



TRADEMARK PUBLIC ADVISORY COMMITTEE

ANNUAL REPORT

November 29, 2005

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TRADEMARK PUBLIC ADVISORY COMMITTEE

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TRADEMARK PUBLIC ADVISORY COMMITTEE

2005 ANNUAL REPORT

I. INTRODUCTION

Report: This is the Sixth Annual Report of the Trademark Public Advisory Committee (TPAC). The Report reviews the Trademark Operations of the United States Patent and Trademark Office (USPTO) for the fiscal year ending September 30, 2005. Our mandate, pursuant to the 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 sixty (60) days following the end of the fiscal year and is transmitted to the President, the Secretary of Commerce and the Committees on the Judiciary of the Senate and the House of Representatives. The Report is submitted for publication in the *Official Gazette* of the USPTO. The Report is available to the public on the USPTO web site, www.uspto.gov.

Members of TPAC: The Members of TPAC express their appreciation to Leslie J. Lott, of Lott & Friedland, P.A.; David M. Moyer, of The Procter & Gamble Company; and Jon Sandelin, of Stanford University, whose terms expired during the past year. Their contributions to the work of the Committee are greatly appreciated.

In September 2005, the Secretary of Commerce, Carlos M. Gutierrez, appointed the following new members to the TPAC: Ayala Deutsch, of NBA Properties; Van H. Leichter, of E.I. duPont de Nemours & Company; and Albert Tramposch, of Morgan, Lewis & Bockius. They join the following other members: Jeffrey M. Samuels, of the University of Akron School of Law, who serves as Chairman; Maury M. Tepper, III, of Womble Carlyle Sandridge & Price; Joseph N. Welch, II, of Pattishall, McAuliffe, Newbury, Hillard & Geraldson; B. Parker Livingston, of Buchanan Ingersoll; Kathleen Cooney-Porter, of Oblon, Spivak, McClelland, Maier & Neustadt; and Joshua W. Rosenberg, of Hewlett-Packard Co.

In addition to the above voting Members, the TPAC benefits from the views of three non-voting Members representing the membership of the USPTO unions. They are:

Albertha L. Jackson, of the National Treasury Employees Union (NTEU), Chapter 243; Howard Friedman, of NTEU, Chapter 245; and Robert D. Budens, of the Patent Office Professional Association.

II. OVERVIEW

The past year saw continued progress in the Trademark Operation's automation efforts, including the introduction of a new TEAS Plus filing option, the hiring of a large number of new examining attorneys in response to the increase in applications, a reduction (albeit slight) in first action pendency, the implementation of a new performance appraisal plan for GS-13 and GS-14 examining attorneys, and the appointment of a new senior management team for Trademarks. The e-government and other initiatives set forth in the USPTO's 21st Century Strategic Plan continue to set the agenda for the agency's operations.

We note that, during the past year, a number of reports were issued critical of the operations of the USPTO, including the agency's lack of an effective strategy to communicate and collaborate. We urge the agency to take steps to address the identified problem areas.

III. DISCUSSION OF SPECIFIC ISSUES

A. Staffing of Senior Management Positions

In our report last year, we expressed concern over the vacancies in the senior management positions within the Trademark Operations. We are pleased to report that such vacancies have now been filled. Former Deputy Commissioner for Trademark Examination Policy, Lynne G. Beresford, was appointed by Secretary Gutierrez to a five-year term as Commissioner for Trademarks. Commissioner Beresford, in turn, has appointed Sharon Marsh as the new Deputy Commissioner for Trademark Examination Policy and Deborah Cohn as the new Deputy Commissioner for Trademark Operations. The TPAC looks forward to working with Commissioner Beresford and her staff.

B. Performance Statistics

Total trademark filings during Fiscal Year 2005 were 323,501 classes, an increase of 8.4% over last fiscal year. During the past fiscal year, more than 88% of all applications were filed electronically through the Office's e-TEAS system. The TEAS system was recognized during the past year as one of five winners of the Excellence.Gov award.

As of September 30, 2005, total pending applications (measured as classes) were 659,039. Twenty percent of the pending inventory was in a post notice of allowance status.

The number of marks registered was 112,445 (including 143,396 classes), which was 1% above plan and 8% less than the number registered the previous year.

Total trademark disposals for the fiscal year were 252,275, a decrease of 5% from the year before.

First action pendency as of September 30, 2005, was 6.3 months, an improvement of .3 months from the previous year. The average pendency to registration, abandonment, and issuance of Notices of Allowance, including suspended and inter partes cases, was 19.6 months, which was slightly below the target of 20 months.

The TPAC reiterates its concern with the relatively high first action pendency. We note that the Office's plan for fiscal year 2006 calls for first action pendency to decline to 5.3 months. As we noted last year but bears repeating, from the perspective of the user community, it is desirable to be advised as to the registrability of a mark as promptly as possible so that informed business decisions may be made. While we applaud the Office's implementation of various automation changes, e.g., automated petition review, designed to reduce "back end" pendency, we are particularly concerned about first action pendency.

