

**TRADEMARK PUBLIC ADVISORY COMMITTEE
ANNUAL REPORT 2016**



**UNITED STATES PATENT AND
TRADEMARK OFFICE**

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Trademark Public Advisory Committee Fiscal Year 2016 Annual Report

I. Introduction.

This is the seventeenth annual report of the Trademark Public Advisory Committee (“TPAC”). This report reviews the trademark operations of the United States Patent and Trademark Office (“USPTO” or “Office”) for the Fiscal Year (“FY”) ending September 30, 2016. The 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 (“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 the TPAC. As of the end of FY 2016, the following individuals were members of the TPAC:

- Anne H. Chasser, Senior Advisor, Dot Brand 360, Cincinnati Ohio (term ends December 6, 2016)
- Deborah A. Hampton, Trademark Corporate Specialist, Trademark Team Lead, The Chemours Company FC, LLC, Wilmington, Delaware (term ends December 6, 2016)
- William G. Barber (Vice Chair), Member, Pirkey Barber PLLC, Austin, Texas (term ends December 6, 2016)
- Jody Haller Drake, Partner, Sughrue Mion, LLC, Washington, D.C. (term ends December 6, 2017)
- Timothy J. Lockhart, Partner, Wilcox & Savage, P.C., Norfolk, Virginia (term ends December 6, 2017)
- Jonathan Hudis, Partner, Quarles & Brady LLP, Washington, D.C. (term ends December 6, 2017)
- Lisa A. Dunner, Managing Partner, Dunner Law PLLC, Washington, D.C. (term ends December 6, 2018)
- Mei-lan Stark, Senior Vice President and Chief Counsel Intellectual Property, NBCUniversal Media, LLC, Universal City, California (term ends December 6, 2018)
- Dee Ann Weldon-Wilson (Chair), Trademark Counsel, Exxon Mobil Corporation, Houston, Texas (term ends December 6, 2018)

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
- Tamara Kyle of the Patent Office Professional Association

II. Report Highlights.

A. Trademark Operations.

Trademark Operations continued to meet or exceed performance goals during FY 2016. Meeting and exceeding these goals demonstrates not only the smooth running of Trademark Operations but also the high level of service provided to the users of the USPTO. The TPAC recognizes this outstanding achievement and commends Trademark Operations for consistently executing at such a high level.

During this period, the USPTO published a Notice of Proposed Rulemaking (“NPRM”) on certain trademark fees to better align fees with actual costs; protect the integrity of the register; incentivize more timely filing or examination of filings and more efficient resolution of appeals and trials; and promote the efficiency of the process through lower-cost electronic filing options.

Although Mary Boney Denison was appointed Commissioner for Trademarks effective January 1, 2015, FY 2016 was Commissioner Denison’s first full year leading Trademark Operations. The results reflect that Commissioner Denison and her team were able to make a seamless transition and lead the organization successfully through rules proposals, snow days, power outages, and other changes and challenges.

B. Extending the Telework Enhancement Act Pilot Program (“TEAPP”).

The TEAPP program has been successful, particularly in Trademarks. There are 95 trademark employees in 29 different states participating in the TEAPP. At the end of April 2016, Director Lee announced the expansion of TEAPP to Puerto Rico for interested and eligible employees. The program has helped the USPTO recruit and retain employees drawn to the USPTO’s strong reputation for workplace flexibilities that help balance the pace of everyday life with the demands of working to enhance and protect trademarks in the global marketplace. The Agency was afforded flexibility in the federal travel regulations, but that expires at the end of 2017. The current flexibility under the program allows telework without requiring employees to return to the Alexandria campus regularly. The USPTO is talking with the Hill on the advantages of that flexibility and possible extensions of that program, and we encourage the new Administration to assist the USPTO in those efforts.

C. IT and E-Government Issues.

The Office of the Chief Information Office (“OCIO”) continues to focus on the design and deployment of a new, integrated IT system for Trademarks, known as Trademarks Next Generation (“TMNG”). The TPAC continues to be concerned about the delays in the development and implementation of TMNG, as well as the cost, which is significantly higher than originally anticipated. The TPAC plans to continue to monitor the significant investment of user fees in IT systems, as well as the difficulties or delays in deployment. The TPAC appreciates the continued assistance and cooperation of the OCIO in providing regular updates and information, as well as their continued cooperation with Trademark Operations on the planning, development and deployment of TMNG. The TPAC recognizes that the legacy systems need to be replaced and that there are many complexities involved in such a replacement. We continue to encourage all parties to be attentive to the return that customers are getting for the investment of user fees in the TMNG and the IT systems generally.

D. Maintaining Adequate Funding/Reserves for the Agency.

As a user-fee-funded agency that is vital to our nation’s economic prosperity and development, we continue to strongly support giving the USPTO full access to its funds and removing the USPTO from the Congressional appropriations and authorization process. The TPAC recognizes that adequate funding of the USPTO is critical to its goals of examining and issuing quality patents and trademark registrations in a timely manner, and it is essential that the USPTO (a completely user-funded agency) has the ability to retain and spend all of the fees it collects from its users. Although the Operating Reserve is consistent with the policy of four months operating expenses in the reserve, a stronger six-month operating reserve is highly recommended.

E. Enterprise Services Proposal.

The USPTO has been participating in a working group with the Department of Commerce (“DOC”) on its shared services project known as “Enterprise Services.” The objective of the project is to ensure that all DOC bureaus have access to high quality mission support services in the core areas of human resources, acquisition, financial management and information technology. As the second largest bureau within the DOC and due to its specialized technical needs, the USPTO has made a significant investment in each of those areas over the years. To date, no commitments have been made for the USPTO to acquire services under this project.

The TPAC supports in principle efforts to identify ways to improve internal services and reduce costs. However, while the DOC and its bureaus are funded through tax revenues, the USPTO is funded entirely through user fees paid by trademark owners and inventors to protect their brands and innovations. For this

reason, the TPAC believes it is critical to monitor closely any possible diversion of user fees to general DOC functions.

F. Trademark Trial and Appeal Board.

The Trademark Trial and Appeal Board (“TTAB”) met or exceeded its performance goals for FY 2016. Under the experienced leadership of Chief Administrative Trademark Judge Gerard F. Rogers, the TTAB maintained pendency of cases within its target ranges. The TPAC commends the TTAB for announcing its performance goals and providing periodic updates on performance which assists customers in anticipating time frames and tracking their own cases. The TPAC also appreciates the thoughtful and inclusive process the TTAB used in developing the changes to TTAB Rules of Practice that will take effect on January 14, 2017.

G. International Matters.

The USPTO is involved in a number of international organizations, as well as international initiatives, and programs. The U.S. IP Attaché Program is directed to the improvement and enforcement of IP laws for the benefit of U.S. stakeholders. IP attachés currently serve in 11 countries. The TPAC believes that this program is important to advancing harmonization of IP rights and supporting the protection and enforcement of these rights of U.S. businesses abroad. The program is funded based on fee allocation. The TPAC is pleased that the Office now tracks the attachés’ time allocation by category (trademarks, patents, copyrights, and other), rather than just reporting on major initiatives. Under this method, the trademark fees used for the Attaché Program more accurately reflect the work being done on trademark issues.

III. Discussion of Specific Issues.

A. Trademark Operations Performance.

1. Performance Statistics.

FY 2016 was a particularly successful year for the USPTO’s Trademark Operations. Once again, it met or exceeded all performance targets.

- a. Increase in Applications. Trademark application filings increased by 5.2% for FY 2016, which was 1.6% less than Trademark Operations originally projected. Trademark Operations initially estimated it would receive 539,000 classes for registration in FY 2016. Midyear, the expected filings was revised to 533,000 classes. The actual number of classes filed was 530,270. Trademark Operations received fewer 66(a) filings than anticipated due, in part, to a new IT system implemented at the World Intellectual Property Organization (“WIPO”) in April. WIPO continues to send fewer files each week than expected. Trademark

Operations is monitoring WIPO's situation to assist it in future planning.

It should be noted that filings have increased 22% over the last four years, and filings have doubled over the past 14 years from 2003 to 2016.

