

UNITED STATES PATENT AND TRADEMARK OFFICE

TRADEMARK PUBLIC ADVISORY COMMITTEE MEETING

FEBRUARY 19, 2004

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Crystal Park Two  
Room 911  
Arlington, VA

Reported by: Frances M. Freeman,  
Conference Reporter

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EXHIBITS

-NONE-

## 1 P R O C E E D I N G S

2 CHAIRMAN SAMUELS: My name is Jeff Samuels. I'm  
3 the Chair of the Trademark Public Advisory Committee. As  
4 I mentioned, I believe the agenda has been distributed and  
5 was published on the USPTO website several weeks ago.

6 With respect to making sure that we have an  
7 accurate transcript, I encourage everyone to talk into the  
8 mike, although I think we're getting some feedback, so you  
9 may want to push it away from you to some extent,  
10 especially people in the audience who want to comment at  
11 the appropriate point in time if they would come up and  
12 use the mikes.

13 Before we get into the agenda, I just wanted to  
14 make a few statements and recognize a few people and the  
15 contributions of a number of former members of the TPAC.

16 In particular, Miles Alexander, who served as  
17 the initial chair of this committee. I understand and  
18 knowing Miles, he did an excellent job in providing  
19 leadership and counsel to this group during its initial

1 three-year period.

2           Also, I want to recognize the contributions of  
3 David Stimson and Joe Nicholson who also served three-year  
4 terms and who recently rotated off.

5           I want to recognize and welcome our new members.  
6 They include Maury Tepper and Joe Welch who, along with  
7 myself, were nominated by the Secretary of Commerce and  
8 took our oath of office on August 26 and will be serving  
9 three-year terms as members of TPAC.

10           I also want to acknowledge that Bob Anderson,  
11 who I think everyone in this room knows, recently retired  
12 after I believe it was 33 years of service to the  
13 government.

14           And having worked with Bob for a number of those  
15 years, a relatively small number know the valuable  
16 contributions that he made to the operation of the PTO and  
17 the Trademark operations in particular. And we certainly  
18 wish Bob well in whatever his future endeavors will be.

19           I think I would like to entertain a motion from

1 a member of TPAC that on behalf of TPAC, I prepare a  
2 letter to Bob expressing our appreciation and admiration  
3 for his service at the Agency for all these years.

4 Do I have a motion?

5 MR. TEPPER: So moved.

6 MS. LOTT: Second.

7 CHAIRMAN SAMUELS: All in favor?

8 THE COMMITTEE: Aye.

9 CHAIRMAN SAMUELS: All opposed?

10 (No response).

11 CHAIRMAN SAMUELS: Good. I will prepare that  
12 letter and circulate it for comment.

13 I also wanted to mention that the TPAC 2003  
14 annual report is available on the website. I want to  
15 express my appreciation to everybody on TPAC for  
16 contributing to it.

17 I think the process that we initiated this year  
18 as far as the drafting and finalizing of the document  
19 worked well. And I, again, want to express my

1 appreciation to the members of the TPAC, also to people  
2 within the PTO who helped with respect to finalizing the  
3 document and making sure it was submitted to the  
4 appropriate people on time.

5           Now, getting to the second item on the agenda.  
6 We are very pleased and honored to have with us this  
7 morning Jon Dudas. For those of you who do not know, Jon  
8 in early January assumed the position as the Acting Under  
9 Secretary of Commerce for Intellectual Property and Acting  
10 Director of the USPTO.

11           And I have asked Jon to provide us with some  
12 information and to comment on various issues that are  
13 identified in the agenda, including the appropriations  
14 request for the '04 year and the appropriations request  
15 for the '05 year, the status of the fee bill and the  
16 status of the move to the Carlisle complex.

17           But Jon, please feel free to offer any other  
18 comments that you wish.

19           MR. DUDAS: Absolutely. Thanks very much. It is

1 a pleasure to be here. I want to thank you for being  
2 here.

3 I want to open, as Jeff mentioned, I'm  
4 maintaining my role as Deputy Under Secretary. I'm Deputy  
5 Director now, also in an acting capacity. So I'm in  
6 between the ideas of being a deputy which is always  
7 delivering bad news and being an acting, which is  
8 delivering good news. I'm going try to do a little bit of  
9 a mix.

10 I will start by telling you what people expected  
11 from the Patent and Trademark Office this year, things  
12 people have said publicly, things people have told me  
13 privately up on the Hill, etcetera, what they think we can  
14 get done this year.

15 I can sum it up by saying nothing. People have  
16 said you can't get anything done. It's a presidential  
17 election year, congressional election year, obviously.  
18 It's a big election year. Much of what you have to get  
19 done is on Capitol Hill.

1           And it's a time when there are many issues that  
2 have -- are attractive in other ways that will be hard for  
3 us to get on that radar screen. It's a year in which our  
4 budget is not fantastic. It is a year in which we have a  
5 lot of cuts in place, a year when we're trying to find  
6 more savings.

7           So that's what people have said. That's not  
8 what I'm coming here to tell you what we intend to do. We  
9 intend to get a whole lot done. I think I can talk to you  
10 a little bit about what we have already seen in the first  
11 couple months that will let you know that this is not a  
12 typical year where you think you couldn't get things done.

13           To the contrary, we know very well that we have  
14 a responsibility to get a whole lot done this year.  
15 Certainly, within the Office we want to make sure that  
16 we're doing all the right things, that we're continuing  
17 moving forward on our quality initiatives, that we're  
18 trying to get what we need to do to stabilize our  
19 pendency, and we certainly need to move forward on our

1 electronic processing.

2           We have a number of things we're trying to get  
3 done within the Office, outside the Office where you would  
4 certainly say we have less control, we have seen good  
5 news. We have seen a lot of people -- good news in the  
6 following way, people are interested in what the Patent  
7 and Trademark Office is doing.

8           People understand our intellectual property  
9 system is at stake to some degree, that we're at risk in  
10 the United States of having our Office already not working  
11 in an optimal level, that things are getting worse, not  
12 better.

13           The most important thing I can tell you is that  
14 I believe that throughout Washington right now, Capitol  
15 Hill, the administration, I believe even the private  
16 sector, just by and large, more generally, people  
17 understand that the U.S. Patent and Trademark Office is  
18 the preeminent authority on their own budget and  
19 operations.

1           We have invited everyone to come in and look at  
2 us. We invite the criticism and we invite constructive  
3 criticism. We get constructive and other, but that's  
4 fine. But people have certainly come to recognize the  
5 issues we have been talking about for the last two years.  
6 We have seen a change as far as that is concerned.

7           I'll talk a little bit about the status of 2004  
8 budget. All of you know -- you know the frustrations or  
9 the concerns that we all have. We're always dealing in  
10 three years, the current year, the next year, and the  
11 following year. Sometimes we're dealing in last year  
12 because we're operating under a continuing resolution.

13           I think today I can talk about two different  
14 years, '04, how we're operating under '04, what we expect  
15 to get done in '05. So in fiscal year '04, we received an  
16 appropriation of 1.222 billion dollars, which is  
17 approximately 180 million below the President's request  
18 and the amount needed to fully implement our strategic  
19 plan.

1           It is only about 40 million dollars more than  
2 fiscal year '03. It barely covers pay adjustments and  
3 inflationary increases of which we have no control, for  
4 making certain we're paying our people, making sure that  
5 the appropriate promotions go in place and they get paid  
6 and that the inflationary adjustments occur.

7           It does not cover right now the cost of  
8 relocating to our new headquarters in Alexandria. We will  
9 find a way to make sure we're covered in the moving to  
10 Alexandria, but that means we have to find additional  
11 savings.

12           The good news in all of that is that 1.222  
13 billion dollars the Patent and Trademark Office is getting  
14 is appropriating almost all of the fees that we had  
15 anticipated collecting.

16           The irony of that is that we know that we need -  
17 - to work at an optimal level we need a fee bill to pass.  
18 So even -- even getting most of the fees that are being -  
19 - that are being collected by the Office, we are not

1 operating at an optimal level. We're have to take savings  
2 and cuts that are not helpful to us into the future.

3           Some of the actions we have taken to contain the  
4 cost and reduce our operating needs, replacing patent and  
5 trademark examiner attritions but not adding additional  
6 examiner staff. We know that we can add additional staff  
7 in Trademarks and in Patents and it would be useful in  
8 both case.

9           Right now what we need to do is -- we're  
10 handling attritions but not adding new staff. Imposing a  
11 control hiring freeze for all other positions. So outside  
12 of the core in Trademarks and Patents, we have a hiring  
13 freeze in place that requires justification to the CFO or  
14 the Acting Under Secretary level to make a hire in other  
15 areas.

16           We're limiting overtime. We know there is  
17 effects to limiting overtime, but we want to make certain  
18 that we have the ability to have overtime throughout the  
19 year. That's one costly adjustment we're making to deal

1 with the budget's restraints we have now.

2           Restricting the amounts available for contracts  
3 to the minimum amounts needed in fiscal year '04,  
4 something you need to do in a very belt-tightening year,  
5 but not the kinds of things you want to do on a long-term  
6 basis.

7           Limiting funding for travel and transportation,  
8 supplies and equipment to no more than 2003 funding  
9 levels. So any inflationary increases or even other  
10 increases that we see, those are limited and we're trying  
11 to save even more on that basis. And we are identifying  
12 or in the process of identifying and have identified --  
13 although we're going back and forth throughout the Office.

14  
15           On an office-wide basis, an additional 20  
16 million dollars in potential cuts to take up -- to ensure  
17 our position for operating in '05, to make sure we don't  
18 have a bare -- in case we have a bare-bones budget for a  
19 third year in a row.

1           So we're operating under the assumption that --  
2 we operate under two assumptions. We operate under the  
3 assumption that we're going to continue at the same  
4 funding levels we have now. We realize that cannot be  
5 maintained for many more years without serious  
6 consequence.

7           I don't want to suggest these aren't serious  
8 consequences, but even more serious consequences. We are  
9 also trying to make certain that with the kinds of signals  
10 we're getting in Washington and throughout the community  
11 that there very well may be a fee bill.

12           We may get what we really want and need which  
13 is a fee bill with an appropriate solution to diversion.  
14 At this point is where -- it looks like we might be headed  
15 and we want to make certain that we are not wasting money  
16 but are able to use that money wisely and achieve the  
17 goals that we are talking about.

18           The impact of the operating at this level of  
19 funding means that patent and

1 trademark pendency times will increase and achievement of  
2 our long-term goals will continue to be pushed out. I  
3 don't want to give anybody the false impression that the  
4 strategic plan goals that we talked about two years ago  
5 that were inextricably tied to getting a fee increase are  
6 somehow -- we're able to magically make those happen  
7 without that.

8           I think TPAC knows that, you've been a part of  
9 it. I think a lot of people outside the Office aren't --  
10 don't understand fully the understanding of the need for  
11 funding and our ability to achieve our goals. I won't go  
12 through all the details now, but we can fairly well model,  
13 if we don't get the money, if we don't hire this number of  
14 folks, this is how much worse pendency will get.

15           It is harder to give a very specific measure on  
16 quality, but certain quality initiatives cannot be put  
17 into place. Certain pressures, of course, on cuts that  
18 we're taking mean that we have managers focusing on things  
19 -- cuts where we have contractors where we don't have them

1 coming in to handle certain duties. Those fall on  
2 managers, which also make it more difficult to achieve our  
3 goals and quality.

4           So it is very important that everyone understand  
5 certainly in this organization, certainly among TPAC, the  
6 world we live in which is -- you have two different  
7 worlds. One where things are getting worse, but we're  
8 doing our best to stave that and two, where with the fee  
9 bill we know where we can improve and we know how we'll  
10 improve.

11           But the bottom line point is that every year  
12 that goes by that we don't put in the hiring and we don't  
13 put the quality initiatives in place, we push out the  
14 goals we have.

15           Now I'd like to talk a little bit -- that's the  
16 bad news. I'll put the Acting hat on. It is not horrible  
17 news, because at least we know what we're facing. The  
18 good news, I would say, is the status of the fee bill.

19           Now I'm somebody who, having worked on Capitol

1 Hill, would never handicap any legislation at over 50  
2 percent. So start with that caveat as I talk about what I  
3 think is really good news.

4           On the other hand, I can tell you right now,  
5 it's President's week -- President's day recess on Capitol  
6 Hill so there is not a lot of activity. The week before  
7 the USPTO dominated the agenda in the House of  
8 Representatives. I mean, when I say, dominated the  
9 agenda, we had the Speaker of the House, the Majority  
10 Leader, the Minority Leader, personally talking about our  
11 bill and the merits of the bill.

12           We had staff at the highest levels. We had  
13 Appropriations Committees and Judiciary Committee and  
14 Budget Committee and leadership staff sitting in rooms  
15 trying to figure out a way to make our bill work, to make  
16 the concerns of the private sector work.           Now I  
17 would not have guessed even in the week where there wasn't  
18 a whole lot going on that we would have gotten that kind  
19 of focus, that we eventually got the Speaker of the House

1 grabbing people outside of our Office explaining why this  
2 is a good bill, why we need to make this happen, why we  
3 need so many committees involved.

4           So ultimately the bill was -- it was scheduled  
5 to go to the floor for two reasons, one because it is an  
6 important bill, two, because there was a hole in the floor  
7 schedule. That seems a little bit problematic when there  
8 is a hole in the floor schedule, why do we come up -- the  
9 good news is, when we're important, we'll take it. We'll  
10 take it whenever we can get it.

11           So ultimately, we didn't go to the floor, we --  
12 the bill didn't go to the floor, in part because there  
13 were still some things they were trying to work out and in  
14 part because the Small Business Committee had concerns  
15 that I think were misdirected about small businesses and  
16 what the fee increases might mean to small businesses,  
17 etcetera.

18           I believe that can get it worked out. I hope  
19 that we'll be up within the next month. I think in the

1 next two weeks it would even be best -- after this week  
2 the next week or following week, because eventually, other  
3 issues are going to rise back up and we're going to become  
4 number 2, number 3, number 17, number 25 and we certainly  
5 think while we have people's attention we want to take  
6 advantage of that and that's something that is necessary  
7 on Capitol Hill.

8           I can compare -- I can talk a little bit about  
9 what is in that bill, the discussion that was underway.  
10 It's really trying to achieve three goals. From our  
11 perspective, make sure our Office gets the amount of  
12 funding that we need to run at optimal level. That's our  
13 major goal. The major goal of the Judiciary Committee and  
14 many in the private sector is what they call an  
15 appropriate solution to diversion.

16           We share the concern about money leaving our  
17 Office. And, in fact, the biggest step that I think we  
18 can point to is that the administration, for the first  
19 time in seven years has come out with a budget. They laid

1 out the budget. President Bush is taking hits on that  
2 budget, spending too much here, spending too little there.

3 For every person who says you spend too much,  
4 someone says you spend too little on any particular  
5 program.

6 That budget is laid out there. With that  
7 budget, all the money collected by the Patent and  
8 Trademark Office, including the full fee increase comes  
9 from the Patent and Trademark Office.

10 That's a big step both for the Administration to  
11 have that intellectual honesty. It is also a big step in  
12 the debate to say there is a party that's willing to put a  
13 budget on the table that has this -- that doesn't take the  
14 money.

15 But that's our goal is to get the resources and  
16 to address diversion. The goal of the Judiciary Committee  
17 is to make sure we get resources and address diversion as  
18 well and also maintain congressional oversight, but they  
19 feel that they can maintain oversight themselves.

1           The Appropriations Committees, who ultimately  
2 control what our funding is, have the goal of making sure  
3 we get funded and making sure that they have the  
4 appropriate oversight and that means that they decide how  
5 much money we get or don't get.

6           So the concern was how do we take away the  
7 incentive from people who oversee us. How do you take  
8 away the incentive to take that money and use it elsewhere  
9 but still give the appropriate oversight.

10           If the Patent and Trademark Office is perceived  
11 of as spending money unwisely, Congress wants to have the  
12 ability to not give that money to the Patent and Trademark  
13 Office. But where do we want to see that money go?  
14 Should it go to Midnight Basketball, should it go to the  
15 Department of Justice, should it go to -- where should it  
16 go?

17           The answer in large part, from almost any one  
18 who is familiar with our system is, if you are not going  
19 to spend it at the Patent and Trademark Office where you

1 should, then give it back to the applicants. That's  
2 basically that the -- the compromise has been discussed  
3 is.

4           If the incentive is taken away to use that money  
5 elsewhere, but if that money is taken away rather than  
6 putting it in a fund for later, which may never come to  
7 the PTO or rather than use it for other programs, give it  
8 back to applicants in the form of a rebate. It is not  
9 ideal.

10           We don't seek a rebate, we don't seek fee  
11 reductions along those lines. It is difficult to  
12 implement, there is no question about it, but to achieve  
13 all those goals and make this bill move forward I think  
14 those in Congress did the right thing.

15           They found a way creatively, as problematic as  
16 it is going to be for our applicants and for our Office to  
17 put that into place -- we know we can put it into place,  
18 but it can be done.

19           I want to share with you, I believe we have

1 taken a step -- that a step has been taken on Capitol Hill  
2 that I would not have predicted two years ago. I would  
3 not have predicted we would be in a situation where you  
4 could actually disincentive diversion. I  
5 thought there was going to have to be a situation where a  
6 certain amount would have to be tolerated, but that's not  
7 what has happened. So that's very good news.

8 The fee bill has in place overall collections  
9 will be increased by approximately 15 percent and bring in  
10 an additional 200 million dollars in revenue to fund  
11 improvements in patent and trademark quality. Transition  
12 to e-Government and initiatives to control and stabilize  
13 pendency and in some cases, reduce them as we go further  
14 down the line.

15 Trademark fees will be lowered as a result of  
16 the fee bill when the three-track examination is  
17 implemented. This is good news, we think, for trademark  
18 owners. We also think it is good news for our Office.

19 We have talked about how important the House

1 Judiciary Committee has been in this. They unanimously  
2 approved it, they've been shepherding the bill. But we  
3 have gotten a lot of cooperation from even areas where we  
4 think traditionally there hasn't been cooperation.

5           The one thing I can tell you is everybody's  
6 focused and understands the need for the Patent and  
7 Trademark Office to get resources. One thing we heard  
8 many times up on Capitol Hill is you can't hire your way  
9 out of the problem.

10           I've tried to explain it, that if you were at a  
11 law firm and your litigation doubled, you'd never suggest  
12 that you find a machine to handle your double litigation.

13

14           What we have down here are examiners --  
15 Trademark's examining attorneys. We have people who are -  
16 - the reason they do such a good job is because they are  
17 highly skilled people. And we have to make certain that  
18 we make that clear at all times.

19           There isn't a computer, despite one

1 Congressional report that there is some magic technology,  
2 that can overcome our problems or our issues. They are  
3 not problems. We have more applications. We have to  
4 examine them, but there is not a magic answer, there is  
5 not a magic bullet.

6           The status of the '05 budget, the '05 budget  
7 requests -- assumes a fee proposal and allocates all of  
8 the projected 1.5 billion in fee collections of the USPTO.  
9   The USPTO would be required to transfer 38 million  
10 dollars to the Office of Personnel Management for costs of  
11 post-retirement benefits associated with USPTO employees.  
12   That's part of fairness.

13           If there is an appropriate solution to  
14 diversion, if the Administration says, we're going make  
15 sure that you have all the money that you collect, then  
16 you are going to have to pay for those things we're paying  
17 for now and that's retirement cost and that comes to  
18 approximately 38 million dollars.

19           We, as an Office, have said that makes sense.

1 That's a fair exchange. We'll pay for the services that  
2 are provided elsewhere to our Office.

3 Trademark's share will be based on the actual  
4 cost for all Trademark retirees and a proportionate share  
5 of other staff based on activity, based on costing  
6 information. With full funding in '05, more good news.  
7 What can we get done? We can continue migrating to full  
8 electronic processing of patents and trademarks.

9 Importantly, we can hire additional trademark  
10 examining attorneys up to 270 Examining FTE and 900 Patent  
11 Examiners. We can finalize the move to the new  
12 headquarters in Alexandria, Virginia. Again, we're going  
13 move to our new headquarters, but how can we -- how  
14 specifically -- how well can we get it done and how  
15 efficiently can we get it done?

16 We're going to be able to restore training  
17 programs throughout PTO. We can enhance trademark quality  
18 by fully funding the certification of knowledge, skills  
19 and abilities of employees throughout the trademark

1 process.

2           Most importantly, we're going to implement  
3 quality improvements in trademarks through in-process  
4 reviews and a second pair of eyes. The in-process review  
5 is operational in 2004. It's a new quality measure which  
6 will be discussed in detail today with TPAC.

7           The second pair of eyes will be implemented with  
8 the delivery of TIS and the three track examination  
9 program.

10           I can talk a little bit about the status of the  
11 move to Alexandria. The one thing I can tell you is that  
12 we continue to be under budget and ahead of schedule,  
13 which is something else that I never would have expected  
14 in a move. It is not traditional.

15           So there is a lot of credit that should be given  
16 to all of our folks. A lot of that is the employees who  
17 are moving in and how the teams are working, but certainly  
18 CFO, Jo-Anne Barnard in particular, for keeping us on  
19 track.

1           The new Alexandria Headquarters has five  
2 buildings and is constructed to accommodate automation and  
3 provide security, has amenities such as child care --  
4 that's new to our Office, fitness centers and a cafeteria  
5 to help attract and retain employees.

6           There is a lot of importance in the child care  
7 center, there is a lot of importance in the fitness  
8 center, there is a lot to making the Patent and Trademark  
9 Office an attractive place to come work. We have  
10 generally gotten good feedback from our employees on that  
11 basis.

12           Construction thus far has come in ahead of  
13 schedule and within budget as I mentioned. In fact, there  
14 is a schedule that actually puts us three or four months  
15 ahead possibly of moving. I don't think they are  
16 contractually bound to that, but it may be that we can  
17 certainly save by not paying double rent for three or four  
18 months.

19           Two buildings, the Remsen and Jefferson, have

1 been delivered and over 2,000 employees have been  
2 relocated to Alexandria. The Trademark Organization is  
3 expected to be relocated to the east wing in the Madison  
4 building in October of 2004. As I mentioned, that's ahead  
5 of schedule. I think originally it was going to be spring  
6 of '05.

7           To utilize their new space most efficiently,  
8 Trademark continues to promote hoteling as a part of their  
9 work at home program, where Offices are shared by several  
10 examiners on alternating days of the week. Trademark has  
11 instituted centralized docket process to house all the Law  
12 Office files to lessen the contractor labor and space  
13 needs.

14           On that, I just want to note one more time -- I  
15 mean, we'll continue to talk about this -- how wonderfully  
16 successful the program, Trademarks Work at Home, has been,  
17 how wonderfully successful we think hoteling has been and  
18 can be.

19           The Trademark Office, in particular, continues

1 to get a lot of kudos, a lot of recognition throughout  
2 Washington, throughout, really, the United States and in  
3 many ways has been a model for the rest of the Office and  
4 model throughout the government.

5 I want to thank Howard, I want to thank everyone  
6 on TPAC, because it has really been a cooperative effort  
7 and it has been something that's been a true success for  
8 Trademark and for PTO in general.

9 We talk about where we're going with this, but I  
10 want to make sure that you know as we talk about all the  
11 different challenges, there are a number of successes that  
12 we continue to be held out as one of the primary, if not  
13 the most important example of success throughout  
14 government in that regard.

15 So if there are any questions, I'm happy to  
16 entertain those. I hope I haven't take you too far off  
17 schedule.

18 CHAIRMAN SAMUELS: Great. That was wonderful,  
19 Jon.

1 Are there any questions?

2 Leslie.

3 MS. LOTT: I'm sorry. If you would just --  
4 would you just repeat what you said about when the  
5 examining operation was expected to move to the new  
6 facility?

7 MR. DUDAS: October 2004, which is --

8 MS. LOTT: I thought.

9 MR. DUDAS: It was originally spring of '05. So  
10 it has been moved up.

11 MS. LOTT: Is that for the entire examining  
12 operation or for the -- for it to begin -- for the  
13 Department?

14 MS. CHASSER: We'll all move in in October.

15 MR. DUDAS: The plan is to move everyone in in  
16 October.

17 How long did it take us to move 2300 folks in  
18 these two buildings, Jo-Anne, do you know?

19 MS. BARNARD: Three months.

1           MR. DUDAS: Three months. And again, another  
2 example -- and this is due to the employees on the ground  
3 and management managing it well, but we went from 50 a day  
4 -- in 24 hours basically. Your computer comes down at  
5 noon gets back up at noon in the other building -- to 75 a  
6 day that did not harm the move, it was very good -- other  
7 than --

8           I guess, the only blip I'm aware of, and I'm  
9 sure there's folks that are closer -- when we had the ice  
10 it was a little difficult. Some of the moving trucks  
11 don't handle well in ice but I think that was a problem  
12 for everybody.

13           CHAIRMAN SAMUELS: Anybody else have any  
14 questions?

15           Jon, let me ask a question. You can just maybe  
16 answer in general terms with respect to the impact of this  
17 years's budget situation on pendency, you mentioned that  
18 it was going have a negative effect. Would there -- are  
19 there any offsetting efficiencies from increased

1 automation of activities?

2 I guess the concern that I would have is the  
3 further you fall behind in meeting your pendency goals,  
4 the more money you have to spend later on in order to get  
5 pendency back to where you want to get it back.

6 So what is being done -- I guess, this year, in  
7 order to -- to some extent anyway, compensate for any  
8 shortfalls in the budget request?

9 MR. DUDAS: I think I will answer it in two  
10 parts.

11 Part one is just in particular in Trademarks, we  
12 took a very close look at what our goals are, what was  
13 realistic, what we needed to get done. We did something a  
14 little different this year. I don't think it's that much,  
15 but we made sure we were focusing not just on what our  
16 pendency goal is, but what our productivity goal is.

17 There are certain factors that are outside of  
18 our control, so we want to make certain, for instance, I  
19 believe we have something like 7 percent increase right

1 now over our projected applications in Trademarks. And so  
2 clearly that means, all else being equal without any other  
3 changes, you are going to have higher pendency.

