

Trademark Public Advisory Committee

Fiscal Year 2011 Annual Report

I. Introduction.

This is the twelfth annual report of the Trademark Public Advisory Committee (“TPAC”). This report reviews the trademark operations of the United States Patent & Trademark Office (the “USPTO” or the “Office”) for the Fiscal Year ending September 30, 2011. 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 Fiscal Year and is transmitted to the President, the Secretary of Commerce and the Committees on the Judiciary of the Senate and the House of Representatives. 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 2011, the following individuals are members of TPAC:

- Cheryl L. Black, Principal, Goodman Allen & Filetti, PLLC, Richmond, Virginia (term ends December 6, 2013).
- Anne H. Chasser, Vice President, Office of Research, University of Cincinnati, Cincinnati, Ohio (term ends December 6, 2013).
- 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 ended October 6, 2011).
- Jody Haller Drake, Partner, Sughrue Mion, PLLC, Washington, D.C. (term ended October 6, 2011).
- Deborah Hampton, Former Intellectual Property Manager, Limited Brands, Reynoldsburg, Ohio (term ends December 6, 2013).
- Timothy J. Lockhart, Member, Willcox & Savage P.C., Norfolk, Virginia (term ended October 6, 2011).
- Kathryn Barrett Park, Senior Counsel, General Electric Corporation, Fairfield, Connecticut (term ends September 3, 2012).
- Maury M. Tepper, III, Member, Tepper & Eyster, PLLC, Raleigh, North Carolina (term ends June 26, 2014).

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.

Report Highlights. Continuing recent trends, FY2011 was a highly productive and successful year for Trademark Operations. TPAC commends the dedicated staff of Examining Attorneys, Document Specialists, Paralegals, IT Specialists and others who have all contributed to a positive and productive office. This Report will review significant achievements in detail, but it is important to note that Trademarks has once again met and exceeded its performance measures and continues to be a model for other government agencies in the area of e-government and telework.

In addition to a dedicated and capable group of professionals, much of the success of Trademarks comes from its energetic and talented leadership. At the outset, TPAC wishes to express its deep thanks and admiration to former Commissioner for Trademarks, Lynne Beresford, who retired from the USPTO during FY2011. Commissioner Beresford served numerous roles at the Office, culminating in a highly successful tenure as Commissioner for Trademarks, and her vision, good humor and dedication have endeared her both to the USPTO and to the trademark community. Lynne is a true champion for trademarks, and we thank her for committing her tireless energy and her prodigious skills to the cause of Trademark Operations.

The trademark community has been incredibly fortunate to experience an unprecedented “seamless” transition from Commissioner Beresford to Commissioner Deborah Cohn. TPAC applauds the leadership of Director David Kappos in moving quickly to appoint Commissioner Cohn, who is well-known to the trademark community and has an accomplished history with the USPTO. We believe that this may be the first time there has been no “gap” in the Commissioner for Trademarks position and, as discussed in this report, Commissioner Cohn has validated the wisdom of this choice by amassing her own impressive record of accomplishments and by continuing the tradition of exceeding all performance measures and expectations set for Trademark Operations.

TPAC is also pleased to note that the Trademark Trial and Appeal Board (“TTAB”) also has experienced and accomplished leadership in place. FY2011 saw the appointment of Gerard Rogers as Chief Judge of the TTAB. Chief Judge Rogers has a long and impressive record of service to the USPTO, and his experience and dedication will serve the Board well. TPAC looks forward to working with Chief Judge Rogers to address issues facing the TTAB, and TPAC is confident that Chief Judge Rogers possesses both the experience and leadership skill required to bring the TTAB forward in the coming years.

As outlined in more detail below, FY2011 saw many significant accomplishments and a number of unique challenges for Trademark Operations. In spite of continuing external challenges brought about by the vagaries of the federal budgeting, appropriation and authorization process, Trademark Operations has managed to carry out many important initiatives and to improve its rules and practices in response to feedback from its customers. Although the passage of the Leahy-Smith America Invents Act of 2011

promises to improve the USPTO's ability to set its fees and to have better access to those fees, the Act unfortunately does not eliminate all of the drawbacks related to the federal budgeting, appropriation and authorization process, and TPAC continues to support a more stable and self-contained funding system for the USPTO.

Discussion of Specific Issues.

A. Trademark Operation Performance.

1. Performance Statistics.

- a. **Small Increase in Applications.** In FY 2011, the trend that started in 2010 of an increase in the percentage of trademark applications continued, with an increase in filings to a total of 398,667 in FY 2011. This represents an increase of eight percent over applications filed in 2010. Application filings are up significantly over the past two years, although they have not quite reversed the decline of over 9% which the Office experienced in 2009. Just as the dramatic decline in filings in 2009 seemed to reflect the slowing of the U.S. economy in late FY 2008 and early FY 2009, the slow but steady increase in applications in FY 2010 and FY 2011 seems to mirror the ongoing economic recovery.
- b. **Balanced Disposals Met Projections.** Continuing the trend shown in FY 2010, the Trademark Operation had high productivity in FY 2011. Total Examining Attorney production was 780,821 Balanced Disposals. A "Balanced Disposal" represents one of three potential actions regarding an application: a first Office Action issued, approval of an application for publication (examination is complete), or abandonment of the application. The FY 2011 total of Balanced Disposals met the Trademark Operation's target of 777,000 Balanced Disposals.
- c. **Total Office Disposals Exceeded Projections.** "Total Office Disposals" are abandonments of applications plus issued registrations. Total Office Disposals for FY 2011 were 379,494, which exceeded the Trademark Operation's projection by 6.6 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 3.1 months in FY 2011, well within the USPTO goal 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.