- b. Applications Submitted Electronically. Trademark Operations' original goal was to have all trademark applications submitted electronically. Great progress has been made; currently 99.7% of all applications are submitted electronically. Given this progress, the goal has now shifted to encouraging two-way electronic communication throughout the entire registration process. Once again, Trademark Operations has exceeded their goal with 84.8% of applications handled electronically end-to-end. One reason for the increase was the January 2015 introduction of the Trademark Electronic Application System ("TEAS") Reduced Fees—TEAS RF—which continues to be used for 50% of the classes filed, and a reduction in the fee for filing TEAS Plus, which accounts for 36% of classes filed.
- c. Balanced Disposals Exceeded Projections. Despite the significant increase in application filings, the Office exceeded its productivity targets for Balanced Disposals of 1,051,822, with 1,061,055 Balanced Disposals in FY 2016. A Balanced Disposal occurs when either (1) a First Office Action issues; (2) the application is approved for publication; or (3) the application is abandoned.
- d. Total Office Disposals Higher. Total Office Disposals, which refers to the number of applications that resulted in either registration or abandonment, were higher than in FY 2015. In FY 2016, there were 479,657 Total Office Disposals, down 7.9% from projections.
- e. Average First-Action Pendency in Target Range. The Average First Action Pendency continued to remain within the target range of 2.5 to 3.5 months, coming in at 3.1 months for FY 2016. First Action Pendency is the time between the filing of a trademark application and the substantive review of that application by the USPTO, which typically results in either a Notice of Publication or a first Office Action. The range that Trademark Operations maintains represents a balance of an appropriate pipeline of work for the Examining Attorney corps with a predictable and fast response time for the customers of the Office. The TPAC has supported this range for several years, and we applaud the Office for continuing to meet this range, as it has done for many years.

- f. Average Total Pendency Down. Trademark Operations exceeded its target goals on Average Total Pendency for FY 2016. Average Total Pendency, the average time between the filing of a trademark application and the final disposition of that application (through registration, abandonment, or issuance of a Notice of Allowance), continued to remain quite low, and in fact, Average Total Pendency was 9.8 months, if suspended or *inter partes* cases are excluded, and 11.3 months if those cases are included. (An application is suspended in cases where the outcome of another matter must be determined before further action on the application can be taken. This can occur if there is a previously-filed application still under examination. An *inter partes* case is where there is an opposition or cancellation proceeding before the TTAB.) Both of these numbers are down from FY 2015 in which the numbers were 10.1 months and 11.5 months, respectively. These remarkable results are attributable in part to the greater adoption of electronic filing through TEAS Plus and TEAS RF, which together make up almost 90% of new filings. Two-way electronic filing and communication engenders more cost-effective processing, and now comprises 84.8% of all applications processed to disposal, slightly exceeding the Office's target of 82%. The TPAC commends the progress made and continues to support the Office's goal of increasing the percentage of trademark applications that are processed electronically from end-to-end.
- g. Overall. Once again, during FY 2016 Trademark Operations substantially met or exceeded all of its performance goals. The TPAC commends Commissioner Denison for her leadership, making these results possible. Commissioner Denison and Trademark Operations continue to perform at a high level in all respects. Commissioner Denison continued leading a talented staff dedicated to providing efficient, fast and reliable service to its customers. Most importantly, these consistently excellent results would not be possible without hard work from the hundreds of employees in Trademark Operations, who all contribute to providing service to customers in a complex and dynamic system.

2. Quality and Training.

As important as the quantitative measures discussed above are to Trademark Operations, of even greater value to the public is the high quality with which work is done so that the Trademark Register is an accurate reflection of the important substantive trademark rights owned by its customers. Once again, the USPTO has met or exceeded aggressive targets, surmounting last year's outstanding results.

- a. Compliance Rate. Examination quality is measured by evaluating random samples of applications at two different points during the examination process. This measurement is known as the compliance rate, or percentage of actions or decisions that have been determined to have been made correctly, with no deficiencies or errors. The first point of review looks at initial Office Actions that reject applications for registration or raise other issues regarding formalities that require correction to the application. The second point of review takes place at “final disposition” of an application, either by a final refusal to register or a decision to approve the application for publication. The goal at both points is to determine whether the Examining Attorneys’ decisions and written Office Actions comport with the bases of refusals under the Lanham Act. The goal for FY 2016 was a compliance rate of 95.5% for the First Office Action, and a rate of 97% for final compliance. For each of those targets, the Office exceeded both the FY 2015’s results as well as the targets established for FY 2016. For First Office Action, the compliance rate was 97.1%, which is 1.7% above target, and for final compliance, the rate was 97.8%, exceeding the target by 0.8%.
- b. Exceptional Office Action Standard. The Exceptional Office Action is a standard with the following four criteria: the appropriateness of the likelihood of confusion search, the quality of the evidence provided, the clarity of the writing, and the quality of the decision making. In FY 2016, Trademark Operations far exceeded the goal of 40%, with 45.4% of office actions meeting the criteria established.
- c. Training Law Offices 120, 121 and 122. Starting with the formation of Law Office 120, these classes of new Examining Attorneys were placed in one law office, rather than dispersing new Examining Attorneys among existing Law Offices. The Office continues that practice of training new Examining Attorneys in one Law Office. The Office is also hiring Examining Attorneys to backfill other Law Offices.

The TPAC commends this initiative to improve ways to train new Examining Attorneys. Trademark Operations reports that they are likely to continue to create new Law Offices in this way in FY 2017.

- d. Trademark Manual of Examining Procedure (“TMEP”) Training. This training provided an overview of the changes to trademark examination legal policy in the October 2015 update of the TMEP, as well as changes to the U.S. Acceptable Identification of Goods and Services Manual (“ID Manual”). Also included were

summaries of certain recent precedential opinions from the U.S. Court of Appeals for the Federal Circuit, and a discussion of how to apply the precedents in the examination of trademark applications.

- e. Nice Classification Training. This training highlighted the goods or services added to the Nice Classification as of December 24, 2015, and the changes in classification to existing entries that became effective January 1, 2016. The presentation also included a demonstration of the advanced search features of the USPTO's next generation on-line electronic ID Manual.
- f. Industry Training. There was training focused on two industry groups: the U.S. Beer and Craft Beer Industries and the Pharmaceuticals, Personal Care Products and Cosmetics Industries. During the U.S. Beer and Craft Beer Industries training, legal experts provided an overview of the new and evolving trademark issues facing the beer industries, with specific discussion concerning: (1) the rise in trademark disputes caused by the dramatic increase in the number of beer-related trademark filings; (2) interstate commerce issues raised by local and regional craft brew goods and brew pub services; (3) issues caused by the high number of unregistered marks in the beer field because of the large number of one-off seasonal craft beers and regional craft brewers; and (4) the prevalence and use of non-traditional marks in the beer industry. The Pharmaceuticals, Personal Care Products and Cosmetics Industries event sponsored by the International Trademark Association ("INTA") featured a panel of legal experts who discussed trademark issues created by innovation in the consumer health care products field, the development of pharmaceutical trademarks, and issues faced by providers in these fields when applying for, and maintaining, federal trademark protection in the United States.
- g. 3D Printing Seminar. The use of three-dimensional printing technology is becoming prevalent and increasingly less expensive. There are many facets of intellectual property that will be affected by this technology, including trademarks. Employees were treated to a seminar exploring what 3D printing is and what it means for us both now and in the future.
- h. TORCH Training Day Event. On April 12-13, 2016, Trademark Operations held a training event known as TORCH (Trademark Organization Reconnection and Collaboration Homecoming). All employees were required to come to the Alexandria campus for a day of training on customer service issues, collaboration tools, and substantive examination issues.

- i. Court of Appeals, Federal Circuit Case (“CAFC”) Update, and TMEP Review. Staff were provided with a review of recent precedential cases from the CAFC, as well as highlights of TMEP updates.
 - j. TMNG ID Manual Training. Staff were trained on the use of the new version of the ID/Class Manual accessed through the TMNG interface.
 - k. Power Outage. On December 22, 2015, the USPTO experienced a major power outage. Full operations were resumed after six days. All damaged equipment has been replaced. Although this was not an IT issue, there was an impact on IT and, therefore, this issue is also addressed in Section B—IT and E-Government Issues.
 - l. Snow Event in the Washington, D.C. Area. During the January 22-28, 2016, snow storm in the Washington, D.C. area, more than 8,600 USPTO workers were able to telework and, at peak times, 77% of the total USPTO workforce was teleworking. Despite the weather and closings, Examining Attorneys accomplished over 90% of the work normally completed on comparable days.
3. Initiatives Completed in FY 2016.
- a. TMEP Updates. The USPTO issued updates to the TMEP in October 2015 and April 2016. The TMEP represents a valuable resource, both for applicants and for Examining Attorneys, and the TPAC commends Trademark Operations for providing ongoing and regular updates to the TMEP.
 - b. Examination Guides. Between updates to the TMEP, the Office occasionally provides guidance on specific issues through the issuance of an Examination Guide. Typically, Examination Guides supersede the current edition of the TMEP to the extent any inconsistency exists and the guidance contained is usually incorporated into the next edition of the TMEP. In March 2016, an Examination Guide was issued regarding examination of applications for compliance with Section 2(a)’s scandalous and disparagement provisions. Both provisions are the subject of active court litigation involving their constitutionality. The Guide addresses the procedures for examining pending applications involving marks subject to refusal under these provisions while the constitutionality of these provisions remains in question and subject to potential Supreme Court review.

