, whose term as vice chair shall be for one year. While the Secretary shall have discretion to appoint a vice chair who is not and has not been a member of the applicable Advisory Committee, ordinarily the Secretary should select the vice chair from the then-current membership of the applicable Advisory Committee, for the sake of the continuity of the work of the Advisory Committee and so that a proven worker and leader will be chosen for leadership of

the Advisory Committee. The vice chair shall fill the duties of the chair if and when the chair cannot perform them. If the chair does not complete his term, the vice chair shall automatically serve as chair for the remainder of the one-year term of the departed chair and (as specified in the following subsection (6)) ordinarily will afterward serve a full one-year term as chair.

(6) Chair.--The person appointed vice chair for one calendar year, if he completes that term, shall become chair of that Advisory Committee for a one-year term for the following calendar year without any further action unless the Secretary chooses to appoint someone else to serve as chair for that following calendar year. While the Secretary shall have discretion to appoint a chair who is not and has not been the vice chair of the applicable Advisory Committee or even a member of that Advisory Committee, ordinarily the Secretary should permit the outgoing vice chair to become chair, for the sake of the continuity of the work of the Advisory Committee and so that a proven worker and leader will be chosen for leadership of the Advisory Committee.

(7) Officer Nominating Committee.--An "Officer Nominating Committee," comprised of the current chair of the applicable Advisory Committee and the two previous chairs of that Advisory Committee, shall collectively provide to the Secretary their recommendation as to whom the Secretary should appoint as the next vice chair of the applicable Advisory Committee. Preference shall be given to a current Advisory Committee member who is then serving the final year of a three-year term on that Advisory Committee.

(8) Advisory Committee Input.--The Secretary or his designee shall consult with the applicable Advisory Committee chair when making new, three-year appointments to that Advisory Committee.

(9) The Secretary may shorten or lengthen the terms of the individuals who are members of each Committee as of the date of enactment of this statute in order to conform those terms with the staggered calendar year terms specified by this statute.

(b) Basis for Appointments.--Members of each Advisory Committee--

(1) shall be citizens of the United States who shall be chosen so as to represent the interests of diverse users of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory Committee, and with respect to trademarks, in the case of the Trademark Public Advisory Committee;

(2) shall include members who represent small and large entity applicants located in the United States in proportion to the number of applications filed by such applicants, but in no case shall members who represent small entity patent applicants, including small business concerns, independent inventors, and nonprofit organizations, constitute less than 25 percent of the members of the Patent Public Advisory Committee, and such members shall include at least one independent inventor; and

(3) shall include individuals with substantial background and achievement in finance, management, labor relations, science, technology, and office automation.

In addition to the voting members, each Advisory Committee shall include a representative of each labor organization recognized by the United States Patent and Trademark Office. Such representatives shall be nonvoting members of the Advisory Committee to which they are appointed.

(c) Meetings.--Each Advisory Committee shall meet at the call of the chair to consider an agenda set by the chair.

(d) Duties.--Each Advisory Committee shall--

(1) review the policies, goals, performance, budget, and user fees of the United States Patent and Trademark Office with respect to patents, in the case of the Patent Public Advisory Committee, and with respect to Trademarks, in the case of the Trademark Public Advisory Committee, and advise the Director on these matters;

(2) within 60 days after the end of each fiscal year--

(A) prepare an annual report on the matters referred to in paragraph (1);

(B) transmit the report to the Secretary of Commerce, the President, and the Committees on the Judiciary of the Senate and the House of Representatives; and

(C) publish the report in the Official Gazette of the United States Patent and Trademark Office.

(e) Compensation.--Each member of each Advisory Committee shall be compensated for each day (including travel time) during which such member is attending meetings or conferences of that Advisory Committee or otherwise engaged in the business of that Advisory Committee, at the rate which is the daily equivalent of the annual rate of basic pay in effect for level III of the Executive Schedule under section 5314 of title 5. While away from such member's home or regular place of business, such member shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5.

(f) Access to Information.--Members of each Advisory Committee shall be provided access to records and information in the United States Patent and Trademark Office, except for personnel or other privileged information and information concerning patent applications required to be kept in confidence by section 122.

(g) Applicability of Certain Ethics Laws.--Members of each Advisory Committee shall be special Government employees within the meaning of section 202 of title 18.

(h) Inapplicability of Federal Advisory Committee Act.--The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to each Advisory Committee.

(i) Open Meetings.--The meetings of each Advisory Committee shall be open to the public, except that each Advisory Committee may by majority vote meet in executive session when considering personnel, privileged, or other confidential information, and except that the Officer Nominating Committee shall conduct its deliberations in executive session and shall provide their report to the Secretary confidentially.

(j) Inapplicability of Patent Prohibition.--Section 4 shall not apply to voting members of the Advisory Committees.

(k) Notwithstanding any other provision of law, Advisory Committee members may amass time worked during a calendar week, and report it and treat it as

(A) work performed on a single day of that week, or

(B) as work performed on less than the number of days actually worked during that week

provided that an Advisory Committee member shall not amass more than twelve hours into a reported day of work and shall not be paid for working more than twelve hours per day.