The TPAC notes that 89 examining attorneys were hired in fiscal year 2005, bringing to 357 the total number of examining attorneys on board as of September 30. We are also aware that the Office plans to hire many more examiners during the upcoming fiscal year. We urge management to carefully monitor the filing of new trademark applications and to align its hiring plans with filings. The TPAC is concerned with the potential for over-hiring, which, as in the past, could lead to adverse personnel actions.

C. Trademark E-Government

The Trademark Operation continues to build upon its progress of achieving the e-Government objectives of the USPTO's 21st Century Strategic Plan, which relies on electronic communications to offer market-based services and improve the availability of trademark information to more effectively serve an increasingly larger, global client-base.

Trademarks has discontinued the practice of creating and maintaining paper file copies of trademark applications and now relies exclusively on trademark data submitted or captured electronically to support trademark examination, publication of documents, and granting of registrations. At the last TPAC meeting, a question was posed regarding the Office's plans for its existing paper files. The Office advised the committee that, before any decisions are made regarding the paper files, the public would be given an opportunity to comment.

On July 18, 2005, Trademarks implemented a new TEAS Plus application form, which provides for a reduced fee if the applicant complies with certain filing and communication requirements. Since its introduction, 22% of electronically filed applications have been filed under TEAS Plus, resulting in a savings of \$1.7 million to trademark owners.

Also during the past fiscal year, Trademarks achieved a major milestone in maximizing electronic tools to make the trademark registration process fully transparent to the public. Anyone with Internet access anywhere in the world can now review documents in the

official trademark application file, including all decisions made by trademark examining attorneys, through the Trademark Document Retrieval (TDR) system.

A number of improvements were made in the conduct of internal operations. A complete electronic records database covering all trademark applications, including ongoing correspondence, was created by capturing the text and image of nearly 500,000 pending paper files and documents. The database supports paperless examination as the source of application records used within the Office.

Electronic systems continued to be upgraded to increase the number and type of transactions that can be completed. Significant process changes and enhancements have been incorporated that provide the capability to manage all Examiner actions and docketing in a completely electronic environment, as well as manage the assignment of new applications. Changes were made in the past year to eliminate the need for manual processing of files for transactions that are required to process marks for publication and registration. These changes improve workflow functionality and eliminate the need to have paper files to manage the work and take office actions for the core trademark examination and registration process.

The USPTO publishes a weekly *Trademark Official Gazette* that contains information covering several thousand marks and other office actions. The weekly publication is fully electronic; text and images that contain the layout are extracted from electronic records and sent to the Government Printing Office for printing registration certificates. The weekly *Trademark Official Gazette*, Registration Certificates and Updated Registration Certificates for the five most recent weekly issues are available electronically from the USPTO web site.

While the TPAC supports the electronic dissemination of information, including the contents of the *Trademark Official Gazette*, it is concerned with the uneven distribution of the paper version of the *Gazette*, especially given the difficulties associated with reviewing the contents of the *Gazette* via computer. We have raised this issue several times with Trademark management and have been assured that the Office has no plans to terminate the paper version of the *Gazette*. We urge the Office to work with the Government Printing Office to assure more timely distribution of the paper version of the *Gazette*.

D. Information Systems Support

The TPAC has expressed continued concern with the level of support to the Trademark Operations provided by the Office of Information Systems. As we have previously noted, the automation needs of Trademarks require additional staffing within the Office of the Chief Information Officer that is devoted exclusively to the needs of Trademarks. At its October 17, 2005 meeting, the agency's CIO, David Freeland, provided the committee with a frank, but sobering, assessment of his office's operational and managerial deficiencies. We anticipate that the CIO will take action within the upcoming

fiscal year to address these deficiencies and adopt a more collaborative relationship with Trademark management.

E. Cost Allocations

Section 42(c) of Title 35 provides that all trademark fees shall be used only for the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover a proportionate share of the administrative costs of the agency. The TPAC has been repeatedly assured by the Acting CFO that the agency is in compliance with the statutory provision. We respectfully request, however, that the Acting CFO and his staff, during the upcoming fiscal year, adopt and implement new procedures to more accurately capture the true administrative costs attributable to Trademark activities. We note that while Trademarks represents approximately 10% of the agency's FTE, the overhead and administrative costs assessed against trademark revenue exceed such percentage. While the current allocations may be justified, we note that the Acting CFO has indicated on several occasions that the agency needs to improve its internal accounting of costs. The TPAC notes that the agency has recently adopted a new form for reporting its income and costs.

F. Quality

1. In-Process Review

The TPAC reiterates its concern with the quality of trademark examination. While improvements in pendency and production are important, we believe that quality is job

1. During the past year, the TPAC was briefed by the head of the Office of Trademark Quality Review, Kevin Peska. We were greatly impressed by the degree of energy and expertise that Mr. Peska brings to the position and are confident that the Office is in good hands.

