

UNITED STATES PATENT AND TRADEMARK OFFICE

TRADEMARK PUBLIC ADVISORY COMMITTEE MEETING

TRADEMARK FEE PROPOSAL HEARING

Alexandria, Virginia

Tuesday, November 3, 2015

PARTICIPANTS:

TPAC Members:

MAURY TEPPER, Chair

WILLIAM BARBER

ANNE CHASSER

JODY DRAKE

KATHRYN BARRETT PARK

DEE ANN WELDON-WILSON

TIMOTHY LOCKHART

JONATHAN HUDIS

DEBORAH HAMPTON

Union Members:

HOWARD FRIEDMAN, NTEU 245

USPTO:

RUSSELL SLIFER, Deputy Under Secretary
and Deputy Director

MARY BONEY-DENISON, Commissioner for
Trademarks

GERARD ROGERS, Chief Administrative
Trademark Judge

Also Present:

ANNA MANVILLE

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P R O C E E D I N G S

(1:30 p.m.)

CHAIRMAN TEPPER: Good afternoon everyone. We'd like to call our hearing to order and welcome everyone. This is a scheduled public hearing on a fee proposal from Trademarks. This is new territory for the members of TPAC and I assume for the trademark community too. There has been the ability by statute for the Director to set fees for some amount of time. My suspicion since my term will end in one month -- I thought I'd gotten through five years safely -- so you can blame me if you like for this occurrence, but when the Director wishes to propose any change to fees the advisory committees are required to hold a hearing, so we are here today to hear from you all.

Our purpose today is to gather input and feedback from stakeholders and from the public, and you'll be hearing a little more about the process, so I do want to thank everyone for your attendance today and to let you know that you are valued and most of how this meeting will go after we get some background will be up to you all.

Our purpose today is not to engage in

a debate. We won't be answering a lot of questions, but we are here to listen. We're here to gather your feedback, and we will be issuing a written report to the Director after this hearing.

I want to thank the members of TPAC all but one of whom are here. We had one who was unable to fly out of Austin or Dallas this morning. He was fogged in. Bill Barber will be participating, I believe, online and by phone, but all of the rest of the Public Advisory Committee are in attendance, and they thought they were going to finish the year quietly after we finished our annual report but here we are, so these are interesting times.

I will take just one brief moment to comment to you all. Keep your eyes out to the official gazette. December 1st our annual report will be published. We're pretty proud of it. We think it's great, so we hope that anyone interested in a very comprehensive summary of operations here at the PTO, please do take a look at that report.

With that being said I want to allow as

much time as possible. I'm going to move us right along. Very glad to have Deputy Director Slifer here today and Russell's going to give us a little bit of orientation.

MR. SLIFER: Thank you, Maury, and thank you for joining us today for this special public meeting. Today's meeting is a critical step as we work toward changes in the trademark fee structure plan for January of 2017. Like any collaborative process it's only going to work with involvement from all parties, especially the public.

As always, the USPTO remains committed to fiscal responsibility, financial prudence, and operational efficiency to ensure our intellectual property system including the trademark operations remain the world's gold standard. The USPTO continues to implement the America Invents Acts and will continue to operate under them in an ongoing process. We are seeing that now with our opening of two new regional offices; one last month in San Jose and one actually next week in Dallas.

You are seeing it with our obligation

under the America Invents Act routinely review and set appropriate fees. During the agency's first fee review the USPTO developed a proposal to adjust all paper-filing fees and a limited number of trademark process and service fees. But again, this is a collaborative process. The America Invents Act stipulates that the Trademark Public Advisory Committee, the TPAC here, is required to hold a public meeting within 30 days following the receipt of this proposal. That's why we're here today for that important discussion.

It is important to remember that as we continue this process, the AIA mandates the trademark fees recover the prospective aggregate cost of trademark operations; therefore fees must be set at levels projected to cover the cost of future budgetary requirements. The choice we have is how best to calibrate those fees to encourage the most robust and effective engagement by potential and existing participants in our intellectual property system.