4           We want to make certain that we are being  
5 responsible and that we're looking at how productive we  
6 are and that's how we're measuring folks. It would be  
7 unfair to ask people to produce at a dramatically higher  
8 level if we can go back to the days when there was a 33  
9 percent increase and a 33 percent decrease. We have to  
10 make sure we're doing that.

11           So first off, as far as making sure that we're  
12 meeting our goals and handling productivity well, we're  
13 making sure we have things that are not affected by  
14 outside factors. In this case, I'm talking about  
15 increased filings, not so much the budget.

16           With the budget in particular, we put those  
17 goals into place knowing -- really assuming that we're  
18 going to have a budget that is fairly at the 1.222 level.  
19 There are some unexpected costs even in that, some change

1 that have occurred with overtime etcetera.

2           So we're trying to make certain that we're  
3 always realistic and that we still have good measures in  
4 place so that we don't just, you know, suggest if we don't  
5 meet it.

6           Now what we're doing specifically for the future  
7 to make sure -- that's a real -- we're trying to do --  
8 we're constantly looking for ways to cut costs. We have  
9 had a number of meetings where we have talked about ways  
10 to cut -- we're trimming -- I think we're past, we feel  
11 like we're past, although we're always looking -- where we  
12 have trimmed things that are -- where people can agree are  
13 not essential or not highly important.

14           We're now into the cutting of various areas  
15 whether you can't cut more than once. For instance you  
16 don't replace computers. You can only get that savings  
17 once. If you replace no computers, you can -- and  
18 eventually you have to bear that cost. Eventually you  
19 must replace computers. Training is not something you can

1 cut long-term, you can only cut short-term.

2 I guess the firmest, strongest, most direct  
3 answer, which, since I'm a political appointee, maybe I'm  
4 not supposed to give those -- the best planning we have  
5 really is achieving that fee bill. Getting fee bill in  
6 place is what is going to be necessary over the next  
7 several years to put us on the right course.

8 We do have cost containment measures and the  
9 kinds of things I talked about -- there are hiring freezes  
10 elsewhere in the Patent and Trademark Office, because  
11 ultimately, what is most important is that we issue high  
12 quality trademarks and issue high quality patents as  
13 quickly as possible and as sufficiently as possible.

14 So, we'll suffer elsewhere if we need to and  
15 that's really what we're doing right now and also trying  
16 to put controlled hirings in place for attrition  
17 replacement and really that's what we're doing. I have to  
18 say I'm getting more and more convinced that we're getting  
19 to the real bare bones and beyond. We have a good system

1 in place to find out exactly how costly each cut is.

2 Including to the point -- I can tell you in  
3 patents and this will probably be true in trademarks at  
4 some point although we don't have quite of a pendency  
5 issue. If you take too many cuts now, you lose more  
6 revenue in the future by not issuing patents than you gain  
7 and eventually -- that's when I say we're not working at  
8 optimal level. Eventually you get into a real  
9 spiral. So that's how close we are right now.

10 MR. MOYER: Jon, what is the single thing that  
11 TPAC can do to keep the momentum up on the fee bill?

12 I know there is some issue on lobbying and we  
13 cannot lobby, but it sounds like things are going in --  
14 very much in the right direction.

15 Again, what is the single thing TPAC can do to  
16 keep the --

17 MR. DUDAS: I think I agree not, you know, not  
18 in any way lobbying or anything along those lines, it's  
19 restricted, but if you let people know in your personal

1 and professional capacity how important you think it is --  
2 and again, if you don't think it is important, I'd even  
3 encourage you to do that, because the most important thing  
4 is that we let everybody know where things are.

5 I feel comfortable that everyone here and most  
6 everyone in the community knows how important it is. It's  
7 really just making sure everyone knows in Washington.

8 MR. MOYER: Who is everyone?

9 MR. DUDAS: Everyone -- I would say everyone --  
10 you know, the people who have been making the deals right  
11 now in -- on Capitol Hill are Frank Wolff who has been a  
12 champion for the Office. Jim Sensenbrenner has a been a  
13 champion for the Office. Those are the heads of the CJS  
14 Appropriations Committee and the Judiciary Committee in  
15 the House.

16 The people who are -- the Speaker of the House,  
17 the Majority Leader, the Minority Leader, they are really  
18 the top folks. Now I will also tell you that our strategy  
19 has been -- our political judgment has been that you start

1 in the House because that's where many of these things  
2 need to start.

3           The climate in the Senate is often more  
4 difficult. This bill needs to be approved by the Senate  
5 as well or needs to go in some form through an  
6 appropriations bill or some other bill.

7           So I think a lot of people in the House would  
8 suggest, let's make sure we're looking at the Senate as  
9 well and make sure that folks aren't concerned. The issue  
10 that came up last week was an issue about small  
11 businesses. The concern was that small businesses should  
12 not have any fee increase of any kind over the next five  
13 years.

14           It's coming from a gentleman who is the Chairman  
15 of the Small Business Committee, Don Mazzoli, a very --  
16 offered in good faith, the discussion and people thought,  
17 listen, where a number of small business organizations  
18 have now gone up and said, we don't have a big problem  
19 with the fees at the Patent and Trademark Office right

1 now.

2           We have other issues, we have legal issues and  
3 legal costs, etcetera, but they have gone up and said, the  
4 fee increase will help us, because it will increase  
5 quality and stabilize pendency.

6           If there are small business organizations that  
7 want to make that message known, that's helpful. So the  
8 answer -- the direct answer to your single most important  
9 question, if I were looking at it, I would say focusing on  
10 folks in the Senate to understand how important this is to  
11 the House, will become the most important thing. I say  
12 that only because I feel confident about how well things  
13 are going in the House.

14           CHAIRMAN SAMUELS: Well I guess, maybe following  
15 up on David's question, would it be helpful if the TPAC  
16 wrote a letter to the appropriate individuals?

17           MR. DUDAS: I think if that -- if -- I want to  
18 make certain I'm not encouraging lobbying in any way, but  
19 I will tell you that I think the TPAC is an organization

1 that is respected.

2           If the TPAC comes to the conclusion that they  
3 want to let folks in Congress know how important they  
4 think it is -- because a lot of the pressure from Congress  
5 is to make sure we're operating like a business and we  
6 have folks from outside the Office and from within the  
7 Office taking a look at this and it is a diverse group, so  
8 if --

9           MS. KANE: Why isn't that lobbying?

10           MR. DUDAS: Why isn't that lobbying? Well I  
11 think it can be advising. You would probably want to turn  
12 to Jim Toupin or Bernie Knight to find out what the exact  
13 -- what the exact rule is.

14           That's what we're constantly facing. We get --  
15 basically what we do, what I do is get asked questions and  
16 I answer them honestly. So that may be an issue as well.  
17 I certainly don't want to put TPAC in hot water either,  
18 as far as -- you do reports to Congress.

19           CHAIRMAN SAMUELS: Right.

1 MR. DUDAS: It may be along the lines of a  
2 report, but you point to something that is wise you want  
3 to check and make sure.

4 CHAIRMAN SAMUELS: Griff Price.

5 MR. PRICE: Two questions.

6 Did I understand correctly that you think the  
7 fee bill may go back to the floor within the next two  
8 weeks or month?

9 MR. DUDAS: That's the indications we're  
10 getting, that the folks up there would like to see this  
11 momentum continue, so they would like to see it go back in  
12 the next two weeks or a month.

13 MR. PRICE: The second question is, do you have  
14 any feedback from the IP community about the fee refund  
15 provisions?

16 MR. DUDAS: I haven't gotten -- we've gotten  
17 feedback in so far as I can name two organizations where I  
18 think at the Board of Director's level approved of it. It  
19 is IPO and AIPLA.

1           I think that's right and I'm not certain of  
2 that. Things were moving awfully quickly. I need to  
3 follow back up, but I can -- the feedback I get generally,  
4 people say, my gosh a rebate. How does that get done?  
5 That seems kinds of crazy.

6           The only thing I can say to that is that's what  
7 happens when have you three conflicting goals that are at  
8 a Congressional level and you try to find a resolution.  
9 Sometimes the solutions look a little odd.

10           I think people are going to say, how do we get a  
11 rebate in place, can the Patent and Trademark Office do  
12 that? I can tell you that we've looked at it. We feel  
13 that we can do it.

14           It is not ideal. It is not something we would  
15 like to have in place, it creates challenges. There are  
16 certain restrictions that we felt were necessary and we  
17 let them know. I mean, this is again, answering the  
18 questions.

19           But I think what people have to -- people have

1 to be looking at the bigger issue, which is the reason  
2 we're in this place in part is because many from the  
3 private sector have said, we need an appropriate solution  
4 to diversion. That doesn't mean-- that means not a cap.  
5 We can't accept 10 percent diversion, we can't accept five  
6 percent diversion.

7           People from the private sector have said, we  
8 can't accept the phase out. I think people from the  
9 private sector largely -- large organized groups have  
10 said, we can't even take a five year, don't touch the PTO.

11           These are things that I think the Patent and  
12 Trademark Office -- we would say, these are wonderful  
13 things. Five years -- give us a chance to show our stuff.

14 If we don't show it in five years, then we should have  
15 something -- you should come back and not punish us, but  
16 let us know.

17           But in order to get a long-term solution, there  
18 is only -- two things -- a couple of things I can think  
19 of. A Constitutional Amendment -- that's not going to

1 happen. We're not going get a Constitutional Amendment.

2           The second thing is potentially going off budget  
3 and quite honestly that doesn't really solve the problem.

4 There are still ways to get at the money, but off budget  
5 is an answer. It's not one that was going to fly up on  
6 Capitol Hill. And the third one is some compromise along  
7 these lines.

8           So I would ask everyone to take a look at the  
9 big picture number one and number two, realize that the  
10 rebate, that's thrown on us. Jim Sensenbrenner apparently  
11 said, we know who to go to if this rebate doesn't work and  
12 mentioned me by name. I'll bear that responsibility. I  
13 used to work for him.

14           But I do think we have to work together to make  
15 sure we can show how it works. The goal is to never have  
16 it in place. That's what people have to keep in minds.  
17 If diversion is disincentivized, if the practice of using  
18 funds elsewhere is disincentivized, the goal is that there  
19 never is a fee -- a rebate, there never is whatever else

1 would have been their fee decrease.

2           So if it works properly, that's what I'd ask  
3 people to look at.

4           MS. KANE: This may be getting ahead of things,  
5 but if it doesn't work properly and you have a rebate, do  
6 you have any concept of what you are talking about here?  
7 I just envision clients filing applications many, many --  
8 and what's coming back and some of the headache,  
9 administrative headache.

10           And if we have some feeling of what kinds of  
11 amount we're talking about, I mean, you could credit some  
12 clients's account and the next time it would be used on  
13 his next application, but any concept of --

14           MR. DUDAS: We do have estimates. There are  
15 estimates that are -- we think there is a one time cost  
16 and I -- before I even give estimates, should I give  
17 estimates?

18           The one-time cost of putting in place the  
19 automation that we need etcetera is about \$750,000.

1 That's a significant cost. We -- going beyond that, what  
2 it would cost each year, we think it would roughly cost  
3 about \$100,000 each year thereafter.

4 Now mind you, these are figures that we have put  
5 together in a couple weeks. And we don't know for certain  
6 how exactly -- well, I think we know pretty well how it  
7 would work. We know what we have in place right now. We  
8 know what we have as far as addresses and names etcetera.

9  
10 So I think we want to reserve the opportunity to  
11 go back and take an even deeper look at that, but I think  
12 we have numbers of \$750,000 and \$100,000 every year  
13 thereafter. We have every incentive to overestimate, not  
14 underestimate, mind you.

15 MS. BARNARD: That assumes a couple things. It  
16 assumes that number one, it is not an across-the-board fee  
17 rebate. If every single fee that the USPTO collects were  
18 reduced, some of these fees are a few dollars, we would be  
19 spending way more money to send the money back than we

1 would to collect it in the first place.

2           So it assumes first that we can select certain  
3 fees and it also assumes that an awful lot of these  
4 rebates are going to be made to deposits accounts, because  
5 the bottom line is, did we figure in every extra stamp we  
6 think we're going to have to use, no, because frankly most  
7 of the time no one asks us for those kinds of estimates  
8 anyway. But basically, the finance folks are figuring  
9 they are going need a full-time support person to handle  
10 this program.

11           MR. DUDAS: Jo-Anne points out something I sort  
12 of alluded to, but specifically, the kinds of things that  
13 the Patent and Trademark Office said would be necessary.

14           One is that they are particular fees and most  
15 importantly, we would like to associate the fees  
16 philosophically with those fees -- with those fees that  
17 are most hurt by diversion. That's, I believe, primarily  
18 application fees and then patent maintenance fees, but it  
19 certainly doesn't mean copy fees.

1           The other things is, there has to be some limit.  
2     Right now I think we have \$25 limit on rebates and that  
3     may have to be looked at, because maybe, you know, it  
4     takes something like 25 or 42 million dollars. It's a  
5     large -- I think it is roughly 20, 25 million dollars to  
6     even get to the \$25 level.                   It may be that if  
7     people say if there is only small amount of diversion --  
8     if it only ends up -- let's say there is an intent to take  
9     200 million and it is only ends up being 25, because  
10    projections are off, most in the private sector said don't  
11    even bother. The transactions costs are too high. We  
12    have to consider those as well.

13           The other things is that we have said in order  
14    to -- that the cost to administer the rebate should come  
15    from within the pool of the rebate pool. And people have  
16    generally been pretty good on that.

17           But anyway, I would ask you again as TPAC, both  
18    in your TPAC hats and otherwise to get that kind of  
19    feedback. But again, the most important thing I would ask

1 you to do is to point out the rebate is something we never  
2 intend to have to go in place and secondly, it's the  
3 lesser of many evils.

4           But I don't want people to lose sight of the big  
5 goals. This is a great example of where potentially, we  
6 can have people making perfect enemy of the good -- or the  
7 great, I should say.

8           CHAIRMAN SAMUELS: Any other questions?

9           MR. WELCH: This is just a broader one. I  
10 wondering what your view of TPAC is and what our role is  
11 in helping the PTO?

12           MR. DUDAS: Say that -- I'm sorry, can you --

13           MR. WELCH: What your view of TPAC is and our  
14 role in helping the PTO?

15           MR. DUDAS: I view TPAC as an important element  
16 of PTO. I would like to see us become even having TPAC be  
17 a sounding board in a lot of ways. You come in and  
18 perhaps we can talk about things that are coming up.

19           There have been concerns in the past that if

1 TPAC wasn't informed enough, those were concerns that  
2 people had and we certainly want to be making sure that  
3 TPAC is aware of what going on. You know, there are  
4 certain things that are -- obviously, that we are doing  
5 within the Office.

6           We don't want to talk about things that are so  
7 pre-decisional that it would be crazy to bring up. I  
8 think TPAC, TPAC to me is a sounding board, it is an  
9 opportunity for us to maybe test some ideas before we go  
10 out full scale so people can tell us that's really not a  
11 good idea or here are the problems we have with that.

12           I think that's probably the primary role. I  
13 think TPAC can be a useful tool to also help identify  
14 issues that maybe we're not seeing. We're all from within  
15 the Office. I come from outside the Office. I spend a  
16 lot of time trying to identify issues that deal with  
17 Capitol Hill and the administration and things outside the  
18 Office.           I spend much more of my time working on  
19 inside the Office as do most folks here. So you may be

1 able to bird dog issues for us. And again with the  
2 diversity of views we have on this Advisory Committee,  
3 whenever the Advisory Committee does comes together and  
4 think something is a good idea, we can probably rest  
5 assured that it is probably a pretty good idea, I hope.

6 CHAIRMAN SAMUELS: We hope so, too, thank you.

7 One more question and then I think maybe we need  
8 to move on. With respect to fee bill and this is more of  
9 a nuts and bolts-type question, in looking at the language  
10 with respect to trademark fees, you pointed out that there  
11 is a three-tier fee proposal depending on whether it is  
12 filed electronically and prosecuted electronically. But  
13 right now all of the fees, at least most of the fees in  
14 trademark are on a per class basis. The statute doesn't  
15 refer to per class.

16 Is it the intent to eliminate charging per class  
17 and if so, what was the thinking behind that?

18 MR. DUDAS: It is not the intent to eliminate  
19 that, but have you gotten technical enough that I would

1 turn to --

2 CHAIRMAN SAMUELS: There are some significant  
3 sums of money involved here. If just looking at the  
4 language of the legislation, it doesn't refer to per  
5 class.

6 MR. DUDAS: Right. That's not our intent.

7 MS. BERESFORD: It is going to be per class,  
8 that was the intent of the legislation. Is the  
9 legislation -- it is perhaps unclear.

10 CHAIRMAN SAMUELS: Well, if I was an attorney  
11 representing a client, I could certainly make a really  
12 good argument, I think, where the statute says you are  
13 going to pay \$275 to file a trademark application  
14 electronically and prosecute electronically. That's what  
15 I would pay no matter if I filed for 1 class or 45  
16 classes.

17 MS. BERESFORD: If we look at the language in  
18 the current statute and I think we're comfortable with  
19 what is in the fee bill now, but if you ask our intent and

1 the intent was to continue to charge per class, there was  
2 no intention to change that. Again, if the bill isn't  
3 clear that's an issue, but of course we have to implement  
4 with rule making. So certainly it could be clarified at  
5 that time.

6 CHAIRMAN SAMUELS: Thank you.

7 If there are no other questions, I want to thank  
8 Jon for spending a portion of his morning with us and  
9 bringing us up-to-date on the status of the various budget  
10 requests and various other initiatives at the Office. And  
11 we'll be in touch with you and hope to be able to work  
12 with you over the next, hopefully, several years.

13 MR. DUDAS: Thanks, everybody. I appreciate it.

14 CHAIRMAN SAMUELS: We'll now turn to the next  
15 item on the agenda, which is Trademark Office goals and  
16 objectives for this fiscal year. And Commissioner for  
17 Trademarks, Anne Chasser, will lead us in our discussion  
18 on various issues relating to pendency, quality, e-  
19 Government initiatives and so on.

1 Welcome, Anne.

2 MS. CHASSER: Thank you, Jeff.

3 Before I get started I would like to talk a  
4 little bit about some of the issues you brought up.  
5 Number one, Bob Anderson, who of course -- this is the  
6 first TPAC meeting he is not present in and he was also  
7 involved in the TPAC when you, Jeff, were the Assistant  
8 Commissioner for Trademarks and sat through the old  
9 Trademark Public Advisory Committee.

10 Bob Anderson's loss is huge. His institutional  
11 memory of trademarks is beyond belief. But I'm very happy  
12 to report that we didn't miss a beat in the transition.  
13 Lynne Beresford, who served as Deputy Commissioner for  
14 Trademark Policy, stepped in as Acting Commissioner for  
15 Trademark Operations.

16 Lynne brings a vast experience in Trademarks,  
17 and has literally worked in every area of Trademark  
18 operation from Examining Attorney to Law Office Manager to  
19 representing the United States in international

1 negotiations when she served in the Office of Legal and  
2 International Affairs.

3           Also interestingly, as you all know, Lynne was  
4 instrumental in drafting the initial legislation for  
5 Madrid Protocol implementation and worked very closely  
6 with Jeff. During Jeff's term, the Trademark Office  
7 implemented the Trademark Law Revision Act and with the  
8 introduction of ITU, which was heavily computerized.

9           We're very pleased Lynne has agreed to stay on  
10 in an acting capacity and has brought some fresh ideas and  
11 some new ideas into Trademark operation.

12           CHAIRMAN SAMUELS: She kept me awake at the WIPO  
13 meetings.

14           MS. CHASSER: And Sharon Marsh, who most -- I'm  
15 sure all of you know, Sharon, who is no stranger to the  
16 Trademark community and has been a frequent speaker on  
17 Trademark Office practices has stepped up as the Acting  
18 Deputy Commissioner for Trademark Policy.

19           In that capacity, Sharon Marsh will be handling

1 the day-to-day policy issues as well as overseeing the  
2 petition staff in the Commissioner's Office, post  
3 registration and the trademark assistance center.

4           So we are fully operational. We are looking at  
5 the senior level positions within trademarks, looking at  
6 the trademark structure and how best to prepare trademarks  
7 for the future. So we'll keep you apprised as we develop  
8 our game plan.

9           I wanted to start off by talking about --  
10 Michael, can I ask you to --

11           Jon talked about our budget situation and the  
12 constraints that we had in our '04 budget because of the  
13 mark that the Patent and Trademark Office received, which  
14 was about 40 million dollars more than last year's, '03.

15           However, we are moving forward on a number of  
16 our strategic plan initiatives in making internal changes  
17 in resources in order to deliver on strategic plan  
18 programs.

19           I wanted to update you very briefly on some of

1 these strategic plan initiatives. In our pilot, which we,  
2 the TPAC reviewed and commented on in your annual report,  
3 our pilot program to use non-attorneys in our ITU unit, we  
4 heard from you and your concern about using non-attorneys  
5 for substantive legal issues.

6           And what we're doing in our pilot, we have a six  
7 month pilot that we'll begin next month and we'll be  
8 having paralegals examine statement of use within the ITU  
9 operation to be looking for nonsubstantive issues.

10           All substantive -- during this pilot, the  
11 attorneys will also be examining the SOUs and so we'll be  
12 tracking the performance of both the paralegals and the  
13 attorneys in the SOU examination. We'll come back to the  
14 TPAC following the pilot, share our results and discuss  
15 with you the notion of moving forward with this in a full  
16 program. So we'll keep you apprised of that.

17           With regard to testing examiner's skills,  
18 knowledge skills and ability, last time the TPAC met we  
19 talked extensively about our efforts in our quality review

1 initiatives.

2           Our strategy in Trademarks in terms of testing  
3 and certifying our examiners is through an e-learning  
4 module, training module. We have identified areas that  
5 need attention within the examination through our quality  
6 review process and have developed some e-Learning modules.

7  
8           Last year in fiscal year 2003, we presented two  
9 learning -- e-Learning modules and we are committed this  
10 year to presenting -- we have already introduced two  
11 modules and seven are under development.

12           And they are specifically in the areas of  
13 Section 2 and Section 2-D, diluted and weak marks and  
14 we'll be looking at likelihood of confusion in various  
15 channels of trade as well as various industries, computer  
16 services, transportation, telecommunication.

17           The learning modules have been very well  
18 received. We have our Office of Quality and Training  
19 involved in preparing the modules. The beauty of these

1 modules is once examiners have taken the E-Learning  
2 course, they will be tested, but then the modules are  
3 always available to go back and review. So we have had  
4 pretty good feedback on the modules that have been  
5 developed thus far.

6           With regard to our in-process review, another  
7 strategic plan initiative, last year trademarks in fiscal  
8 year 2003 piloted our in-process review. And we have  
9 briefed the TPAC extensively on our new standard of  
10 deficiency, excellence and sufficient examination. And  
11 I'll be talking a little bit more about that as I talk  
12 about quality in 2004.

13           So we are moving forward on the in-process  
14 review. There was -- Jon mentioned in the '05 budget, if  
15 we do receive the mark, we'll be able to expand this  
16 program a little bit more by perhaps hiring additional  
17 people to develop the E-Learning modules and to assist in  
18 the in-process review.

19           Expedited examination under the fee bill -- this

1 is the three-track examination and it is part of the fee  
2 bill. The rules have been drafted. The plan is to  
3 promulgate the rules once the electronic -- the Trademark  
4 Information System is fully operational. We need that in  
5 place in order to manage the three-track examination. So  
6 we'll keep you posted on that as well.

7           As you know, the Agency is required under the  
8 Government Performance and Results Act to provide Agency  
9 goals and targets each year. We're very much focused on  
10 the performance goals established in both Patents and  
11 Trademarks and the other business units within the PTO and  
12 we report annually on the achievement of those goals.

13           Trademarks continues to be focused on quality,  
14 e-Government and pendency and productivity. And our goals  
15 for this year include to improve the examination of  
16 trademarks and we will be measuring that through our  
17 deficiency rate determined through our in-process review  
18 evaluation of the statutory basis of the Office's refusals  
19 of marks for registration.

1 e-Government -- we continued to move forward in  
2 our e-Government initiatives. We plan to manage all  
3 Trademark applications electronically as measured by the  
4 percentage of pending applications that are available  
5 through the electronic record through our TICRS system.

6 I'm going talk a little bit about that later on.  
7 And also we measure our success in E-government by the  
8 increase usage of electronic filing. Our goal this year  
9 is 65 percent and we measure that by the number of initial  
10 applications that are received electronically through our  
11 TEAS.

12 And again we very much appreciate the support of  
13 TPAC in supporting our E-government initiatives and for  
14 promoting the use of our Trademark Electronic Application  
15 System.

16 We're very pleased and we continue to have high  
17 customer satisfaction from those using TEAS.

18 What we have been working on this year is the  
19 alignment throughout the organization of the Agency goals

1 with the performance of the employees through the  
2 organization. This past year we have aligned performance  
3 plans for managing attorneys that are aligned with the  
4 goals of the Agency in terms of the production and  
5 pendency and quality.

6 All of the managers are responsible for  
7 delivering those goals and their performance plan is based  
8 on the achievement of those goals. As I mentioned,  
9 quality is a critical element of the manager's performance  
10 plan. As you know, we have recently proposed a new  
11 performance appraisal plan for examining attorneys to  
12 better align the examiner's performance with the goals of  
13 the Office.

14 So under this new plan rather than measuring  
15 production on an hour basis against hours worked, we're  
16 recommending setting quarterly production goals. They  
17 will be set on a quarterly basis. So examining attorneys  
18 will have the maximum flexibility in determining how best  
19 they can meet those production goals given all of the

1 flexibility within the work schedule that examiners have.

2           The goals have been set based on historical  
3 production results and will allow the Office to ensure a  
4 more even and a predictable level of examination for our  
5 customers. In some of the slides I will show a little  
6 later, you will see how we have tremendous unpredictably  
7 in the amount of production that we receive.