- e. Average Total Pendency Exceeds Goals. “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 2011 was 12.6 months with suspended and *inter-partes* cases included (compared to 13 months in FY 2010), significantly exceeding the goal of fifteen months. (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-partes* case is an action before the TTAB, such as an opposition to registration.) When suspended and *inter-partes* cases are excluded, Average Total Pendency for FY 2011 drops to 10.5 months.
- f. Overall. The Trademark Operation has substantially met or exceeded all of its FY 2011 quantitative goals and is performing well. TPAC commends the Trademark Operation, and particularly Commissioner Deborah Cohn, for this outstanding performance.

- 2. Quality. The standard of trademark examination continues to be high. TPAC congratulates the Trademark Operation’s Examining Attorneys and Managing Attorneys 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.

The Trademark Operation's goals for FY 2011 were 95.5% percent compliance for the first Office Actions and 97% percent for final disposition. For FY 2011, the Trademark Operation achieved 96.5% percent for first Office Action compliance (which exceeded the revised goal by one percent.) Also for FY 2011, the Trademark Operation achieved 97% percent final disposition compliance, which also exceeded its goal.

- b. Excellent Office Action. For FY 2011, the Office introduced a new standard of comprehensive quality to measure the percentage of first Office Actions that are excellent in all respects. The standard included four criteria: (i) the appropriateness of the likelihood of confusion search, (ii) the quality of the evidence provided, (iii) the clarity of the writing (i.e., clear, succinct and concise), and (iv) the quality of decision making regarding registrability. The Office set a goal for FY 2011 that 15 percent of all office actions would meet this new measure. The Excellent Office Action metrics show that the Office has far exceeded that goal, as 23.6% percent of all first Office Actions met the criteria for the Excellent Office Action at the close of FY 2011.

TPAC applauds the Office for creating an important and meaningful metric that is of great value to the user community, providing comprehensive training on that new metric to its Examining Attorneys, and then exceeding its goals for that metric for the year. TPAC also supports the continued training on the Excellent Office Action initiative planned for FY 2012.

3. Initiatives Completed in 2011.

- a. Release of "Wiki" Version of parts of TMEP by IdeaScale Pilot. On January 12, 2011, the Office introduced a feature to the TMEP that permits the user community to provide public comments that are accessible to the user community as well as to the Office. This public collaboration tool, which is offered through a program called IdeaScale, is open to different sections and/or chapters of the TMEP at different times, although users are free to, and do, make comments on other sections of the TMEP and related issues. Through the use of this program, the Office has received a number of helpful suggestions, some of which will be incorporated into the next revision of the Manual or into an upcoming newly-formatted electronic version of the Manual and some of which will be considered for future changes to the Trademark Rules of Practice.

TPAC has continuously supported the use of a system that permits users to post comments in this way, and is supportive of the Office eventually opening the entire TMEP to user comments. The Office will also explore posting proposed revisions of the TMEP for comment, prior to incorporation into the TMEP.

- b. Release of Trademarks “Dashboard.” In May of 2011, the Office unveiled a new Trademarks Dashboard, which furthers its goal of providing the user community with greater transparency into the operations of the Office. The Dashboard contains a number of different metrics, presented in a visual format that is easy to understand. For example, the Dashboard gives metrics on pendency, measures of quality, numbers of applications and registrations, in graph and chart formats. In response to user feedback, the Office has made subsequent revisions to the Dashboard, to further address user needs.

TPAC enthusiastically supported the creation of the Trademarks Dashboard and commends the Office for undertaking this initiative to make such information more easily available and understandable to the user community.

- c. Enhancements to Email Communication with Examining Attorneys. The USPTO has diligently been working on and exploring the implementation of a single email correspondence address with up to four courtesy email addresses to facilitate communication. In the meantime, it is suggested that email users set up internal rules on the backend that auto forward email to specific email boxes. The Office hopes to implement this practice of additional communication in the near future and TPAC applauds the Office on this endeavor.

By way of background, it has become the norm for trademark practitioners at law firms or at corporations to set up a general email address to which all electronic correspondence from the USPTO is routed. This method alleviates concern when an individual either leaves an organization or for example, no longer has responsibility for a trademark matter, but the method can delay communication, since email received at the “general” mailbox address is typically first reviewed by a docketing clerk, paralegal or support staff before being forwarded to the responsible attorney for action. The implementation of this additional form of communication will further the USPTO’s pendency objectives, particularly because relatively simple matters can quickly be handled by the Applicant’s Attorney. TPAC enthusiastically supports this plan.

- d. Completion of Trademark Litigation Tactics Study. On March 17, 2010, the Trademark Technical and Conforming Amendment Act of 2010 was signed into law by President Obama. The law required the Department of Commerce and the Intellectual Property Enforcement Coordinator to conduct a study and report to Congress on two issues. First, the extent to which small businesses might be harmed by abusive trademark enforcement tactics and second, the best use of the federal government's services to protect trademarks and stem counterfeiting. The USPTO, acting for the DOC, took the laboring oar in conducting the required study, and the report was transmitted to Congress on April 27, 2011. In preparation for the study, the USPTO engaged small business owners and other stakeholders, holding a roundtable discussion and issuing a request for public comment.

The study made some key recommendations. These included increasing opportunities for small businesses to obtain education as well as legal advice and to enhance the resources provided by the government to further educate both small businesses and the public on the importance of, and the need to protect, intellectual property rights.