- c. ID Manual Enhancements. The ID Manual lists identifications of goods or services and their respective classifications that Examining Attorneys will accept without further inquiry if the specimens of record support the identification and classification. Although the listing of acceptable identifications is not exhaustive, it serves as a guide to Examining Attorneys and to those preparing trademark applications, on what constitutes a sufficiently “definite” identification. Failure to appropriately list the goods or services with which a mark is used can prevent registration so the ID Manual is an invaluable tool.
- (1) Enhancements to the Trademarks Next Generation ID Manual. In February 2016, the USPTO announced the implementation of the “Broadcast Messaging” functionality to the Trademarks Next Generation Trademark Manual of Identification and Classification of Goods and Services, available at <https://tmidm.uspto.gov/>. In June 2016, the USPTO announced that the legacy Trademark ID Manual would soon be retired. The USPTO requested additional direct customer input and feedback concerning the Next Generation ID Manual.
 - (2) Nice Classification Changes. On January 1, 2016, the Tenth Edition of the Nice Classification, version 2016, came into force. These changes had an impact on the USPTO’s examination policy and examination practice. A complete list of those changes can be found by setting the “Effective Date” field in the Next Generation ID Manual to the Operator “=” then typing the date “01/01/2016” and pressing the “Search” button.
- d. TEAS Enhancements. In December 2015, the ID Manual search function within TEAS initial application forms was enhanced to display the search results in a table according to the relevance of the searched term(s) as determined by an algorithm. For example, the search table for a search of the term shoes will list “Shoes” in Class 25, an “exact match” first because it is the most relevant description containing only the searched term. A search of two terms, *e.g.*, athletic shoes, will display an exact match first, followed by other results with both terms, if any. Additionally, the forms were updated to allow for military addresses in address fields.
- e. New Deputy Commissioner for Trademark Administration. Trademark Operations created a new position, Deputy Commissioner for Trademark Administration, to oversee technology, finance, and strategic planning. In June 2016, Greg

Dodson, a retired Air Force colonel and fighter pilot, was hired to fill that position. Deputy Commissioner Dodson is highly qualified to lead Trademark Operations in these critical areas, having received a B.S. in Management Information Systems, an M.S. in National Resource Strategy and an M.Ed. in International Relations, and having served as an experienced senior leader in both the military and private employment. The TPAC enthusiastically welcomes Deputy Commissioner Dodson to the Office.

4. Ongoing Initiatives.

a. Notices of Proposed Rulemaking. In FY 2016, Trademark Operations issued two NPRMs.

(1) Trademark Fee Adjustment. On May 27, 2016, the USPTO published an NPRM to set or increase certain trademark fees as authorized by the Leahy-Smith America Invents Act (“AIA”). The adjusted fees will allow the Office to recover the aggregate estimated cost of TTAB operations and USPTO administrative services that support Trademark Operations. According to the USPTO, the proposals will further its strategic objectives by: (1) better aligning fees with the full cost of products and services; (2) protecting the integrity of the register by incentivizing more timely filing or examination of applications and other filings and more efficient resolution of appeals and trials; and (3) promoting the efficiency of the process in large part through lower-cost electronic filing options. The comment period ended July 11, 2016. The USPTO reviewed the comments received and issued a Notice of Final Rulemaking (“NFRM”) on October 21, 2016. The new fees will become effective January 14, 2017.

(2) Changes in Requirements for Affidavits or Declarations of Use, Continued Use, or Excusable Nonuse in Trademark Cases. On June 22, 2016, the USPTO published an NPRM to amend its rules concerning the examination of affidavits or declarations of continued use or excusable nonuse filed pursuant to section 8 or affidavits or declarations of use filed pursuant to section 71. Specifically, the USPTO proposes to require the submission of information, exhibits, affidavits or declarations, and such additional specimens of use as may be reasonably necessary, for the USPTO to ensure that the register accurately reflects marks that are in use in the United States for all the goods or services identified in the registrations unless excusable nonuse is

claimed in whole or in part. The comment period for the proposed rulemaking ended August 22, 2016.

b. Efforts to Improve the Accuracy of Identifications of Goods or Services in Registrations. In FY 2015, Trademark Operations concluded its pilot program, in which 500 randomly-selected registrations were reviewed, to test whether registrants could support claims of use on multiple goods or services. The statistics from the pilot supported implementing ongoing measures to improve the accuracy and integrity of the Trademark Register as to the actual use of marks with the goods or services included in registrations. To that end, the USPTO is taking steps to implement proposals to increase the solemnity of the declaration filed with Section 8 and 71 Affidavits and to institutionalize random audits of Section 8 and 71 Declarations of Use.

(1) In response to the recommendation regarding declarations, the USPTO evaluated the declaration language in the post-registration and other use-related forms and concluded that the issue is not the solemnity of the declaration language, but instead that signatories may not be carefully reading and appreciating the significance of the attestations they are making. The USPTO believed that the prior formatting of the declaration paragraphs did not promote sufficient reflection on the language by the signatory before he or she signs a document. Therefore, the USPTO decided to reformat the verified statements made in connection with applications and allegations of use, in addition to those required for post-registration affidavits, to separate out the clauses to improve readability and to require the signatory to check a box next to each statement in order to validate an electronic submission. In addition, the updated forms include an explicit statement reiterating what is already required pursuant to 37 C.F.R. § 11.18(b) of all signatories of documents submitted to the USPTO. The USPTO believes that requiring signatories to focus on the declaration language best achieves the goal of increasing the signatory's appreciation of the solemnity of the statements he or she is making. Reformatting the statements and requiring applicants and registrants to check a box indicating that he or she has read each statement in order to validate an electronic submission will encourage accuracy in the identification of goods or services/collective membership organizations for which use or continued use is claimed. The USPTO posted the declarations for comment on the IdeaScale® online collaboration tool on July 28, 2016, and the comment

period ended August 28, 2016. The USPTO is in the process of implementing these new forms.

- (2) As noted above, the USPTO also published an NPRM concerning the examination of affidavits or declarations of continued use or excusable nonuse filed pursuant to section 8 or affidavits or declarations of use filed pursuant to section 71. The proposed rules will allow the USPTO to require additional proof of use to verify the accuracy of claims that a trademark is in use in connection with particular goods or services identified in the registration. The comment period for the proposed rulemaking ended August 22, 2016.

- c. Pilot on Amending Goods or Services to Reflect Evolving Technology. On September 1, 2015, the USPTO commenced a pilot program to allow, under limited circumstances, amendments to identifications of goods or services in trademark registrations that would otherwise be beyond the scope of the current identification. Amendments may be permitted where they are deemed necessary because evolving technology has changed the manner or medium by which the underlying content or subject matter of the identified goods or services are offered for sale or provided to consumers. This piloted change in trademark practice takes into account the policy goal of preserving trademark registrations in situations where technology in an industry has evolved in such a way that amendment of the goods or services in question would not generate a public-notice problem. The duration of the pilot will depend on the volume of requests. The USPTO posted on its website the requirements for seeking such amendments as well as a non-exhaustive list of acceptable amendments under the new practice, along with a sample declaration - <http://www.uspto.gov/trademark/trademark-updates-and-announcements/recent-postings>. These materials will be updated periodically as amendments are permitted. At the conclusion of the pilot period, the Office will assess whether such amendments should be permitted on a permanent basis and, if so, whether modified guidelines are appropriate. Since September 1, 2015, 70 petitions have been filed under the pilot program. Of the 70 petitions filed, 28 have been granted, 15 have been dismissed on procedural grounds, 12 have recently been published for public comment, but no decision has issued, and two petitions have been denied for failure to respond.

B. IT and E-Government Issues.

1. Trademarks Next Generation.

- a. Overview. In 2009, the then-Director of the USPTO proposed a new trademark-processing system to be called “Trademarks Next Generation,” or “TMNG.” This cloud-based system will replace the patchwork of legacy trademark application forms and databases that are, in some cases, intertwined with non-trademark IT resources; operate in relatively old and therefore outdated software environments; and pose considerable challenges in terms of efficiency, maintenance, support and reliability. When complete, this system should allow seamless, end-to-end electronic processing of trademark applications, including appeals to the TTAB of refusals to register, and trademark registration maintenance, both for USPTO Examining Attorneys and support staff and for trademark owners and practitioners.

- b. Delay and Increased Cost. Some portions of TMNG have been developed and implemented, but much of the system is still under development, and some major parts of it have not yet entered the development process. The original development timeline of 18 months was, in hindsight, unrealistic, and the size and scope of TMNG have grown considerably since the system was proposed in 2009. The USPTO now projects that full implementation of all phases of TMNG will not be finished until at least FY 2019—eight years after conceptual work on the system began in 2011. However, in the TPAC’s FY 2015 Annual Report, we noted that the OCIO had expressed a high degree of confidence that TMNG would essentially be in place no later than the end of FY 2017. In that report, the TPAC noted that in its view “delaying the full implementation of TMNG beyond [FY 2017] would be and should be unacceptable.”