Our fee-setting authority includes

flexibility to set individual fees in a way that advances key policy considerations while taking into account the cost of the respective services.

The fee proposals we are discussing today meet three critical agency objectives; ensuring the efficient process, the integrity of our register, and the alignment of fees with costs. This proposal also takes into account the possibility of future funding constraints, and it is designed to weather those challenges.

There are a couple of key takeaways from this proposal which meet these objectives and provide flexibility for the future. First, we propose to increase all trademark paper filing fees as an incentive to file electronically, three additional trademark processing fees, and all existing TTAV fees. Second, we would create a new fee for subsequent requests for an extension of time to file an opposition and a TTAB proceeding and reduce a few trademark service fees. By enacting these adjustments we'll ensure optimal IT services for our users, enhance stakeholder and public outreach, and improve TTAB operations. You can find more details on the

proposals at our website at USPTO.gov.

We strongly feel that our proposals meet both the needs of the agency and the needs of our user community. We don't claim to have crafted a perfect approach. We want to hear your feedback on what you think works and what you think we could improve. So, going forward TPAC will issue a report to the public indicating any comments, advice, and recommendations they receive, and the USPTO is eager to see that report also.

So thank you, Chairperson Tepper, members of the committee, and those interested in our trademark organization for your consideration of this proposal.

CHAIRMAN TEPPER: Thank you very much, and before we ask for questions and comments I think it would be very helpful and very useful for you all to have a little bit of a background and orientation.

Many of you have seen the specifics of the fee proposal up on the USPTO website already, but to walk you through, I think, a little bit of the process that has brought us to this point as

well as to give you a better understanding of what may happen after today's hearing and what the timing will be I'm going to turn to Commissioner Denison and Chief Judge Rogers to give us that information.

MS. DENISON: I want to start out by thanking TPAC for having us here today. Maury, Mr. Chairman, I'm really delighted to be here today with Chief Judge Rogers to talk about our proposed fees.

This is the first opportunity for the office to present a proposal to adjust certain trademark fees and to gather user feedback. We very much want to hear from you, our users.

The sole purpose of this meeting is to engage our stakeholders and members of the public in our fee review process. We plan to consider all comments gathered from this meeting as well as any post-hearing comments and any comments submitted later through the formal rulemaking process, and I'll tell you the timeline for that in a moment. So, first I want to start off by explaining the process, and then I'll discuss what the proposed fees are and why we're proposing

certain changes.

So, the USPTO has recently completed a bi-annual review of its fees compared to costs and budgetary requirements over the next five years. With the authority provided under the America Invents Act, which is known as AIA, we have the opportunity to adjust fees following a comprehensive review of fees.

The USPTO must plan so that expected fee revenues are sufficient to cover the total costs of operations including maintaining a minimum operating reserve. The expected revenue impact to the fee changes will be presented in the President's budget request for fiscal year 2017, and that budget will be made public in February of 2016, so the proposed fee changes require public notice and rulemaking to implement.

So, as Deputy Director Slifer mentioned, we are proceeding now to meet an expected implementation date of January 2017 which will be the second quarter of fiscal year 2017. The TPAC package as originally put together included a Federal Register notice and we sent it to the Undersecretary's office on

October 6, and then TPAC was formally noticed on October 14th. We then put the notice in the Federal Register announcing the public hearing and the fee proposal on October 20th, and TPAC was required to hold a public hearing within 30 days of notification of the proposals. After the hearing they're required to do a report.

So, the next thing that happens after this hearing -- TPAC will work on its report and then no later than January of 2016 we plan to send a Notice of Proposed Rulemaking to the Department of Commerce and the Office of Management and Budget for review and clearance. We expect that the Notice of Proposed Rulemaking will be -- woops, I think I have a slide on this. Sorry. We have a Notice of Proposed Rulemaking that will be in May, and then there will be another opportunity to comment, so you can comment today. You can comment by November 10th if you want us to consider your comments right now, and then you also will have a 60-day period beginning in May to comment again.