Although the study falls outside of the USPTO's core mission of examining and registering trademarks, the Office nevertheless conducted the study in a thorough and thoughtful manner, and TPAC applauds the USPTO for its approach to the issue, for its helpful recommendations, and for the continued outreach planned for FY 2012, in furtherance of one of the study's recommendations.

- e. Enhancements to Assignments Branch Notifications. As part of its continuing effort to improve its electronic systems, the Office made some significant changes to the Electronic Trademark Assignment Systems in the fourth quarter of FY 2011. Trademark documents recorded with the Assignment Services Branch are now able to be viewed on the USPTO website. TPAC has long supported the Office in making assignment information more accessible to the public and congratulates the Office on this important improvement to its on-line systems. Additionally, some changes were made to the Assignment recordation process, including making the type and citizenship of the receiving party mandatory on the Assignment Recordation Cover Sheet. This change in practice will prevent denials of recordation when this information, as required under 37 C.F.R. § 3.31(a) (8), is inadvertently omitted, and will as a consequence, shorten the timeframe for receiving Notices of Recordation. Further, all ownership information received from the International Bureau

("IB") of the WIPO Requests for Extensions of Protection (Madrid 66(a) applications) will be entered into the assignment databases and will be viewable on the website.

The Office has additional plans for FY 2012 to continue to improve assignment information, including ensuring that the Trademark Assignment Abstract of Title information for Madrid applications that is available on the USPTO website will correspond to the current ownership information in the Trademark Databases (i.e., TARR and TESS) and to the ownership documents appearing in the Trademark Assignments Database. Another important change that the Office completed in FY 2011 was to send all Notices of Recordation and Notices of Non-Recordation for trademark assignments via email in more cases, where email communication has been authorized by the recording party, rather than by fax, as has been the practice.

TPAC knows that these changes, and future changes, in making assignment documents more easily available to the public via the website, will bring long-needed user access to the public and will facilitate transactions and financing involving trademarks, which often require up-to-date information about ownership and title.

4. Issues Under Study.

- a. Deadwood on the Register. The USPTO has initiated efforts to assess the accuracy of identifications of goods and services in Trademark applications and registrations, particularly in light of the Federal Circuit's decision in *In re Bose Corp.*, 580 F.3d 1240, 91 U.S.P.Q.2d 1938 (Fed. Cir. 2009), which changed the standard by which fraud on the Office is determined. By way of background, the USPTO and the George Washington University School of Law hosted a roundtable discussion on the topic of "The Future of the Use-Based Registration" in April of 2010. In June 2010, following that roundtable discussion, the USPTO published a Request for Comments (RFC) seeking suggestions to Improve the Accuracy of Identifications of Goods and Services in Trademark Applications and Registrations at the USPTO. Many responses were received by the Office, which then evaluated the suggestions in light of ease and cost of implementation, potential effectiveness, and likelihood of acceptance by the user community.

In FY 2011, the Office concluded that the use-based register, which is very important to the user community in the U.S., would be served by making changes to permit the Office to request additional information, including specimens, at the time of filing

an Affidavit of Continued Use under Section 8 of the Trademark Act (15 USC §1058).

On July 12, 2011, a Request for Comments was published, seeking feedback on a proposed rule change that would permit the Office to request additional specimens at the Section 8 filing stage. Currently, the Office can ask for “such information and exhibits as may be reasonably necessary to the proper examination of the application” during the initial examination, pursuant to Rule 2.6.1(b) (37 C.F.R. § 2.61(b)), but not in post-registration examination. The proposed rule would ensure the Office’s ability to similarly ask for additional information, exhibits and specimens, and supporting declarations and affidavits, in post-registration filings. Additionally, the proposed rule would treat consistently all registrations, including those filed based on foreign and international registrations under Sections 44(e) and 66(a) of the Trademark Act (15 U.S.C. §§1126(e) and 1141f(a)), respectively, since they may not involve any review of specimens on a pre-registration basis.

All comments that were received by the Office in response to the RFC, which closed on September 23, 2011, will be reviewed and incorporated as appropriate into the Office’s continued assessment of how to ensure the integrity of the register. TPAC supports this important step to permit the Office greater flexibility in taking steps to ensure the accuracy of the register.

- b. Disclaimer Practice. On June 21, 2011, the Office hosted a roundtable to ascertain stakeholder views on whether the disclaimer practice at the Office under Section 6 of the Trademark Act, which provides that a disclaimer “may” be required of any “unregisterable component” in an applied for mark, continued to be viewed as helpful by the user community, or whether changes in practice, including potentially eliminating disclaimers, should be considered. This issue was a focus of the Office because (a) several other jurisdictions, including Canada, Australia and the UK, had recently eliminated disclaimer practice and (b) current disclaimer practice requires significant resources, with approximately 30 percent of cases involving disclaimers.

Issues that the Office sought specific feedback upon included, in summary: (1) Are disclaimers useful and effective, that is, do they clarify rights, promote certainty regarding registrable matter and do they help an applicant assess potential 2(d) conflicts between marks? (2) What are the legal implications of policing and enforcing marks and in litigation, and do courts understand and apply disclaimer policies correctly? (3) What are concerns that the

user community has regarding disclaimer practice, and are these concerns worth the time and expense often required to resolve disclaimer issues? (4) Is more detailed guidance on the nuances of disclaimers needed to alleviate confusion, and conflicting results, in disclaimer practice, and what areas, specifically, would benefit in this regard? (5) What are the pros and cons to eliminating the “unitary mark” exception to disclaimer requirements, so that any unregistrable component is disclaimed, even if it is unitary with other matter in the mark? (6) What would be the positives and/or negatives in eliminating disclaimers, and (7) Are there other changes that should be considered with respect to disclaimer practice?