Given the considerable investment in time, effort, and human resources already made and still to be made in TMNG, the USPTO has understandably accepted the additional delay required to complete the project. However, the long—and now longer—delay in completing TMNG has been a source of considerable frustration both inside and outside the USPTO. Moreover, the delay has contributed to the escalating cost of TMNG which has now grown by approximately four times: from the 2011 estimate of \$53 million (including the TTAB portion of TMNG) to the current estimate of \$202 million through the end of FY 2018 (not including the TTAB portion, which is now being re-estimated). Although it is more important to see the project through to completion as soon as possible rather than focus on the causes of

the delay, the TPAC strongly recommends (as discussed more fully in subsection d) that the USPTO consider preparing a “lessons learned” document to avoid this sort of problem with any future development of large IT systems.

- c. Phases of the Project. The OCIO is primarily responsible for developing and implementing TMNG. However, Trademark Operations plays a major role, both by developing and giving input on what the new system should be able to do and how it should function, and by beta-testing the system’s various components as they are introduced and then providing feedback on the problems and shortfalls revealed by the testing.

To make the size and scope of this complex project more manageable, the OCIO has, since the first year or two of the project, divided the development and deployment of TMNG into four interlinked phases that overlap from fiscal year to fiscal year. The end dates of the phases have been extended since the TPAC’s FY 2015 Annual Report. The four phases are:

- FY 2011-FY 2015. The “TMNG” Phase. This phase focused on the design and development of capabilities for Examining Attorneys and on building the TMNG infrastructure and framework.
- FY 2015-FY 2019. The “TMNG-2” Phase. This follow-on phase focuses on completing the development and deployment of capabilities for Examining Attorneys and other personnel working in Trademark Operations. Such capabilities include, but are not limited to, the comprehensive “Examiner Tool” for examining trademark applications, conducting the research required for such examination, and preparing Office Actions. When deployed throughout Trademark Operations, the Examiner Tool will allow retirement of the legacy system FAST-1 (from “First Action System for Trademarks-1”). Beta-testing of the Examiner Tool began early in FY 2016 and, as discussed below in “Current Status,” continues. As noted above, this phase also includes delivery of a number of non-examination internal capabilities and components.
- FY 2013-FY 2018. The “TMNG-External” Phase. This phase, separate from the TMNG and TMNG-2 Phases, focuses on developing capabilities for external users that will be built on the same platform and database used by Examining Attorneys. Completed capabilities include the electronic *Official Gazette* (“eOG”) and the ID Manual of Acceptable Goods and Services. A forthcoming capability will be “eFile,” the replacement for

both the TEAS and the Electronic System for Trademark Trials and Appeals (“ESTTA”).

- FY 2019 (and Possibly Beyond). The “Trademark Trial and Appeal Board” Phase. This phase will focus on designing and developing appeal, opposition, and cancellation-related capabilities for internal and external users that will replace the separate systems currently utilized by the TTAB.

- d. Current Status of the TMNG Examiner Tool. A year ago the OCIO planned to begin beta-testing the TMNG Examiner Tool during the first quarter of FY 2016 and to begin rolling the tool out to all of Trademark Operations during the second quarter of FY 2016. Beta-testing began later than projected and, as expected, revealed a number of deficiencies in the Examiner Tool. Some of the deficiencies were sufficiently serious that in July 2016 the Chief of the OCIO publicly characterized them as “show-stoppers” that would likely delay the scheduled rollout of the Examiner Tool.

Trademark Operations had planned for Law Office 122, consisting entirely of newly hired Examining Attorneys, to be trained to do most of their work with the new Examiner Tool, both as part of beta-testing it and as part of rolling it out to Examining Attorneys. However, because the beta-testing was compromising Trademark Operations’ ability to train the new Examining Attorneys and measure their work efficiently, Law Office 122 personnel were also trained on FAST-1, the legacy tool. Although, given the circumstances, the TPAC concurs with that approach, having to train Law Office 122 personnel on the legacy system was obviously a significant setback in the deployment of the Examiner Tool and therefore of TMNG as a whole.

The USPTO has reported to TPAC that “[t]o properly beta test and implement TMNG to examining attorneys[,] there will need to be some sacrifices to production operations. It is expected that the USPTO will work to minimize the slips in the production goals while maintaining the high level of quality.”

- e. OCIO Staffing and Hiring. For a variety of reasons related to federal government hiring procedures, public-sector salaries versus private-sector salaries, and other factors, the OCIO has had difficulty in the past filling all of its IT job vacancies. According to the OCIO, that difficulty, although not the only factor, has contributed to the delay in the development and implementation of TMNG.

However, the OCIO reports that to address this problem, the OCIO focused in FY 2016 on hiring people to fill its IT positions that support the TMNG project. The consequence is that unfilled trademark-focused positions within the OCIO are apparently no longer, at least for the present, contributing to the delay of TMNG. TPAC commends the OCIO's helpful efforts and positive results in this area and encourages the OCIO to continue to monitor the situation and report to the Office and to TPAC if, for any reason, staffing shortfalls cause similar problems in the future.

- f. Budget Planning and Tracking. As noted above, the projected cost of TMNG has grown significantly since the project was announced. To enable the TPAC to monitor the TMNG costs more effectively, the TPAC's IT Subcommittee has begun to coordinate more closely with the TPAC's Budget and Finance Subcommittee. At least one member of each of these subcommittees attends the in-person meetings of the other subcommittee. The results of this process have provided all members of the TPAC with more insight into how the USPTO funds its IT systems and programs and how much "bang for the buck" the OCIO is getting from the continually increasing investment into TMNG.

In an initiative that has been helpful in furthering the foregoing coordination efforts, in April 2016 the USPTO began sharing with the TPAC various reports that the USPTO routinely produces to monitor and manage spending on IT projects as part of its legally mandated "Capital Planning and Investment Control" ("CPIC") process. That process includes investment management reviews for both TMNG-2 and TMNG-External conducted by the IT Investment Review Board, which meets about once a quarter, and the CPIC Review Board, which meets monthly. The reports themselves are annual updates of the USPTO's "Capital Investment Decision Paper" and reports produced in connection with quarterly "In-Room Reviews."

The TPAC has found those reports to be more comprehensive and detailed than the monthly IT/TMNG summary that the USPTO previously produced solely for TPAC members. Because the reports are the actual documents that the USPTO uses to manage its IT spending, the TPAC's use of the same documents literally puts the TPAC and the USPTO "on the same page" with respect to those management tools. And the TPAC's use of those reports in lieu of the monthly IT/TMNG summary eliminates the need for the USPTO to produce a separate report for the TPAC that the USPTO itself does not use. The TPAC commends the USPTO for taking this initiative, which, although it is still quite recent, the TPAC believes will be of considerable value to its advisory efforts.

Additional information about the TPAC’s monitoring of budget issues at the USPTO appears below in Section C of this report.

- g. Accomplishments in FY 2016 and Plans for FY 2017. The following bullet points summarize the OCIO’s accomplishments in FY 2016 and its plans for FY 2017 with respect to TMNG and Trademark Operations’ legacy systems:

TMNG Examination

- Electronic examination and registration of trademark applications:
 - Beta Deployment, fall 2015;
 - Deployed to first Law Office (122), May 2016 (in view of the continuing beta-testing of the TMNG Examiner Tool, the Examining Attorneys in that office have also been trained on the FAST system);
 - Deployment to additional beta testers, including full-time beta testers, in the first or second quarter of FY 2017; and
 - Production deployment to all Law Offices by the end of FY 2017.

TMNG Electronic Official Gazette (“TMOG”)

- Deployed TMOG features to produce .pdf files for registration certificates and updated registration certificates;
- Deployed enhancements to automate system flags and modified text editor based on users feedback; and
- Demonstrated limited disaster recovery capabilities for TMOG to minimize downtime for outages.

TMNG ID Manual

- Deployed TMNG ID Manual features based on user feedback and transitioned from beta into full production.

TMNG eFile

- Continued to define the business requirements and wireframes for TMNG eFile (the eventual replacement for both TEAS and ESTTA):
 - Continue defining Declaration requirements (now approximately 50% completed);
 - Completed drafting Statement-of-Use requirements; and
 - Completed drafting user-role management requirements.

TMNG

- Deploy TMNG examination capabilities to Law Offices:
 - Collect and evaluate criticality any defects (ongoing);
 - Train Law Offices in FY 2017

- Roll out to Law Offices in FY 2017
- Define, develop, and deploy TMNG-Madrid capabilities—continuing through FY 2017;
- Define, develop, and deploy TMNG-Petitions capabilities—continuing through FY 2017; and
- Implement TMNG disaster recovery capabilities in FY 2017.

TMNG-External

- Develop and deploy electronic filing capabilities in FY 2018.

Legacy

- Develop and deploy trademark-processing and TTAB updates to reflect statutory changes (FY 2017); and
- Develop and deploy Madrid enhancements to reflect document identification “digit” increase from 9 to 10, style-sheet changes, additional U.S. state and Armed Forces base codes, update of “death notice” routing, and addition of special characters to various components (FY 2017).