So, once we review those comments that we receive in response to the Notice of Proposed

Rulemaking the final rule will be sent to the Department of Commerce and the Office of Management and Budget in August 2016 for clearance, and we plan to publish the final rule in the Federal Register in November of 2016, so it takes a year for the final rule to come out, and then the implementation of the fee changes would be in January of 2017. So, I thought it would be helpful to you to kind of have the timeline so that you understood where we were going.

So, the next question is why are we doing this. One of the primary goals here is to get filers to work with the office through 100 percent electronic communication. As you will recall, the office lowered application fees in January of this year to encourage applicants to file and prosecute their trademark applications 100 percent electronically. Applicants have saved more than \$21 million between January and the end of the fiscal year which was September 30th as a result of those fee reductions.

The percentage of applications that are processed electronically has increased a bit

since we lowered fees, but we won't know how successful the lowering of fees is until at least a year has passed. Now we're proposing to set paper filing fees closer to the level necessary to cover office costs and to encourage applicants to file and communicate electronically.

So, why is filing electronically such a big deal to us at the USPTO? That's a question I get asked. First, we reduce human error. We improve efficiency. Second, it saves the registration system money. Paper is very expensive for us to process, and third, right now electronic filers are subsidizing paper filers.

Are there any other reasons we're doing it? Yes, answering my own questions. We hope to encourage a more efficient filing system and to facilitate stakeholder filings that will improve the integrity of the register. We're also investing heavily in our IT systems as stakeholders have urged us to do, and we have concerns that the financial demands of IT investments coupled with projections for further filing increases after a record year will exceed available revenues and operating reserve minimum

balances by fiscal year 2017.

So now I want to talk briefly about the proposed changes we're going to be impacting: Paper filings, extensions of time, petitions, dividing applications, TTAB fees, and let me just go through and give you a little more information on each of these.

So, the fee for filing a paper application was last increased in 2005 and then it went to \$375. So, 10 years ago the paper filing fee went to \$375. Our actual cost for processing a paper application is over \$600, so the \$375 really does not touch the cost, so everyone who's filing electronically is in essence subsidizing those who are filing on paper.

Fees for filing electronically were reduced to \$325 for TEAS and \$275 for TEAS Plus in 2005, and then, of course, we reduced them in January of this year and added TEAS reduced fee. So, if you choose to file TEAS Plus now at \$225, you're paying less than you were back to 1993 when we were charging -- we went up to \$245, so that's kind of amazing.

We're not particularly using this to increase revenue. We're trying to shift all applicants first to filing the initial application electronically which most people are doing but not everyone, and second, to going through the whole process electronically. We want our users to recognize the substantial additional cost and time for the registration system of processing paper.

Okay, we're also proposing to increase all paper file documents, not just the application by \$100 per class. Again, it's the same drill. Electronic is cheaper for us, and we ought to not have the subsidy by the electronic filers.

We are also proposing to increase petition fees to \$200 from \$100, and if you were to file on paper it would actually go to \$300. This would better align the fees with the costs for us.

Another thing we're proposing is a request for a 6-month extension of time. We're filing a statement of use. That fee was last increased from \$50 to \$150 back in December of

1999, so that was 16 years ago that we last increased that fee. We believe that increasing the extension request fee would be helpful to ensure the integrity of the register. We've noticed that extensions of time -- people are filing more and more of those, and that does clog up the register the longer things stay in the process.

We are also proposing to increase the cost of a request to divide, and basically the same reasons there.

Now I did want to mention that we are reducing a few fees. People like that. We are proposing to eliminate the fee for the deposit account set-up. We're going into a new IT system and so that will be able to be handled online, and so we're dropping that fee. We're also going to eliminate self-service copy charges; turn that over to a vendor, and there's another fee which is a single \$40-per-hour fee-for-service delivery charges, and we're going to replace that with more appropriate fees for overnight delivery or expedited service. So, that's just a quick run through of the trademark prosecution fees,

and now I'm going to turn it over to Chief Judge Rogers to talk about the TTAB proposals.