8           So under the current plan, examining attorney's  
9 production is not necessarily consistent throughout the  
10 year. And it results in dramatic swings, not only in  
11 production, but also in pendency. We believe that this  
12 compromises reliable customer service.

13           As you know, we're currently involved in  
14 negotiations with the union, and we expect to resolve the  
15 issues that would provide for a performance plan that's  
16 acceptable for both parties.

17           Next slide, please. This slide of course, is  
18 representative of our filings through the first quarter of  
19 this year. You will note that we have had about a 7

1 percent increase in the first quarter over filings last  
2 year. Now, the one thing we know about trademark filings  
3 is the unpredictability of trademark filings.

4           Last year we set our budget based on 272  
5 thousand classes, which was an increase of about two  
6 percent over last year's filings.

7           Filings have only increased slightly in the last  
8 -- past two years, however you will recall that in the  
9 preceding two years filings dropped at 21 percent and  
10 dropped at 13 percent and prior to that we saw two years  
11 of 27 percent compound growth. So we don't have a magic  
12 formula for predicting where trademark filings will be.

13           I think the good news in this slide would be  
14 that if trademark filings are increasing at a rate of 7  
15 percent over last year, that's a good thing for the  
16 economy.

17           And the other thing we know -- if you want to go  
18 back. The other thing that we know historically is if  
19 filings increase in the first quarter, generally that's an

1 indication that filings will increase for the year.

2           So we can't tell you where we think we will be  
3 at the end of the year, but through the first quarter, we  
4 are at about 7 percent increase.

5           Next slide. We talked about how this year we  
6 are very focused because the Administration and OMB are  
7 looking at productivity and how we can improve  
8 productivity.

9           So we have established a new model this year  
10 which is a production model in which we are expecting to  
11 achieve so many action points throughout the year assigned  
12 to various areas of responsibility, which I'm not going to  
13 go into the entire business model, but what this slide  
14 shows is the production during the first quarter of --  
15 first action by our examining attorneys.

16           And you can see that the production has been  
17 very good this year, that we're actually ahead of where we  
18 were in historical figures. What we have seen through the  
19 first quarter of the year is about 21 percent of fiscal

1 year production target in the first quarter.

2           Now generally, the first quarter is one of our  
3 lower months of production. And you will see that on some  
4 subsequent slides. One of the reasons we were able to  
5 improve production in the first quarter is that we have  
6 had overtime in the system. In the last -- in fiscal year  
7 2003, we offered no overtime in the first quarter.

8           We also are seeing that about 43 percent of the  
9 overall work is being done on first actions in the first  
10 quarter. And you may recall last year we had the issue of  
11 the tremendous backlog of amended cases, so our examiners  
12 were working on amended cases. Those have pretty much  
13 been cleared out.

14           What we do need to do is to focus more on first  
15 actions through the balance of the year. And we have some  
16 strategies on that.

17           Next action point -- next slide, please.

18           Again, this is a slide to show the total number  
19 of action points. The previous was first-action points.

1 And this is a compilation of all of the work that is being  
2 done through the examining corps, through the first  
3 quarter.

4           And again through the first quarter we have  
5 achieved about 23 percent of the total production targets  
6 that we have -- that have been established for the  
7 trademark operation in 2004. And that's based again on  
8 272,000 classes of applications -- Trademark applications.

9           Next slide, please.

10           This slide is a very important slide, because it  
11 shows that while we are meeting our goals in terms of  
12 production, we are also seeing an increase in inventory  
13 and backlog. And as Jeff mentioned, this is of concern  
14 because you know that if you reach a certain point it is  
15 hard the recover if you are not able to get that backlog  
16 down.

17           The backlog is actually increased by about 20  
18 percent this fiscal year through mid-February. And of  
19 course, due to the budget constraints, we are now planning

1 to hire -- in this fiscal year we're planning to only  
2 replace attritions. Thus far we have had two attritions  
3 this year.

4           So people are not leaving Trademarks, but we  
5 have a list of former examiners that are interested in  
6 coming back to the Office. So we believe that if people  
7 do leave the Office, we'll be able to replace them very  
8 quickly with qualified trained examiners.

9           Next slide please. Now this slide illustrates -  
10 - and I hope you can see it -- this slide illustrates the  
11 inventory of unexamined cases comparing it to the  
12 production in first action. And you will see on the line  
13 graph that we have two big spikes in production.

14           And this is what we're trying to change with the  
15 new path in terms of getting a more steady state in terms  
16 of production.

17           The reason you see the two spikes in production  
18 is because at the end of March and at the end of  
19 September, our bonus structure kicks in. And also, the

1 performance plans are reviewed. And so there is always a  
2 push in March and a push in September to achieve the  
3 number of actions that you need in order to meet your  
4 goals in terms of your performance.

5           Back in July of 2003, we implemented -- our  
6 examiners are now examining all initial applications  
7 through our FAST electronic system. And in July, as of  
8 July, all of our examiners were fully operational.

9           And I wanted to share with you some of the  
10 actions that we have taken in our e-Commerce effort  
11 working group to work with examiners in order to assist in  
12 the transition to e-Government.

13           We do have an e-Commerce working group and we  
14 have worked with that group to standardize for additional  
15 training in processing e-mail Office actions. We had  
16 several hours of formal training, written and on-line  
17 material. We also had hands on training.

18           We also worked with the e-Commerce working group  
19 to standardize the appearance of e-mail Office actions as

1 well as significant training for FAST. We had a full day  
2 of classroom training, we had written materials, we had  
3 supervised hands on practice. Our managers and seniors  
4 and designated experts assisted in this training.

5 We also have an e-Commerce mailbox if there are  
6 problems raised through the E-commerce or electronic  
7 examination issues.

8 Examiners were given additional nonproduction  
9 time for problems associated with processing e-mail  
10 Office actions. And we have given a certain amount of  
11 nonproduction time for difficulties with electronic  
12 systems.

13 What we have improved since we last met is the  
14 TMEP is now -- the search functionality is -- has been  
15 enhanced and our on-line references have also been  
16 enhanced. So we continue to make improvements as we go  
17 along.

18 Next slide -- pendency. Again, what we show on  
19 this slide is we show a comparison of first-action

1 production as compared to pendency. At the end of the  
2 first quarter, first-action pendency was at 5.9 and our  
3 disposal pendency, including suspended and inter-parties  
4 cases was at 19.9 months.

5           Next slide. We have lots of good news on the  
6 quality front. Our in-process review program appears to  
7 be working well. The quality of attorney work remains  
8 high as evidenced by the Office of Trademark Quality  
9 Review results and performance ratings. 89 percent of all  
10 examining attorneys received quality awards last year.

11           In our in-process review, we reviewed 1,000  
12 recent first- and final-action letters that were sent to  
13 law office attorneys during the first quarter where we  
14 applied the standard of excellence, satisfactory and  
15 deficient work with regard to decision making.

16           The review also included an analysis of all  
17 aspects of examining attorneys' handling of every  
18 substantive and procedural issue raised in letters.

19           In applying the new in-process review standard

1 for quality to determining the deficiency rate check for  
2 statutory refusals under Section 2, including Section 2-D.

3 The results included the following. In-process review  
4 for the first quarter, the first-action deficiency rate  
5 was 9.4 percent and the final action deficiency rate was  
6 6.2, which is in line with what we were seeing last year.

7  
8 Now since we only reviewed a little over 1,000  
9 cases, these are not significant -- statistically  
10 significant. And so we're looking at those numbers and we  
11 should have a firmer number as we examine more actions.

12 MR. WELCH: Can you give an example or two of  
13 deficiencies.

14 MS. CHASSER: A deficiency would be not hitting  
15 a dead on mark on 2-D.

16 MS. BERESFORD: Deficiency is a much tougher  
17 standard. The deficiency standard looks at what a good  
18 examiner would do with the file. You look at a lot of  
19 different things. Is the evidence as good as it should

1 be, the decision making, of course, is one of the issues  
2 we're looking at in this in this subject.

3           Was it a good search? Now we look at the search  
4 with the idea that it should pull up any good reference.  
5 If it isn't broad enough to pull up any good reference  
6 then it is deficient. So we really broaden what we're  
7 picking up in this category in an effort, one, to improve  
8 the quality of examination, and, two, to really identify,  
9 because the other side of deficiency is excellence.

10           And we have a program where we find an excellent  
11 search or an excellent written action or some other aspect  
12 of an action that is excellent. We e-mail the examining  
13 attorney telling them specifically what was excellent  
14 about their action in an effort to educate the examiners  
15 about what quality review is looking at and giving them a  
16 positive feedback about really good quality work.

17           There is a whole spectrum of things we're  
18 looking at here. Pendency deficiency is not in this  
19 particular area -- things could have been done better.

1           With regard to quality, 8 percent of the first  
2 actions and 10 percent of the final actions had at least  
3 some aspect of the letter that was excellent with regard  
4 to evidence.

5           With regard to writing, 76 percent of first  
6 action letters had no deficiency with regard to writing  
7 quality, 88 percent of final actions had no deficiency in  
8 this area. 61 percent of first actions and 23 percent of  
9 final actions had at least some aspect of the letter that  
10 was excellent with regard to writing.

11           With regard to missed issues, 83 percent of the  
12 first actions and 82 percent of the final actions had no  
13 missed issues. Sound refusals and requirements which were  
14 formerly known as appropriate handling, 94 percent of the  
15 first actions and 91 percent of the final actions did not  
16 identify any issue that was handled unsoundly.

17           MS. LOTT: Before you go, the thing of the  
18 numbers you are going through, 24 percent of first actions  
19 are deficient, are there -- what kinds of corrected

1 measures are in place?

2 MS. CHASSER: This is exactly how we're planning  
3 our e-Learning modules. Not only do the examiners receive  
4 a written statement from the Office of Quality Review as  
5 to the deficiency, the manager works with them as a  
6 learning opportunity with the comments provided by the  
7 Office of Quality Review.

8 So each of these notices is actually a learning  
9 opportunity for the examiner. Likewise, when we see an  
10 excellent action, feedback is provided to the examiner as  
11 to the excellence of this action. And that information  
12 then is shared with others within the Office by the  
13 manager if he so chooses.

14 MS. LOTT: Is there then a follow-up with that  
15 particular -- again looking to the deficiency and  
16 recognizing that, recognizing excellence is of course at  
17 least equally important, but in terms of where you  
18 identify deficiencies obviously that is a problem area to  
19 take care of, is there a follow-up then?

1 MS. CHASSER: That's where we're targeting our  
2 E-Learning modules on the areas where we see deficiencies,  
3 particularly in the 2(d)area. So those are the -- the e-  
4 Learning modules are specifically targeted to address  
5 those deficient areas.

6 And also the managers of course, the managers  
7 and the seniors are involved in day-to-day training or  
8 working with examiners if they are identifying problems in  
9 their own quality review of the work of examiners within  
10 the Office. So we attack it from several fronts.

11 CHAIRMAN SAMUELS: Kim Muller.

12 MR. MULLER: Maybe you mentioned this, Anne, and  
13 I missed it, but was there any difference between the  
14 review that happened for electronic examinations versus  
15 the paper examinations?

16 MS. CHASSER: They are all -- they are randomly  
17 pulled. So they are a combination of electronically and  
18 paper filed applications.

19 MR. MULLER: The question is could you go back

1 and tell that they are doing better on electronic  
2 applications than they are on paper applications?

3 MS. CHASSER: I'm sure we would have that  
4 capability of doing that.

5 MR. MULLER: I mean, is it worth doing?

6 MS. BERESFORD: All the first actions are  
7 electronic. So there isn't any way -- there isn't any  
8 reason, if you are asking about how the examiners were --  
9 final actions. I'm not sure what you mean by electronic?

10 MR. MULLER: My question was whether or not you  
11 are looking at the quality review on applications that are  
12 filed electronically versus applications that are on  
13 paper.

14 MS. BERESFORD: The Quality Review Office could  
15 pull those statistics, I guess, to see if there are more  
16 examiner errors in examining paper applications or in  
17 examining electronic applications, but I'm not sure that  
18 we would see anything there, because they are examining  
19 the applications electronically.

1           The fact it was filed on paper, from the  
2 examiners standpoint they all look the same. We could do  
3 that, because identifying by series code and things like  
4 that, but I'm not sure what we would see if we did that.

5           MR. MULLER: I would hope if you did see a  
6 difference, it would be you could use that to encourage  
7 people to file electronically.

8           MS. BERESFORD: Okay.

9           MR. MOYER: What is evidence quality? Are you  
10 doing fantastic on evidence quality? What exactly is  
11 evidence quality?

12          MS. KANE: It's internet.

13          MS. CHASSER: It is the supportable statute,  
14 regulations, TMEP case law and then the writing to support  
15 the evidence that's logical, that makes sense. It follows.

16          MS. BERESFORD: You are actually looking to see  
17 if the evidence is on point, if it is appropriate for the  
18 argument that's being made.

19          If it's the best evidence that's available out

1 there, quality reviewers actually go back when they are  
2 quality reviewing, they go and look for evidence and see  
3 if the examining attorney has actually gotten the best  
4 evidence that they think is available.

5           And so we're looking at this from a number of  
6 points of view and I can assure you -- and those of you  
7 who practice before the Office and have gotten Office  
8 actions, probably know that some of you come with better  
9 evidence than others.

10           And so the idea here is to look and see if the  
11 examining attorney has used the tools wisely and has  
12 gotten the best evidence available and some have done a  
13 very good job of getting very appropriate very on point.  
14 I'm not talking about how much evidence, you don't get  
15 credit for having 50 pages of evidence. You get credit  
16 for having evidence that's directly on point with your  
17 issue and persuasive.

18           MS. CHASSER: Lynne did a very good job of  
19 describing what excellent writing would be as well. I

1 want to thank you.

2           We heard about the deficient. The majority of  
3 our work of course, is sufficient. We got the bell curve  
4 where the bell curve 80 percent plus is sufficient and our  
5 goal is to move the deficient work over to the sufficient  
6 and move of those sufficient work over to the excellent.

7           We're trying to move that bell curve over to the  
8 right as much as we can. But generally the quality is  
9 very good within the Office. And we have gotten very good  
10 feedback on this new approach of implementing learning  
11 modules to address specific quality issues that have been  
12 identified through the Office of Quality Review.

13           MS. LOTT: How frequently do you anticipate  
14 having this sort of review?

15           MS. CHASSER: The quality review is ongoing.

16           MS. LOTT: Are you doing it -- at a certain  
17 point in time or --

18           MS. CHASSER: The Office of Quality Review is  
19 charged with examining X number of first and final action

1 for each quarter. What we're generally looking at is the  
2 work from the previous quarter. As a matter of fact, the  
3 work that was reported through the first quarter included  
4 some of the year end work. So it is ongoing.

5 Let's move onto the next slide and we'll talk  
6 about E-government.

7 Trademarks in E-government continues to drive in  
8 our efforts to lead in E-government. One of the number  
9 one measures that we look at is the usage of our Trademark  
10 Electronic Application System. We have seen a slight  
11 increase in the first quarter. Last year we ended the  
12 year at an average of about 57 percent of all new incoming  
13 applications were received electronically.

14 As of the first quarter we're up to about 14.5  
15 percent of initial applications for registration of a  
16 trademark were filed electronically through TIS. We  
17 currently have 14 forms available to file a new  
18 application or maintain a registration or communication  
19 electronically with the Office on subsequent issues

1 related with previously filed applications.

2           Our plan this year is to introduce 6 new TIS  
3 forms. They are currently under development. Those forms  
4 include petition to revive abandoned application, express  
5 abandonment, request to delete Section 1-B basis,  
6 withdrawal of attorney, revocation of attorney and/or  
7 appointment of attorney and change of owner's address.  
8 That would be the physical address listed for owner rather  
9 than just the correspondence address.

10           We have no delivery date yet on these, but we  
11 are working closely with the OCIO to deliver these forms  
12 this year.

13           The other good news on the Trademark side is the  
14 digital capture of applications that is creating a new  
15 file wrapper. This is very similar -- I know in the press  
16 you have been reading a lot about the IFW Program at  
17 Patent and the success of the IFW program. The project in  
18 Trademarks is very similar to Scanning on Demands Program,  
19 which is -- it's analogous to the IFW program in Patent.

1           And all of the data is up-loaded into our  
2 electronic system, which is called TICRS and this is event  
3 driven. For example, receipt of correspondence from an  
4 applicant would trigger an opportunity to pull the file  
5 and scan the entire back file. Since 1999, Trademark has  
6 been scanning all incoming correspondence and that  
7 correspondence, of course, has been up-loaded into TICRS.

8  
9           In July of last year, we began capturing all  
10 outgoing correspondence. Now with our project of scanning  
11 on demand, again it is an event driven process. And so  
12 what we are doing is we have about 500,000 cases --  
13 pending cases in Trademark Operation. And thus far this  
14 year, through the first quarter, we captured about 70  
15 percent of the pending inventory.

16           Year-to-date we're at about 78 percent. So by  
17 the end of this fiscal year, all of the Trademark  
18 inventory will be housed in our TICRS system and available  
19 for use by our examiners. And this really does benefit

1 our work at home people as well because they are able to  
2 draw down from the electronic records rather than having  
3 to take paper files home.

4           We have 21 scanners and 34 contractors  
5 responsible for capturing this information. We're very,  
6 very pleased with the quality of the data. The data is  
7 captured in XML format. So it is tag data initially and  
8 it doesn't have to be key entered. Therefore the quality  
9 is very, very high.

10           One hundred percent of the scanned files are  
11 given to quality control inspection and the results that  
12 we have seen of the inspection show an accuracy rate of  
13 98.73 percent, which is very, very good. That data  
14 accuracy is used in the sigma purposes for tracking the  
15 number of errors per opportunity of errors.

16           We're very, very pleased, it has been a very  
17 successful program that we have been able to develop.

18           Once the trademark information system is  
19 available, and we'll have all of the data available, just

1 plug into the system and can begin our electronic file  
2 management system. This was a very successful program.

3 MR. WELCH: Is there thinking of making this  
4 available to the public?

5 MS. CHASSER: Well, it really is a resource  
6 issue, quite frankly. It is available in the public  
7 search room where you would have access to the TICRS  
8 system. And actually it is being used quite heavily in  
9 the public search and we have computer monitors.

10 In a perfect world eventually, we would love to  
11 have this available, but it's a resource issue in terms of  
12 making it available to the public.

13 The other issue I wanted to address was our Work  
14 at Home Program. And I want to thank Jon for the kudos.  
15 We are very, very proud and pleased with our Work at Home  
16 Program. Since we last met, Trademark received yet  
17 another award for our Work at Home Program and leadership  
18 in the government.

19 Currently we have the ability -- we have the

1 ability to allow 110 examining attorneys to participate in  
2 our Work at Home Program. The program, as I said, has been  
3 very successful. We have had a few technical problems of  
4 late, but we are working towards developing a new system  
5 that will improve some of the problems -- the technical  
6 problems we have had and that system should be ready in  
7 April.

8           We are currently participating in a partnership  
9 with the union and where we are in regard to new  
10 guidelines under our Work at Home Program and moving to  
11 the new facility. And so once we are able to reach an  
12 agreement with the union, our plan is to expand that to  
13 150 examiners.

14           And we would be prepared to do that following  
15 successful negotiation on the partnership arrangement with  
16 the union.

17           That is my summary of our three goals and where  
18 we are in terms of quality, pendency and production and E-  
19 government .

1 MR. MULLER: Thanks Anne.

2 I have a very narrow focused question, but we  
3 really don't like to file anything on paper anymore. We  
4 notice that when we file an 8 and 15 affidavit or a  
5 renewal, we can't do it electronically if we have to alter  
6 the mark.

7 I was wondering why your modules that are coming  
8 out don't include alteration of the marks?

9 MS. CHASSER: We can certainly put that to the  
10 list, because we are also planning some e-Learning modules  
11 for our paralegals that work in the area of post  
12 registration as well.

13 CHAIRMAN SAMUELS: Are there any other  
14 questions?

15 Let me go back to the goals that I think one of  
16 your earlier slides with respect to quality. I think the  
17 goal was 8.3 percent.

18 MS. CHASSER: Right.

19 CHAIRMAN SAMUELS: How are these goals set,

1 because I mean, 8.3 percent strikes me as kind of a  
2 strange goal.

3           Is it an objective standard here or is it based  
4 on what the quality was the preceding year? How are we  
5 getting to 8.3 percent?

6           MS. CHASSER: What we do is we -- last year we  
7 ran a pilot in our in-process review and we looked at what  
8 the quality numbers were last year.

9           And I believe they were 9.3 and so what we said  
10 in looking at establishing our goals this year, we said  
11 what kind of initiatives are underway, what are we  
12 expecting to see in terms -- with these initiatives, with  
13 the additional attention focus on quality, within the law  
14 Office and through our e-Learning module, our training  
15 opportunities, what could we expect to see as a fair and  
16 achievable goal?

17           So we came up with a drop of 1 percent. So what  
18 we did was we took -- we thought we could drop it .5  
19 percent the first half of the year and .5 percent the

1 second half of the year. Now I'm going to ask Sharon  
2 Marsh or ask Lynne Beresford if they would like to comment  
3 any further on that?

4 MS. MARSH: I don't think -- again, these are  
5 very strict rules for the standard of review. The error  
6 rate last year was 9.3 or 4. and we wanted to see  
7 improvement this year. We set a goal of a percent lower  
8 and right now as you see the very first results are not  
9 showing the kinds of improvement we want, but this is very  
10 early results. We hope to continue to improve this year.

11 MR. TEPPER: A related question.

12 I think obviously, the quality initiatives are  
13 laudable and in many ways, it's a greater step to start on  
14 this new measure where you were just measuring under a  
15 different standard. And so you have got to show a first  
16 year where the rate appears to go up because you are  
17 starting from a stricter point.

18 Have you seen any negative impacts on that? I  
19 know fortunately, fees and funding appear to be coming in

1 line, but have you seen any or do you have any concerns  
2 about -- questions about what would appear to be a one-  
3 time jump in the error rate due to starting this new  
4 baseline?

5 Is there anything we can do to help in that?

6 MS. CHASSER: What we have heard anecdotally,  
7 again we don't have statistically significant numbers to  
8 support us, but anecdotally, we have always heard that the  
9 quality at the peak period -- when you notice on the chart  
10 where we saw the peak production and first action,  
11 generally when more and more first actions are being  
12 turned out, that the quality suffers.

13 And our initial review of when we reviewed, very  
14 few actions from September when we typically have a push,  
15 it does seem to indicate that when there is a concerted  
16 effort to just push out the work that the quality does  
17 suffer.

18 So that was an initial finding and really  
19 supports, I think, the notion of balancing out the

1 production for the year so that we could be more  
2 methodical Jo-Anne do you have a question.

3 MS. BARNARD: We met with the House  
4 appropriation staff, and they understand the change and,  
5 like OMB with the PART evaluations, understand we are  
6 using a different measurement and that we're trying to  
7 work together on how we evaluate.

8 MR. FRIEDMAN: I don't know if this is  
9 appropriate time to talk about PAP issues. I know we had  
10 sent some information to TPAC and Anne has made mention of  
11 it a few times and this seems to be the time to talk about  
12 it without getting into the negotiations.

13 So if it is, let me continue.

14 CHAIRMAN SAMUELS: Sure.

15 Obviously, we want to avoid discussion of the  
16 details of negotiations, but if we want to talk about it  
17 in a -- in the broad sense of how the proposals relate to  
18 the Office's goals or doesn't, I think it is appropriate .

19 MR. FRIEDMAN: Well, it sort of leads to a

1 number of comments in probably no particular order. What  
2 Anne had made clear I think a number of times today is  
3 that production is higher this year and our quality is  
4 very good.

5           And that to me seems to set up a scenario where,  
6 why change or fix things if they are not broken.  
7 Nevertheless, what has been put on the table to our  
8 bargaining unit and it is very easy to do my job these  
9 days when it comes to negotiating a PAP, because everybody  
10 in the bargaining unit feels the same way.

11           It's a horrible PAP. That makes my job easier.  
12 I don't have to worry about the divisions in the  
13 bargaining unit. Everybody is unanimous about this. What  
14 we see and I think this goes to the heart of issues you  
15 addressed or asked perhaps me to address, Jeff, is that  
16 numbers we have run indicate that when it comes to the  
17 production pendency element alone, about 80 percent of the  
18 people would be less than fully successful.

19           What we see when we run not only numbers but

1 based on information the Office has given us that about 12  
2 percent of the people would be less than fully successful  
3 when it comes to making telephone calls or not making  
4 telephone calls.

5           And what we see and perhaps this is borne out I  
6 think by what has been shown on the slides today and what  
7 we included in our comments which we had presented to  
8 TPAC, based on the numbers that are shown here and based  
9 on the numbers that have been shown in the performance and  
10 accountability reports, it would seem clear that the  
11 quality levels and standards in the PAP are so high that  
12 based on the averages shown here a significant part of the  
13 bargaining unit would be marginal or unacceptable and I  
14 think it is born out clearly by the numbers that were  
15 shown here.

16           So we have a number of people who would be less  
17 than fully successful in production. We have a portion of  
18 the bargaining unit who would struggle to reach the  
19 telephone percentage. And we would have a significant

1 part of the bargaining unit given that the standards  
2 proposed are in the 97 to 99 percent range, which are much  
3 higher than what has been proposed or what is shown on  
4 these slides.

5           We have a number of people who would be in harms  
6 way when it comes to quality. And if I might digress and  
7 this is perhaps more for the benefit of the new members as  
8 opposed to the members who have been here a little while,  
9 but -- and this is where my job becomes easier, in  
10 represent representing 250 other people who aren't here,  
11 this is their brief view of the world.

12 Seventeen, eighteen months ago we went through a RIF. The  
13 Office made a number of promises to this group and to  
14 Congress when it came to meeting pendency goals. They  
15 said they would hit the 2.5 mark -- they didn't. They  
16 missed by a couple of months. And obviously, our  
17 examination approach when it came to production was good  
18 enough that we were so efficient that we ran out of work  
19 and 100 people lost their jobs.