- h. Timeline for Completion. Despite a strong desire at the USPTO to deploy the TMNG Examiner Tool to all Examining Attorneys by the end of calendar year 2016 or, at the latest, January 2017, the OCIO and trademark senior management has publicly committed not to begin full deployment of the tool prematurely. In July 2016 the Chief of the OCIO publicly stated that he “want[s] a good, solid product and those [show-stopping deficiencies] gone before we ship.” The TPAC commends the OCIO for taking that position and agrees that it is the right approach. Although the TPAC certainly recognizes—and shares—the common desire of all stakeholders, both internal and external, to see TMNG move forward as quickly as possible, successful deployment of the Examiner Tool is too important a goal to be deployed before it is fully ready, including implementing changes learned from beta-testing.

Once the highest TMNG priority—the Examiner Tool—has been deployed, the OCIO plans to focus more on the TMNG External Phase and the TTAB Phase than it has been able to do thus far. The TPAC looks forward to seeing further TMNG development in those important areas.

- i. Lessons Learned. Although, as noted above, some TMNG capabilities have been implemented, the bulk of the system remains—seven years after the system was announced and five years after work on it began—yet to be delivered. It now appears possible that completion of the project will require until FY 2019

or perhaps even longer and entail the expenditure of more than four times the cost originally projected.

The TPAC recognizes that there are several reasons for this situation and that no one USPTO component is wholly responsible for it. However, the TPAC believes that it would be worthwhile for Trademark Operations and the OCIO, working together while the “institutional memory” still exists, to document the history of the TMNG development process, identify those decisions and turning points that were especially helpful or unhelpful, and prepare a list of “lessons learned” that could be used to facilitate future USPTO and other U.S. government IT development projects.

Although the completion of such a “lessons learned” report will likely have to wait for the completion of TMNG, it is not too early to begin compiling the report. The TPAC recommends that at least one person from Trademark Operations and one person from the OCIO (and perhaps someone from the Office of the Chief Financial Officer as well) be tasked with starting on this potentially very useful project. The TPAC stresses that the purpose of the report would not be to cast blame on any individuals or organizations but rather to highlight what worked well in the development of TMNG and what did not and to suggest ways to improve future developments of large, complex, internal and external IT systems.

2. Power Outage.

As mentioned above, the USPTO experienced a major power outage in December 2015. Soon after the outage occurred, the USPTO made the following announcement:

“At approximately 8:00 p.m. eastern standard time, [Tuesday,] December 22, 2015, the USPTO experienced a major power failure at the Alexandria campus impacting all USPTO computer systems. All examining systems are currently offline and inaccessible. OCIO teams are working to restore these systems but this will likely take several days. At this point, at least [six trademark IT tools] are not available. External systems are down as well and filing is not possible. Currently, email, phone service and the Service [D]esk are operational. If you are having any issues with those systems, please call the Service Desk.”

The power outage affected literally thousands of servers, network switches, firewalls, databases, and their connections. Numerous USPTO staff, contractors, and services providers, especially those who support the OCIO, worked diligently and selflessly over the holidays to restore the

USPTO's power and IT functionality. They were able to restore some functionality as early as December 23 and to restore almost all functionality by December 28. Because of the USPTO's data-backup systems and procedures, no trademark data appears to have been lost as a result of the power outage.

The USPTO did nothing to cause the power outage, and it was not caused by any entity seeking to harm the USPTO. According to an announcement the USPTO made after power was restored: "The USPTO contracts, through service providers, for clean uninterrupted power from state of the art, redundant, uninterrupted power supplies for [its] data systems. On December 22, both of these power supplies were damaged, resulting in a complete power outage to [the USPTO'] data systems. Analysis of the damage over the last week confirms [the USPTO's] earlier assessments and eliminates any concerns of foul play. [The USPTO] will take this opportunity to work with [its] service providers to ensure that lessons are learned and improvements are made."

At least one lawsuit has been filed against the USPTO by a party claiming that the USPTO should not have extended procedural deadlines as a result of the power outage. However, the TPAC commends the entire USPTO and especially the OCIO for dealing so candidly, efficiently, and effectively with the enormous problems caused by the outage.

C. Budget and Funding Issues.

1. Fee Collection.

Total trademark fees collected in 2016 are estimated to be \$276.3 million representing an increase of 1.5% over collections in 2015. With prior year Operating Reserve and other sources of income, \$385.8 million in total resources were available. Total spending was \$278.8 million, resulting in \$107 million available for the 2017 Operating Reserve.

The Operating Reserve is consistent with the policy of four months operating expenses in the reserve; however, a stronger six-month operating reserve is strongly recommended. It is noted that the Operating Reserve has declined significantly from \$157 million in FY 2014. This is the result of significant unanticipated spending in IT and the fee reduction. The TPAC will continue to monitor the Operating Reserve with a goal of maintaining a six-month reserve of trademark operating expenses.

2. Impact of 2015 Fee Reduction.

In 2015, the USPTO reduced fees for filing electronically to incentivize more complete applications by reducing the fee for TEAS Plus filing, its lowest cost option, to \$225 per class. TEAS RF was introduced at \$325, reducing the cost by \$50 per class for both types of filings. Registrants

saved \$100 per class by electronically filing for renewal. In the first year, applicants and registrants saved \$21 million. Through FY 2016 applicants and registrants are projected to save an additional \$30.3 million due to lower cost options. The fee reductions not only saved trademark users' resources, but helped incentivize use of electronic systems.

The USPTO continually tries to balance the fees according to office needs because of workload ebbs and flows, and to incentivize behaviors for the users to encourage greater use of the electronic systems. The TPAC commends the due diligence of the Trademark Operations.

3. Financial Advisory Board.

The Financial Advisory Board ("FAB") overseen by CFO, CIO and patent and trademark executives provides oversight, accountability, and analysis for financial activities, ensuring funding is sufficient to carry out the mission and objectives of the USPTO. The FAB reviews fee proposals and annual agency spending requests to ensure consistent practices to mitigate financial and operational risk. The FAB had recommended a reduction of \$460 million for FY 2016-FY 2017 funding in its 2015 review to manage within expected revenues. Most recently the FAB has recommended adjustments to the FY 2017 and FY 2018 plans based on an updated financial outlook. Trademark revenues and operating reserves appear to be sufficient to fund planned hiring and spending requests, as well as increases for continuing TMNG projects.

4. Fees Study and Fee Increase.

In 2016, the USPTO conducted a comprehensive biennial review of the fee structure for both Trademark Operations and the TTAB. This represented the first major agency review using the fee-setting authority provided by the AIA. The fee review process incorporated an evaluation of the existing trademark fee schedule, as well as research and analysis on potential revisions to the fee schedule. In accordance with the delegated authority to set fees via Section 10 of the AIA, the USPTO notified the TPAC of the intent to set or adjust certain trademark fees and submitted a preliminary trademark fee proposal with supporting materials on October 14, 2015. Notice of this proposal was published in the Federal Register (80 Fed. Reg. 63542) on October 20, 2015.

The TPAC held a public hearing of stakeholders on November 3, 2015, reviewed written comments from stakeholders and the public, and submitted its written report to the USPTO on November 30, 2015.

Upon review of the report and stakeholder comments, the USPTO published an NPRM in the Federal Register on May 27, 2016. The public comment period was for 45 days. Following a period of extensive internal

and administrative review, including consideration for public comment and clearance by the DOC, Small Business Administration (“SBA”) and the Office of Budget and Management (“OMB”), the NFRM was published in the Federal Register (81 Red. Reg. 72694) on October 21, 2016. The effective date of the final rule will be January 14, 2017.

According to the USPTO, the fee change will: (a) better align fees with costs as the basis for adjusting some fees; (b) ensure the integrity of the register by incentivizing more timely filing, examination of applications and other filings, and more efficient resolution of appeals and trials; and (c) promote the efficiency of the process, in large part through lower cost electronic filing options.

5. Direct v. Indirect Spending.

Total trademark fee collections account for approximately 9% of the total USPTO fee collections. The total USPTO 2016 appropriation authority was \$3.2 billion. The Trademarks share was 9.2% of \$3.1 billion in the USPTO reported expenses. Direct spending for Trademark Operations and the TTAB accounted for 49% of trademark fee collections. Spending on trademark IT systems comprised 32% of total trademark expenses. The remainder of the Trademarks spending (19%) is used for shared services within the USPTO, including infrastructure for agency-wide information technology, human resource management, financial management, legal services, policy and international activities, and USPTO administration and management. It is noted that in 2016, the allocation percentage for trademark user fees for shared services within the USPTO showed improvement from previous years. While the percentage share of user fees is still higher than that allocated to patent user fees, the allocated amount as a share of spending has come down. This has been an area of concern for the TPAC. The TPAC will continue to monitor these allocations and discuss any appropriate adjustments with the USPTO.