MR. ROGERS: Thank you, Chairman Tepper and Commissioner Denison. For the TTAB we are proposing to increase existing fees. We don't have very many fees. We're proposing to increase the fees for ex parte appeals, notices of opposition, and petitions for cancellation. As this slide says, workloads are relatively small. The cost of our operations is heavily subsidized by revenues from other fees -- other trademark processing fees. I guess I would have to check with my judges and attorneys to see if they agreed with the while workloads are relatively small part of this (laughter), but there's no question that our operations are heavily subsidized by other trademark processing fees and have been for years.

The fees were purposely set low years ago to ensure access to TTAB proceedings, appeals by applicants whose applicants are refused, and by those who feel the need to oppose an application or petition for cancellation of a registration, but these proposed fee increases

that we're now considering would go some of the way towards more aligning the revenue that the board brings in for its various proceedings with the costs of that increase year after year as our size increases and the number of cases that we have to handle increases.

Ex parte appeal fees have not been adjusted in more than 25 years. Inter party fees, the oppositions, and the cancellations have not been adjusted in 15 years, so our proposal is to increase those fees by \$100 for each class in each proceeding. There would be, as with trademark fees, an additional \$100 increase per class for paper filings in each of these kinds of proceedings, again to incentivize electronic communication and to improve the efficiency and reduce the total costs.

Let's take a look at some of these on how they would actually play out. These are the current and proposed fees for petitions for cancellation, notices of opposition, and ex parte appeals, so again you can see the increases on this slide are \$100 per class for electronic filings in each of the three proceedings with an

additional \$100 per class surcharge for paper filings.

We're also proposing to add a fee that did not previously exist and that is for extensions for time to oppose. The board received 17,000 extensions of time to oppose in the last fiscal year. You can imagine they cost at least something to process whether they are processed electronically or on paper, and so certainly we need to think about recovering some of our costs for processing this very large number of filings.

What we propose to do is to allow the first 30-day extension of time to oppose which can now be obtained very easily to continue to be filed at no cost, but for those parties who want to delay an application a little bit longer and to take advantage of the possibility of additional extensions of time to oppose, that's when the fees would begin to kick in. So, a party can now request an initial 30 days and then 60 days and then another 60 days, or a party can request an initial 90 days and then the final 60 days, so if the party requests 30 days it would be free.

If they request an initial 90 days they would have to pay for that 60-day component beyond the initial 30 days. That's how we propose to handle that.

So, again this kind of incentivizes parties to act more efficiently when they're filing extensions of time to oppose because they will have to make their decisions more quickly about whether to file notices of opposition or not, and that's it for the TTAB.

MS. DENISON: Thank you. I just want to say a couple things about what happens if we do nothing because I'm sure that that's what some people would like us to do.

We had record filings this past fiscal year that ended September 30th. We have never had 500,000 classes before. We are projecting filing increases to continue for the foreseeable future. We're in the midst of a multi-year IT upgrade which is critical to the future of the U.S. Registration system, and we're concerned if we don't get people to move beyond antiquated paper filing the revenue may not be sufficient to meet our minimum operating reserve and thus will

leave us without the ability to function in the event of a lapse in appropriations or if there's an economic downturn or if we have some other emergency situation.

So we believe that this proposal makes sense. We think that the vast majority of applicants who file electronically, this will have minimum impact on them, and it will reduce human error -- all this getting rid of the paper, promote efficiency, and promote the integrity of the register, and we believe that it's a fair balance. So, please keep these things in mind when you provide us with your comments which we very much welcome, and we look forward to hearing from you in the near future. Thank you.

MR. ROGERS: And if I may just add one point. We've talked a lot about per-class fees in almost every instance, and I just wanted to add one clarification that I forgot to include in the TTAB presentation and that is the extensions of time to oppose the new fee that we're proposing is not a per class fee. It is a per application fee that you would be taking an extension of time to oppose, so if it's a five-class application

you're not going to be paying five extensions of time to oppose fees. You're just paying one.