The roundtable included representatives from various IP user groups, with Timothy J. Lockhart representing TPAC. The feedback from the participants was that the user community does not want significant changes in disclaimer practice, and finds disclaimers to be useful and necessary to determine the extent of rights in a mark. The Office is preparing further guidance on disclaimers, for both internal and external use, and will issue an Examination Guide on disclaimers that will be incorporated into a future edition of the TMEP.

5. Additional Office Outreach.

- a. Trademark User Feedback. The Office continued to seek user feedback in a variety of ways, including the creation of a “Trademark Feedback Mailbox” on the USPTO website available at TMFeedback@uspto.gov, where users can bring to the Office’s attention complaints, compliments or any other issues such as suggestions for improvements to the operation of the Office. Communications made to the Trademark User Feedback box are not considered official filings and do not become part of the official record for any application or regulation. The creation of a user feedback capability had been an initiative that TPAC supported, and TPAC applauds the Office for creating this additional functionality.
- b. Activities and Events. In addition, the Office sought specific user feedback in a series of roundtables and discussions. These included, as mentioned in more detail elsewhere in the Annual Report: a roundtable to explore the public concerns about the use of trademarks in litigation (see Section I.A.3.d), a roundtable to explore whether changes are required to disclaimer practice (see Section I.A.4.b), and roundtables to explore how to encourage greater use of the electronic systems by users, exploring ways in

which the Office could take steps to address issues that inhibited electronic communication with the Office.

i. USPTO Roundtable on Electronic Communication for Trademark Matters. Specifically, on December 3, 2010, the Office held a USPTO Roundtable on Electronic Communication for Trademark Matters. The Roundtable focused on:

- (A) For those who authorize email correspondence during trademark prosecution: What are best practices for docketing and routing email correspondence in your office? What are best practices for recordkeeping? What do you see as the advantages of receiving email correspondence?
- (B) For those who do not authorize email correspondence: What are some of the reasons that you prefer to receive paper correspondence from the USPTO? What do you see as limitations or drawbacks to receiving email correspondence? What technical or policy changes could the USPTO implement to incentivize you to authorize email?
- (C) What are best practices for filing documents using TEAS? What is the best way to handle attachments of documents and evidence? What is the best procedure to follow when you encounter electronic filing problems?
- (D) What are best practices for communicating with clients, including obtaining client signatures on documents, in an electronic environment?

ii. USPTO Panel Discussion on Informal Communications.

On March 29, 2011 the USPTO held a panel discussion on best practices for Informal Communication in trademark matters. The Roundtable, which was organized by Michael Baird, Managing Attorney, USPTO, consisted of a discussion among participants from various user groups, including AIPLA, IPO and INTA, as well as senior examining attorneys. Deborah Hampton, Jody Drake and Kathryn Barrett Park, all currently serving on TPAC, were among those who participated.

iii. USPTO Seminar on Trademark Electronic Filing. On April 28, 2011, the Office hosted a seminar on electronic

filing for trademarks. Craig Morris, the Managing Attorney for Trademark Electronic Application System (“TEAS”) demonstrated the use of forms, answered questions about electronic filings and explored best practices.

- iv. USPTO Roundtable with Law Firms. On June 23, 2011, the Office held a focus group with law firm users that currently do not authorize email communication with the Office, but that do file applications electronically. In that discussion, which was also led by Craig Morris, the Office received some concrete information on the barriers that keep these law firms from permitting email correspondence, including the need for additional courtesy copies of electronic notices, and changes to the practice with respect to emailing notices of publication. These are issues which the Office will address in FY 2012, and which should lead to greater electronic communication between the Office and its customers.

We note that in FY 2012, the Office will continue to reach out to its stakeholders, including hosting roundtables on electronic communications and other issues, at both its Office and other geographic locations. TPAC supports the Office in its efforts to continuously seek user input so it can improve its electronic systems.

B. IT and E-Government Issues.

1. Trademark Next Generation (“TM NG”). On August 14, 2009, the Director of the USPTO instructed the Chief Information Officer (“CIO”) to start separating the trademark information-technology (“IT”) infrastructure from the rest of the USPTO IT infrastructure and begin planning, creating, and implementing an integrated IT system for end-to-end electronic processing of trademark applications and trademark registration maintenance and renewals. The proposed system, now known as Trademark Next Generation (“TM NG”), is intended to replace the USPTO’s current trademark IT infrastructure—a patchwork of legacy applications and databases that operate on relatively old software, are not well documented, and are not fully compatible—with a modern, integrated, and much more capable system. Moreover, TM NG is intended to give trademark owners and practitioners as well as Examining Attorneys all of the tools they need for end-to-end electronic trademark processing and to accommodate the increasingly large and complex electronic specimens of use now being filed in connection with trademark applications.

TPAC enthusiastically supports the concept of TM NG, as do the USPTO's Trademark Operation and, TPAC believes, most members of the trademark community. However, as discussed below, TPAC is concerned by the relatively slow pace at which TM NG is being developed. In addition, TPAC is also concerned that the USPTO will need to designate sufficient funding resources to support TM NG development on an ongoing basis, separate and apart from general IT projects. There appears to be enough money available to fund the development of TM NG, but unless the money is essentially sequestered for that purpose, part of the money—and, given patent and other IT needs, perhaps a significant part—could potentially be spent on other projects, thereby resulting in underfunding of TM NG.