6. Spending in Trademarks for Trademark Information Technology.

In 2016, the IT Subcommittee and Budget Subcommittee worked more closely in monitoring budget v. spending for IT, which accounts for 32% of direct spending in Trademarks in FY 2016. Particular focus was paid to the deliverables in TMNG, where \$24.1 million was spent in FY 2016. A new phase, TMNG-2, began in 2016, which includes several new projects. The following figures show the projected total investment (spent and projected) of trademark users’ fees for all individual projects from 2013-2018 as of July 2016.

TMNG	\$66,895,000—completed FY 2015
TMNG-2	\$109,915,000

TMNG-External	\$25,508,000
TMNG-TTAB	Not Yet Determined
Total	\$202,318,000

7. Enterprise Services (formerly Shared Services) with the DOC.

The USPTO has been participating in a working group with the DOC on its shared services project that is now known as “Enterprise Services.” The objective of the project is to ensure that all DOC bureaus have access to high quality mission support services in the core areas of Human Resources (“HR”), Acquisition, Financial Management (“FM”), and Information Technology (“IT”). As the second largest bureau within the DOC and due to its specialized technical needs, the USPTO has made significant investments in financial management, acquisition, human resource, and IT systems. Shared services is a concept that may help some of the smaller bureaus that are not as advanced in these capabilities. The USPTO would consider services under this project if they were an improvement to current services and systems. To date, no commitments have been made for the USPTO to acquire services under this project. It should be noted that while the DOC and its bureaus is funded through tax revenues, the USPTO is funded entirely through user fees paid by trademark owners and inventors to protect their brands and innovations. For this reason, the TPAC believe it is critical to monitor closely any possible diversion of user fees to general DOC functions.

D. Trademark Trial and Appeal Board.

1. Changes to TTAB Rules of Practice.

On April 4, 2016, the USPTO issued an NPRM proposing substantial changes to the rules of practice of the TTAB. The new rules are the culmination of significant internal examination of processes and procedures by the TTAB and extensive outreach to practitioners and stakeholder organizations over the past several years. The focal points for the new rules include consideration of suggestions for improvements to its prior rules, leveraging of efficiencies from Accelerated Case Resolution procedures that could be applied to all TTAB proceedings, and discussions with TTAB stakeholders and users to ensure TTAB proceedings meet their needs. For example, the TTAB conducted a number of public roundtables and meetings over the past several years to brainstorm and discuss potential changes to its rules of practice. Then, prior to publication of the NPRM in April 2016, the TTAB circulated a draft to the TPAC, and we provided detailed feedback to Chief Judge Rogers and his staff. After the NPRM was published, the TTAB received written comments from 17 commenters, including various IP organizations, law firms, and attorneys. The TTAB then hosted a public meeting on June 24, 2016 to summarize, provide feedback, and answer questions regarding the comments it

received. The NFRM was published in the Federal Register (81 Fed. Reg. 69950) on October 7, 2016, with the changes to take effect on January 14, 2017. While the TPAC and its various members may not agree with every rule change, we commend the TTAB for its thoughtful and inclusive process in developing these new rules.

Some of the major changes in the TTAB's final rule include the following:

- a. All submissions to the TTAB must be filed electronically through the TTAB's ESTTA, unless excused via Petition to Director (for pleadings) or accompanied by an explanation of reasons for not using ESTTA (for filings during proceedings).
- b. The TTAB will resume the responsibility to serve the initial pleading in *inter partes* proceedings (e.g., the Notice of Opposition or Petition for Cancellation) on the Defendant, and will do so by email whenever possible. Rather than serving a paper or .pdf copy of the complaint, the Board will serve it in the form of a link to, or web address for the electronic case file in, TTABVUE in the notice of institution.
- c. Service of all papers by the TTAB on the parties will be by email. The parties also must serve all papers between them by email, unless they stipulate otherwise to accommodate other methods of communication where email is not practical (e.g., file hosting services with cloud storage, delivery of USB drive, etc.). In view of mandatory email service, the additional five days previously added to response periods to account for mail delays is removed in the final rule.
- d. Like interrogatories, requests for production and requests for admission will be limited to 75, with the option of requesting leave to serve additional requests upon good cause shown. One additional comprehensive request for admission will be permitted for authentication of documents produced by the other party that the requesting party plans to introduce at trial.
- e. Parties will have the right to submit trial testimony by declaration or affidavit. However, the opposing party will have the right to take testimonial depositions to cross-examine each declarant/affidavit. The party submitting trial testimony of a witness by declaration/affidavit has the obligation to make that witness available for cross-examination, but the cross-examining party bears the expense of the cross-examination. The notice to take a cross-examination deposition must be served on the adverse party and filed with the Board within 20 days after the

declaration/affidavit is served, and the deposition must be completed within 30 days after the notice is served.

- f. Deposition testimony must be filed in full-sized format, not condensed with multiple pages per sheet, to aid Board review.
- g. All discovery must be completed during the discovery period. Thus, discovery requests must be served sufficiently in advance of the discovery deadline such that the responses are due and documents produced or inspected on or before the deadline.
- h. The deadline for filing motions to compel discovery or to determine the sufficiency of responses to requests for admissions will be prior to the deadline for the plaintiff's pretrial disclosures for the first testimony period.
- i. Certain requirements for Notices of Reliance will be updated to reflect current TTAB practice (*e.g.*, submitting printouts of Internet documents), and to standardize the requirements for the covering notice regardless of the type of evidence being filed.
- j. Parties, examining attorneys, and Board members may elect to attend hearings remotely through video conference.

2. Changes to TTAB Fees.

As discussed above, the USPTO issued an NFRM that will adjust various trademark fees, including some TTAB fees, effective January 14, 2017. The TPAC notes that the TTAB has not increased its fees or added new fees in many years, and the overall cost of its operations is largely subsidized by fee revenue from trademark applicants and registrants. Thus, the TPAC supports in principle some upward adjustment of fees charged by the TTAB. We also appreciate the TTAB's efforts to solicit and consider comments from the TPAC and the public regarding the specific fee adjustments that were adopted.

The TTAB fee adjustments include:

- a. Increasing the fee for filing a Notice of Opposition or Petition for Cancellation from \$300/class to \$400/class (if filed electronically) or \$500/class (if filed by paper).
- b. Increasing the fee for filing an *Ex Parte* Notice of Appeal from \$100/class to \$200/class (if filed electronically) or \$300/class (if filed by paper).
- c. Instituting a three-tiered fee structure for requests for an extension of time to oppose an application: (1) no fee for a first request for a

30-day extension; (2) \$100/application for a second request for an additional 60-day extension for good cause, if filed electronically (\$200/application if filed by paper); (3) \$200/application for a final 60-day extension with consent or under extraordinary circumstances, if filed electronically (\$300/application if filed by paper). If a potential opposer requests a 90-day extension for good cause in the first request, the second tier fee will apply (\$100/application if filed electronically, \$200/application if filed on paper).

In the TPAC's report dated November 30, 2015, we recommended that instead of increasing the fee for filing an *Ex Parte* Notice of Appeal, the TTAB should consider instituting a new fee when and if the applicant files an Appeal Brief. This would avoid imposing additional fees on applicants in the common situation in which an applicant files a Notice of Appeal with a Request for Reconsideration, and the appeal does not go forward upon the Examining Attorney's reconsideration. However, the TTAB did not adopt this recommendation. Our report also noted a divergence of views received from the public regarding the new fees for filing opposition extension requests, and that the TPAC members' views were not unanimous, but that a majority of TPAC members believed the fees are reasonable to encourage potential opposers to engage more quickly in an analysis of the potential dispute and seek resolution at a sooner point.

3. Changes to Standard Protective Order.

On June 24, 2016, the TTAB adopted a revised Standard Protective Order ("SPO"). The new SPO simplifies procedures for designating and maintaining confidential information by reducing the levels of protected information to two ("Confidential" and "Confidential-Attorneys' Eyes Only (Trade Secret/Commercially Sensitive)"), and makes various other minor changes to the prior SPO (summarized in the TPAC's 2015 Annual Report at II.D.4.e.).

4. Personnel.

As of the end of FY 2016, the TTAB has 24 Administrative Trademark Judges ("ATJs") (in addition to the Chief and Deputy Chief ATJs), 14.6 Interlocutory Attorneys (one attorney works a 60% schedule), and 11 paralegals.

After almost two decades of service as an ATJ, David Bucher retired in December 2015. The TPAC congratulates Judge Bucher on his many years of outstanding service.

During FY 2016, the TTAB hired Christopher Larkin and George Pologeorgis as ATJs, and Kate (Katie) McKnight and Mary Beth Myles as

Interlocutory Attorneys. The TPAC would like to congratulate and welcome these individuals to their new roles at the TTAB.

5. Performance Statistics.

In FY 2016, the TTAB continued its streak going back many years of meeting or exceeding virtually all of its performance goals and metrics. The TPAC once again congratulates the Board on its outstanding performance and service to the trademark community. Highlights of these statistics are set out below. Note that “average pendency” figures are calculated after excluding cases that resulted in issuance of precedential orders or decisions, or consideration of such issuance, and cases with anomalous prosecution histories (such as lengthy suspensions or remands). The resulting figures thereby provide more useful averages for those involved in the vast majority of typical proceedings and allow clients and counsel a more accurate estimate of how long it will take the Board to resolve typical cases or motions.

