

June 21, 2011

Comments from Erik M. Pelton & Associates, PLLC
Regarding Notice of Inquiry:
“Trademark Trial and Appeal Board Participation in Settlement Discussions”

The following are the comments of the law firm of Erik M. Pelton & Associates, PLLC of Falls Church, Virginia (“EMP&A”), in response to the Notice of Inquiry published by the U.S. Patent and Trademark Office (“USPTO”) on April 22, 2011 in Volume 76, No. 78 of the Federal Register (“Notice of Inquiry”). Over the last decade, EMP&A has represented dozens of clients as plaintiffs and defendants in TTAB *inter partes* proceedings. Many of these proceedings have been resolved through negotiated settlement agreements with a variety of structures.

Introduction

EMP&A supports, in principle, the Board’s efforts to encourage parties to participate in settlement discussions, but any changes to Board procedures regarding these matters should not be mandatory and should be carefully crafted so as not to increase overall pendency of proceedings. EMP&A believes that the goal of encouraging parties to achieve more equitable resolutions on their own initiative can be promoted by a variety of means, including Board encouragement of mediation by outside parties, providing more information about Board procedures and outcomes to parties, publishing more data in the Board’s performance measures, increasing the Board’s sanction powers to encourage more equitable discovery practice and discourage delays, and other means proposed herein.

As an initial matter, it is important to emphasize that the decision whether or not to seek and accept a negotiated settlement ultimately rests with the parties themselves. Therefore, the Board must be careful to avoid mandating settlement negotiations without first ensuring that both parties already have sufficient incentives to genuinely pursue a negotiated resolution of the dispute. In addition, the Board’s goal should not be to merely encourage more cases to settle. Rather, the Board should strive to create conditions that encourage more parties to agree upon settlements *that are also equitable and fair*. As noted by the Notice of Inquiry, a significant percentage of TTAB proceedings are already settled by the parties or terminate in default, but an increase in the number of these cases is not necessarily a good thing. For example, the long pendency of proceedings before final decision is certainly a major factor that contributes to the high rate of settlement and default, but no one will argue that high pendency is a fair means of encouraging settlement negotiations because high pendency disproportionately affects applicants rather than opposers and small businesses rather than large businesses. Therefore, in determining how to create incentives for settlement negotiations, the Board should ensure that the benefits and burdens are distributed equitably among parties to improve the likelihood that negotiated resolutions more fairly reflect the actual strength of each party’s case on the merits.

With these considerations in mind, EMP&A believes that efforts to achieve more equitable negotiated settlements of Board proceedings should include a variety of measures discussed in greater detail below.

EMP&A's Responses to Inquiries

We respond to each specific question made in the Notice of Inquiry below and also provide some other related suggestions:

(1) Should the Board be routinely involved in settlement discussions of parties, or instead, be involved only in particular cases on an “as needed” basis.

We believe that the Board should not “routinely” become involved in settlement negotiations between the parties. However, it may be useful for the Board to participate in such discussions or in mediation upon request from both parties in a proceeding.

The Board should not require further participation of the parties in settlement discussions or make settlement discussions a prerequisite for any part of the Board proceeding. Any settlement discussion programs or procedures adopted by the Board should be available only upon joint request by all the parties; otherwise they risk being a waste of resources and potentially delaying decisions on cases which do not settle.

(2) If you believe parties would benefit from involvement of a non-party, would it be preferable for settlement discussions to be handled by (a) an ATJ, (b) an IA, (c) a USPTO employee trained as a mediator but who is not an ATJ or IA, or (d) a third-party mediator?

Upon request from all the parties, the availability of a mediator from the TTAB or suggested by the TTAB could be a valuable resource for parties that desire assistance in reaching an agreement. The Board could encourage parties, when appropriate, to seek the assistance of a neutral mediator to resolve cases. The Board could publish information about the benefits of mediation as well as provide resources for finding suitable mediators with a background in intellectual property. The Board could include such resources in the initiation order at the commencement of each proceeding, or even provide it to the parties at the close of discovery or at some other phase in contested proceedings.

If some form of settlement program is created by the TTAB, we believe it should involve mediators either from within the TTAB or from organizations or individuals endorsed by the TTAB. Under no circumstances should an ATJ, IA or other TTAB staff members who could potentially participate in adjudication of the proceeding be involved in settlement discussions. Involvement of ATJ's and IA's could have a chilling effect on the frank conversations that are often required to reach a meeting of the minds. Moreover, settlement negotiations typically encompass strategic and business considerations beyond the question of registrability. Therefore, professional mediators, whether employed by the TTAB or outside groups, who are not directly involved in general TTAB operations are most likely to improve settlement negotiations.