- a. TM NG Project Currently Underway. Working together, the Trademark Operation and the OCIO have made some progress on TM NG. The Trademark Operation gathered input from Examining Attorneys and Interlocutory Attorneys and the union that represents them, NTEU 245, as to their “wish list” for TM NG functionality and user interface; solicited similar input from members of the trademark community; reviewed, deconflicted, and consolidated that input; and provided it to the OCIO. The OCIO engaged a highly experienced IT consultant to review the current trademark IT infrastructure, study the proposals for TM NG functionality and user interface, and, based on that research, make detailed recommendations about TM NG system requirements and architecture. The OCIO appointed Raj Dolas, a well-qualified IT expert, as “TM NG Portfolio Manager,” thereby taking the sensible step of having a senior IT project manager whose highest priority is the successful development and implementation of TM NG. In accordance with its concept of developing TM NG in an “evolutionary” versus “revolutionary” way, the OCIO took the first concrete step toward implementing TM NG by basing Trademark Document Retrieval (“TDR”) 2.0 in the cloud environment.
- b. Project Timeline Adjustments and Delays. The Director of the USPTO originally proposed that TM NG be developed and implemented within 12 to 18 months, *i.e.*, no later than February 2011. That schedule always seemed optimistic, and from the beginning the OCIO estimated that developing and implementing TM NG would actually take up to three years, *i.e.*, until the end of FY 2012. However, it has been two years since the project commenced, and TM NG is still in the planning stage. The OCIO now projects that TM NG will not be fully implemented until sometime in FY 2014, and of course that projection could slip if, as is common with large-scale IT development projects, problems arise with the development of TM NG. Given this significant shift in development timelines, TPAC intends to actively work with

Trademark Operations and with OCIO to ensure that TM NG progresses at an appropriate pace and that the trademark community receives the benefit of its investment in this initiative.

According to the latest information from the OCIO, work on TM NG will proceed as follows in FY 2012:

- The focus will continue to be primarily on planning activities, prototype efforts, and standup of the TM NG IT platform.
- TM NG planning activities will concentrate on two distinct tracks: (1) platform and infrastructure improvements; and (2) application and functional improvements.
- The platform and infrastructure improvements track, work on which began in June 2011, contains the following programs: separation and virtualization, cloud computing, and infrastructure improvement.
- The application and functional improvements track is to be done by trademark business architects, who are creating business capability and value stream maps that will drive the design and development of applications to fulfill trademark business needs.

TPAC recognizes that TM NG is a large, complex, and ambitious project and understands that it is by no means the only IT project on which the USPTO is working. Moreover, TPAC does not believe that any one person or organization is to blame for the relatively slow progress made on TM NG to date. In fact, TPAC commends both the Trademark Operation and the OCIO for their spirit of cooperation on the project. TPAC does, however, see both the rate of progress and the method of funding for TM NG as significant issues that require ongoing attention and support.

2. Rollout of New “Universal” Laptop Program (“ULP”s). The OCIO is progressing with its deployment throughout all divisions of the USPTO of new “universal” laptop computers to replace the personal computers and laptops previously used by USPTO employees. The new laptops will feature both standard software needed by all USPTO employees and, within particular distribution groups such as Patents, Trademarks, etc., customized software needed by the employees assigned to those groups.

As of August 5, 2011, the OCIO had deployed a total of 3,435 universal laptops. With only a small percentage of the outstanding deployments left for Office of Chief Administrative Officer, OCIO, and two Patent units, OCIO will spend the remaining time of the ULP rollout on Trademarks.

The major problem with the universal laptops intended for Trademarks personnel is that for reasons having to do with Internet connectivity, bandwidth, and download speed (especially for very large data files) two key applications used extensively by Examining Attorneys do not work well outside USPTO headquarters. Those two applications are FAST, through which Examining Attorneys write Office Actions and Examiner's Amendments, and X-Search, through which Examining Attorneys search for registered or prior pending marks that could preclude registration of newly applied-for marks. Because most Examining Attorneys now work from home, not being able to access and use FAST and X-Search reliably and quickly raises significant work-production and even morale issues, and TPAC agrees with the conclusion of Trademark Operations that the roll-out of Universal Lap Tops to Trademarks is not feasible until these two issues are successfully resolved.

The OCIO planned for five Trademarks employees to receive a test version of the universal laptop in August 2011. Assuming that the testing goes well, the OCIO is to begin deployment of universal laptops to Trademarks employees in mid-to-late November 2011 with completion tentatively scheduled for March 2012. Obviously, if the testing does not go well, such deployment should not occur until any and all software issues have been resolved to the satisfaction not only of the OCIO but also of the Trademarks Operation and NTEU 245, the union that represents Examining and Interlocutory Attorneys. Accordingly, TPAC has confirmed with the Commissioner for Trademarks that she will not approve deployment of universal laptops to Trademarks employees until there is a consensus between the OCIO and Trademarks that the Trademarks version of the computers will enable Examining Attorneys to telecommute in a fully effective manner. TPAC fully endorses and agrees with this decision.

3. Expansion of Contractor Base. To improve the efficiency and effectiveness of its contractor support, the USPTO is seeking to expand the number of contractors it uses (although not necessarily the number of contractor personnel). Thus, the USPTO is currently in the acquisition process to fulfill its contractor requirements for improved systems development and integration services.

The goal of the ongoing acquisition process is to obtain enhanced technical capabilities deployed through innovative concepts/methodologies and industry best practices to provide better support of the USPTO's IT needs. The USPTO anticipates leveraging multiple award vehicles to both large and small businesses to increase the depth of acquired skills, talent, and experience and to provide improved competition when issuing task orders to fulfill requirements.