1           Now the Office is proposing an entirely new  
2 production system. The inventory has gone up over 100,  
3 110,000 cases and it is unclear to me and unclear to 249  
4 other people why we need to revamp, not only the  
5 production system but the quality elements and the other  
6 matters noted in the PAP.

7           Honestly, I could go on and on and on, but we're  
8 already behind schedule. I don't know how to deal with  
9 it. I don't know how you propose you want to deal with  
10 it, but what is clear to me -- also today, is that when  
11 the Acting Director talks about trying to get money in the  
12 budget to hire 217 trademark attorneys -- up to 217 --

13           MS. CHASSER: I think it was 270.

14           MR. FRIEDMAN: 270, which would double -- I'm  
15 sorry?

16           MS. BARNARD: Up to 272.

17           MR. FRIEDMAN: Well, 20, 10, whatever, hiring  
18 new attorneys is obviously some admission that pendency is  
19 not where we're at.

1           And since the time of the RIF we have gone from  
2 4.3 to 6.2 and what our bargaining unit sees is that based  
3 on the lack of forecasting by the Office and it's track  
4 record has not been good in the last two years, that the  
5 accountability or lack of accountability on the Office is  
6 falling squarely on the examiner's shoulders. And there  
7 is no other way for us to look at it.

8           CHAIRMAN SAMUELS: Jo-Anne.

9           MS. BARNARD: Not knowing anything about what is  
10 going on with the negotiations, I'm only going to give you  
11 the feedback that I'm getting from the Hill. This is not  
12 just directed at Trademarks. And, of course, anyone who  
13 reads the newspaper knows this is being addressed across  
14 the federal employee spectrum, including senior  
15 executives.

16           The feedback we're getting from the Hill is that  
17 the issue is not whether or not you get marginal or  
18 unsatisfactory. I don't know, because I don't know what  
19 is on the table, but there is concern that our history of

1 the percentage of our people who are not only meeting but  
2 consistently exceeding goals, consistently getting  
3 outstandings, has been in the past in the range of 80  
4 percent.

5           The feedback we get from the Hill is the goals  
6 must not be stretched enough, because 80 percent of the  
7 general population is not outstanding. And that's not  
8 just a belief of this Administration. I think it's a  
9 belief of both the current and former Administrations,  
10 frankly.

11           So, I mean, as far as making something more  
12 stretched than what it now is, I think that's an  
13 administration objective. And this is not just being  
14 applied to employees but also to executives. I also  
15 think that you get a little bit of a false picture to show  
16 the picture of performance in 2004 so far just compared to  
17 2003. I think Howard somewhat makes this point, because  
18 performance was much better in 2002.

19           For performance in 2003, production was down.

1 So the fact that we're doing better than we did last year  
2 is great, but we are not doing as well as we have done in  
3 the past. So I don't think we can just accept it that  
4 everything is fine .

5           CHAIRMAN SAMUELS: Let me just make some  
6 observations. First we appreciate, Howard, your comments  
7 and we obviously recognize that the union has significant  
8 concerns. And I'm sure that they will be raised during  
9 the course of the negotiations and how that will play out  
10 will be how it plays out.

11           I think I can speak for TPAC in saying that we  
12 certainly don't have the expertise and do not want to get  
13 involved with respect to determining whether or not in  
14 order to get an excellent one has to be at 98 percent  
15 versus 94 percent versus some other percent.

16           We have to leave that to the management and  
17 union to negotiate. What we are concerned about, and I  
18 think we have expressed it in our 2003 annual report, are  
19 things like increases in pendency, increases in backlogs

1 and things of that sort and we did express that concern  
2 and we'll be obviously, continuing to monitor the  
3 situation and the performance and making comments, whether  
4 orally or in writing as warranted. At some point,  
5 obviously, people need to be held accountable if the goals  
6 -- assuming the goals are reasonable, are not being met.

7  
8 To the extent that a performance appraisal plan  
9 is not allowing the agency to meet its goals, then one  
10 would reasonably assume that at some point that those  
11 performance appraisal plans will be looked at again and  
12 adjusted accordingly.

13 But we're sensitive to the concerns. We noted  
14 them in our report and I think we will be looking very  
15 closely at the impact of whatever new PAP goes into place,  
16 what it is, what impact that will have on such things as  
17 quality and pendency and production.

18 I don't know whether any other members of TPAC  
19 feel differently or want to express their own personal

1 views on this, but if so, please speak up.

2 MR. MOYER: David Moyer. Just a couple of  
3 observations. The deficiency rate, the goal being 8.3  
4 percent. I know the goal can't be like perfection. But I  
5 have always struggled with a goal that says it is okay to  
6 not be good 8 percent of the time.

7 I mean I would think the goal would be a much  
8 lower rate -- and if you would just let me finish. It  
9 sounds like the goal is based on past performance and  
10 maybe past performance wasn't good as it could have been  
11 or should have been.

12 Again, this is a tough, tough subject and I know  
13 that we have gone from like clear error to a deficiency  
14 rate and it is a much softer criteria. It's what would a  
15 good examiner decide. Things could have been better, so  
16 it's -- but to say it is okay to be deficient 8 percent of  
17 the time, I mean that wouldn't fly in private enterprise.

18 So that's the one comment. And I have another  
19 one, but go ahead.

1 MS. CHASSER: As far as the 8 percent, that is  
2 the goal for this year. And our objective of course is to  
3 decrease that every year. So --

4 MS. BARNARD: I would like to rise to  
5 Trademarks's defense on this one. I'm responsible for  
6 evaluation. For errors, obviously, the goal is zero, the  
7 goal, our objective. But the problem is that we put these  
8 goals in our manager's PAPs as well.

9 If they don't make them, they don't get their  
10 performance bonuses and that happened a lot last year.  
11 Jon Dudas was probably the strictest in this area of any  
12 executive I have seen in my past 20 years of federal  
13 service. I mean he gave the toughest performance  
14 appraisals I have ever seen last year.

15 They were based on, "You said you were going to  
16 meet this goal and you didn't meet it." So, I mean, these  
17 goals are written more for improvement over the previous  
18 year, but if you are saying what the philosophical goal  
19 is, obviously, it is to make zero errors. But Trademarks

1 will be evaluated on whether or not they achieve that one  
2 percent improvement.

3           And if they don't, then the managers will pay a  
4 significant price for not making it.

5           CHAIRMAN SAMUELS: Do you have a follow up David  
6 or another question?

7           MR. MOYER: My other follow-up is in terms of  
8 examiners being pinched in terms of productivity. I mean,  
9 everybody is being pinched for productivity. We're  
10 feeling it significantly at the company I work for. People  
11 are working a lot harder than they ever worked before.

12           I don't know when the pinch is going to stop,  
13 but it is -- every entity is trying to get as much  
14 productivity and we have got to continue to look for ways  
15 to get our work done in a more productive way. It is what  
16 I'm being asked to do and so I just share that perspective  
17 with the group.

18           CHAIRMAN SAMUELS: Kim.

19           MR. MULLER: I would like to comment on

1 something. I think your name is Jo-Anne --

2 MS. BARNARD: Yes.

3 MR. MULLER: Jo-Anne said -- while the people in  
4 this room and the people that deal with the PTO every day,  
5 may understand your comment. It's a bad message to the  
6 public and I don't think it is possible to educate the  
7 public as to all these acronyms whatever you were talking  
8 about.

9 I can't figure them out sometimes, but I think  
10 your message, PTO's message, could be better delivered if  
11 it was explained just as you explained it instead of  
12 putting out things that say our error rate is going to be  
13 -- we anticipate error rate is going to be 8 percent and  
14 we want to get to 7 percent.

15 I think it's just a bad public relations  
16 message. I think the PTO could do better explaining why  
17 it is at that level.

18 MS. BARNARD: Thank you. I think that's a good  
19 point.

1 MS. BERESFORD: In talking about the error rate,  
2 Trademarks really -- in setting a new standard for  
3 measuring quality, we really went out on a big limb. I'm  
4 certainly the person most likely responsible for pushing  
5 Trademarks out on that limb. Last year on the clear error  
6 measure we had the best measure we have historically ever  
7 had.

8 Our quality based on our clear error standard  
9 was the best it has ever been. And I think one of the  
10 reasons that it was that way is because we started this  
11 pilot and we raised the bar on what constitutes quality.  
12 When you raise the bar, you are going to find more things  
13 that are wrong.

14 I agree with you 100 percent, it is not a good  
15 thing. But if we really want to improve quality, then we  
16 have to do something different. It is not a good thing to  
17 say 8 percent error rate. We can go -- we're going to  
18 have terrific sticks because we're pushing to develop  
19 trying to get quality improvement in the operation.

1           CHAIRMAN SAMUELS: I think what Kim was saying  
2 is that rather than presenting it as 8.3 percent, instead  
3 we will have a 20 percent improvement, or whatever it  
4 amounts to.

5           MS. BERESFORD: I understand one of the  
6 resistances to this new method of measuring quality. We  
7 don't want to have an error rate. We don't want to report  
8 this because it doesn't look good. But I assure you the  
9 quality, it is as good as it has ever been. We're  
10 changing the measure to try to improve even more.

11           MR. MULLER: My comment is that in private  
12 industry this would be unacceptable and most of the people  
13 who file applications are in private or in law firms. You  
14 are sending the wrong message even though your intent is  
15 admirable.

16           I think the message -- you either have to  
17 educate people, which I don't think you are going to  
18 accomplish, or you are going to have to change your  
19 message. I would suggest changing the message.

1           CHAIRMAN SAMUELS: Let me ask. How does the  
2 increased use of paralegals, at least on a pilot basis,  
3 limited as it is to SOUs, going to increase the quality?  
4 What is the long term goal here --

5           MS. BERESFORD: Okay.

6           CHAIRMAN SAMUELS: -- other than saving money, I  
7 assume.

8           MS. BERESFORD: First of all, it is a pilot. So  
9 we're going to see how -- we run pilots to see how they  
10 work. If it doesn't work, if we feel it has a negative  
11 impact on quality or negative impact on other parts of how  
12 we operate, then that will be the end of it.

13           The purpose of actually -- the paralegal pilot  
14 is, if it is successful, it is meant to take out of the  
15 examining attorney work, review of SOUs that have only  
16 procedural issues in them or no issues whatsoever. They  
17 will just be passed on.

18           It will therefore allow examining attorneys to  
19 look at the substantive issues that are in the SOU. Those

1 are the SOUs that they will examine. We think that will  
2 be a better use of examining -- of their time and shall  
3 have no effect on quality one way or another. It should  
4 be neutral as far as quality is concerned.

5 MR. MOYER: I want to make one follow-up  
6 comment.

7 I want my comments -- I compliment the PTO. I  
8 really do, and Kim said it much better than me. You get  
9 what you measure and I compliment you for measuring,  
10 because that's what you get. We're just identifying  
11 something here that could be perhaps done in a different  
12 way.

13 But again I compliment the heck of out of the  
14 PTO for measuring, because these are the results you get.

15 MR. TEPPER: Just a brief comment on the PAP,  
16 Howard.

17 First of all it was very helpful to have your  
18 perspectives and understand what is going on. As someone  
19 who has been in organizations and have a lot of clients

1 who go through these processes, obviously, senior  
2 management must set the goals and objectives and  
3 performance all the way down the chain or will shift to  
4 match those goals and objectives. That does happen.

5           We obviously, as the TPAC, have some involvement  
6 in trying to understand the goals of the Office to make  
7 sure those are on track and we're in agreement with them.  
8 I would be most interested in hearing from you, in  
9 particular instances where you feel that the PAP has not  
10 advanced at all, or is not in keeping with the goals.

11           I understand that it is frustrating for you all  
12 to have those changed. I didn't like it either when my  
13 boss would set it and I would have to go with new goals,  
14 but in particular, for our purposes, I think we have more  
15 concern in understanding areas where those goals -- either  
16 understanding your position on what are the goals of the  
17 Office in the first place, because we have some role in  
18 that.

19           But also areas where the PAP is not in keeping

1 with those goals. I think it would be something in  
2 particular I would really like to focus on and hear from.

3 MR. FRIEDMAN: I think one way of looking at the  
4 PAP, if it goes into play in close to the form it is now,  
5 I really -- and this goes to the heart, I think, of your  
6 question -- I really think it gets closer to this being a  
7 disposal system instead of a registration system, because  
8 there is only so much time people can spend on an  
9 application. There is only so much time they  
10 can search through an Office action, meet the quality  
11 standards, make phone calls, provide the kinds of customer  
12 service in e-Government service that you are looking for.

13  
14 So one of the overriding comments I've heard  
15 from a number of people in the bargaining unit is that it  
16 gets -- it moves away from a registration system and gets  
17 closer to a disposal system, because there is only so much  
18 time to handle the applications. Clearly, going  
19 to the heart of your concern, that we think affects the --

1 could potentially affect the value of Trademark. That  
2 sort of leads to point two, which perhaps leads to David  
3 Sams' shop. We feel that there gives a greater potential  
4 under the proposed PAP, the way it is supposed to work is  
5 you don't get credit for a final anymore.

6           When you work on a final Office action, which  
7 obviously is whether you put in the sufficient evidence,  
8 you don't get credit when you work on that final. You  
9 will get credit down the road when there is an abandonment  
10 but that of course could take place in a subsequent fiscal  
11 year from the time you do work.

12           Again, given what people have told me, if we had  
13 to decide or guess whether people are going to spend more  
14 time or less time in the future on finals, I'm going to  
15 suggest that they spend less time. They're not going to  
16 get credit when they're working on it.

17           Unlike people here, who can see when they pickup  
18 a phone or write a letter, you bill sometime that month,  
19 and get paid, hopefully a month or two later, we have to

1 wait to get credit, hopefully. We have to wait to get  
2 credit six months, maybe somebody files an appeal to the  
3 TTAB, there is some request for reconsideration, it could  
4 take a year or two or longer in order to get credit. If  
5 I'm people sitting at this desk as far as TPAC, that would  
6 concern me.

7           It would concern me because of what I have said  
8 and it would concern me because that's the feedback I have  
9 gotten from people in the bargaining unit. Additionally,  
10 without going into all the details, in view of a number of  
11 the quality initiatives and in view of the proposed PAP,  
12 examiners touched the file, managers sometimes touch the  
13 file, TQR, the Total Quality Review will touch the file,  
14 it is possible depending upon how a pilot rolls out that  
15 paralegals will touch the file.

16           If I'm in your shoes and there was an attorney  
17 who raised this with one of our attorneys earlier in the  
18 week, and we have talked about this prior to you being on  
19 board, the more times the file is touched, the greater

1 chance you have of getting hurt. We pay people generally  
2 at the GS-14 rate to exercise their authority to use their  
3 discretion and decide whether your mark gets registered or  
4 not.

5           The more times files are touched in all these  
6 different organizations and people, the greater  
7 difficulty, we think, is wasted upon the examination  
8 process. We're not supposed to get any credit anymore  
9 when we examine SOUs, which is sort of interesting because  
10 right now we're negotiating PAP.                   We're  
11 still supposed to examine SOUs. There is no distinction  
12 working on substantive versus procedural. We're supposed  
13 to handle all. By any estimates SOUs account, from the  
14 Office's perspective, six or seven percent of all our work  
15 versus our estimate of about 15 percent.

16           Regardless of which one you agree with, we're  
17 working somewhere -- some percent of our time on matters  
18 that no longer count. We can only spend so much time on  
19 an application when we're not getting credit. You know as

1 well as I do David knows this.

2           Leslie and everybody here, people do a damned  
3 good job in the bargaining unit. They are going to do,  
4 have done, will do, always do whatever they can. But when  
5 have you 48 minutes and some work counts, some doesn't,  
6 you have certain quality initiatives you have to meet, you  
7 have to pick up the phone at least 15 percent of the time,  
8 your production -- and Office admitted this, has already  
9 been raised by five percent. We would suggest it's going  
10 to be raised by somewhere in the neighborhood of 10 or 15  
11 percent. We have already heard production has already  
12 been higher, our quality is good, something has to give.

13           MS. KANE: Howard, I really appreciate those  
14 views and I think sometimes -- I know this is hearsay,  
15 what I'm about to say, but sometimes the God of pendency  
16 just controls too much. What we really want -- well,  
17 let's put it this way, what I think the clients we serve  
18 want is a trademark that can stand up.

19           Why are you getting a trademark and what are you

1 using it for and when you come to court, you can imagine -  
2 - maybe Jeff has even done this -- you can imagine expert  
3 witnesses coming in -- I've seen them -- not Jeff --  
4 coming to court and saying the procedure, you know, the  
5 procedure in the PTO, they have 8 percent error rate and  
6 if you really -- they are under all these strictures about  
7 doing it quickly, you can imagine someone saying that the  
8 value of this trademark, issued by the Trademark Office is  
9 just not all what it appears to be.

10           And I think the goal here should be yes, you  
11 want to get your trademark registration in a reasonable  
12 period of time, but you don't want to get it at the  
13 expense of people who work less on perhaps what may be the  
14 most important aspect of the final action or who are under  
15 such strictures that they yes, they are doing the best  
16 they can and they are great people, but as you say when  
17 you put them under certain guidelines there is only so  
18 much you can do.

19           And so from my perspective anyway, and I'm

1 talking from the perspective of someone who litigates a  
2 lot of cases, that the importance of having a trademark  
3 that will stand up is -- perhaps be given a little more  
4 weight than whether you are one month or two months on  
5 your pendency.

6 MR. FRIEDMAN: We have talked about this at  
7 prior meetings, both -- if not every meeting at least  
8 every other meeting, where we try to balance the whole  
9 pendency issue versus quality. I think what we have  
10 generally said, and I looked at the notes last night of  
11 our last two or three meetings, we always balance or  
12 always tilt toward emphasizing quality.

13 Pendency is really -- and the Office has said  
14 this many times -- pendency is a function, as far as we're  
15 concerned, of one thing and that's staffing. I mean,  
16 there are other issues clearly that affect pendency but  
17 pendency is largely a matter of staffing. Quality is  
18 really a matter or a function of time and efficiency,  
19 which are of course related.

1           It is pretty simple if you have more time you  
2 generally do a -- under certain circumstances, a better  
3 quality job, assuming you have some competencies and have  
4 some idea of what you are doing. That's what -- that's an  
5 internal struggle we always have, Anne has and the  
6 customers have.

7           But if the focus has been and continues to be  
8 quality, then we should focus on -- is the amount of time  
9 examiners have sufficient to give you a registrable  
10 trademark or make sure that we issue a denial so that the  
11 marks that you have on the register are protected.

12           Again that's a matter of how much time we have  
13 to do our work. We're not going to get pendencies only  
14 going one way right now. We were at 4.3 at the end of  
15 2002 or the end of 2003 -- I'm sorry, 2002. It went to  
16 5.4 at the end of 2003. It is now up to 6.2.

17           The reality is in spite of what has been said  
18 here and in spite of what PAP has been noticed to us, we  
19 generally get, even at the lower filing rates now than we

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1 did a year or two ago, we generally get 23,000 to 25,000  
2 applications a month. We generally work on about 13, 14  
3 or 15,000 a month.

4           You don't have to be a math major to figure out  
5 that more files come in than go out. And it's going to  
6 continue that way for the foreseeable future, especially  
7 if economy continues to pick up and we get more files.

8           CHAIRMAN SAMUELS: Anybody else have any  
9 comments or questions?

10           Okay, well, obviously, we'll be coming back to  
11 the big issues here of pendency and quality at future  
12 meetings.

13           What is the status of the negotiations, are you  
14 about ready to wrap them up or...

15           MR. FRIEDMAN: I guess are you asking about time  
16 period as opposed to how well they are going?

17           CHAIRMAN SAMUELS: Yes time period.

18           MR. FRIEDMAN: Impact and implementation  
19 bargaining has another couple weeks, next week and the

1 following week. Assuming we don't reach agreement --  
2 which sort of goes to how well they are going -- assuming  
3 we don't reach agreement, we then go to mediation and  
4 assuming we don't reach an agreement in mediation, we then  
5 go to the Federal Services Impasse Panel.

6 It can take a while to tee it up in mediation  
7 and then it can take a while after you mediate and aren't  
8 successful and to tee it up before the federal services  
9 Impasse Panel.

10 CHAIRMAN SAMUELS: When you say a while, is that  
11 years or months or...

12 MR. FRIEDMAN: Months.

13 CHAIRMAN SAMUELS: Thank you.

14 We are running behind. I don't know, do we have  
15 any flexibility as far as when our lunch break is?

16 MS. CHASSER: I believe we're serving lunch  
17 here, so we can continue to meet and eat during the lunch  
18 hour if you want.

19 CHAIRMAN SAMUELS: Okay. Let's see how things

120

1 progress.

2           The next item on the agenda is, having heard  
3 Anne and her discussion of the goals, we're going to now  
4 have a discussion of whether the necessary resources are  
5 in place in order to meet those goals. We've invited Jo-  
6 Anne Barnard who is the Chief Financial Officer for the  
7 agency, to lead us through this discussion.

8           Welcome, Jo-anne.

9           MS. BARNARD: In light of the discussion that  
10 has already taken place, if you could turn to Chart 5  
11 first. Jon has already gone over a lot of this. I think  
12 I walked in and he was discussing the fact that the  
13 President's budget request for fiscal '04 was predicated  
14 on passage of the fee bill, and was \$1.404 billion. We  
15 actually got \$1.222 billion.

16           So that was 15 percent less than we requested.  
17 It is, however, three percent more than the enacted budget  
18 for fiscal 2003. So what we're dealing with when we talk  
19 outside the Agency is we're dealing with people on the

1 Hill that are saying, you are doing great.

2           You know, compared to other federal agencies,  
3 you are doing really well, because a lot of federal  
4 agencies either sustained a cut or received basically a  
5 flat program. So when we go up there, they say, what is  
6 the problem; we're treating you exceptionally well. We  
7 have to keep selling that the problem is that we are  
8 unlike many federal agencies, including my former agency,  
9 GSA, who can just do less work.

10           For some agencies, it is pretty much the same  
11 work that you do every year and you do it a little bit  
12 slower or you don't do some things. The work keeps coming  
13 in the door for us and we eventually have to get to it.  
14 And I think that one of the biggest problems that we're  
15 encountering but we can't seem to get people to  
16 understand, is that because the work is sitting on the  
17 shelves for so long, not only is pendency going up. We're  
18 getting paid to do the work today, but we're doing it two  
19 or three years from now, when it costs us significantly

1 more to do it. Anne is grappling with this right now in  
2 setting the FY 2004 plan. We never anticipated the fact  
3 that the Congress was going to enact some legislation in  
4 conjunction with DOD's appropriation which changes all the  
5 overtime rules.

6           We used to, frankly, Howard, Larry and Ollie  
7 will agree, get a benefit, because we only had to pay  
8 somebody a 13 step 10 even if they were a GS-14 or GS-15.  
9 Most of our trademark attorneys are 14s. Now if they  
10 work overtime we have to pay them at their full rate.

11           So we have things that are happening that raise  
12 the cost of our doing business. So a three percent  
13 increase this fiscal year actually doesn't even cover all  
14 our increases to base. And the reason for that is the  
15 space consolidation project. This year and next year are  
16 the big years on the move to Carlyle.

17           They are the years when we have to pay for the  
18 physical move, buy the telephones, install the computers,  
19 move the computer room and pay the double rent. So we had

1 requested a 44 million dollar increase for the space  
2 consolidation program alone. We only got a 40 million  
3 dollar total increase and we had to eat overtime  
4 increases, increases in contract costs and salary  
5 increases.

6 So therefore, in order just to continue the  
7 space consolidation program, we had to significantly cut  
8 back on other programs.

9 Chart 4 shows you the fact that we had  
10 predicated all of this fiscal 2004 planning on 272,000  
11 cases coming in the door. Right now Anne has  
12 shown you a 7 percent increase in the first quarter. My  
13 folks who make an effort to do these projections on an  
14 annual basis are projecting that we think it is going to  
15 be closer to 279,000 this year, which means that the fees  
16 that we had projected we would collect of \$159 million are  
17 likely going to go to \$172 million.

18 We're not going to have access to those fees,  
19 but the work load is going to be there that we're still

1 going have to do at some future date.

2           Chart Number 3 tries to tell you from a visual  
3 standpoint one of the things I was told that you want to  
4 address and I'm going to try to move quickly to, is the  
5 whole issue of is Trademarks getting its fair share of  
6 what is coming in the door.

7           If you look at this, you can see that we project  
8 that we're going to have a total of \$1.271 million fees  
9 coming in the door this year. This is again predicated on  
10 the 272,000 filings. And you can see that Trademark  
11 processing income constitutes about 12 percent of that.

12           Additionally, about \$6 million of that other  
13 service income you see there in gray, is also Trademark  
14 income and that's how we get to the \$159 million that you  
15 saw on the previous chart that's actually --

16           MS. LOTT: Would you show us what chart?

17           CHAIRMAN SAMUELS: Page 3.

18           MS. BARNARD: I'm sorry. Going from where our  
19 fees come from to where do those fees go is -- I'm going

1 to get you back in order now, is Chart 6, "Where Are Our  
2 Fees Going?" and basically, what this shows you is the  
3 degree to which the various programs are getting a  
4 percentage of those fees.

5           This is, I think, where we start to get to this  
6 whole issue of, is Trademarks getting its fair share. We  
7 saw on the other chart that they brought in approximately  
8 12 percent of the total. 6 percent of the total of what  
9 we're spending is going directly to Trademark Examining  
10 Operations and the TTAB.                   However, what you are  
11 going to see later in these charts, another slightly more  
12 than five percent of the overhead of the USPTO - my  
13 Office, Doug Bourgeois's IT office, Jon Dudas's salary,  
14 General Counsel- separate and apart from the TTAB, also  
15 has to be spread across Trademarks.

16           I'm going to discuss with you a little bit later  
17 how we do that and try to show you that from our view  
18 Trademarks is paying its fair share. It does get very  
19 confusing because when you look at our annual reports,

1 which is the one thing that you see up on our website, you  
2 are looking at generally accepted accounting principles.