(3) How would the involvement be triggered? For example, by stipulation of the parties, by unilateral request or by some other trigger

Participation in any Board sanctioned settlement discussions or program should be available solely through stipulation by all of the parties to a proceeding. Mandatory participation in settlement programs would drain resources, potentially diverting them from better uses. Mandatory programs would cause delay in cases where one or more of the parties is determined not to resolve matters through settlement. Moreover, a settlement program triggered at the request of only one of the parties is likely to invite abuse, either by parties who wish to delay proceedings for the purpose of preparing their own case or by parties that wish to drag out the length and expense of proceedings for the purpose of prevailing by attrition. While mandatory participation or participation at the request of a single party could help resolve some proceedings that otherwise might not settle, we believe the cost to the TTAB and its resources, as well as the risk that delays may encourage unfair settlements, far outweighs the potential benefits. In general, where both parties have sufficient information and incentives to create interest in settlement, there is no need to mandate their participation in negotiations.

(4) How many triggers should there be that would prompt Board or mediator involvement in settlement talks? For example, apart from the initial discovery conference, should there be a follow-up inquiry from the Board in the middle of discovery, at the end of discovery, or before pre-trial disclosures are made and commencement of trial is imminent? Should there be a required phone conference after the second or any subsequent request to extend or suspend discovery for settlement?

As noted above, if the Board adopts any additional requirements for negotiations or some other settlement program, we believe the sole trigger for involvement should be consent from all the parties.

In regard to extensions and/or suspensions of the Board's docket for settlement, we believe that upon the second request for such extension/suspension the Board should request details regarding real progress in reaching an agreement. For example, the parties could be required to list previous or scheduled conference calls on the subject, or indicate whether a draft agreement or term sheet has been prepared. If the Board has a settlement program, it could remind the parties of its availability at that time.

Similarly, the Board could implement policies that encourage potential opposers to pursue settlement options after Extensions of Time to Propose are filed with the Board. For example, the Board could require consent from the applicant before an extension greater than 30 days will be granted.

(5) To what extent should Board personnel involved in settlement discussions be recused from working on the case?

To maintain frank discussion between the parties and prevent the appearance of impropriety, bias, or use of confidential information obtained in settlement discussion, EMP&A believes that that any Board personnel involved in settlement discussions in any manner should be recused from any substantive work on the proceeding. Ideally, any mediation would be conducted by staff members dedicated to mediating settlement of disputes. If the Board's regular staff were involved, the creation of sufficient protections would be an additional drain on Board time and resources. Combined with the other reasons expressed herein, we believe the Board's resources

would be better used in a variety of other ways that could reduce pendency and potentially increase the number of proceedings resolved by the parties rather than by the Board. For more on these suggestions, see below.

(6) Should motions for summary judgment, the vast majority of which are denied and do not result in judgment, be barred unless the parties have been involved in at least one detailed settlement conference? Should an exception to such a rule be made for motions based on jurisdictional issues or claim or issue preclusion?

Engaging in settlement discussions should not be a prerequisite to any additional procedures or filings in a Board proceeding. While a great majority of motions for summary judgment are denied, the Board should use educational resources to advise parties and practitioners as part of its performance measures in Board proceedings (a) regarding the requirements and types of evidence generally necessary to have any realistic chance of succeeding in summary judgment, and (b) of the statistics regarding the numbers of motions for summary judgment granted and denied.

(7) Should the parties be accorded only limited discovery until they have had a detailed settlement discussion with a Board judge, attorney or mediator, with the need for subsequent discovery dependent on the results of the discussion?

Engaging in any form settlement discussions should not be a prerequisite to any additional procedures or filings in a Board proceeding.

(8) Should the Board amend its rules to require that a motion for summary judgment be filed before a plaintiff's pre-trial disclosures are due, and that the parties be required to engage in a settlement conference in conjunction with a discussion of plaintiff's pre-trial disclosures?

Engaging in any form settlement discussions should not be a prerequisite to any additional procedures or filings in a Board proceeding. Current procedures and requirements should not be amended regarding the timing of filing for summary judgment. See response to (6).

EMP&A's Additional Comments and Suggestions

We certainly agree with the potential benefits of more settlement discussions detailed in the Notice of Inquiry. The potential benefits to the parties of reaching settlement are clear in terms of controlling the outcome, avoiding risk, avoiding delay and avoiding expense. The potential benefits of a lighter docket, improved pendency, and reduced costs are certainly worth pursuing. The benefits to businesses, to the trademark register, and to the economy should also be clear: less lengthy disputes regarding trademark rights would mean fewer disruptions for growing businesses and distractions for their goals of providing products and/or services for the benefit of their customers. In light of these potentially significant benefits, reforms that may increase the likelihood that parties resolve their own disputes without a decision from the Board should certainly be explored and encouraged.