The end result should be that the USPTO will obtain advanced and innovative technical solutions while more effectively managing costs. TPAC agrees that this acquisition process is necessary and hopes to see fruitful results from it in due course.

C. **Budget and Funding Issues.**

1. **Fee Diversion and Access to Funds.**

- a. **The Problem of Diversion.** As a User Fee-Funded Agency, the USPTO is unique among most federal agencies. All funds supporting operation of the USPTO come from filing fees and other fees paid by users of the Office who seek to register trademarks or to obtain patents. Unfortunately, even after the enactment of the Leahy-Smith America Invents Act of 2011 (discussed below), the USPTO is still subject to the Congressional budgeting and appropriations process, and the USPTO therefore is unable to spend the fees paid to it by users unless and until authorized to do so by Congress as a part of the annual Congressional Budget. Unfortunately, Congress has not always authorized the USPTO to spend all of the funds paid to the Agency by its users. Worse, still, Congress has, in the past, diverted funds paid to the USPTO for use by other government programs. Such diversion of funds constitutes a tax on intellectual property owners, who are, in effect, subsidizing the operation of other parts of the federal government through their user fees, and significantly inhibits the ability of the USPTO to effectively plan and implement programs to enhance its operations, which are vital to the future economic growth of our country. As discussed in more detail below, the recent passage of the America Invents Act promises to improve this situation. TPAC, however, continues to support an outright end to the diversion of USPTO funds.

While TPAC strongly supports the implementation of the America Invents Act, TPAC notes that Section 22 of the Act is not consistent with Congressional commitment made during discussion of the bill that the USPTO would have full access to all user fees collected. Instead of providing that the USPTO can access and use the fees it collects, Congress has left the USPTO in the appropriations process and has merely assured that, if USPTO appropriations do not cover all user fees collected, Congress will make a subsequent appropriation to include the user fees collected. Because such assurances do not guarantee that the USPTO will have access to actual fees collected in a timely and predictable manner, TPAC continues to support further changes to USPTO funding to allow for such free access.

- b. Budgeting Under Continuing Resolutions. TPAC is also concerned about the impact on the USPTO's ability to plan and to carry out projects of the periodic need to operate under a Continuing Resolution ("CR"). A CR is often passed when Congress is unable to agree upon a budget in a timely manner. In effect, a CR allows for continued operation of governmental agencies at the prior year's budgeting levels. In light of the increases in Trademark filings over the last several years, the revenues of the USPTO often exceed its budgeted allocations for the previous year. Thus, operating under a CR requires the USPTO to spend below its income levels, which necessarily impacts the USPTO's ability to complete projects due to lack of resources. The TPAC strongly supports access and ability to spend user fees to implement the Trademarks' strategic initiatives in information technology and the efficiency of its end to end electronic filing system.
- c. The America Invents Act and PTO Funding. Although it does not eliminate the prospect of fee diversion, and although it no longer contains the concept of establishing a "Revolving Fund" for USPTO User Fees to be accessed by the USPTO (a concept that TPAC strongly supports), legislation recently passed by Congress and signed by the President nevertheless promises to alleviate some of the concerns expressed above.

H.R. 1249, "The Leahy-Smith America Invents Act of 2011," which was signed into law on September 16, 2011, establishes a Patent and Trademark Fee Reserve Fund, into which any amounts received by the USPTO in User Fees above its appropriated budget will be deposited, to be used only for USPTO purposes. The Act further directs that fees received pursuant to Section 31 of the Lanham Act may be used only for the processing of trademark registrations and for that portion of shared expenses allocable to trademark activities, preserving the "Trademark Fence" currently set forth in the Patent Act. A similar "Patent Fence" is included in the legislation. TPAC supports the separation of fees and recommends that the Agency provide further safeguards to ensure the appropriate allocation of fees and accounting for costs.

Finally, the legislation provides the Director of the USPTO with authority, subject to consultation with the appropriate Public Advisory Committee, to set User Fees. TPAC supports the ability of the USPTO to establish and to adjust User Fees, but TPAC continues to believe that such authority should be accompanied by the USPTO being given full authority to use such fees.

2. PTO Study of Activity-Based Cost Accounting

Trademark Cost Analysis. The Trademark Office's Activity-Based Information (ABI) Model is fully operational for Trademark Operations Activities and has now expanded to include the activities of the TTAB. While the Office is continuing to identify ways to improve the modeling system, it has proven to be an effective tool in tracking costs for all the activities associated with the Trademark Operations. While the ABI model and its report of costs is a vast improvement in the Agency's ability to identify the allocation of shared services costs, improvements are needed in extending this same methodology for budgetary estimates. Future budget estimates make use of past cost allocations and could be improved by developing a better methodology for taking program initiatives into consideration when determining the "shared services" and the fee revenues necessary to support their growth. This would improve the Agency's ability to forecast future revenue requirements when proposing changes to fees, now that the Agency has this authority.

D. Trademark Trial and Appeal Board.

1. Precedential Decisions.

Although FY2010 had seen an increase in the number of precedential decisions (54 as opposed to 49 in FY 2009), FY 2011 saw a decrease in the number of precedential decisions, for a total of 38, which was a 30 percent drop from the prior year. The decline in the number of decisions designated for precedent was not due to any single cause, but to a combination of factors, including the push in the first three quarters of FY 2011 to finalize and publish the new edition of the TBMP (discussed in Section D. 3. below) and decreased capacity among the judges due to retirements, family leave and medical reasons during the fiscal year.