3           You are looking at something that looks like an  
4 income statement for a corporation on an accrual basis of  
5 accounting. I don't know how much you know about  
6 accounting, but we actually have to look at how we spend  
7 money on a cash basis.                   So whereas we're  
8 reporting each fiscal year on an accrual basis, we measure  
9 against whether or not we violated the Trademark fence  
10 legislation on a cash basis. And I'll get into a  
11 discussion of that.

12           So in a way we're comparing apples and oranges  
13 and by looking at the statement of net costs you are only  
14 looking at half of the picture. If you look at Chart 7,  
15 it shows you that 11 percent of where we allocated our  
16 fees to go in fiscal 2004 will actually go to Trademark  
17 related operations, 6 percent for examination and the TTAB  
18 and 5 percent for their share of the rest of the USPTO.

19           So if you compare those two, basically, we're

1 letting Trademarks spend about 86 percent of what is  
2 coming in the door, of what they are bringing in the door,  
3 assuming our initial filings projections were right.  
4 Overall the USPTO is being allowed to spend by the  
5 Congress about 86 percent of the total fees that we  
6 project that we're going to bring in the door.

7           So Trademarks is being treated pretty much  
8 equally with the other program areas.

9           The next chart on page eight shows you how we  
10 plan to spend the money that we have allocated within the  
11 Trademark program. This is more I think for your  
12 edification; if you want to get into more detailed  
13 discussion of this we can do that, but you can see that a  
14 significant amount of the budget just goes to paying  
15 salaries in Trademark examination -- the Trademark  
16 organization.

17           But we also give them their fair share of rent,  
18 communications and when we do that, we use the cost  
19 accounting system at the PTO. I have invited to sit here,

1 our Director of Budget and Finance, Michelle Piccard, who  
2 is over here. The PTO has a fairly mature cost accounting  
3 system as federal agencies go.

4 Over the course of the past six years, we have  
5 made every effort to take our costs such as square  
6 footage, telephones and code them back to the  
7 organizations that are actually using them.

8 So for instance, when we allocate some of the  
9 computer usage, those are allocated based on actual hits  
10 that Doug Bourgeois's office can count to the various  
11 systems. How many times does the Trademark system get  
12 accessed in a given year; how many times does the Patent  
13 system get accessed?

14 In terms of some of our overhead resources such  
15 as bills that are paid, each bill that is paid in the  
16 Office of Finance is targeted in terms of a code against  
17 whether it is a Trademark bill or a Patent bill. So we  
18 try as best we can to literally track those costs back.

19 And we think we do a pretty good job on about 96

1 percent of the costs, where we can show you how we're  
2 directly tracing them back. On the other 4 percent, it is  
3 not worth the money to try to track it back. So we either  
4 divide it up based on FTE, if we think maybe that's the  
5 best thing, that is, how many FTE are being serviced?

6           For instance on retirement advice, we don't code  
7 that in. So we left that out in terms of how many people  
8 have gotten patents versus how many people have gotten  
9 trademarks. Other things we might do on our rate of  
10 spending that year.

11           For instance, when we get rebates back, not a  
12 rebate on a Trademark filing, but say money on a case that  
13 we thought pertained to the whole USPTO and we spent less  
14 than we thought we were going to, we will allocate that  
15 back based on our rate of spending.

16           So whatever rate Trademarks is spending versus  
17 Patents we will allocate back on that percentage. Briefly  
18 here before I get into the details of how we do that, I  
19 just wanted to quickly give you the statistics for the FY

1 2005 budget. That's on Chart 9.

2           The President's budget request as Jon told you  
3 is \$1.533 billion. That is predicated on passage of the  
4 fee bill. If we get that request, it will be a 25 percent  
5 increase over what we had in this fiscal year's enacted  
6 budget.

7           As you can imagine I'm getting a lot of  
8 questions on the Hill what the plan will be -- since OMB  
9 sent this budget to the Hill -- about how we're going  
10 spend that. A lot of our spending pattern will depend  
11 upon what happens with the fee bill.

12           You asked the question earlier to Jon, Jeff,  
13 about pendency.

14           If the fee bill passes, I think it is safe to  
15 say that we know we're going to get a significant increase  
16 next year. Then I think we have to look at how we  
17 obligate against our contracts in the fourth quarter.

18           And we need to ask the question would it be  
19 advisable -- and I have discussed this with Anne -- given

1 the fact that we have got Trademark Examiners out there  
2 who still are looking for employment with the Office and  
3 who are trained, to proceed sooner to hire perhaps later  
4 in this fiscal year than in next fiscal year so that we  
5 can get a leg up, while we still have the opportunity to  
6 hire people who could start producing the day they get in  
7 here as opposed to us having to train them.

8           Those kinds of decisions are decisions we make  
9 if we think we have the money. I can tell you right now  
10 that Jon very much wanted to give Trademarks those 20 new  
11 FTE this year. There was no way we could figure out how  
12 to do that and complete the move to Carlyle.

13           That's still very high on our list of something  
14 that it is better to do earlier rather than later just  
15 like it is better for us to get out earlier in the year  
16 recruiting patent examiners. We want to be there before  
17 they have already signed up with somebody else.

18           So sometimes the timing when we get our money  
19 doesn't fit very well with when it is easiest to hire

1 people.

2           We had a continuing resolution this year, when  
3 we really didn't know what our budget was until early  
4 February.

5           By early February, a lot of people, attorneys,  
6 as you know, engineers, have already signed on for their  
7 job. We're out there in the job market when the ones who  
8 have the best skills have found jobs and, you know, the  
9 second tier is trying to find jobs. So that makes it very  
10 difficult.

11           It shows you on the next page the major  
12 components of the base.

13           We're going to need \$38,000,000 we anticipate,  
14 just to handle the increases in overtime costs, the  
15 increases in contract costs and the projected increases in  
16 salary cost that we expect to see in fiscal year 2005.

17           So if we want to be able to handle the workload  
18 increases and the strategic initiatives that we want to  
19 accomplish, we need that fee bill and we need

1 appropriation of all those fees.

2           Jon, I think, made that point very eloquently,  
3 so I'm not going to expand upon that.

4           If you look at the next chart, you will see that  
5 we're asking for \$162,000,000 for trademark programs.  
6 This is an 18 percent increase over this fiscal year. It  
7 shows you how we would propose to spend those funds.

8           I will tell you that initially at Carlyle in the  
9 first two or three years that the rent is higher than in  
10 Crystal City. Carlyle over the 20 years of the lease,  
11 clearly, is significantly cheaper than Crystal City. You  
12 can see the statistics.

13           But in the first two or three years of the  
14 lease, it is more expensive. It's a flat 20 year rate.  
15 That's what makes it cheaper over the entire lease.

16           But in the first couple years, the rent is going  
17 to be more than it is here, particularly since we have to  
18 pay the double rent costs during the course of the move.

19           The next page starts to get into this question

1 of the trademark fence. What we have tried to do is take  
2 our 2003 statement of net costs and show you how that  
3 breaks out between patents and trademarks. I  
4 have managed to lose a chart here. This is on page 13 --  
5 I'm sorry, I'm on page 13, and I would like you to look at  
6 it if possible in conjunction with the chart on page 12.

7 The chart on page 12 shows you how much we  
8 collected in past fees for trademarks or plan to collect  
9 in fiscal 2005, and what the funding requirements were for  
10 the trademark program.

11 You can see that in fiscal 1998 and fiscal 1999,  
12 and actually I have looked at a chart that goes back to  
13 '93, and the trend in the '90's was pretty significantly  
14 the same, the trademarks operation was actually spending  
15 on an annual basis more than it was bringing in on an  
16 annual basis.

17 So if you were to look at the statement of net  
18 costs for the late '90's, you would have seen trademarks  
19 showing a negative, like you see in the past two years for

1 patents, if you just look at the statement of net costs.

2           You see that once Trademarks' fees were adjusted  
3 in 2000, you start to see it go the other way and,  
4 basically, what this represents more than a diversion to  
5 patents is just a diversion of trademark fees.

6           If you look at our diversion chart for this same  
7 period the bars will be pretty consistent for the whole  
8 office with what you are seeing here applying to  
9 trademarks.

10           We tried to show you on the chart on page 13  
11 what, I think, is the genesis of your concern.

12           That is, if you look at the fiscal 2003, fiscal  
13 2001, and fiscal 2002 statement of net costs that we have  
14 already printed, you see where these arrows are down at  
15 the bottom, that Patents was spending more than it was  
16 bringing in and Trademarks was spending less than it was  
17 bringing in.

18           So on the surface, people say, well, then  
19 Trademarks is subsidizing Patents. If you look just on

1 the statement of net costs, that's what it appears to be.

2 The problem with the statement of net costs is it has to  
3 be prepared based on generally accepted accounting  
4 principles.

5 I'm going to get a little bit technical here,  
6 but what that requires us to do is to parcel out stuff as  
7 we incur expenses. So that for instance, if somebody  
8 earns leave in a statement of net cost we have to charge  
9 that leave to the program.

10 So you can imagine we have 4,000 patent  
11 examining personnel, 3,600 patent examiners. We have 250  
12 trademark examiners. So if we're showing all that accrued  
13 leave against patents, that's a big number. None of that  
14 money actually gets spent -- that is, very little of that  
15 money actually gets spent in that fiscal year.

16 But on our statement of net costs by generally  
17 accepted accounting principles, we have to show it there  
18 because that's a liability of the agency that we  
19 potentially would have to pay.

1           So the liabilities just by virtue of the size of  
2 Patents are significantly higher than those of Trademarks.  
3    What you really have to go to is how we're actually  
4 spending the money. And how we're spending the money, we  
5 look at on a cash basis. The chart on page 15 tries to  
6 explain that.

7           If you look at it in a very simple way and you  
8 think like we have two buckets sitting here, when the fees  
9 come in the door, Michelle's accounting people put all the  
10 Patent fees in the Patent bucket and the Trademark fees in  
11 the Trademark bucket.

12           In the course of a fiscal year, they take all  
13 the Trademark direct expenses and they charge them to the  
14 Trademark bucket. They then have to take the Trademark  
15 indirect expenses, all the rest of the USPTO, and somehow  
16 figure out what share goes in the Trademark bucket as  
17 opposed to Patents. That's the uses.

18           When we look at things on a cash basis, we have  
19 to look at obligations. This gets into the federal budget

1 process. If Trademarks goes out and says, okay, in  
2 December of 2003 we're going to sign up for another year  
3 of our printing contract and they sign that printing  
4 contract, that performance is actually going to go through  
5 one quarter of another fiscal year.

6 It is going to go through December of 2004.

7 Under federal budget rules, we have to charge that entire  
8 obligation against Trademarks in this fiscal year.

9           So basically, what the fence requires us to do  
10 is count every dollar that we take in for Trademarks in a  
11 given year and every dollar we think we spend for  
12 Trademarks and make sure that we're not spending any of  
13 those Trademark dollars any place else.

14           There is not an easy way to explain that.  
15 Basically, what we're trying to show you, and I think  
16 actually show best on the chart on page 15 -- it took them  
17 45 minutes to explain this to me so I'm not sure I can  
18 explain it to you easily -- the way we take that  
19 additional five percent that you saw earlier and allocate

1 it to Trademarks is complicated. In every instance where  
2 we can, we use something that we can show you a measure  
3 for.

4 We'll use actual telephone calls placed. We'll  
5 use actual hits on the computer system, actual bills paid  
6 to allocate the cost of my operation, Jim Toupin's and  
7 Doug Bourgeois's and our front office.

8 It gets down to certain things where we just  
9 don't have anything to measure and at that point, I think,  
10 like every other corporation we have to assign a  
11 percentage.

12 So the question really becomes, how do we  
13 determine how we're going to assign that percentage. And  
14 basically, that's what this chart tells you.

15 For some, we use an obligation ratio. For some,  
16 we use a fee collection ratio. For others we use a how  
17 many people do you have ratio. But, I think, the key is  
18 we're consistent from one year to another and we have good  
19 accounting justifications for why we use what we use.

1           We have gone through several years now of a  
2 clean audit in this agency. We received an award this  
3 year from the Association of Government Accountants, in  
4 fact, it was the first year that any agency that applied  
5 for the first time actually received the award the first  
6 time, for the quality of our annual report and our  
7 accounting records.

8           We're the only sub agency of a department that  
9 has ever received that award. I don't know really how to  
10 give you the right comfort feeling other than that we  
11 spend an awful lot of time focusing on this, particularly,  
12 now that the question has been raised -- we had a  
13 significant meeting this week with Jim Toupin's folks --  
14 with Jim Toupin and Bernie Knight to go over how we  
15 allocate these costs to try to get a comfort feeling from  
16 the attorneys that this looked, as far as they were  
17 concerned, like it was consistent with the fence  
18 regulation in the law.

19           Obviously, all they can opine to is the law and

1 listen to how we're trying to allocate it and then trust  
2 that we're doing that fairly.

3 MS. KANE: Thank you, for making a very, very  
4 complicated subject almost easy to understand. And I have  
5 a pretty simple question, I think.

6 On page eight of the chart, the chart on page  
7 eight, it shows that TTAB has expenditures at 6 percent  
8 for fiscal 2004. And it shows the trademark organization  
9 examination including examination of 49 percent.

10 On page 11, for 2005 you have 49 percent which  
11 includes the TTAB. I'm wondering why are you taking away  
12 6 percent from the TTAB now and what is the 6 percent for  
13 in 2004?

14 MS. BARNARD: It is two different pie charts.

15 MS. PICCARD: The percentages are obviously  
16 calculated from two different totals. In 2005 you are  
17 looking at Trademarks as a percent of at a total of 162  
18 versus the 137 in 2004.

19 In 2005 for the planning exercise not

1 everything was split out completely. We looked at the  
2 trademark program in total which for fiscal year 2005 in  
3 the trademark organization total, we considered TTAB kind  
4 of like a direct expense to them. They are only there for  
5 Trademarks.

6           We didn't split them out. So what this is doing  
7 is not necessarily taking away from the Trademark  
8 organization, it is looking at Trademarks and TTAB as a  
9 percent of a large number. When you look at the total  
10 increase in IT which there is a lot of increase in IT when  
11 you get to the '05 budget, because we're starting to do a  
12 lot of our disaster recovery work. So trademark is going  
13 to get a share of that.

14           When there is increase in other things where  
15 they are getting an increase in those proportion of shares  
16 the percentage is changing. That's all it is doing. It  
17 is not taking anything away.

18           MS. BARNARD: They are basically, as I said,  
19 getting an 18 percent increase over what they are getting

1 this year.

2 MS. KANE: Who is they?

3 MS. BARNARD: Trademarks.

4 MS. BARNARD: Then if you look at the totality  
5 of the PTO budget, more will be going to IT in fiscal '05  
6 than in fiscal '04. One of the reasons for that is in  
7 fiscal '05 budget we have requested it for disaster  
8 recovery.

9 MR. FRIEDMAN: At the request of.

10 MS. BARNARD: This is assuming we get that  
11 request. We have requested a significant amount,  
12 \$25,000,000 to \$35,000,000 for --

13 MS. PICCARD: It is down to 18.

14 MS. BARNARD: For disaster recovery.

15 CHAIRMAN SAMUELS: Jon.

16 MR. SANDELIN: I found this very, very  
17 fascinating. I would like to ask the question, is this an  
18 issue for the administration of trademarks? Do they see  
19 this as an issue? Is this something that TPAC should have

1 some concerns about?

2           CHAIRMAN SAMUELS: Well, I think that given the  
3 statute talks about that -- trademark should pay a  
4 proportionate share of its administrative expenses and  
5 given the overall budget situation, we just wanted to get  
6 a briefing to make sure that the appropriate allocation  
7 was being made.

8           MR. TEPPER: Jeff, I would like to add my thanks  
9 to Siegrun's too.

10           I think you did a very nice job of clarifying  
11 for a bunch of non-numbers people just how this is  
12 approached. It's reassuring to know the care with which  
13 you are applying these allocations to the costs.

14           I understand in a somewhat more fuzzy manner,  
15 your point and it does continue in the 2003 report. We  
16 are comparing apples to oranges by looking at an accrual  
17 number for income versus expenses which are based on cost.

18

19           I think it is like 26 or 32 million or something

1 in the correct annual report. When you are -- you  
2 mentioned that part of your task is in making sure that  
3 the trademark money that comes in the door is only spent  
4 on trademark operations.

5 Do you use a different number for assigning what  
6 the trademark money that comes in the door is than the  
7 accrual number that we're looking at?

8 Because I guess the process here is very careful  
9 and that's reassuring but just as we shouldn't be  
10 comparing those two numbers to come up with an, is there a  
11 discrepancy, I just wanted to make sure that's not a part  
12 of the process that enters into -- and I don't know if I  
13 have articulated that at all well, Jo-Anne.

14 MS. PICCARD: Let me try. On the statement of  
15 net costs, yes, there is a difference in the numbers that  
16 are used.

17 When we're looking at the proportionate share of  
18 administrative expenses we are following the legislation,  
19 the language in there is the use of resources which are

1 very much budgetary terms. So that's why you need to look  
2 at it from both the federal budget process and traditional  
3 accounting.

4           So we look at it as a use of a resource is an  
5 obligation in the federal budget process. The cost is a  
6 pure accounting term like in the private sector and the  
7 expense is as you see in statement of net cost.

8           So, you ask me do we use a different number in  
9 calculating that? There is a different number. A lot of  
10 times they are because of timing differences.

11           As she was explaining annual leave, it is termed  
12 that annual leave on the statement of net costs are  
13 commonly known as what is called an unfunded expense; it  
14 is an off budget expense, because you don't pay for it  
15 until that person takes the leave years later.

16           There is differences in timing in total they  
17 average out to similar numbers recognized in different  
18 years. A more complicated thing is when you are actually  
19 looking at the revenue too. That's what, in my opinion,

1 is hurting patents on this statement more.

2 I don't want to get into patents, but when you  
3 are looking at it by comparing the patents, patent's costs  
4 are increased more because their revenue is taken out  
5 more.

6 When you are looking on the budget side,  
7 you have fee collections which are pure cash coming in the  
8 door. That's what we have to monitor the law by.

9 On an accrual basis you have to match your  
10 revenue with your expenses. So as we all know at PTO we  
11 have pendency. In patents and trademarks, you have fee  
12 collections that come in the door with a set amount of  
13 work.

14 You have to do an accrual based calculation to  
15 match the fee collections that came in two years ago with  
16 the expenses that are used when we're working on it today.

17 So do you see that a lot of it is timing differences and  
18 you have to look at it with two separate sets of rules?

19 I think Jo-Anne as she is explaining in the  
20 bucket thing -- the one thing that I would like to

1 emphasize in there is in the same way a private sector  
2 statement you have equity, which is almost like your bank  
3 account, if you will, you can dip into things.

4           That's the same thing in budgetary in cash  
5 basis. There is an amount I don't know what to call it  
6 other than a budgetary equity, are unavailable fees that  
7 are sitting there in buckets that are still divided by  
8 patents and trademarks.

9           So when we get appropriated to spend those fees  
10 from prior years we dip into the trademark bucket for  
11 trademarks and the patent bucket for patents. So you are  
12 almost kind of off the books keeping them separately.

13           CHAIRMAN SAMUELS: Maury, I'm impressed that you  
14 know enough even to ask that question. Kim?

15           MR. MULLER: A very good presentation. This is,  
16 I think, the best budget presentation we have ever had.  
17 It is at least understandable for a lay person.

18           What has troubled me for a number of years is that  
19 the law that gave rise to the TPAC was supposed to put on

1 the TPAC somebody who had budgetary expertise.

2           We seem to be always putting onto the TPAC  
3 people that know how to acquire trademarks and file  
4 trademarks. The next time we rotate off it might be a  
5 good idea to try to find somebody who could really  
6 understand this and ask you intelligent questions, because  
7 I don't think I can ask an intelligent question about  
8 this.

9           CHAIRMAN SAMUELS: I thought Maury's was  
10 intelligent.

11           MR. MULLER: I said, I could not ask an  
12 intelligent question.

13           MS. KANE: I'm beginning to take this  
14 personally.

15           MR. MULLER: Please don't. I think it is a  
16 really good presentation. But on another process check if  
17 we could have gotten this sooner than this morning, I  
18 think I could have gone through this and at least tried to  
19 understand what was going on.

1           As we go on into '04 and '05 and we have these  
2 types of presentations, if we can get this at least before  
3 we get on the airplane it would be really helpful.

4           MS. BARNARD: I completely apologize for that.  
5 Michelle and I will tell you, we took over -- I took over  
6 this job about a year ago. I am struggling to get a  
7 handle on timeliness of analytical presentations -- we're  
8 understaffed, particularly analytical staff.

9           I'm having to rely on my senior managers like  
10 Michelle to do a lot of the work. We need to get better  
11 at delivering this stuff early. I absolutely agree with  
12 you.

13           Next year -- at least 24 hours, hopefully, a  
14 couple days before so you have enough time to ask me  
15 questions.

16           I apologize for that.

17           CHAIRMAN SAMUELS: Leslie.

18           MS. LOTT: I have one more quick unintelligent  
19 question. On pages eight and 11 you show the allocation

1 for information technology. I guess it is two parts.

2 First of all, I assume that that covers not only  
3 the ongoing day-to-day maintenance and consulting and  
4 getting systems but also bringing the new forms on line.

5 MS. BARNARD: Yes.

6 MS. LOTT: Do you have any information as to how  
7 that allocation for trademarks broke down between standard  
8 operations, and is the TTAB getting its fair share of the  
9 allocation for the overall --

10 MS. BARNARD: I think we can trace it at some  
11 point. Doug and I actually -- and his deputy, Wes Gewehr,  
12 have had numerous discussions in the past few months about  
13 how to better present the IT budget as well.

14 If budget overall is kind of unclear, the IT  
15 budget is really unclear even our own managers cannot  
16 understand that. And I think that's a very good question.  
17 That is something that we can certainly address.

18 Right now I think the answer is no. We  
19 definitely don't break out the TTAB from the trademark

1 operation.

2 MS. LOTT: That's something that to the extent  
3 it could be done --

4 MR. BOURGEOIS: We do, we just don't have it  
5 handy, but we do have it.

6 MS. LOTT: I think that is something that would  
7 be of interest to us as well.

8 CHAIRMAN SAMUELS: Siegrun.

9 MS. KANE: It looks like you are spending more,  
10 I think, in 2005 for the combined trademark including the  
11 TTAB than you are spending in 2004.

12 My question is if you can just tell us,  
13 generally, what is that additional money spent on? Is  
14 that a good portion for TTAB or is it all the additional  
15 examiners that you think you are going to hire, or what is  
16 it? Can you give us a general picture?

17 MS. BARNARD: It is 20 additional examiners with  
18 a significant amount of increase in overtime cost, which  
19 we now project. The further cost of the initiatives --

1 frankly, I think we found we are spending still a  
2 significant amount of money in fiscal '05 on what Doug  
3 will be discussing next, the T's system and the total  
4 automation of Trademark application processing our  
5 electronic government initiative.

6 MS. BARNARD: It is, basically, just increases  
7 in contract costs.

8 MS. KANE: Both for the TTAB area and the  
9 examiner area.

10 MS. BARNARD: I can't speak to that, whether  
11 there is some growth in the TTAB in the '05 budget. I  
12 don't know.

13 MR. TOUPIN: The TTAB as a whole for its direct  
14 costs is flat with that adjustment. On the IT side,  
15 Doug's shop will have a better image of it than ours.

16 I think it would be fair to say that the  
17 investment in IT in this current fiscal year is less  
18 ambitious proportionately for the TTAB than for  
19 trademarks.

1           That is in part a function of where the various  
2 systems that are being installed are in their particular  
3 development processes, cycles.

4           There are some systems that are more mature in  
5 the TTAB than in trademarks and vice versa. There is  
6 really much more a question of how much investment do you  
7 need to make to get each system to the next stage.

8           I hope the TTAB will correct me if I have that wrong.

9           MS. BARNARD: I think what we have learned -- I  
10 definitely will do this for the next presentation, is that  
11 this group has an interest in seeing TTAB broken out from  
12 the trademark examining operation. We can do that.

13           CHAIRMAN SAMUELS: Can I ask a couple of  
14 questions, Jo-Anne?

15           I guess more in your planning capacity, so  
16 moving away from budget, have you modeled based on  
17 reasonable assumptions with respect to fee adjustments and  
18 the like where the trademark operations will be, let's say  
19 at the end of fiscal year 2005 with respect to pendency

1 and production?

2 MS. BARNARD: Definitely. Anne has -- by the  
3 end of fiscal 2005 the goal for first action pendency is  
4 5.8 months, for long term pendency is 23.5, it is actually  
5 going up.

6 If we're allowed to proceed with the strategic  
7 plan as planned by fiscal 2009 we project that first  
8 action pendency will be 3.9 months and long term pendency  
9 will be 20.7.

10 We, basically, are feeling the effects of the  
11 fact that we had lower than anticipated production in  
12 fiscal 2003. Trademarks is starting to turn that around,  
13 but the fact that filings are up, something that I tried  
14 to address, that I think Jon is going to have to deal with  
15 later in this fiscal year.

16 If he wants to keep on track with the pendency  
17 goals and filings remain up, he is going to have to cut  
18 something else in the USPTO so that he can give more money  
19 to trademarks.

1           That's the kind of feedback that we as an  
2 executive group will look at on a quarterly basis and say,  
3 okay, looking at all our goals do we want to stick and try  
4 to meet that pendency goal even at the higher filing rate  
5 which means we're going to have to let them hire some  
6 people.

7           CHAIRMAN SAMUELS: I guess my other question  
8 would be is there any single overall document within the  
9 PTO that sort of brings it all together from the  
10 standpoint of, this is going to happen with respect to  
11 strategic initiatives?

12           This is what is going to happen with -- assuming  
13 we're going to get so much money and hiring and so on and  
14 so forth? I mean is there some document and automation  
15 initiatives that sort of brings it all together that we  
16 could see, if such a document exists?