- a. 5,881 oppositions, 1,848 cancellations, and 3,121 appeals were filed in FY 2016 (compared to 5,290 oppositions, 1,763 cancellations, and 2,992 appeals in FY 2015).
- b. The TTAB issued 35 precedential decisions in FY 2016 (within its target of 35-40 precedential decisions/year).
- c. Average pendency of all non-precedential final decisions (in both *ex parte* and *inter partes* cases) issued in FY 2016 was 9.2 weeks (bettering the TTAB’s goal of 10-12 weeks). The average for *ex parte* appeals was 8.8 weeks, and for *inter partes* cases was 10.8 weeks. Pendency is measured from the date the case becomes ready for final decision (“RFD”) to the date the final decision is issued.
- d. Average pendency of precedential decisions issued in FY 2016 was 32.5 weeks for final decisions in *inter partes* cases (compared to 48.1 weeks in FY 2015), 30.6 weeks for final decisions in *ex parte* cases (compared to 39.7 weeks in FY 2015), and 25 weeks for interlocutory orders (compared to 45 weeks in FY 2015).
- e. The TTAB issued a total of 688 final decisions in FY 2016 (compared to 562 in FY 2015), leaving the total inventory of cases ready for final decision at year end at 83 cases (below target of 125-150 cases).
- f. The average “end to end” (commencement to completion) pendency of *inter partes* cases decided in FY 2016 was 154.3 weeks (compared to 161.2 weeks in FY 2015). The median pendency of such cases was 142 weeks (same as in FY 2015).

- g. The average “end to end” processing time for *ex parte* appeals decided in FY 2016 was 39.7 weeks (compared to 42.7 weeks in FY 2015). Median pendency of such appeals was 34 weeks (compared to 35 weeks in FY 2015).
- h. Average pendency of non-precedential decisions on contested motions issued in FY 2016 was 8.2 weeks (within the target of 8-9 weeks).
- i. The age of the oldest contested motion RFD at the end of FY 2016 was 11.4 weeks (better than the goal of 12 weeks).
- j. The inventory of contested motions RFD at the end of FY 2016 was 117 (below target of 145-175 motions).
- k. The TTAB continues its efforts to reduce the number of cases operating under the pre-November 2007 rules. At the end of FY 2016, 35 such proceedings (including consolidated cases) remain on the TTAB’s docket (compared to 48 at the end of FY 2015). The vast majority of these remaining cases are not under the TTAB’s sole control because they are suspended pending another proceeding, remanded to an Examining Attorney, or are pending appeal. In any event, once the TTAB’s amended rules take effect in January 2017, all cases will proceed under the extant rules.

E. International Matters.

1. Intellectual Property Rights (IPR) Attaché Program.

The U.S. IP Attaché Program, which was introduced in 2006, continues to be a very important tool both in advancing harmonization and supporting the protection and enforcement of the rights of U.S. businesses abroad.

- a. Fee Allocation. The TPAC continued in FY 2016 to monitor the IP Attaché Program as it impacts trademarks and the USPTO’s budget allocations. In FY 2015, the Office adopted a new way for the attachés to report their time, which tracks allocation of their time by category (trademarks, patents, copyrights, and other), rather than just reporting on major initiatives. Under this method, the fees from the Attaché Program which were allocated to Trademarks, were adjusted on a quarterly basis so that they directly reflected the work being done on trademark issues. This approach has worked well and the TPAC is very pleased by this result, and appreciative of the responsiveness of the USPTO to bring greater transparency to funding for this invaluable program.

- b. Expansion. FY 2016 saw several new attachés join the program. In February 2016, the USPTO posted its first IP attaché in Lima, Peru. Also, there were replacements in Mexico City, Mexico, and Rio de Janeiro, Brazil. Additionally, the USPTO plans to place a new attaché in Kiev, Ukraine, in late 2016 to ultimately replace the Moscow position. The Kiev position will cover Eastern Europe and the Commonwealth of Independent States.
- c. Outreach. Throughout FY 2016, the IP attachés engaged with the corporate community, academia, and other U.S. stakeholders to raise awareness of the availability and the services of the Attaché Program and to learn what issues were paramount in the concerns of the community. In December 2015, the IP attachés hosted or otherwise participated in a series of meetings in Washington, D.C., including one with some members of the TPAC and various IP organizations such as American Intellectual Property Law Association and INTA, and another session with the U.S. Chamber of Commerce.

TPAC members who attended the meetings in December 2015 reported that the gathering was very informative. Several in attendance recommended that the IP attachés utilize their USPTO webpage as a means to communicate information to IP organizations earlier so that they can better assist them with ongoing issues. The TPAC fully supports this recommendation. As was reported above, the IP attachés' method of tracking the allocation of their time by category was confirmed as they reported their percentage of time worked on trademark matters was in keeping with the fee allocation for this program. The IP attachés reported that in their respective territories' counterfeiting continues to be a serious problem.

Below is a representative sample of current issues the IP attachés are working on by region and the TPAC fully supports these efforts.

- EU – Counterfeiting over open country borders;
- China – Counterfeiting, bad faith trademark filings;
- Russia – Counterfeiting;
- Ukraine – Infringement;
- WIPO – Funding of the implementation of the Lisbon Agreement on Geographical Indications;

- India – Counterfeiting, customs recordation, enforcement;
- Middle East – Infringement, counterfeiting, development of new Gulf Cooperation Council States’ trademark law;
- Association of Southeast Asian Nations – Infringement, counterfeiting;
- Indonesia – Infringement; and
- Vietnam – Intellectual property impact study.

In May 2016, members of the IP Attaché Program attended and delivered presentations at the INTA Annual Meeting and International Anticounterfeiting Coalition Spring Conference in Orlando and also met with U.S. stakeholders in Daytona Beach. In Orlando and Daytona Beach, they met with associations and companies in the food, entertainment, manufacturing, and defense industries. In FY 2017, it is anticipated that in addition to their meetings in Washington, D.C., the attachés will visit with the USPTO regional office in Denver and meet with U.S. stakeholders in that region. The TPAC commends the U.S. Attaché Program and its continuing efforts directed to the improvement and enforcement of IP laws for the benefit of U.S. stakeholders.

2. Madrid Protocol Updates.

The Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (“Madrid Protocol”) is one of two treaties that comprise the Madrid System for the international registration of trademarks. The Madrid Protocol is a filing treaty, not a substantive harmonization treaty. It is a cost-effective and highly efficient way for trademark owners to protect their marks in multiple countries through the filing of one application with a single office, in one language, with one set of fees in a single currency. It eliminates the need for local counsel to act as agents for filing applications in countries or contracting parties. Once an international registration issues, it then devolves to each country or contracting party to determine whether or not protection is granted in its territory. However, once granted, the mark is protected there just as if that country or contracting party’s own office had registered it. The Madrid Protocol greatly simplifies portfolio maintenance for registered marks by providing a single procedural step to record subsequent changes in ownership, name or address of the holder, as well as greatly simplifying the process for renewing the mark.

- a. Growth of Madrid Protocol – New Accessions. Lao People’s Democratic Republic acceded to the Madrid Protocol in March,

2016, bringing the total number of contracting parties to the Madrid Protocol to 113. Anticipated accessions in the next one to three years include Brunei, Malaysia, Thailand; Trinidad and Tobago; and Canada, Indonesia, Jamaica, Malawi, and possibly Peru and South Africa in 2016-2017.

- b. WIPO Working Group – The Legal Development of the Madrid System for the International Registration of Marks. The WIPO Working Group agreed to several amendments to the Common Regulations that will be sent to the Madrid Assembly for approval in October 2016. These amendments include:
- (1) The office of the designated contracting party will now be notified where the appointment of a representative has been recorded in the International Register.
 - (2) Designated contracting parties will now notify the International Bureau (“IB”) of a further decision that affects the protection of the mark to the extent that the office is aware of the decision in instances where a statement of grant of protection under Rule 18ter(1) issued or where “tacit acceptance” has been applied.
 - (3) An office of origin, where it is aware of one, will promptly notify the IB of any judicial action or proceedings that has completed, but has not resulted in a ceasing of protection, withdrawal or renunciation.
 - (4) The office of a designated contracting party can now request the IB to send a communication on its behalf to the holder where the national law does not permit direct communication between that office and the holder.
 - (5) The holder can now request a division of the international registration (“IR”) resulting in a new IR number, which will be the number of the parent followed by a capital letter.
- c. WIPO International Registration Revision Proposals. Discussions are ongoing regarding replacement practices, examining limitations, and a series of possible proposals to increase the flexibility of the system including:
- (1) Division and Merger of the International Registration. Switzerland and many European countries wanted to add the possibility for applicants to “divide” and then “merge” certain goods or services into a separate international registration, thereby allowing those goods or services that

have not been refused to proceed through the Madrid System, while the refused goods or services continue in examination. Most national offices provide this service for directly-filed applications, but only the United States provides this feature for Madrid filings. Most countries did not create national registration numbers but use the IR number at the national level, making division at the national level difficult. The Madrid Working Group reached consensus on the proposals to provide for division and merger of the international registration. The implementing regulations will likely enter into force on February 1, 2019.