The Office of Trademark Quality Review continues the program initiated in 2002 to review first and final action letters and, under a set of published standards, to identify "excellent," "satisfactory," and "deficient" work with regard to decision-making. During the past fiscal year, the Office of Trademark Quality Review completed a review of 2,253 first action letters and 2,299 final action letters. Applying the "in-process" review standards, the deficiency rate for the year for first actions was 4.7% percent, which is slightly lower than last year and below the Office goal of 7.5%. The final action deficiency rate for the year was 5.9%, which is slightly above last year and above the office goal of 5%. 86.1% of first actions and 83.1% of final actions had no missed issues. Where substantive issues are concerned, the missed issue rate in final actions was 3.5%. We urge the Office to adopt additional corrective measures to reduce significantly the number of cases in which there are missed issues.

The TPAC notes that the Office-wide quality goals are higher than the quality goals set forth in the new performance appraisal plan. We believe that, to the extent the Office-

wide and Examiner-specific quality goals are based on the same criteria, such goals should be aligned. We understand that management and the union representing the examiners will monitor closely the impact of the new PAP on quality, production, and customer service. In the future, the TPAC would like the Office to provide it with a breakdown of historical trends at the Trademark Trial and Appeal Board with respect to its review of refusals to register.

2. Training

The TPAC supports continuing education programs to ensure Examiners have the knowledge and skills necessary to maintain high quality standards. The Office of Trademark Quality Review completed four e-learning modules for examining attorneys and other employees during the past year and trained the large number of newly hired examiners on all aspects of the position.

3. Trademark Assistance Center

The Trademark Assistance Center increased its staffing by nine positions at the end of the year to address the demand for services. The Center handled 107,660 calls for assistance and 28,000 e-mail requests. The TPAC is concerned that the Center is not meeting its goals, in some cases by large margins. We understand that the Center was understaffed last year, which undoubtedly contributed to its failure to meet goals, although we note and applaud the fact that the Center answered 95.5% of all incoming calls. Unreturned phone calls and delays in responding to phone calls are a problem within the examining corps as well.

G. International and Legislative Initiatives

The TPAC received updates from senior USPTO management, including Under Secretary and Director Jon Dudas, on the Administration's initiatives to combat counterfeiting and piracy. These efforts include the so-called STOP! (Strategy Targeting Organized Piracy) initiative, the appointment of a senior Commerce Department official to coordinate government-wide anti-counterfeiting efforts, and increased educational awareness programs. The TPAC is very supportive of these initiatives and we applaud Secretary Gutierrez and Director Dudas on their efforts in combating counterfeiting. As we noted last year, counterfeiting has many negative consequences. It defrauds consumers and, in certain cases, may even imperil the public health and safety. As recently reported, IP-based industries account for nearly 20% of the total private-industry contribution to GDP and for 40% of the nation's real economic growth.

At its October 17 meeting, the TPAC was briefed on a proposed initiative from the Office of the Law Revision Counsel to codify the Lanham Act into a new title of the U.S. Code. The TPAC voiced approval of such initiative and, assuming such initiative is undertaken, looks forward to working closely with the Office and offering it the benefit of the Members' experience and expertise.

H. Madrid Protocol

The U.S. became a member of the Madrid Protocol on November 2, 2003. The USPTO received 2,772 international applications in fiscal year 2005, 82% of which were filed through TEAS. Since the U.S. joined the Protocol, the USPTO has received 4,346 international applications and a total of 9,976 requests for extension of protection.

On November 1, 2004, the USPTO made Madrid Protocol forms available electronically. Paper submissions continue to be acceptable.

The TPAC is aware that WIPO is in the process of considering amendments to the Madrid Protocol. We urge the USPTO to place on the agenda of any “reform” conference a proposal to eliminate the Protocol’s “central attack” provisions. Such provisions have the effect of reducing reliance on the Protocol by U.S. trademark owners.

I. Trademark Trial and Appeal Board

The TPAC worked closely with the Trademark Trial and Appeal Board over the past year with respect to its mandatory disclosure proposal. Members of TPAC, in particular

Mr. Tepper and Mr. Welch, worked with Judge Rogers in providing final shape to this proposal. We understand that the proposal should soon be published for public comment. We look forward to continuing to work with the Board’s Chief Administrative Trademark Judge, J. David Sams; Judge Rogers; and USPTO General Counsel, James Toupin, on this initiative.

The TPAC continues to express concern over the limited number of precedential decisions from the TTAB. During the past year, the TPAC identified certain issues that it believes warrant discussion in decisions that would be citable as precedent. We understand that, in view of the recent proposal of the Judicial Conference of the United States, the Board will soon revisit its policies with respect to citable precedent.

J. Proposed Rule Change

At one of its meetings this past year, the TPAC was informed that Trademarks intends to propose a change in its Rules of Practice liberalizing its policy with respect to requests for extensions of time to file a Statement of Use. This was in response to our recommendation that the Office consider amending Rule 2.89(e) (1), which currently provides that an intent-to-use applicant may file, along with the required Statement of Use, a so-called “insurance” extension request in the event the Statement of Use is rejected, but that no further extension requests may be filed thereafter. We look forward to working with the Office in finalizing this proposed rule change.