17           MS. BARNARD: I think the best overall document  
18 that's out there right now is the President's FY 2005  
19 budget request book.

1           It goes through each of the initiatives, showing  
2 what it's going to accomplish. It shows on a long-term  
3 basis if we continue to get strategic plan funding where  
4 we expect to be in 2008, 2009. It does it on an  
5 initiative by initiative basis.

6           We can try to pull that together and highlight  
7 the Trademark positions as opposed to the Patents portions  
8 for you. We are in the process right now of rewriting the  
9 strategic plan to reflect the fact that we are now in the  
10 third year of, basically, an unfunded plan.

11           We never got the funding we were supposed to  
12 get. We have made allocations within the USPTO, some of  
13 us say, maybe even to our own detriment, so that we could  
14 accomplish a significant number of goals; which led the  
15 Senate to opine in their appropriations language, gee, you  
16 are doing great just continue to achieve the plan with  
17 additional funding.

18           Basically, I mean, we -- if the fee bill doesn't  
19 pass and we are looking next year at another flat budget -

1 - and, frankly, as I prepare for the '06 budget and the  
2 '05 operating plan, we're doing that, we're doing an '05  
3 operating plan at what if we get more of the same,  
4 basically, another three percent increase, which would be  
5 great compared to most agencies. We're going to have to  
6 have some serious talks here because the picture is  
7 terrible.

8           We, I think now, have invested such a  
9 significant amount in automation that there is no going  
10 back nor would I recommend that we go back. I mean the  
11 work force that's coming out of college today doesn't want  
12 to work in paper. They expect an automated workplace.

13           Unfortunately, those of us who are managing and  
14 writing the laws are kind of used to a different workplace  
15 than the people that we're hiring today.

16           We think of some of these things as almost  
17 discretionary expenditures that I think our young  
18 employees would say, gee, I expect that. That's like  
19 saying you still use a regular telephone as opposed to a

1 cell phone.

2 CHAIRMAN SAMUELS: Thank you. Anybody else have  
3 any questions or comments? If not, thank you very much  
4 Jo-Anne. It is about 12:20. Is lunch ready? How are we  
5 going to proceed?

6 MS. CHASSER: I'm not sure if it's in this room  
7 or if we are to go to another room. Let me check.

8 CHAIRMAN SAMUELS: Doug, if we moved your  
9 presentation to around 1 o'clock would that be okay; would  
10 you be able to hang in there?

11 MR. BOURGEOIS: Certainly.

12 CHAIRMAN SAMUELS: Assuming lunch is ready this  
13 might be a good time to take a break and then we can pick  
14 up at 1 o'clock. (Thereupon, a lunch recess  
15 was taken.)

16 CHAIRMAN SAMUELS: Just a couple of comments.

17 First, our court reporter has asked if you want  
18 to make comments, ask a question, whatever, make sure that  
19 you push the talk button. Just remember to press the talk

160

1 button. When you finish, press it again so it goes off.

2 I think Anne wanted to get some information  
3 regarding people's travel plans so we could make sure you  
4 get to your flights on time.

5 CHAIRMAN SAMUELS: The next item on the agenda  
6 is E-Government Initiatives. We have invited the PTO's  
7 Chief Information Officer, Doug Bourgeois, to let us know  
8 what is going on? Doug, welcome.

9 MR. BOURGEOIS: Thank you, Mr. Chairman.

10 Thank you, for the opportunity to come and speak  
11 about the trademarks electronic government initiative. I  
12 planned and I'm prepared to go through four topics in my  
13 discussion.

14 Those include a brief review of recent  
15 electronic government initiative milestones that have been  
16 achieved over the last year and then going somewhat  
17 specifically into some background information with respect  
18 to one project, the TIS and Madrid technology initiative  
19 and then going a little further into the Madrid aspects of

1 that project, and where we are now and what our plans are  
2 relative to that.

3           Then from there going into the fourth topic, the  
4 TIS/FAST 2 project and where we are now and what that  
5 entails. I believe that will cover the area of interest  
6 for this committee.

7           Before I do, since those topics are obviously  
8 important but somewhat narrowly focused in the scheme of  
9 the electronic government sphere of efforts, I did want to  
10 make a general comment before I go into those topics.

11           That is this. You heard this morning, you heard  
12 in Jon Dudas's comments, you heard in Anne's presentation,  
13 that the PTO in general and the trademarks program very  
14 specifically are aggressively pursuing electronic  
15 government.

16           The migration of this office trademarks and  
17 patents both, in my experience and in discussing with my  
18 chief information officer colleagues around other  
19 government agencies, is the most aggressive of any

1 government program.

2           And I'm still challenged, I'm still looking and  
3 if any of you are aware you can point out to me, I cannot  
4 find another agency that has made as much progress in as  
5 short a time and is as aggressively pursuing migration to  
6 doing its business electronically as the USPTO.

7           Obviously, I have a view of that with respect to  
8 the technology, the business and the program aspects of  
9 that, the managerial from an operation standpoint are very  
10 significant. But I'm not going to cover those, but that  
11 does attest to the success.                               Specifically, the  
12 50 percent of the patents back files that are on-line now  
13 and the 80 percent of the trademarks back files that are  
14 on-line now, there is a heck of a lot of IT work that's  
15 gone on behind the scenes simply to enable that to happen  
16 in as least disruptive fashion as possible.

17           Now that being said, I'm going to focus in on  
18 some specific project areas. In the last year, I guess,  
19 specifically, a year ago, we deployed the first action

1 system for trademarks FAST 1.0.

2           That simply established a front end tool for the  
3 initial examiner actions on new trademark applications,  
4 which enables trademark examiners to electronically  
5 retrieve and examine new trademark application data from  
6 various back end existing databases.

7           They can also do some other things like reassign  
8 applications to other examiners, and create validation  
9 reports, and perform first actions using that system.  
10 That system has been in production now for about a year.  
11 That was a significant milestone achieved.

12           Another is electronic trademark assignment  
13 system, what we call ETAS, was deployed in April of 2003.

14  
15           That's a web based application that allows  
16 external trademark customers to complete an assignment  
17 recordation cover sheet form on-line to attach any  
18 supporting legal documentation, complete the payment  
19 process for the submission, and then send that over the

1 internet to the USPTO.

2           In January of 2004, approximately 40 percent of  
3 all trademark assignments requests were filed using that  
4 system. In a short amount of time, there has been a good  
5 use, good adoption of that system.

6           You did ask some specific questions with respect  
7 to the board. There are a couple of milestones achieved  
8 in the technology area supporting the TTAB.

9           The TTAB view was deployed in September of 2003,  
10 allowing the public members of the board and trademark  
11 examiners to view TTAB proceedings, the folder, on-line  
12 which contains images of the documents and the proceeding  
13 records.

14           There is also the ESTTA system, the electronic  
15 system for trademark trials and appeals, which was  
16 implemented in October of 2003 allowing customers to file  
17 notice of opposition on-line, accepting filings of  
18 requests for extensions of time to oppose, and other  
19 papers related to the TTAB process, and allows the board

1 to process those filings and notify filers via e-mail when  
2 they have been accepted. That system deployed in October.

3

4 Then finally assignments on the web which was  
5 deployed for trademark customers in December, just this  
6 past December, providing external customers the ability to  
7 search the assignment historical records for trademark  
8 properties dating back to 1955.

9 An interesting service or perspective for them  
10 is trademark customers using the ETAS system that I  
11 referred to a couple of systems back, for recording the  
12 assignments with the USPTO can view that recorded  
13 assignment via assignments on the web now within 24 to 72  
14 hours. That's a nice additional service for them.

15 So that, basically, brings you up to speed from  
16 kind of a broader brush perspective on some recent  
17 milestones that we have achieved with new capabilities and  
18 technology to support these additional services over the  
19 last year or so.

1           So now I'm going shift gears and go into the  
2 TIS, Madrid technology project specifically. Before I do  
3 that, I think I have to try and set the baseline from a  
4 definition standpoint.

5           We refer to TIS, the Trademark Information  
6 System and FAST 2 synonymously. Those two things mean the  
7 same thing. So if I say TIS, I mean FAST 2 and vice versa  
8 -- the TIS FAST 2 system builds on the FAST 1 system that  
9 I briefly describe a minute or two ago.

10           It continues with the transition to the  
11 trademarks electronic government end to end paper free  
12 environment. Again, it is a step forward with that  
13 electronic processing goal in mind.

14           As I mentioned, the plan is to build on FAST  
15 1.0. Basically, extending the FAST 1.0 to include amended  
16 cases, adding support for the Madrid Protocol, and then  
17 adding additional interfaces to more back end databases  
18 than are accessible through the FAST 1.0 today.

19           It adds a process and work flow management for

1 case routing and for moving the data between the various  
2 trademark offices through the trademark process on-line.

3 It eliminates the bar code reader which is  
4 predominantly associated with paper cases as well. So  
5 that's essentially TIS/FAST 2.0 coming in the future.

6 Madrid, when I refer to Madrid I'm referring to  
7 the technology system behind that's currently being  
8 developed to support our participation in the Madrid  
9 protocol. There are three major components  
10 of the Madrid technical system of the technology system  
11 that support Madrid. There is the electronic forms which  
12 are simply a web based way for customers to file their  
13 requests over the internet.

14 There is the IB Gateway, the International  
15 Bureau Gateway, which simply manages two-way communication  
16 between USPTO and WIPO.

17 You may hear me or others refer to inbound  
18 transactions and outbound transactions. There is  
19 obviously two-way communication that occurs between us and

1 WIPO with respect to the Madrid protocol. The IB Gateway  
2 is the mechanism by which that's achieved.

3 The third technical component is the Madrid  
4 control database which is essentially a staging area for  
5 Madrid protocol information.

6 Basically, after it comes in, the information  
7 comes in through the IB Gateway, it goes to this  
8 component, and it is staged, and it is processed and  
9 prepared for being loaded into several back end systems.

10 It is a low level system component, but it is  
11 relevant and you will see how in a few minutes when I get  
12 to the part of where we are actually now on the project.

13 So, three components, a web based electronic  
14 forms, there is the IB Gateway for communications with  
15 WIPO, and then there is the staging system for taking that  
16 data and loading it back into our systems.

17 I would also like to go through the quick review  
18 of the history of the overall project. TIS FAST 2, the  
19 requirements for those systems were finalized in about the

1 fall of about 2002.

2           We were originally scheduled to deploy October 1  
3 of 2003. Obviously, the following, I guess, November of  
4 2002, the Madrid treaty was signed. That started the 365  
5 day clock to ensure that we're ready to accept filings in  
6 support of that treaty.                   At that time the  
7 TIS FAST 2 plan was modified to sync up the delivery of  
8 TIS FAST 2 and the Madrid technical components that I have  
9 just described.

10           So basically, we had a plan. We were going to  
11 deploy TIS FAST 2. We got the Madrid requirement that  
12 came down after that treaty was signed. Then we made what  
13 I would call a minor adjustment to sync up the delivery  
14 from October 1 to November 2nd of '03.

15           Now, what happened was we basically work to  
16 deliver the TIS FAST 2, the Madrid technical system and  
17 TTAB, which is the modifications in the system to support  
18 the board, concurrently.

19           So we managed it as one project. We basically

170

1 had three projects going on at the same time. Roughly,  
2 two months before the November 2nd deadline, we -- my  
3 staff came to realize that we weren't going to hit that  
4 objective.

5           So we attempted to modify the scope reducing the  
6 Madrid aspect down to a subset that we thought would be  
7 achievable within the last two remaining months and that  
8 included going down to four of the web-based forms from  
9 12, which there was 12 identified in total.

10           We decided to pursue four at that time, nine of  
11 the inbound transactions from the IB out of 14 total. In  
12 all 10 of the outbound transactions to the IB because  
13 those support the forms. If the forms are there you have  
14 to have the outbound transactions to go.

15           So at that time, again, about 60 days prior to  
16 November 2nd of '03, we reduced our scope in an attempt to  
17 meet that project's objectives. This attempt was  
18 marginally acceptable.

19           What do I mean by that? Of those three

1 components, the Madrid Control Database, MCDB, is in  
2 production and is functioning. The IB Gateway is in  
3 production and is supporting transactions from the IB, but  
4 not all of the inbound transactions, the subset, six of  
5 them, actually.

6 The forms are not in production. That's the  
7 area where we still face the most challenge today.

8 So my point, obviously, is while the electronic  
9 filing and the web-based aspect is not there, the  
10 subsystem level elements are in production and are  
11 functioning and are ready for the forms once those are  
12 ready to integrate and function as designed.

13 So what happened? I'm sure the burning question  
14 is what happened. Why did you miss the objective when you  
15 had a year to plan and to execute and then 60 days before  
16 you thought the objective wasn't going to be met.

17 I think one of the major reasons was an  
18 overoptimism. An overoptimism from two perspectives, the  
19 planning perspective, the plan was over-optimistic.

1           We had a plan to achieve TIS FAST 2, we added  
2 the Madrid technical system on top of that and we gave  
3 ourselves another month. We didn't really add enough  
4 resources to deliver both of those concurrently.

5           So we were over-optimistic in what we thought we  
6 could do given the resources that we had available to us.  
7 Then throughout that project there was overoptimism from  
8 the standpoint of visibility and/or statusing of the  
9 progress. Visibility of where we were on the project  
10 throughout was murky at best.                   The  
11 management staff on both contractor side and on my side  
12 were a little bit over-optimistic as to where they stood  
13 against the overall plan and they continued to report  
14 things are pretty good, things are pretty good. The  
15 concrete test of that is when you get into the test phase.

16  
17           Once we got into the test phase which was about  
18 two or three months before planned implementation, we  
19 realized then the system is not coming out of test

1 successfully, we have bigger issues. That's when things  
2 started to come to light. There was an overoptimism  
3 problem.

4           We also underestimated the level of efforts and  
5 the complexity required. The Madrid forms were and are  
6 more complex than we anticipated.

7           Here is an example of how. The TEAS forms  
8 involve one country, one set of goods and one set of goods  
9 and services. The Madrid forms involve multiple  
10 countries, from one to 62, with multiple goods and  
11 services. That combination presents a little bit of a  
12 challenge for us.

13           In addition, the complexity associated with  
14 taking that data from those forms and integrating them  
15 into our back end existing systems was much more complex  
16 than we anticipated. I could show you a high level chart  
17 that shows you that, but it is very confusing. It is  
18 quite complex.

19           We also had additional challenges that were

1 introduced because of continual changes from WIPO. For  
2 example, WIPO was still defining rules in January of 2003,  
3 and continued to revise formats through the summer.

4           The WIPO fee calculator was a challenge to  
5 implement and integrate with and it really didn't function  
6 properly until after November 2nd.

7           Then third, we faced a new outsourcing model for  
8 the development and delivery of IT systems on this  
9 project.                           Traditionally, trademark systems  
10 and my resources to support trademarks in development of  
11 new systems has been managed and staffed in-house for the  
12 most part. Due to the time constraints associated with  
13 this project, we realize we would never be able to staff  
14 up in-house and have any chance of accomplishing the goal.

15  
16           So we went to -- and actually supporting the  
17 president's management agenda outsourced the development  
18 of the project more fully than we have in the past and  
19 that presented a significant degree of challenges for us

1 in managing the project differently. Managing  
2 contractors and managing your own staff while on the  
3 surface seem like they would be the same; they are  
4 actually different.

5           Especially, when you add in the requirements of  
6 what are called performance-based contracts and the fact  
7 that we actually don't directly task the contractors to do  
8 the work. We work through task order managers and that  
9 creates another level of complexity associated with that.

10

11           That's kind of the background that lays the  
12 picture of where we are. Where we are right now --  
13 interestingly enough on the Madrid system the forms --  
14 I'll caveat in a second. We have two forms out of the  
15 four that we were pursuing as of November 2nd, 2003.

16           Two of those forms have completed the technical  
17 testing and have been turned over to trademarks for what  
18 we call user acceptance testing. There is an additional  
19 two forms that are in the final stage of the IT, the

1 quality testing is what we call it. Now the  
2 caveat is confidence is not high that these forms are  
3 where they should be and I'll talk a little bit later  
4 about a risk mitigation plan we have and that we're in the  
5 process of executing collaboratively with Trademarks and  
6 CIO in order to manage the risks associated with the forms  
7 and where we are right now.

8 I did mentioned the IB Gateway is in production.  
9 Of 14 total inbound transactions, six are in production  
10 and are functioning today. Three are in testing and will  
11 go into production within the next three weeks. There is  
12 an additional five that are still in the development  
13 process.

14 There is timing associated with when those  
15 transactions need to be put into place that are associated  
16 with the business process in supporting Madrid  
17 applications as they are filed in the timing sequence as  
18 it begins and initiates to the request.

19 Outbound transactions, again I mentioned those are tied

1 to the forms. We have 10 in total. Three are done and  
2 ready to go into production but won't go until we put the  
3 web-based forms out there, because we don't need the  
4 outbound transactions until the forms are actually put out  
5 there.

6 Five are in quality testing and two have been  
7 deferred for April delivery, actually. I already  
8 mentioned the back end database, the MCDB, is already in  
9 production, is already functioning.

10 So now I'm going to go into this alternative  
11 approach because we still think we face a relatively high  
12 risk on the forms. That's really where we face the  
13 majority of the challenge today in successfully completing  
14 and implementing the Madrid technical system.

15 Now, our original approach to the forms,  
16 obviously, took more time and effort than we anticipated.

17 So as a result of the challenges that we face in  
18 integrating those forms with our back end systems, there  
19 are some questions about the long term viability of the

1 approach.

2           So with Trademarks and CIO collaboratively, we  
3 initiated a pilot project to develop the forms using a  
4 different team and different set of technologies and a  
5 different method to compete with what we call plan A, the  
6 forms that we already developed.

7           So we have four forms that are nearing  
8 completion. We have a new effort with a new team to  
9 develop another set of forms with the first form due to be  
10 ready in April, early April.

11           At that time we'll compare where we are with  
12 plan A on the forms. How does this plan B form look with  
13 respect to that and reach a decision. Obviously, it is a  
14 Trademarks decision as to which way to go forward at that  
15 point in time.

16           So, to manage our risk, we are basically taking  
17 a competing approach. A bake-off if you will. Which of  
18 these forms are going to work?

19           I guess we'll face an interesting decision if

1 we're comfortable with both sets of forms at that point in  
2 time. We'll face that challenge if we get there.

3           That means that during the month of April will  
4 obviously be an evaluation period looking at the new forms  
5 versus the plan A forms and deciding which way to go. At  
6 that point in time we'll resync our overall project  
7 schedule.

8           Our goal still is -- and I believe it is still  
9 achievable to implement the Madrid forms prior to the end  
10 of this fiscal year.

11           So when we make the decision in April, I have  
12 confidence that regardless of which decision it is, we'll  
13 then proceed through implementation by the end of this  
14 fiscal year which is September.

15           So that covers the Madrid technical project for  
16 TIS FAST 2, the requirement we baselined in early 2003.  
17 We continued -- we went through our technical analysis, we  
18 completed our design work and we went into the development  
19 prior to the problems that we anticipated or that we ran

1 into in the fall of 2003.

2           Coding was well underway and the team was  
3 actually preparing to transition into the test phase. So  
4 the plan for this fiscal year for the TIS FAST 2 project  
5 basically amounts to this -- we need to spend, in my  
6 assessment, the rest of this fiscal year kind of making  
7 another run through the requirements, the analysis, the  
8 detailed design just to make sure.

9           It is almost a year now since we baselined the  
10 requirements. Let's make sure that nothing has changed,  
11 that we don't have new requirements, that because of  
12 changes in business need or what have you that we're still  
13 developing the right requirements for the business.

14           Then depending on how long it takes us to do  
15 that, it is still possible based on where we are right now  
16 to have a pilot ready by the end of this fiscal year that  
17 we could go into the production environment with, and show  
18 Trademarks, and get feedback from the user as to whether  
19 the functionality is what they need.

1           But that depends a lot on going back through the  
2 analysis and the design and being comfortable with where  
3 we are on that.           Then if we're successful in  
4 achieving the goal of finalizing the detail design of the  
5 TIS FAST 2 system at the end of this fiscal year we then  
6 could go in and implement a pilot and go into full  
7 production in fiscal year '05 with a high degree of  
8 confidence that we could accomplish that objective.

9           We're going to be spending through the month of  
10 April replanning and making the decision on the Madrid  
11 side and replanning on the TIS side with my team and with  
12 Trademarks working together to make sure that we're  
13 comfortable with solidifying the next 18 months worth of  
14 effort on both projects.

15           So I caveat the statements about planning, going  
16 forward in the context of decisions have still yet to be  
17 reached. But that's my best guess based on where we are  
18 about how things are likely to proceed.

19           CHAIRMAN SAMUELS: Thank you, Doug. Any

1 questions?

2 MS. LOTT: I have a comment.

3 I just want to say I think you and your  
4 department are to be commended for the elements of the  
5 electronic plan that have gone into effect already.

6 The things that are on-line -- and I suppose  
7 your counterparts are the people who consulted with you  
8 from the Trademarks operation side and also from the TTAB  
9 side. The things that are on-line and usable  
10 from a customer standpoint are -- we have had no problems  
11 with any of them. And I see people in our office,  
12 literally, just kind of dancing in the halls because every  
13 time they go on-line there is something else available.  
14 There is something else that can be done on-line.

15 It just -- it is working well. It is working  
16 beautifully. It is just wonderful to see from a customer  
17 standpoint and congratulations and thank you.

18 CHAIRMAN SAMUELS: Doug.

19 MR. BOURGEOIS: I do have a response. First of

1 all, thank you very much for your comment, but I can't  
2 take credit for the accomplishments to date. It has been  
3 business driven, business really decides what the  
4 priorities are for the IT.

5 We work very well together in collaborating and  
6 working through the challenges to accomplish it.

7 Really, from a trademark standpoint it has been  
8 Bob Anderson's vision that we have been implementing all  
9 the way up to this point. It still continues to be Bob  
10 Anderson's vision and his legacy here continues on.

11 But again, thank you for your comments. It is  
12 really a collaborative effort, very business focused and  
13 then of course my team is on the implementation and  
14 delivery side.

15 CHAIRMAN SAMUELS: Maury.

16 MR. TEPPER: I have a question that may fall  
17 outside of your realm, Doug. My understanding -- I mean,  
18 obviously, a lot of the capability and the efficiencies  
19 that we had hoped to realize from the strategic plan

1 really hinge on FAST 2.0 being on-line and available.

2 I am a bit concerned -- I wholeheartedly agree  
3 with Leslie that the systems are wonderful that are out  
4 there and have been a real boon for filers.

5 On the other hand, a project that we expected to  
6 be live not only to not have been live on time, but now  
7 we're talking by a year late we'll have a plan and  
8 implement the following year, that's quite a slippage.

9 We are getting ready to pass the legislation  
10 that will take into account multitrack examination. Will  
11 the office be able to handle that without the FAST 2  
12 capabilities or where will that leave the fee structure  
13 and that fee bill for the balance of the time it is  
14 effective?

15 Again, I'm not sure where I should be directing  
16 that question.

17 MS. CHASSER: I guess, I can address that. Our  
18 plan is not to implement the FAST track examination until  
19 we have the capabilities that will be provided by TIS. We

1 will be promulgating a rule so we have a little bit of  
2 control over the timing of it. It won't be  
3 implemented when the fee legislation is passed because we  
4 will have to have the opportunity to promulgate the rules.  
5 That's our plan from the trademark perspective is to wait  
6 until TIS is fully implemented.

7 CHAIRMAN SAMUELS: Doug.

8 MR. BOURGEOIS: I do have one comment on the  
9 technical side of that. Sometimes it is  
10 a good thing, sometimes it is a bad thing, in this case it  
11 works out not to be a good thing in that the Madrid  
12 technical system and the TIS system do have -- they do  
13 share a common element.

14 It is a behind the scenes kind of low level  
15 technical element. But nonetheless, that ties them  
16 together.

17 If they were completely different systems we  
18 would have more flexibility in the replanning that we're  
19 doing now and that we expect to have completed in the

1 month of April to attempt -- you know, to de-couple them  
2 and try and move at different speeds. It is  
3 unfortunate, based on the turn of events that were  
4 unforeseen, that they are still tied together at that  
5 server level. We may be able to carve them apart. We may  
6 not.

7 I don't know because we're still kind of tied to  
8 what we're doing with the new forms and that pilot effort  
9 will help us answer some of the questions moving forward,  
10 I think.

11 MR. TEPPER: I can appreciate that, I guess.  
12 You have been very patient throughout the day hearing all  
13 of the discussion and the concerns we're addressing about  
14 pendency and quality and understand that a lot of that  
15 hinges on these systems. It is really a significant  
16 priority. Obviously, we want to be  
17 sure that it works and do all of the things that you are  
18 doing to make sure it is appropriate. Just put an  
19 underline there, as soon as possible to the extent that

1 you need resource allocation or we need to reinforce that.

2 I strongly feel that this is a priority.

3 CHAIRMAN SAMUELS: I have a couple questions,  
4 Doug. Do any other Madrid countries -- have they been  
5 able to put the forms on-line?

6 MS. BERESFORD: Yes. Yes, there are other  
7 countries that have Madrid forms on-line.

8 CHAIRMAN SAMUELS: My question is, is this  
9 something that we need to reinvent or is this something  
10 that we can just use their technology?

11 MS. BERESFORD: I don't know whether we can use  
12 their technology or not. I know Australia has on-line  
13 filing. I think Bulgaria got on-line filing about six  
14 months ago. So we're a little behind.

15 CHAIRMAN SAMUELS: If we're behind Bulgaria, I  
16 guess I'm a little concerned. Another couple questions --  
17 go ahead, Doug.

18 MR. BOURGEOIS: Before we go too far remember  
19 that the degree of complexity that I referred to is as

1 much associated with integration of those forms with our  
2 back end existing systems as it is with the forms  
3 themselves.

4           CHAIRMAN SAMUELS: I guess that was my next  
5 question. When you talk about integrating with your back  
6 end systems what are you talking about?