- (2) Examining Limitations. Europe has proposed to have the IB examine the lists of goods or services and any “limitations” of the original identifications sent by the country of origin to designated contracting parties. Limitations can be filed with the international application, a subsequent designation, or in response to a provisional refusal. Some countries do not want the IB to examine anything except classification, which the IB controls via the Nice Agreement. Other countries have indicated that they want the office of origin to examine these limitations and still others have indicated that the office of the designated contracting party should examine the limitations. Discussions on this issue will continue at the next Working Group. The TPAC will continue monitoring this issue.
- (3) Eliminating Basic Mark or Freezing Dependency and Future Development. The Working Group has long been discussing a proposal to eliminate the basic mark requirement in the Madrid System but has been unable to reach consensus on the issue. Another proposal, freezing dependency, that could have similar effects to eliminating the basic mark and increasing the flexibility of the Madrid System also did not achieve consensus. Freezing dependency is a way to decouple the basic mark from the international registration without entirely eliminating the basic mark requirement. Either proposal could help U.S. filers because they could file an application for a basic mark at the USPTO with a broad identification of goods or services (“ID”), file an international application with that broad ID, get an international registration that designates contracting parties that would accept that ID, and not have those designations limited when the U.S. basic mark gets examined and the ID gets narrowed. Currently, there is no consensus to eliminate the basic mark or freeze

dependency. The TPAC will continue to monitor these issues.

3. WIPO Standing Committee on Trademarks, Industrial Designs and Geographical Indications (“SCT”).

- a. Country Names. The Delegations of Jamaica and Switzerland are advocating for a draft joint recommendation on the protection of country names. The joint recommendation proposes both that country names are considered private rights owned by governments, but also considers that any unauthorized use would be considered per se deceptive, thus, avoiding the need for the affected governments to take enforcement action. The Standing Committee on Trademarks has undertaken a large survey of Member states to study how countries are already handling country names in trademark examination and in use to evaluate whether such a joint recommendation is necessary. The TPAC looks forward to receiving the results of this survey.
- b. Geographical Indications. The EU and its member states are requesting a work program on GIs and the Internet, including online enforcement of GIs and protection of GIs in the domain name system, but have refused a work program to discuss national systems for the protection of GIs. The United States believes discussions on these Internet and domain name topics are premature in light of the lack of misunderstanding globally as to what a GI is and what is the appropriate scope of protection. The United States and other like-minded countries are pursuing a work program to have the SCT discuss GI registration systems at the national and regional levels. Work on this topic has been blocked for a decade while the EU and its member states pursued a revision of the Lisbon Agreement on Appellations of Origin and Geographical Indications. Negotiations will continue at the next session of the SCT in October 2016.
- c. WIPO Lisbon Agreement on Appellations of Origin and Geographical Indications. The United States is disappointed with the process and result that came out of the WIPO’s May 2015 diplomatic conference for the adoption of the Geneva Act of the Lisbon Agreement on Appellations of Origin (“AOs”) and Geographical Indications (“GIs”). The Geneva Act was adopted at a diplomatic conference that did not allow for equal participation by all WIPO members and as a result was an agreement that many, if not most, WIPO members cannot join. Moreover, the Lisbon Agreement and its Geneva Act provide an overly broad scope of protection for AOs and GIs that restricts trade in goods that use common names or trademarks.

During this FY2016, the United States and a group of other countries continued to press for a balanced discussion on GIs at WIPO.

The United States has proposed that a balanced approach to GIs at WIPO should focus on four core principles.

- (1) Each WIPO Registration System should be financially self-sufficient, which means that in efforts to promote the Lisbon System, WIPO should only use revenue generated by the Lisbon System to fund promotion and technical assistance for implementation.
 - (2) In providing information and technical assistance on national or regional protection systems for GIs, WIPO must recognize that *sui generis* GI registration systems, trademark systems, and unfair competition systems can all facilitate the protection of GIs, and the Lisbon Agreement model should not be promoted above other systems of protection.
 - (3) In the Standing Committee on Trademarks, Industrial Designs and Geographical Indications (“SCT”), the WIPO Secretariat should facilitate understanding of the issues related to GI protection principles, including the different policy and stakeholder interests that influence GI protection systems, without prejudicing the outcome of the discussion.
 - (4) The WIPO Secretariat should refrain from administering the Geneva Act of the Lisbon Agreement until the WIPO General Assembly gives approval.
- d. The Five Trademark Offices (“TM5”). The TM5 is a framework through which five intellectual property offices, namely, the USPTO, the Japan Patent Office (“JPO”), the Korean Intellectual Property Office (“KIPO”), the Office for Harmonization in the Internal Market (“OHIM”), and the Trademark Office of the State Administration of Industry and Commerce of the People’s Republic of China (“SAIC”), exchange information on trademark-related matters and undertake cooperative activities aimed at harmonizing or improving their respective trademark systems and procedures.
- (1) Annual Meeting of December 1-2, 2015. The last annual meeting of the TM5 was held December 1-2, 2015, in Alexandria, Virginia. At that time, the TM5 offices discussed various joint projects, including the

“Continuation/Expansion of the Bad Faith Project,” “Taxonomy,” and the “ID List Project.” The partners also approved KIPO’s proposal to conduct a new project called “Providing Information on How TM5 Members Describe Goods and Services,” in which the partners will develop best practices for drafting identifications of goods or services so that users will enjoy a greater acceptance rate when they choose to not use a pre-approved TM5 ID List term. The partners also approved a jointly-led project by the European Union Intellectual Property Office (“EUIPO”) and JPO on increasing user involvement with TM5.

- (2) Ongoing Initiatives. The partners are working to select a sample of cases that were filed in all five TM5 offices to be analyzed in a Comparative Analysis of Examination Results Project. Also, the partners have created and are currently completing a standardized method of providing information about the TM5’s requirements for applications that each office receives under the Madrid Protocol. The TPAC supports these efforts.
- (3) Mid-Year Meeting. The TM5 partners conducted their mid-term meeting on July 18, 2016, in Beijing, China. In FY 2016, the TM5 partners continued to conduct seminars involving the exchange of best practices for combatting bad faith trademark filings. The most recent seminar was conducted in Tokyo in March 2016 and attracted hundreds of attendees who had the opportunity to discuss bad-faith filings with each of the TM5 partner offices. Currently, the TM5 partners continue to work on a new bad-faith filing report that is scheduled to be issued next fiscal year. The partners also continued work on the KIPO project on Comparative Analysis on Examination Results, which is compiling examination data on trademark applications that were filed in all five partner offices.
- (4) Common Status Descriptors. As part of the USPTO-led “Common Status Descriptors” (“CSD”) project, on May 7, 2016, the USPTO launched the TM5 Common Status Descriptors as a new status feature in Trademark Status & Document Retrieval. This feature provides status of applications and registrations at the USPTO using a uniform set of icons and terms that were cooperatively developed by the TM5. At the annual meeting in December 2015, the TM5 partners agreed to a set of status icons to be used in conjunction with previously approved

status terminology that identify the statuses of trademark applications and registrations in their offices. JPO deployed the CSD in test format in April, and EUIPO expects deployment by the end of the year. The partners continue to work to display the CSD on their publicly facing websites.

(5) Upcoming Annual Meeting. SAIC is the secretariat for the 2016 Annual Meeting, which will take place on October 28-29, 2016, in Kunshan City, China.

e. Infant Formula Labeling Restrictions. USPTO has been working with others in the administration to develop a strategy to respond to the World Health Organization's recent Guidance on "Ending the Inappropriate Promotion of Foods for Infants and Young Children." The WHO issued Guidance to its Member States on May 16, 2016 that recommends national regulatory restrictions on labels for infant formula and "complementary foods" that include milk and milk products for infants and kids. The Guidance recommends that WHO Member States should impose labeling restrictions on infant formula or other foods for children in an effort to promote breast feeding for infants and kids up to three years. These labeling restrictions include restrictions on the use of trademarks and trade dress on infant formula and dairy products, as well as restrictions on marketing. Regarding infant formula, countries such as Hong Kong, Malaysia, and Thailand have restricted the use of trademarks in various ways on packaging—most notably, by allowing no pictures of infants on packaging or any other suggestion of suitability for infants. Considering this new Guidance from WHO, the USPTO is concerned that WHO members will construe it as a green light to begin invalidating trademarks on these products or otherwise restrict the use of valid marks that are not deceptive to the consumer.