TPAC believes that the TTAB serves the user community best when it designates decisions for precedent, as those are the cases that trademark owners and other litigants can rely upon to guide their assessment of the ability to use a particular mark in similar circumstances, to shape filing and prosecution strategy and to help trademark owners develop enforcement priorities. TPAC is therefore concerned that far fewer cases resulted in precedential decisions in FY 2011 than in the past several years. Looking ahead, TPAC is confident that the TTAB is positioned to address this situation in FY 2012 and to again issue more precedential decisions. Factors supporting the TTAB's ability to render more precedential decisions include the appointment of Gerard Rogers, from Acting Chief Judge of the TTAB to Chief Judge of the TTAB, the hiring of several new judges, completion of revisions to the TBMP and the creation of a new position to support the TBMP. Thus TPAC expects that the level of decisions designated for precedent in the upcoming fiscal year should easily regain the level of FY 2010, and surpass it.

TPAC applauds Chief Judge Gerard Rogers, and the TTAB, on the quality of its precedential decisions in FY 2011, which directly address the Office's strategic

goal of optimizing trademark quality through its objective to enhance TTAB operation. In FY 2011, important and well-reasoned and articulated decisions were issued on a number of issues where the user community had sought greater clarification, for example, the impact of a failure to establish a *bona fide* intent to use, dilution, failure to function, functionality and likelihood of confusion.

2. Performance Statistics.

- a. Oppositions and Cancellation Proceedings. In FY 2011, the number of oppositions increased over FY 2010 by nearly ten percent, from 4,513 to 4,985, while the number of cancellations held fairly steady at 1,374 compared to 1,362 for FY 2010.
- b. Pendency Pendency increased in many aspects, continuing a trend from FY 2010, which saw pendency generally rise over FY 2009, in some categories, dramatically.

The pendency of issued final decisions from the ready for decision (RFD) 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 one), increased to 17.9 weeks, over the FY 2010 level of 12.4 weeks, which itself was almost double the pendency in FY 2009 of 6.6 weeks. The total number of final decisions on the merits was 452, which was a decrease of one percent from FY 2010 (and again that had seen a 35 percent decrease from the number in FY 2009).

The average pendency of trial cases (not including interlocutory decisions *inter partes* cases) was 213 weeks, which was a slight increase from FY 2010 level of 204 weeks.

For appeals, in FY 2011 the average time to disposition was 51 weeks from filing to decision, which was a slight increase over average pendency in FY 2010 at 45.5 weeks. Median pendency for appeals was increased to 43 weeks, over the FY 2010 level of 38 weeks.

The pendency of issued decisions on contested motions rose slightly from 7.8 weeks in FY 2010 to 9.6 weeks in FY 2011. The total number of decision issued on contested motions was 785, again reflecting a decrease from the 920 issued in FY 2010.

The increase in pendency has been accompanied by a similar increase in the number of cases awaiting decision. At the end of FY 2011, the number of cases awaiting decision was 213, compared to FY 2010, in which the number of cases awaiting

decision was 127 (nearly double the number at the end of FY 2009 of 67).

TPAC is concerned by the continued slippage in pendency over the past two fiscal years, although it appreciates that this decline in pendency was due to the extraordinary effort expended by the TTAB on the new edition of the TBMP, and the continuing vacancies in the judge ranks during a large part of FY 2011. With the revised edition of the TBMP completed and published, with the addition of two new judges who will start work in the first quarter of FY 2012, and one addition of staff responsible for the TBMP in FY 2012, TPAC anticipates that the TTAB can begin to correct the sharp increases in pendency over the last two years, and achieve statistics that are consonant with those it was able to achieve in 2009 and that are appropriate to meet the needs of its users. TPAC continues to urge the TTAB to set publicly defined goals for speed, and to report quarterly on those goals, in much the same way as the Trademark Operation does. TPAC recognizes that it will take time to bring pendency down to desired levels, but TPAC urges the TTAB to focus its attention and resource on halting and reversing the increases in this area over the last two years.

The TTAB provides a valuable service to the public, and is often a preferred path to resolving trademark disputes between parties, as the TTAB provides a lower-cost alternative to federal court litigation and provides an informed panel of decision makers. Given these important advantages, TPAC believes that the public would be best served by an effort to improve overall pendency at the TTAB, so that delays do not disincentivize trademark owners from utilizing the TTAB as a preferred forum to resolve or settle trademark issues. TPAC encourages the TTAB to make a renewed push to move cases more expeditiously in FY 2012.

- c. Inter-partes cases filed prior to November 1, 2007 Effective November 1, 2007, the TTAB instituted a major rules change. Three years after the effective date of the rules change, the TTAB is still operating under two different sets of rules. The TTAB has recognized that it is not efficient to operate under two sets of rules, and has been working to decrease the number of cases that remain active under the old rules. At the close of FY 2011, 324 cases are pending under the old rules. Of these, 93 are “on-track”, 86 are suspended for settlement, 88 are suspended for civil action, 28 are submitted for decision, 7 are awaiting appeal period, and 22 are on appeal to the Federal Circuit.

The TTAB's Goals with respect to "old cases" that were suspended for settlement talks is to either (i) have the cases settle and be removed from the docket, or (ii) move the cases on to discovery and/or trial under a schedule that allows for no further delays. TPAC encourages the TTAB to continue to implement the strategies to achieve this goal. First, the TTAB should remain actively involved on old cases that have gone "on trial" to ensure a schedule is established and followed. Second, the TTAB should, on cases still suspended, (i) issue orders requiring answers to be filed in "no answer cases" as prerequisite, (ii) increase contact with the parties to determine status of settlement negotiations and (iii) periodically check the status of pending civil litigation (if a case is suspended for that reason). Together, these measures should help minimize the time under which the TTAB will need to continue to operate under two sets of rules.