7           Are you talking about getting the information  
8 that comes in electronically from applicants filing via  
9 Madrid and put it into the FAST system?

10           MR. BOURGEOIS: That's part of it. I mean the  
11 fees need to go not only through the WIPO fee calculator  
12 but also through our TRAM system as well.

13           CHAIRMAN SAMUELS: What is that?

14           MR. BOURGEOIS: That's our financial management  
15 system that handles payment processing for the office. It  
16 is a very complex system.

17           But this gives -- I'm not going to go through  
18 this, but I hope you can see a lot of green and some red  
19 stuff on this.

1           CHAIRMAN SAMUELS: This is like computer  
2 circuitry.

3           MR. BOURGEOIS: This is the information flow for  
4 the Madrid information coming in over the internet and the  
5 various green things are back end systems that it goes to  
6 and it is not -- if it looks complex it is because it is.

7  
8           I'll pass it around and if you want to take a  
9 glance at it -- but the basic point is there are seven,  
10 eight, nine different systems back there that the data is  
11 split and some of it goes to one, some of it goes to  
12 another. The image comes from TAR, et cetera, et cetera.

13           CHAIRMAN SAMUELS: Could you explain again where  
14 we are today with FAST and where you hope to be in a year?  
15 What will be different in a year with respect to FAST?

16           MR. BOURGEOIS: FAST was in the development  
17 stage. So code has been written for FAST. If we look, if  
18 we froze time where it was when we stopped working on FAST  
19 when we ran into the problems in August, September of

1 2003, we were about 60 days from being at the point where  
2 we would go into a significant testing on the FAST 2,  
3 which means that's where we would have learned exactly  
4 where we really were with that code. The way  
5 software is written, especially when you have teams with  
6 multiple people that divvy up the work, it's very  
7 difficult to assess where they actually are.  
8 When you talk to each of the developers they are very  
9 optimistic. You get this feedback of I'm 90 percent done,  
10 I'm 90 percent done, I'm 90 percent done, and then you  
11 really know when they turn it back to you and you start  
12 testing it against its requirements.

13 We were about two months away from beginning  
14 that testing process. If history has taught us anything  
15 on this effort, it is several months from beginning of  
16 test to the point whether you fix the bugs that were  
17 delivered in the software at the point that it was  
18 "finished coding".

19 So five months, six months, if we pick it up

1 right now, five months, six months from the point where  
2 that system is probably stable enough to talk about a  
3 pilot or limited roll out.

4           CHAIRMAN SAMUELS: I guess really my question  
5 is, functionally, what will FAST 2 do a year from now that  
6 it is not capable of doing today?

7           MR. BOURGEOIS: It depends if we add in some of  
8 what was originally intended to be a later scope. I think  
9 that's part of what we need to look at with my staff and  
10 trademarks now is whether or not we still want to deliver  
11 TIS/FAST as it was originally intended for its initial  
12 release.

13           We may want to modify the scope some to address  
14 some additional functionality. That is really a point --

15           CHAIRMAN SAMUELS: I guess the answer is, it is  
16 up in the air?

17           MR. BOURGEOIS: If trademarks says it is not, --  
18 it is their call. I'm suggesting that we need to look at  
19 it.

1           CHAIRMAN SAMUELS: My last question -- I guess  
2 maybe this is more appropriately addressed to Anne is,  
3 trademarks plans with respect to the extent you can  
4 replace Bob and his expertise with respect to automation,  
5 where within trademarks is the expertise going to come to  
6 be able to talk to Doug and his staff so that we can  
7 accomplish everything that we want to accomplish?

8           MS. CHASSER: I'm going to ask Gary Cannon to  
9 stand up; he is in the corner of the room. He is the  
10 director of trademark program control. He has been  
11 working hand and hand with Doug's shop along with Bob  
12 Anderson. We actually have good back up in that area.

13           CHAIRMAN SAMUELS: Gary, do you want to add  
14 anything?

15           MR. CANNON: Thanks Anne. I just want to  
16 follow-up with a question earlier if I might. The TIS  
17 concept was that we would have this electronic file  
18 management throughout trademark operations and that's  
19 every facet of trademark operations.

1           The FAST system combines several of our existing  
2 systems -- our search system, our TRAM, several of our  
3 systems to present it in a way that was more than a  
4 collection of icons on a desktop and gave the examiners  
5 access into the cases that are assigned to them in the  
6 TRAM system.

7           TIS was supposed to extend with the work flow  
8 behind that so that when the examiner finished with one  
9 case by a set of rules it would progress to another step.

10  
11           The FAST 2 concept really expanded the FAST 1 to  
12 include other activities associated with examination. So  
13 the FAST 2 uses a work flow as a back end, but it provides  
14 support for subsequent examination issues up to  
15 publication -- feeding into our photo composition system.

16           There are some enhancements also to FAST 1 that  
17 were bundled with FAST 2. There are different ways in  
18 which attachments or actions are managed and some improved  
19 ways that we got feedback from examiners with FAST that

1 they wanted to see some improvements. Those  
2 were to be folded into FAST 2 and we have even had some  
3 discussions recently with the OCIO about folding them into  
4 FAST 1. We had deferred changes to FAST 1, because in  
5 November we were to see FAST 2.0.

6 There are some functional changes to FAST 1.0  
7 that should be as part of FAST 2 and there should be  
8 support for other parts of law office processing in FAST  
9 2.

10 CHAIRMAN SAMUELS: Does anybody else have any  
11 questions for Doug?

12 MR. PRICE: Has the implementation or the  
13 planned implementation of the Madrid IT systems been  
14 affected or will it be affected by the move to Carlyle?

15 MR. BOURGEOIS: My initial response is no, but  
16 there is a caveat to that.

17 We're in the process of going through a very  
18 extensive analysis of all the systems that are in our data  
19 center, which is where the majority of our servers are

1 housed. There is about 500 of them that support the  
2 office. That's upstairs on the 11th floor.

3 The caveat is there is really nothing new with the  
4 addition of the Madrid system that isn't -- that is going  
5 to add a level of complexity to that project. But the  
6 project itself is wrought with challenges and technical  
7 risks.

8           Because it is not as if we're moving an  
9 apartment where we load up the bed, and the dresser, and  
10 the couch, and all these other things into a truck and we  
11 drive it to another location and we take them off and we  
12 put them in the spots we want them and everything is fine.

13  
14           There is in summary level, two major challenges  
15 that we face with moving the data center. The  
16 interconnections of these various servers and systems are  
17 -- well, it is like a spider web. In order to effectively  
18 move the data center -- we're just unable to do so all at  
19 once.

1           So we have to carve off part of the spider web  
2 and move it down to the new headquarters facility in  
3 Alexandria and then bring it back up and make sure it is  
4 all operational and the interconnections are  
5 reestablished.

6           Due to the number and the complexity of those  
7 interconnections we are now going through a very extensive  
8 analysis to find all of the thousands and thousands of  
9 them so when we get down there we're able to go through a  
10 checklist and make sure that they are all reconnected, and  
11 reestablished, and function properly. Then we have to do  
12 so over several different moves.

13           So Madrid itself, no, it is not really adding  
14 another level of complexity to that but the data center  
15 move itself is a very highly complex endeavor.

16           I'm comfortable that we have a good project  
17 plan. We have some very solid analysis that is producing  
18 the information we need to go ahead and carry that off  
19 successfully.

1           CHAIRMAN SAMUELS: Thank you, very much.  
2 Anybody else have any questions for Doug? If not, thank  
3 you very much for the excellent presentation. We  
4 appreciate your time.

5           MR. BOURGEOIS: Thank you, very much for  
6 inviting me. I look forward to the next time.

7           CHAIRMAN SAMUELS: The next item on the agenda  
8 is actual discussion on what is going on with respect to  
9 the Protocol from the perspective of filings and  
10 outstanding issues of a legal or policy orientation. Lynn  
11 Beresford is going to lead our discussion on this  
12 question.

13           MS. BERESFORD: Thank you. As of the end of  
14 last week, we had 538 requests for extension of protection  
15 filed into the U.S.. As your slide shows, we have had --  
16 this says 672 I don't know if that's a typo or what, but  
17 the e-mail I have from the folks that send these e-mails  
18 to me to tell me what is going on say 538 extensions of  
19 protection.                   MR. CANNON: This is the up-to-

1 date.

2 MS. BERESFORD: This is more up-to-date than the  
3 e-mail?

4 MR. CANNON: Yes.

5 MS. BERESFORD: We've had 672. There you go.  
6 We're way ahead of the filings from any other country.  
7 This is good.

8 We have had 400 international applications filed  
9 by -- this is U.S. trademark owners filing for extension  
10 of their marks abroad. We have certified 340 of those and  
11 we have rejected 47 as not meeting filing requirements.

12 Additionally, we have received 62 notices of  
13 irregularity from the international bureau and we have  
14 received one subsequent designation. That's kind of a  
15 picture of where we are on filings.

16 I know many of you asked about the flood gates  
17 that would open when we joined Madrid. It is more like  
18 trickle gate here and that's fine with us. Especially,  
19 since we're still a paper system as it were.

1           The paper system has worked, we think, pretty  
2 well with the usual problems that are associated with any  
3 paper system.                           We found last week an  
4 international application that had been filed directly in  
5 the mail room and was therefore not forwarded to the  
6 Madrid processing unit and we're dealing with that  
7 particular applicant right now. Because it sat in the  
8 mail room and they didn't know quite what to do with it.  
9 So it sat in the mail room for some time. So we're  
10 dealing with that.

11           We also discovered in the mailing process we  
12 have a weekly discussion with WIPO about, these are the  
13 things we have mailed to you what you have got to keep a  
14 running total.

15           We have found in the last two weeks we have two  
16 applications that we have mailed and they have not gotten  
17 yet so we faxed them copies.

18           But we're doing everything we can to make sure  
19 that we're keeping track of what happens if we know we

1 have it. The one application we found in the mail room  
2 last week was the only one, so far, we think got lost  
3 because of the paper processing problems.

4 MR. MULLER: Lynn, is about 12 percent rejected,  
5 somewhere around there?

6 MS. BERESFORD: Something like that.

7 MR. MULLER: Is there any common theme as to why  
8 these are being rejected. Are applicants making any  
9 central mistake?

10 MS. BERESFORD: The most common mistake that's  
11 being made is that the MM2 form -- on item five of MM2 you  
12 have to fill in the number of your basic application or  
13 registration.

14 We have had, I think, about six at this point  
15 where there has been no number in that slot. Just simply  
16 they didn't fill in that number. Sometimes they filled  
17 the number in the priority slot, which is next, box seven,  
18 but that's been our main irregularity.

19 Then of course we have the ones that -- we have

1 a number that have put in the wrong number. They have a  
2 typo or something like that. So that the number when we  
3 look it up to certify it, it is a different mark.

4 MR. MULLER: Let me follow-up. If this was  
5 electronic filing, this would not happen?

6 MS. BERESFORD: This would not happen. This is  
7 totally -- much of this is caused by the paper, by the  
8 fact that this is paper-based and we didn't get delivery  
9 of the electronic-based system.

10 We're doing the best we can with this. We have  
11 had a couple that we have rejected because they were  
12 handwritten. They are supposed to be typed. I think  
13 those are the only things I can look at and say these are  
14 the common elements.

15 I have to say we rejected a couple wrongfully  
16 and as soon as we figured it out we called them. No one  
17 has had a loss of priority or lost their date because of  
18 that, because it is always been within a few days.

19 We sit down -- the petition staff and the Madrid

1 units sit down and review every rejection once a week to  
2 make sure that we're all singing from the same song sheet  
3 on these matters.

4 I mean, this is a new unit. These are new  
5 issues. You know how it is in Trademarks. Issues can be  
6 presented in many, many different ways. We're really  
7 monitoring what goes on in MPU and looking at these  
8 rejections very carefully.

9 We really don't have any legal issues. The only  
10 thing we have discussed at this point is whether or not we  
11 need to promulgate rules for paper filing.

12 What we have now is an exception. We have  
13 federal register notices excepting people from electronic  
14 filing.

15 We have a tips for paper filing, which I highly  
16 recommend. It is on the website. It gives you all kind  
17 of useful information if you are filing on paper -- how to  
18 set up an account with the IB and get your money to them,  
19 just a lot of useful information.

1           We basically are very hopeful we'll have  
2 electronic forms in the next six months. Therefore, we  
3 thought promulgating paper rules, getting them through  
4 clearance here, publishing them for comment and so on so  
5 forth would be -- we didn't need to do that.           We  
6 also have had a few comments from people saying we wish  
7 you had paper rules. But the majority seemed to be fine  
8 with the federal register notices and the tips for paper  
9 filing. We have kind of said we're not going to do that,  
10 we're not going take that step.

11           CHAIRMAN SAMUELS: Any questions for Lynn on  
12 experience to date?

13           MS. BERESFORD: I think the next slide is tri-  
14 lateral. This is a really exciting project, I think.

15           We started two years ago in the trademark tri-  
16 lateral. That is Japan, the EU, and the U.S., and we did  
17 -- the first year we did one class, no, we did two  
18 classes, two service mark classes where we created a  
19 common list of classified identifications that the EU,

1 Japan, and the U.S. agreed were acceptable IDs.

2           The second year we did two more classes. This  
3 year, in fact, this week we have Anne-Marie Hildebrand  
4 from the EU in town. She and Jesse are locked in a small  
5 room; they are going through both the EU and the U.S.  
6 list.

7           They are committed this week to finishing the  
8 rest of the classes. So at the end of this week, we will  
9 have a list of common -- of acceptable identifications of  
10 goods and services acceptable to both the EU and the U.S.  
11 in all the classes in the international classification  
12 system.

13           Japan is also sending -- as soon as they get  
14 finished with that list, they will start comparing their  
15 common list with the Japanese list.

16           So Japan isn't attending this informal meeting  
17 but the Japanese are cooperating by sending us translated  
18 lists from their classes.

19           The hope is our original schedule -- I don't

1 know whether we'll make it or not, is to have these lists  
2 finished by the time of the INTA annual meeting.

3 I don't know whether that's too aggressive a  
4 schedule or not, but at the end of this process we will  
5 have all of the classes with lists from all three offices,  
6 common identifications acceptable to all three offices.

7 We think this will be a project where those IDs  
8 will be translated. The EU will of course translate into  
9 all of their languages and we think other countries will  
10 lock on to this list. That's really a positive thing.

11 The revision of the trademark law treaty, well,  
12 you can see what the issues are. Obviously, one of the  
13 problems with TLT is there is no assembly. The only way  
14 to make any changes in the TLT is through a diplomatic  
15 conference.

16 From the very beginning we have wanted to have  
17 an assembly but there was a voting issue fight going on  
18 between the U.S. and EU at the time.

19 TLT was promulgated so we didn't have that item

1 settled. It's settled now. We have a lot of treaties  
2 between -- that the U.S. and EU are members of that have  
3 voting requirements set out in them. So there is no  
4 problem there.

5           Electronic filing, the original trademark law  
6 treaty language in a number of sections says that if you  
7 file something on paper and it has the elements that  
8 correspond to the model international form an office has  
9 to accept that filing.

10           The U.S. has fought hard in these meetings to  
11 say that each country should be able to determine the form  
12 in which the method -- or form in which they wish to  
13 receive their filings.

14           So countries are free to get them on paper if  
15 that's what they want, electronically if that's what they  
16 want, carved on a rock if that's what they want.

17           Each office can make that choice for itself, but  
18 once they have made that choice or choices, then they have  
19 to accept something that has the elements that are in the

1 model forms.

2           So we're trying to do this so that if we ever  
3 get to the point where we want to have all electronic  
4 filing, we can still be in compliance with the trademark  
5 law treaty.                   We don't see that happening very  
6 soon. But at any rate, that's what the electronic filing  
7 part of that is about.                   Trademark licenses  
8 -- if I tell you guys more than you want to know you  
9 should just tell me and I'll just answer questions about  
10 these bullet points.

11           CHAIRMAN SAMUELS: I'm particularly interested  
12 in trademark licenses. I'm going to let you go.

13           MS. BERESFORD: On I go. The trademark  
14 licenses, basically, turns on the joint recommendation on  
15 licensing that the standing committee promulgated and that  
16 was approved by the Paris assembly and WIPO assembly  
17 setting licensing standards in the same way that TLT sets  
18 other standards.

19           For those of you who aren't familiar with the

1 TLT itself, the treaty basically works this way, it says  
2 if you have a form that you are going to file, here in the  
3 TLT are the maximum list of things you can require in that  
4 form for any country that's a member they can only require  
5 this list. No more things can be required than on this  
6 list. That's what we did in the trademark licensing  
7 arena, we made a list. The country that  
8 joins this licensing protocol can only require these  
9 things before they agree to record the license. So it is  
10 things like licensor name, licensee name, maybe the term  
11 of the license, a signature.

12 TLT also sets out you can't have authentication  
13 or certification of signatures. You have to accept a  
14 signature as is, except in very limited cases. That same  
15 process was followed when the joint recommendation on  
16 licensing was negotiated. We're moving that  
17 joint recommendation into the trademark law treaty, into  
18 the revision of the trademark law treaty because recording  
19 of licenses is a very procedural kind of thing or it

1 should be a very procedural kind of thing. And it seems  
2 perfect for the TLT format. So that is what is happening  
3 there.

4 I think that the question is -- in article 20 of  
5 the licensing -- article 20 of the treaty but in the  
6 licensing provisions, there is a provision on use, which  
7 says that use with the permission of the trademark owner  
8 basically inures to the benefit of the owner.

9 That means even if you don't have a licensing  
10 agreement, most people would, but in the case you don't  
11 have a licensing agreement or you don't have a recorded  
12 licensing agreement, but you have someone using the mark  
13 with your permission as the owner, you, as the owner, can  
14 use that use to maintain your trademark if there is a use  
15 requirement for maintenance.

16 You can have that use to show that you are in  
17 use for the purposes of defending your mark if you are --  
18 if someone is trying to knock your mark out because you're  
19 not using it and there is a requirement that you use.

1           That particular provision simply says if it is  
2 used by the permission of the trademark owner the owner  
3 can take that use and use in it certain ways in  
4 maintaining its mark and defending its mark.

5           The controversy is in that in the TRIPS  
6 agreement, there is a similar provision. But it says that  
7 the trademark owner can only claim that use for its own to  
8 maintain or to defend if it has control provisions in its  
9 licensing agreement.

10           So the TLT licensing gives broader rights to the  
11 owner to claim use for the purposes that owners of  
12 trademark registration want to have use. That is to  
13 defend and to maintain their trademark rights.

14           So that's the different -- somehow that has  
15 gotten translated into you can't require control  
16 provisions in licenses anymore and that's not what it is  
17 at all.                   I'll be happy to answer questions  
18 about it if you have questions and people are looking  
19 puzzled so there might be questions.

1           CHAIRMAN SAMUELS: Following up on that last  
2 question. This came up at the AIPLA meeting last month in  
3 Palm Springs, which by the way I recommend. That's a nice  
4 place to visit in January.

5           There was a lot of concern voiced at the meeting  
6 regarding the proposal that there would not have to be  
7 quality control provision in a license agreement in order  
8 for the licensor to be able to rely on the use of the  
9 licensee.

10           People viewed it as a significant departure from  
11 current law that would as they pointed out, probably  
12 require some changes to the Lanham Act if this worked its  
13 way into the TLT.

14           I guess, in general there was, although I  
15 understand INTA is a supporter, maybe it is prime  
16 proponent, at least some concern within AIPLA if not other  
17 quarters as well with respect to this provision.

18           Are they misinterpreting it or is there really  
19 cause for some concern?

1 MS. BERESFORD: I guess I would have to -- I  
2 don't see a cause for concern here. Because you have to  
3 remember that this addresses an issue where often it is  
4 hard to get trademark licenses recorded quickly or you are  
5 licensing and you may be in the process of getting the  
6 license recorded.

7 Lots of things can happen where in the eyes of  
8 the court in that jurisdiction you don't have a real  
9 licensing agreement or you don't have a licensing  
10 agreement with quality controls that they think are  
11 quality controls in place.

12 This still allows, again, only the trademark the  
13 real owner can claim this, so I guess my -- and they would  
14 want to claim that use in order to maintain or to defend.

15 I guess my real question is what situations  
16 would this work to the detriment of trademark owners.

17 CHAIRMAN SAMUELS: Well, insofar as there is  
18 another provision in article 20, if I recall, which says  
19 that if there is no quality control and the validity of

1 the license would still be judged under domestic law.

2 MS. BERESFORD: Right.

3 CHAIRMAN SAMUELS: Does it run the risk that you  
4 can have an invalid license and you are going to have a  
5 trademark that's going to be lost.

6 MS. BERESFORD: Well, you do, but --

7 CHAIRMAN SAMUELS: You do? Wait a second.

8 Let's back up.

9 MS. BERESFORD: No, no. I'm -- article 20  
10 doesn't talk about licenses at all.

11 Article 20 does not talk about licenses. It  
12 does not say you can have a valid license with no quality  
13 control provisions.

14 What it says is if someone uses with the  
15 owners's permission, then that use can be used by the  
16 owner for the maintenance and defense of its trademark  
17 rights.

18 In fact, let us have a prayerful reading of  
19 article 20 so we know what exactly it says. It says, use

1 of a mark by natural persons or legal entities other than  
2 the holder shall be deemed to constitute use by the holder  
3 himself if such use is made with the holder's consent.

4 CHAIRMAN SAMUELS: Right. Whether or not there  
5 is a quality control provision in the license.

6 MS. BERESFORD: It has nothing to do with the  
7 license. The license isn't mentioned here. This is true  
8 whether there is a license or not, Jeff.

9 MS. KANE: Use and consent is a license. You  
10 can have an oral license, you can have a written license.  
11 The fact that this doesn't mention the word license  
12 doesn't mean --

13 MS. BERESFORD: Okay. Maybe I didn't  
14 understand your hypothetical, Jeff.

15 CHAIRMAN SAMUELS: I didn't have a hypothetical.  
16 All I'm voicing is the concern that I heard and I think  
17 has some validity, is that you can read article 20 to say  
18 that a licensor can rely on the use of a licensee even  
19 absent a quality control provision, which is inconsistent

1 with U.S. law today. If people enter into  
2 license agreements without quality control, say TLT allows  
3 it and unless we amend our law, they are going to end up  
4 with invalid licenses and trademarks being declared  
5 invalid.

6 MS. BERESFORD: If the law says that the license  
7 has to have a quality control element to be valid, then  
8 that would be the national law that would pertain.

9 CHAIRMAN SAMUELS: In that case, article 20 gets  
10 you nothing. Why agree to it?

11 MS. BERESFORD: I think it is a separate --  
12 perhaps I'm viewing this a little differently from you.  
13 The validity of the license is a separate issue from the  
14 ability to claim the use.

15 CHAIRMAN SAMUELS: Why would anybody enter into  
16 a license agreement without a quality control provision if  
17 they run the risk that it's going to be held invalid?

18 MS. BERESFORD: Because this is not -- they  
19 wouldn't, Jeff.

1           CHAIRMAN SAMUELS: Right.

2           MS. BERESFORD: But this is a different issue.  
3 Being able to claim that use is different from whether or  
4 not your license is valid.

5           CHAIRMAN SAMUELS: Yes, I understand it is  
6 different, but there is a relationship there. Siegrun?

7           MS. KANE: If you are trying to claim a use, you  
8 are in effect saying, I am consenting to this person's  
9 use. I am relying on that use to support my mark.

10           You can call it a license or not call it a  
11 license, but if you don't have quality control you are  
12 relying on this use to support your rights.

13           That would be normally referred to as a license  
14 situation, and, if you don't have the quality control,  
15 then it is invalid.

16           MS. BERESFORD: I think I have said what this  
17 note says. It says it in a different way, so maybe this  
18 will be helpful. Okay?

19           Thank you, Sharon. She is prepared with all the

1 documents. This is a note on article 20.

2 Article 20 deals only with the specific question  
3 of under what circumstances use by the natural persons or  
4 other legal entities other than the holder can be deemed  
5 as use by the holder. It does not address the validity of  
6 licensing agreements in general.

7 Therefore, the ability of contracting parties to  
8 require quality control clauses in order for licensing  
9 agreement to be valid remains unaffected.

10 MS. KANE: Do you disagree with that, Jeff?

11 CHAIRMAN SAMUELS: I understand what it says,  
12 what it gives with one hand, it takes back with another  
13 hand.

14 I think it is going to cause some confusion and  
15 perhaps run the risk that we're going to have people enter  
16 into license agreements relying on the TLT without a  
17 quality control provision.

18 MS. BERESFORD: That I find very hard to  
19 believe, Jeff. I can't imagine anyone drafting a

1 licensing agreement in the U.S. --

2 CHAIRMAN SAMUELS: Would U.S. Law be consistent  
3 with TLT?

4 CHAIRMAN SAMUELS: Section 5, the Lanham Act  
5 talks about related use, talks about quality control.

6 MS. BERESFORD: Right, it does, but section 5  
7 talks about -- again, the validity of the license. It  
8 doesn't talk about claiming use.

9 CHAIRMAN SAMUELS: Excuse me?

10 MS. BERESFORD: It doesn't talk about claiming  
11 use. It is talking -- well, we're going around in circles  
12 here.

13 CHAIRMAN SAMUELS: I think we are.

14 MS. BERESFORD: I think these provisions are not  
15 inconsistent with U.S. law. Perhaps what I need to do is  
16 sit down and write a little paper for this committee on  
17 why I think that and what my reasoning is because I think  
18 that would be helpful.

19 CHAIRMAN SAMUELS: I think it does have some

1 validity. If you could sit down and look at it again,  
2 especially look at it in relationship to section 5 of the  
3 Lanham Act, then send us something, I know I would  
4 appreciate that.

5 MS. BERESFORD: We will indeed do that.

6 The licensing provision is very good. We think  
7 in general they are going to be helpful to U.S. trademark  
8 owners throughout the world.

9 If I understand your concerns correctly, your  
10 concern is that people will be misled by this thinking  
11 they don't have to have quality control provisions in a  
12 licensing agreement.