CHAIRMAN TEPPER: Thank you. I want to thank our representatives of the office for giving us this helpful orientation and background. One important piece of information that I'll make sure that we address, and you want to take a look at this particular slide. You can find additional information on the PTO website about the specifics of the proposal if you need those, but most importantly, November 10th is an important date for all of us. We want to hear your comments and your feedback today.

If you would like to send us any additional comments, recommendations and insights there is an address up there for you. We need for you to do so by November the 10th to enable the Public Advisory Committee to put a report together and include your feedback, so I invite all of you after today's hearing if you haven't had the chance to let us know everything that you want to, please take down the fee setting at USPTO.gov email address, and please do make sure you provide that feedback to us by the 10th

of November so that we can keep the process moving for everyone.

That being said, this is my favorite part of the day. It's when I'm planning to shut up, so I do want to mention we're going to move now. It's scheduled testimony and open floor for unscheduled testimony.

I will give my apologies for not being able to give more advanced notice to everyone. You understand the statute provides a 30-day window and as Commissioner Denison let you know when the notice hit us the 30 would conclude on November 20th. My birthday is on the 21st, so I'm not saying that's the reason but selecting a day that would work that facilities and space were available at the office constrained us in some ways, so with thanks to you all for being here on the limited amount of time we had. I understand there hasn't been a lot of time to prepare detailed testimony, but I think this is a wonderful opportunity for you all to provide us with feedback and with your comments, and that is going to be the way that we're going to be focusing the remainder of our time.

I need to make sure we all know this is not a Q&A session, so you've been given the information we can share. If anything needs to be clarified we'll try to do that, but our primary purpose now is to be here to listen to you and to receive your feedback to make sure that we can give an accurate and complete report to the director.

So, I'd like to turn the floor over to anyone who would like to share. If you will do us a favor so that we can get your comments on the transcript, we'll all be furiously be scribbling notes, but if you can, make sure that you locate one of the microphones on the ends of the room, or if you'd like to sit and speak at the table just make sure that you push the button so your microphone is on.

I would ask that you please just identify yourself and anyone that you're representing if you're speaking for an association or on your own behalf or for a client do let us know that. And that being said, anyone who would like to provide us any unscheduled testimony or commentary, just let me know. I'll

try to recognize everyone in order.

Oh, thank you. Please, (inaudible).
And I'll tell you what. Join us at the table if
you would. I don't think we have that microphone
working, but if you'll just push your button and
there you go.

MS. MANVILLE: It's red, so it must be
working. I'm Anna Manville. I'm here today
representing the International Trademark
Association, INTA, and the USPTO subcommittee of
the association will be submitting written
comments, but we wanted to take this opportunity
to raise a few issues and make a few comments after
reading over the preliminary proposal.

First we just want to recognize that we
appreciate the USPTO's efforts to ensure the
adequate funding for operations and revenue and
encourage electronic filing.

We just wanted to raise the potential
issue of proposed fee waivers or exceptions where
it may not be possible to file something
electronically, and so we wanted to make sure that
there would be an opportunity to address that
situation should it arise.

And then secondly we were looking to get, in some instances, further clarification on proposed fee increases for certain filings compared with the actual cost, and some of the appendices which were found on the website under the TPAC section it looked like, for example, the statement of use -- extension of time to file a statement of use fee, the actual cost for an electronic filing was around \$17 whereas the proposed new filing fee was around \$250, and so we're just concerned about how that reasoning -- how that would -- the methodology behind that because the nature of that kind of filing could have a potentially adverse impact on certain stakeholders. For example, small entities or pro se applicants or potentially U.S.-based applicants who are obligated to demonstrate use before they achieve registration and also for specific industries that have regulatory requirements that might delay their ability to file a statement of use, or they might have just longer-to-market times for goods or services.

And then the connection with the TTAB

filings that the proposed fee for certain extensions of time to oppose, we just wanted to point out that that might have some unintended consequences or create -- increase opposition filings in certain instances where perhaps opposers or potential opposers might say, well, I'll just save the filing fee and go forward with an opposition which might inadvertently create the -- an increased work flow below you'd already be in the opposition process, and that was -- and then also in connection with overall -- the proposed fees.