Currently, the Board already requires some discussion of settlement in initial discovery conferences. The Board is also active in encouraging ACR as an option for a quicker, less expensive resolution. Experienced trademark practitioners already know that the overwhelming

majority of proceedings at the Board are settled or resolved without a final opinion, and that settlement is usually driven by business, financial, or strategic concerns beyond the question of registrability. As a result, we do not believe that changes to the Board procedures or investments of time or resources in settlement discussions by Board personnel are likely to have a significant impact on the number of cases resolved without a Board opinion. However, we believe that other measures may have such an impact. Here are some ideas for encouraging more settlement discussions and more equitable outcomes:

- **Publish Additional Performance Measures**
EMP&A suggests that the Board continue to publish additional and more comprehensive performance measures of the Board's work, as well as additional measures of proceeding outcomes. Where parties have better information at their disposal that can help them assess their chances of success and the time and resources necessary to reach such a resolution, they are better positioned to evaluate the benefits of settlement as an alternative. Useful data could include the number and percentages of cases terminated by default, settled with abandonment of the underlying application/registration, settled without abandonment of the underlying application/registration, settled before discovery, settled during discovery, settled after briefs submitted, appealed to CAFC, and appealed to District Court. Statistics regarding the success rates of a variety of submissions including motions for summary judgment, oppositions reaching final determinations categorized by the grounds, and appeals to CAFC and District Courts, would also be valuable to all parties in Board proceedings.
- **Educate Trademark Owners and Practitioners**
Information distributed by the TTAB, via its website, outreach efforts and/or institution orders, could better describe some of the possible outcomes for settlement (i.e. license, abandonment, co-existence with restrictions, concurrent use, and many more). Such information could be valuable in helping parties think about settlement, particularly where one or more parties or attorneys in a proceeding are unfamiliar with Board proceedings and procedures. More information about the potential benefits of ACR, mediation, and the like would also be beneficial. More information about the length, procedures, and requirements for the parties to a Board proceeding – particularly targeted to pro se litigants and counsel without TTAB experience - would provide similar benefits.
- **Increased Enforcement and Sanctions**
EMP&A suggests that the Board exercise its current sanction powers more often and pursue additional powers to be applied in Board proceedings. Parties that abuse the discovery process through delay and evasive responses are rarely penalized. This is particularly problematic among opposers who are content with the status quo and have little incentive to reach a decision on the merits promptly. Moreover, parties that may easily defer the costs of full compliance with their discovery obligations in this manner have little incentive to genuinely pursue settlement negotiations. As a result, increased emphasis on strictly enforcing the parties' respective obligations and more liberal use of the Board's existing powers to sanction will increase incentives for parties to pursue settlement rather than expend the resources necessary to fully litigate the proceeding.

In addition, the Board should pursue additional sanction powers. For example, the threat of monetary sanctions or awards attorney fees would deter frivolous claims, dilatory tactics, and evasive discovery strategies. Furthermore, where egregious violations of the rules of conduct appear to have taken place, the Board should not hesitate to refer such conduct to the relevant bar association(s) for further investigation. Where parties and counsel in Board proceedings

face clear consequences for failing to take their obligations seriously, parties will be more likely to assess the merits of fully litigating the case earlier in the proceeding.

- **Continue efforts to reduce pendency**

TTAB litigation is a very long process that often imposes years of uncertainty on small businesses seeking recognition of their trademark rights. So far this year the average total pendency of TTAB *inter partes* proceedings is approximately three and a half years (179.9 weeks).¹ Part of the lengthy average TTAB case duration is the weeks or months taken to obtain rulings of motions and opinions, which is largely a result of understaffing and/or underfunding of the TTAB. In the current TTAB system that takes far too long to adjudicate disputes, strategic and/or settlement decisions by defendants are impacted by the proceeding length.

Possible changes:

- Discourage suspension for more than 60 days for settlement discussions unless good cause is shown.
- Provide USPTO with additional funding to hire more TTAB Administrative Trademark Judges and interlocutory attorneys.
- Use USPTO resources to shorten the application process, for example, by shortening the period of time between approval for publication and publication.
- Provide more information and templates regarding TTAB ACR options.
- Encourage mediation early in the TTAB process.

- **Recognize a defense of “trademark bullying”**

If the Board were to recognize an affirmative equitable defense of “trademark bullying,” fewer meritless oppositions may be filed, and defendants may enjoy increased leverage in some cases to negotiate more equitable settlements. Similarly, the creation of a Federal cause of action for abuse of process in administrative TTAB proceedings allowing the damaged party to seek damages would increase the leverage of many defendants and small businesses in negotiations regarding Board proceedings.

The goals of reducing pendency and encouraging parties to reach their own resolutions are excellent. While the changes proposed here are by no means comprehensive or perfect, any measures that help TTAB proceedings be resolved more quickly and on the initiative of the parties themselves will make the trademark system as a whole stronger and more efficient. As a result, businesses, large and small, throughout the economy will have greater opportunities to grow and protect their brands and further American ingenuity, creativity and success.

Respectfully submitted,



Erik M. Pelton
ERIK M. PELTON & ASSOCIATES, PLLC

¹ *TTAB New Filings and Performance Measures*, http://www.uspto.gov/trademarks/process/appeal/TTAB_New_Filings_and_Performance_Measures.jsp (accessed 6/21/2011).