3. TTAB Manual of Procedure (TBMP).

The TTAB Manual of Procedure (TBMP). In May 2011, the TTAB published on the USPTO website the 3d edition of the TBMP. This revision of the Manual required an enormous amount of work and consumed many hours of the TTAB judges' time. TPAC is pleased that the revised TBMP has been released, as this resource should greatly enhance practice before the Board. TPAC has two additional concerns for the future of the TBMP. First, as noted in TPAC's FY 2010 report, TPAC has continuously supported funding for a senior level employee dedicated to continuous updates of the TBMP, to avoid repetition of the impact on TTAB performance brought about by the last updates to the TBMP. As of the fourth quarter of FY 2011, a senior level position for a TBMP editor has been approved and the vacancy announcement posted. TPAC applauds this development and trusts that, once an editor is in place, the TBMP will be updated at least annually, and preferably on a semi-annual basis. Second, TPAC is hopeful that in FY 2012 an IT enhancement will be made so that the TBMP will be more available in HTML format, to facilitate easier access and use by the public, and in a "wiki" version that will allow the public to submit shared comments, similar to the IdeaScale version of the TMEP published by the USPTO.

4. Accelerated Case Resolution Procedure.

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. In FY 2011 the TTAB took a number of significant steps to promote public awareness of ACR, and to encourage its use. First, the TTAB solicited submissions from various bar groups for ACR "plug and play" options. The American Intellectual Property Association ("AIPLA") provided a series of proposed options, which the TTAB reviewed and annotated and published on the TTAB website. AIPLA's "plug and play" options focused on ways to shorten proceedings by limiting options in discovery, etc. The TTAB also developed its own ACR recommendations, which, after thoughtful deliberation, took a different approach, encouraging litigants to select from pre-established time frames for a particular case, and then to tailor the calendar of the case to fit within that time frame. The TTAB also continued to promote ACR in a number of public speeches, and the TTAB continues to welcome public suggestions on ACR options. TPAC is pleased to note that the TTAB plans additional public outreach on ACR in FY 2012.

5. Notice of Inquiry "Trademark Trial and Appeal Board Participation in Settlement Discussions"

In the April 22, 2011 issue of the Federal Register (76 Fed. Reg. 22678), the USPTO published a Notice of Inquiry seeking comments from stakeholders on several questions that pertain to whether the TTAB should take steps to become a more active participant in settlement negotiations. The NOI reflects goals in the USPTO's Strategic Plan, calling on the TTAB to Optimize Trademark Quality and Timeliness, and specifically to improve TTAB involvement in parties' settlement negotiations.

In the NOI, the Board asked specific questions about how and when the Board should become involved in settlement negotiations and what type of TTAB staff and resources would best support efforts by the parties to reach settlement of a trademark dispute. TPAC provided the Board with its suggestions, and the TTAB also received eleven publicly filed comments in response to the NOI, including comments from IP associations, individual practitioners and law firms.

The Board is reviewing these comments, which express many different points of view, and which also include suggestions for changes to TTAB practice outside the scope of the eight questions in the NOI. The TTAB has expressed its

appreciation for the feedback, all of which is helpful and informative. TPAC applauds the TTAB for actively seeking user input on how to more effectively move cases toward settlement or resolution, and TPAC hopes that in FY 2012 the Board will take further steps to address effective mechanisms to improve its speed and efficiency and to serve the public interest in creating finality with respect to trademark disputes, through both settlement involvement and any other mechanism that will result in expeditious resolution of cases.

6. Development of TTAB Dashboard Announced

To further public access to information about the TTAB's performance, and in keeping with its strategic objective of improving, and then maintaining TTAB pendency within acceptable limits, the TTAB announced that it would, in FY 2012, develop a TTAB Dashboard, similar in concept to that developed and in use by Trademark Operations.

In the fourth quarter of FY 2011, the TTAB took an important first step in the development of a dashboard, by posting on its website new filings and performance measures, by quarter for FY 2011 (with FY 2011 cumulative data compared to FY 2010). The performance measures published include new filings, by category of type of filing (*i.e.*, weeks of RFD, Issued Decisions, and number of cases awaiting decision at the end of each quarter); commencement to completion processing time (*i.e.*, average and median time pending for appeals, average and median time pending for trial cases, and average ACR pendency in ACR trial cases); and contested motion metrics (*i.e.*, number of issued decisions, number of motions resolved by decision, average pendency from RFD to issuance, number of decisions involving phone conference, and contested motions awaiting decisions at the end of the quarter). TPAC applauds this step by the TTAB and encourages the TTAB to continue to make its performance information available to stakeholders.

TPAC is a proponent of transparency throughout the Office, and we believe that the publication of metrics about TTAB volume and speed are essential. TPAC will support the TTAB in any way required to help further the development of a robust TTAB dashboard. TPAC notes that the TTAB will seek additional user input early in FY 2012 on what processing times and pendency measures in *inter partes* cases and metrics and statistics will be most helpful to the public in creating a Dashboard. TPAC supports this initiative, but hopes that further information gathering will not be an impediment to the speedy creation and implementation of a Dashboard. As has been the case with the Trademark Office Dashboard, the TTAB Dashboard will not be static, and can be revised as users review it and submit further suggestions.