Again, looking back at the example of the extension of time filed statement of use which was one of the filing fees that sort of stood out for the subcommittee, we wanted to encourage the consideration of perhaps fee changes in other areas that would more evenly distribute the potential burden of the increases, and that might be a small uptick in application filing fee verses significant uptick in fees in other areas. And as mentioned before we'll be filing written comments and appreciate your time and thank you very much.

CHAIRMAN TEPPER: Anna, thank you very much. We appreciate that input. Do we have any other comments? I know we did a great job, folks, and I know you all are here so let us know if you have any views you would like us to be aware of. Please?

MS. STRICKLAND RICKETTS: Hi, I'm Allison Strickland Ricketts. I am a lawyer with the firm, but I'm not speaking on behalf of my firm. I just came today to listen, but I guess if invited to speak I'm happy to do so.

Thank you for the opportunity to weigh in on these fees. The only comment that I have is with respect to the proposed increase to the filing of a request for a 6-month extension of time to file a statement of use. That seems to be the only one based on my review of the materials and listening today that isn't tied to the actual cost of processing. It also seems that that is a document that isn't examined on a per-class basis. It's more like the extension of time to oppose. It's filed in the application. It's a single document no matter how many classes, and so I -- and I think that even though the dollar

amount charged hasn't increased in a very, very long time, I think it's also the case that the electronic processing of those particular filings has got to have helped to keep the cost of processing those down.

A reference was made to those intent to use applications clogging up the system. That has not been anything that I have noticed as a problem in my practice. Applications that get suspended for years and decades behind other prior pendings clog up the system and concern me more. I have one case pending since 1999 that is still stuck behind one prior pending. They've all be slowly -- and I would love to see a process where maybe every couple of years those applicants are asked, hey, are you still interested in this mark that you have pending application for, so it's just something not to do with fees. Sorry about that. Just a thought.

And I would just comment that in the interest of encouraging the early filing of statements of use increasing the fee to divide an application doesn't seem to align with that because if you do want to prove use early for some

things for which you have use but keep the rest of it pending, increasing the cost of the divisional sort of weighs against that in the calculation. On the other hand, I do think that the divisional request is quite time intensive, and I'm sure that the fees for that are warranted by a cost analysis. And that's it. Thank you.

CHAIRMAN TEPPER: Thank you, Allison. We appreciate that very much. Do we have others who would like to provide any comments, any input on the proposal you've seen?

All right, folks, I teach a Sunday school class so I'm used to looking at a room full of blank faces that do not wish to speak and I'm very patient. I do want to give anyone a minute just to make sure that we have had the chance to benefit from your commentary and your input. Any other comments today?

All right. Well, that being said, I want to thank everyone for being here today. I want to thank the office for all the work that they have done in putting this material together.

We do strongly encourage you to take advantage of the email address. In fact I'll

back up to that: Feesetting@USPTO -- I'm
sorry -- fee.setting@USPTO.gov. Thank you.
That will make a difference. We look forward to
receiving the written comments that we understand
are underway. We do need to receive those by the
10th of November.

If there is no further input, no further
comments, then we'll declare this hearing
adjourned, and please do recall you can give us
your written comments by November 10th you'll
also see the -- in the May timeframe of 2016 your
chance to comment on the notice to propose
rulemaking when that comes out, so we appreciate
your time today. Thank you and we're adjourned.

(Whereupon, at 2:10 p.m., the
PROCEEDINGS were adjourned.)

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CERTIFICATE OF NOTARY PUBLIC

COMMONWEALTH OF VIRGINIA

I, Mark Mahoney, notary public in and for the Commonwealth of Virginia, do hereby certify that the forgoing PROCEEDING was duly recorded and thereafter reduced to print under my direction; that the witnesses were sworn to tell the truth under penalty of perjury; that said transcript is a true record of the testimony given by witnesses; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this proceeding was called; and, furthermore, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

(Signature and Seal on File)

**Notary Public, in and for the Commonwealth of
Virginia**

My Commission Expires: August 31, 2017

Notary Public Number 122985