13 CHAIRMAN SAMUELS: More fundamentally, I think  
14 it is not consistent with U.S. law now. So TLT is not  
15 self-executing. So I think in order to implement you  
16 would have to know the law. And I think you would have to  
17 amend the law because of the very reason why we have  
18 quality control requirements in the law.

19 MS. BERESFORD: Right. So you are saying it is

1 inconsistent with U.S. law to allow someone to claim use  
2 by another person.

3 CHAIRMAN SAMUELS: Without quality control.

4 MS. BERESFORD: Without quality control in the  
5 licensing agreement.

6 CHAIRMAN SAMUELS: Right.

7 MS. LOTT: I guess I have two things. Are you  
8 suggesting that as proposed this could result in a  
9 licensor being able to claim the benefit of use by a  
10 licensee even if the license agreement itself was invalid?

11 MS. BERESFORD: I think I can refer you back to  
12 the note. This doesn't talk about licensing agreements.  
13 It says you can claim use if it's made with the consent of  
14 the holder.

15 I think all of you are firmly imbedded in the  
16 thought process that you don't have someone using a mark  
17 without a licensing agreement, without a written licensing  
18 agreement with quality controls in place. That isn't  
19 necessarily always the case.

1           This provision separates the ability to require  
2 use with anything that's required in licensing agreements  
3 with the ability to claim use and the benefits of use with  
4 a way from what is required in a licensing agreement as  
5 that note says.

6           When we get our little paper together to send  
7 out the notes out from WIPO and the comments -- again,  
8 this is looking at other systems besides the U.S. system.  
9    So it is taken from a rather broader perspective perhaps  
10 and perhaps it doesn't fit in with U.S. law.

11           Perhaps, therefore, we should not want article  
12 20 in the TLT, but we'll put together something to see if  
13 we can't clarify what the issues are or at least move our  
14 discussion on from one that has become circular.

15           MS. LOTT: The other thing when you started out  
16 talking about the article, you started out talking about  
17 the maximum number of things that could be required in  
18 order to record which is impacted.

19           Is it limited to that or are we talking about

1 two separate issues? Do you know what I mean?

2 MS. BERESFORD: The licensing provisions from  
3 the joint recommendation on licensing, there are a number  
4 of sections. There is a section that sets  
5 out the maximum requirements that a country can require in  
6 order to record a licensing agreement and there are a  
7 number of other sections.

8 Licensing, Article 20 of this, in fact, the  
9 licensee starts at 17 and goes to 21, so there are four or  
10 five sections on licensing in there.

11 CHAIRMAN SAMUELS: Siegrun.

12 MS. KANE: I want to get to mandatory  
13 disclosure. I'm going to be quick here. I don't think it  
14 matters whether it is oral or a written license in terms  
15 of the analysis you are doing.

16 U.S. law doesn't require it to be a written  
17 license. So I think it is the quality control. That is  
18 what I think Jeff and I, at least, are focusing on.

19 MS. BERESFORD: Right. And this does not say

1 you can have a license without quality control. We know  
2 it is quite clear it doesn't affect the quality control  
3 provision under national law.

4 This is a provision to -- that looks to when you  
5 can claim use as a trademark owner. Perhaps those things  
6 are inseparable under U.S. law. You can't think of them  
7 separately.

8 MS. KANE: That's what we're saying.

9 MS. BERESFORD: I think that is what you are  
10 saying. We'll work something out. We'll get a paper  
11 together so we can at least agree on it.

12 CHAIRMAN SAMUELS: Joe.

13 MR. WELCH: Briefly, I'll say one reason why it  
14 worries me and I have some others here.

15 I have clients engaged in global licensing for  
16 collateral products in particular, and licensees around  
17 the world sometimes resist quality control.

18 If we have a provision like this, I can see them  
19 saying it is in the TLT that you don't need quality

1 control. If it is in there, that's a problem.

2 MS. BERESFORD: It is in the TLT, but, again,  
3 it's only in the TLT in regards to claiming use for the  
4 benefit of maintaining your registration or defending your  
5 registration.

6 It is not in the TLT in the context of what has  
7 to or does not have to be in the licensing arrangement.

8 So again, I think there is obviously a chance  
9 that people -- people will argue whatever is to their  
10 benefit, but that isn't obviously what the provision says.

11 We'll do a paper. We will see if we can  
12 move this discussion along. I appreciate your comments.

13 MR. TEPPER: I don't know if there is any of the  
14 horse left to beat, you know. I don't know if  
15 it is helpful to think of this in terms of all this does  
16 is try to think of this as the PTO will accept the  
17 allegation, you can sign the statement, you can make the  
18 declaration, you can maintain the registration.

19 As to whether that's a valid registration and a

1 third party wants to come in and attack it I would  
2 thoroughly agree. So for purposes of third  
3 parties --is that a fair characterization? Lynn, I don't  
4 know if it is helpful.

5 MS. BERESFORD: Yes.

6 MR. TEPPER: Provision is intended to say what  
7 will the office accept for maintenance.

8 MS. BERESFORD: These are office related  
9 provisions, but, yes.

10 MR. TEPPER: I don't know if that helps your  
11 question that that's what this provision says. You still  
12 need the quality control.

13 MR. WELCH: I still have the problem.

14 MR. MOYER: Last point on this. If anybody in  
15 the U.S. writes a license without a quality control  
16 provision, I'm going to mark them down as deficient.

17 MS. BERESFORD: If they do it based on a  
18 provision in trademark law treaty, you have to give them  
19 double marks. Generally, you look to U.S. law when making

1 a decision about writing a legal document in the U.S.

2 CHAIRMAN SAMUELS: Okay.

3 You had a couple more bullet points. Do you  
4 want to go over them or do you want to quit while you are  
5 ahead?

6 MS. BERESFORD: Sure.

7 Limitation on mandatory representation. There  
8 are some, a few items in the trademark law treaty where  
9 they are saying that offices cannot require that you get a  
10 representative. I don't have -- I do have that in front  
11 of me.

12 The office cannot require that you get a  
13 representative in those particular areas. Off the top of  
14 my head I don't remember what they are, but they don't --  
15 there are already areas where U.S. law complies because  
16 obviously we allow people to represent themselves.

17 The final bullet is on time limits. Relief in  
18 respect of time limits. That is a series of proposals  
19 that are really in, I would say, very bad shape because it

1 for the most part provides that if your time limit isn't  
2 of a certain length or the length hasn't been selected  
3 yet, the office must always give additional time to  
4 complete something.

5           So it could be three months. It could be six  
6 months. It isn't consistent with our statute. It would  
7 be an enormous change in our statutory law at the office  
8 to change. It would be a big change in TTAB practice.

9           But these particular provisions are in such an  
10 unsettled state that it is hard -- we're opposing most of  
11 them, but it's hard to know exactly what they are going to  
12 turn into.

13           We personally think that the original provisions  
14 for relief for time limits when they were proposed a  
15 couple of years ago basically only applied to time limits  
16 that weren't statutory and weren't regulatory.

17           They were time limits where an examiner or some  
18 other person in the office had discretion to set the time  
19 limit. I'm going to give you another 30 days to do this,

1 I'm going to give you 15 days.

2           The original proposal was in those cases you had  
3 to grant some additional time if such a situation existed.  
4 We only could find one area in our practice where that  
5 was pertained.

6           Since then, this time has been expanded to cover  
7 statutory, regulatory and other time limits. So it is a  
8 problem and is currently --

9           CHAIRMAN SAMUELS: Is the meeting in April going  
10 to be the last meeting?

11           MS. BERESFORD: They would like to have it be  
12 the last meeting. They would like to have it be the last  
13 meeting before the diplomatic conference. I don't know  
14 whether they will succeed there or not.

15           Again, there is a lot of unsettled things in  
16 this particular proposal.

17           CHAIRMAN SAMUELS: Thanks. Actually, if you  
18 don't mind, we're going to leave you in the hot seat. It  
19 makes sense if you want to pick up with the rules and

1 notices.

2           There is, I think, an outstanding rule proposal  
3 regarding corrections to registration certificates, and I  
4 know there is some controversy with respect to the one  
5 year requirement to request a correction in a  
6 registration. What is the current thinking on that?

7           MS. BERESFORD: We have not issued a proposed  
8 rule on the registration certificate.

9           CHAIRMAN SAMUELS: What am I thinking?

10          MR. TEPPER: Changes in the rule for corrections  
11 of errors and registration certificates.

12          MS. BERESFORD: There is a one year period to  
13 request correction.

14          MR. TEPPER: One was you don't have to any  
15 longer.

16          MS. BERESFORD: We have just been kind of  
17 looking at other things with Madrid. The one year -- the  
18 reason we selected, we decided on a one year period for  
19 correcting errors in the registration certificate was that

1 we felt this was plenty of time to figure out that you  
2 have -- that there was an error in the registration  
3 certificate. So that was the purpose of that time limit.

4 What question do you have?

5 CHAIRMAN SAMUELS: I guess my specific question  
6 is, I have seen a letter from AIPLA maybe that other  
7 groups have written similar letters voicing concern with  
8 respect to that one year requirement, insofar as it would  
9 preclude if somebody waited more than a year for changes  
10 to be made to the registration certificate.

11 There may be instances as we set forth in the  
12 letter that it would be unfair to the registrant. Perhaps  
13 the current registrant just got the registration from some  
14 type of assignment and the year has already gone by and  
15 somebody wakes up and sees that the name of the registrant  
16 is incorrect or their address is incorrect, and in order  
17 to avoid a problem down the road, if they want to do a  
18 Section 8 or whatever, they want to correct it, but under  
19 this proposal they wouldn't be able to.

1 MS. BERESFORD: We have a process for changing  
2 -- you can file for a change of address in your  
3 registration certificate or you can file to change other  
4 things in your registration certificate. So I'm not sure  
5 --

6 CHAIRMAN SAMUELS: I think it is the one year  
7 issue.

8 MS. BERESFORD: I haven't seen the AIPLA letter.  
9 I can't respond to that.

10 MR. WELCH: I was going to say I think the ABA  
11 shares that view ABA, IPL section.

12 MS. BERESFORD: That one year isn't long enough?  
13

14 MR. WELCH: I think they are right that there  
15 shouldn't be a one year limit.

16 MS. LOTT: Why would it matter to the office?  
17 It is there if it -- why would it matter to the office  
18 that there be a limitation?

19 MS. BERESFORD: It depends on what they are

1 correcting. If they are correcting the mark, is there a  
2 time limit on which they should come forward and say it is  
3 wrong -- how about goods and services, it depends on the  
4 correction.

5 I guess, when we promulgated, I guess our  
6 thinking was, gee, you ought to look at your registration  
7 certificate in the first year after you get it. And if  
8 you are an assignee you ought to look at what you are  
9 buying.

10 At a certain point we think section seven  
11 process for making corrections. But also at a certain  
12 point people want certainty in what they see on the  
13 register.

14 So one year seems like plenty of time. How long  
15 should you be able to make corrections. Should we set no  
16 time limit, 10 years later or --

17 MS. LOTT: There is no time limit now, is there?

18 CHAIRMAN SAMUELS: Right.

19 MS. LOTT: Is that causing a problem in the

1 office is what I'm saying. MS. BERESFORD:  
2 It has caused some problems, in fact, because we get  
3 people coming in at the time they are filing section eight  
4 saying we notice gee, we really filed for this mark and  
5 somehow or another we got a different mark on our  
6 registration certificate.

7 MS. KANE: But can't you deal with that on a  
8 case-by-case basis. In that's the type of situation they  
9 are trying to change the mark, we would reject it let's  
10 say. But to have a blanket one year for all situations  
11 seems to be unnecessary.

12 CHAIRMAN SAMUELS: Maury.

13 MR. TEPPER: If I may, I think I understand that  
14 problem. There are sort of two types. There is an error  
15 due to office error and then due to the registrant's  
16 error. If it's the registrant's error,  
17 currently, there is no time limit on either but the  
18 statute says, shall correct when it is an office error.  
19 And it is a petition of the commissioner when it is an

1 applicant's error.

2 I do think there is obviously discretion there.

3 Some of the concerns that I have seen, too, expressed  
4 have dealt with, certainly you do need to be concerned  
5 based on the type of change, have other people been  
6 prejudiced by that but there is greater interest in just  
7 getting register right whenever it may occur.

8 I think that's part of the balance that some of  
9 the concern imposing that one year time limit takes away  
10 is that, sure, maybe they should have checked and maybe  
11 somebody has relied on that along the way, but in the mean  
12 time somebody is using a mark out there, that they can use  
13 against you.

14 By not allowing them to get the register to  
15 confirm to put us and others on notice of those rights  
16 merely weights or compounds the problem rather than helps  
17 fix it.

18 In some circumstances it might be inequitable to  
19 allow them to come in late. But I do think that the

1 petition process currently allows for that, that  
2 flexibility at the office.

3           The other concern imposing a time limit on  
4 office error appears to contradict the statute. So there  
5 may be a whole other problem there.

6           MS. BERESFORD: We'll take this into account.  
7 Again, this is not a huge problem because we're not  
8 talking about lots of these filings.

9           We do get some that are very problematic. Often  
10 it is because it is an office error in one way or another  
11 and five years down the road they have the wrong mark.  
12 And they would like us to put the right mark under the  
13 register. It is completely different than what has been  
14 on that registration certificate for five years.

15           Our issue is we're not going to do that. The  
16 main purpose of the register is to give notice to people  
17 as to rights. Maybe they are unhappy because somebody is  
18 claiming common law rights.

19           On the other hand if they haven't looked at the

1 registration certificate for five years, it's a little  
2 hard for us to be terribly sympathetic to their cause even  
3 though it was our error.

4           So it is always a balancing act. But again,  
5 these are small. This is really a small issue. If there  
6 is an issue with the proposed rule, then that's -- we'll  
7 discuss drawing of it because I think we can handle this  
8 another way.

9           CHAIRMAN SAMUELS: You don't have to write a  
10 paper on this.

11           MS. BERESFORD: Because I'm agreeing with you.

12           MS. KANE: It is not too late to write a paper  
13 on the other one.

14           MS. BERESFORD: I'm a slow learner.

15           CHAIRMAN SAMUELS: Anything else on rules and  
16 notices?

17           MS. BERESFORD: Yes. On to the next slide. We  
18 have three things that we're going to change. These are  
19 more in the notices, in the notices area.

1           It is no printing of E-filed or E-mailed  
2 documents, the E-com mailboxes are going to be closed and  
3 all files ordered on site will be ordered through the  
4 Trademark Assistance Center.

5           We're going to change our procedure for public  
6 access to paper application files. From now -- we have  
7 the notice written, folks who want to get paper files will  
8 have to go to the Trademark Assistance Center and request  
9 them.

10           This is a money saving -- this is one of the  
11 things we had to do to save money in our budget. When we  
12 were asked to reduce our spending we had to cut out some  
13 contractors.

14           So that means fewer contractors because we'll  
15 only be staffing the Trademark Assistance Center to find  
16 files. So this is in the future. The notice should be  
17 published soon. We're going to try to get the files  
18 within two hours that will be the turn around time.

19           As you all know, we have about 65 -- earlier 65

1 percent of our filings are coming in electronically. We  
2 currently print all electronically filed documents and put  
3 them into paper file wrappers and we maintain paper file  
4 wrappers in the office.

5           We are going to stop generating paper copies.  
6 We're going to publish a notice. We're going to stop  
7 generating paper copies of electronic documents that the  
8 office creates.

9           That is those folks who file electronically  
10 filed applications, we will no longer print out your  
11 application on paper and stick it in a file wrapper.

12           Someone wanting to see that application will  
13 have to go to the TICRS system and see the application  
14 versus running upstairs and finding the file wrapper.

15           Again, this is another money saver that we  
16 needed to do in order to fund --really overtime is what  
17 we're doing, because our budget is so tight. We will also  
18 stop generating paper copies of our e-mailed actions.

19           So the only place you will see a complete copy

1 of a file wrapper will be in the TICRS system. No longer  
2 will there be complete paper file wrappers. We knew this  
3 was going to come along sooner or later.

4 All the documents will be in TICRS for all  
5 trademark applications. Eventually, of course, all  
6 registrations will be in there too -- all registration  
7 files. Questions? We have a lot of file  
8 wrappers in the storage bin. So the things that come in  
9 on paper, of course, they are scanned and put into the  
10 TICRS system and key entered into our other systems.

11 Those papers will actually be put in file  
12 wrappers. So there will be file jackets for things  
13 submitted on paper. If you open a file jacket you will  
14 have a serial number on it but there may be only one paper  
15 in it or two papers.

16 When we run out of these very expensive file  
17 jackets that we have we're going to start using manilla  
18 folders with bar code labels on them to store these  
19 papers. The thought being that eventually

1 we'll have fewer and fewer papers. The real record of  
2 course will be in our TICRS system because everything is  
3 scanned as it comes in and key entered as it comes in on  
4 paper.

5 MR. MULLER: Lynn, you don't have to propose  
6 rules for all this stuff. Do you?

7 MS. BERESFORD: No, this is a notice. These are  
8 notices not rules.

9 MR. MULLER: I thought so.

10 MS. BERESFORD: The E-com mailboxes are going to  
11 be closed, because, again, we had several months of having  
12 the electronic response to office action. We think the  
13 form is now in workable shape. So people will not be able  
14 to file their responses into E-com mailboxes.

15 Using E-com mailboxes is additional work for the  
16 office. We have to print out the response, key enter,  
17 find information, key enter it into the database, store in  
18 it TICRS.

19 You will still have the ability to correspond,

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1 as we say, informally with the examining attorney via  
2 their e-mail, but we will not have the law office E-com  
3 mailboxes. We will close them six months after we put  
4 this notice out. Questions?

5           Again, this is a money saving thing. This is to  
6 put some more money into our overtime, because our budget  
7 is so tight. So this is pushing us into doing this.

8           MR. MULLER: One other thing, maybe you can  
9 remind me. What is it that we're allowed to tell members  
10 of the bar that you present to us and what are we not  
11 allowed to tell them from these open sessions? I don't  
12 know if --

13           MS. BERESFORD: These open sessions, I believe,  
14 are public sessions.

15           MR. MULLER: So we can relay this information?

16           MS. BERESFORD: You can tell them anything that  
17 we say, including Lynn doesn't understand the trademark  
18 licensing provisions of TLT.

19           MR. MULLER: I do have that written down.

1 MS. BERESFORD: Any questions?

2 CHAIRMAN SAMUELS: Thank you, very much. Let's  
3 move on to the Trademark Trial and Appeal Board now. I  
4 invite Chief Judge David Sams to join us.

5 I was wondering, David, in the interest of time,  
6 do we want to go right into the mandatory disclosure  
7 issue, which I think is going to generate a lot of  
8 discussion, and if we have time pick up on status of  
9 operations?

10 MR. SAMS: That's fine with me, Jeff. Let me  
11 give a two-second effort to respond to a lot of the  
12 comments made by the committee, it has undertaken a number  
13 of initiatives.

14 One of the initiatives we have spent some time  
15 on and studied is mandatory initial disclosure of certain  
16 discovery information.

17 The study team consisted of one of our judges  
18 and two attorneys. They spent a lot of time doing  
19 research, frankly. They went into the whole project of

1 thinking they were going to recommend against it.

2           When they did the study, including looking at  
3 the results from the federal judicial center and other  
4 sources, which included bibliography in the packet we sent  
5 to members of the committee, they decided that it actually  
6 might work and structured a possible way that it might  
7 work which is again part of this document.

8           I know we only got the document to you about  
9 eight hours, or less before you came to the meeting. I  
10 don't know who has had a chance to look at it. But it is,  
11 I think, a pretty good summary of why the committee, the  
12 working group believed that it was a good idea and how it  
13 would work with that context.

14           One of the things we want is input from this  
15 committee.

16           CHAIRMAN SAMUELS: While there are some of us  
17 who haven't had a chance to read it thoroughly, word for  
18 word, I believe several of us have.

19           I will turn to you first, Siegrun.

1 MS. KANE: Can you hear me?

2 I want to compliment the group because I, too,  
3 think the paper is well written. That being said, I  
4 wholeheartedly disagree with the conclusion.

5 If one of my co-members doesn't mind, I think I  
6 will begin with something he said to me this morning,  
7 which was it is making a federal case out of a trademark  
8 office proceeding.

9 I think one of the main benefits of the  
10 trademark office proceeding is that it does not have the  
11 compressed schedule and it does not have the up-front  
12 costs that are associated with a federal case.

13 The mandatory disclosure, and I'm speaking from  
14 someone who has done a lot of litigation with mandatory  
15 disclosures, and I know what these studies say and some  
16 attorneys seem to think they are a good thing but that's  
17 in the context of a federal district court suit.

18 In the PTO when you have an opposition  
19 proceeding and right up front you suddenly have to --

1 imagine let's say that you are a trademark owner of a  
2 well-known mark and right up front you need to have a  
3 disclosure of the material that you think supports your  
4 claims or defenses, and let's say you are claiming  
5 dilution, you are going to have a significant disclosure.

6  
7           By that I mean it is going to be a significant  
8 amount of material. It all takes a lot of thought. I  
9 know you can say, well, if it takes thought you should  
10 give it thought and that's all to the good.

11           But imagine such a registrant up against an ITU  
12 applicant and that applicant does not have really much to  
13 disclose at all.           So right at the start you are  
14 putting significant cost on one party which may not be put  
15 on the other party. And you are putting significant costs  
16 in a proceeding where currently you have the ability to  
17 pretty much schedule it according to the parties'  
18 interests in terms of settlement.           Now, I  
19 think one main objective here is to encourage settlement,

1 but the board has a fabulous record. What is the figure  
2 David?

3 MR. SAMS: Something like 98.8 percent of cases  
4 prior to a final decision on the merits.

5 MS. KANE: So that is a phenomenal figure, 98.8  
6 percent.

7 With that in mind, you are doing it in a way  
8 that allows the parties to conduct their settlement  
9 negotiations on a schedule that suits them, that allows  
10 the parties to -- if they feel they should oppose to begin  
11 with, not to have to do spend a lot of money. A  
12 lot of these people are foreign companies and you are  
13 going to discourage people and maybe you think that's a  
14 good idea, I don't, from taking action in a PTO opposition  
15 proceeding because up front they are going to have to  
16 suddenly spend a lot of money.

17 As a result maybe they won't take any action,  
18 but I think that's a bad thing because these actions  
19 frequently, 98.8 percent of the time, end up in a

1 settlement that is probably good for the parties.

2           They wouldn't be settling if it weren't, and is  
3 not a substantial drain on the PTO because you are not  
4 doing all that much. You're letting the parties do it for  
5 you.

6           So you have this situation now -- as Howard  
7 would say, if it's not broke, you don't need to fix it. I  
8 think you have a system that is serving the parties very  
9 well.           What else did you want to say? I wanted  
10 to say that mandatory disclosure does not do away with  
11 other discovery. I think your report acknowledges that,  
12 so you are going to have a situation where people are  
13 going to spend some money up front deciding what they need  
14 to disclose.

15           You have difficulties, and I mean serious  
16 difficulties, if you don't disclose something and someone  
17 later decides you should have, you are going to be  
18 precluded from putting it into evidence.

19           So this really means time. You are not going to

1 jeopardize your mark on something that you consider  
2 important without spending a lot of time figuring out do  
3 you need this, will somebody come back and say, hey, you  
4 are precluded. So you have to do that up front.

5           You are doing it for what purpose? You are  
6 doing it to create settlement, which is maybe going to  
7 happen anyway. Then you're going to have to do this other  
8 discovery.

9           I mean, people who are disclosing are disclosing  
10 what they think is going to help their case and there is  
11 probably stuff they are not disclosing that you would  
12 really like to find out. So you are going to have to  
13 conduct that discovery in any event.

14           Then you have a situation now where parties  
15 frequently don't take any discovery and that's their  
16 choice. That really cuts down on cost and that is a  
17 situation where frequently you do get a settlement.

18           They decide as the marketing plans gel, I mean  
19 that's one of the reasons for intent to use, you have a

1 marketing plan, but are you ever really going to come to  
2 market with it. What has happened in the mean time -- so  
3 time is helpful in determining what you are going to do.

4           Time is helpful for the guy who is thinking of  
5 opposing in determining what he is going to do. As I  
6 said, a lot of these people, clients, applicants,  
7 registrants, are abroad. You want to be able to  
8 communicate with them.

9           In federal court, people are used to mandatory  
10 disclosures and people who are suing and being sued  
11 understand that's what is going on.

12           To a lot of foreign applicants and registrants,  
13 I think, the idea of mandatory disclosure is going to be a  
14 little difficult to assimilate.

15           Now, if you want to provide for mediation and to  
16 encourage settlement, you can do that. You can say  
17 mediation is available.

18           We all know mediation is available and Leslie  
19 will tell you that she is very successful at ADR and maybe

1 you want to encourage people a little more.

2 I think in our last annual report we said  
3 something about that would be a good thing to encourage.  
4 But what you are doing is making them, making them go to  
5 this expense, making them stick to a very rigid schedule,  
6 and making them spend a lot of money, which I don't think  
7 you really need to do to get 98.8 percent settlement.

8 The other thing I want to say is on the  
9 accelerated case resolution situation, again, you are --  
10 what you are saying is that if you have been discussing  
11 settlement for six months, that's long enough. And if you  
12 haven't settled it then, we're not going to give you  
13 another extension.

14 We won't give it to you unless you call our  
15 board or somebody, some attorney, and you explain why the  
16 time is needed, what the issues are that remain. The  
17 board will tell you about the accelerated case resolution  
18 proceeding.

19 The PTO attorney handling this has the option of

1 facilitating settlement, granting an abbreviated extension  
2 to conclude negotiations -- you get what, one more month,  
3 or proceeding to trial.

4           So you are pushing them. You are pushing them  
5 into it instead of letting them on their own come to the  
6 resolution that experience shows they will come to. I'm  
7 finished.

8           You can see I really don't care much about this.

9           MR. SAMS: You haven't thought much about it,  
10 clearly.

11           MS. KANE: As a practical matter, the attorneys  
12 who are litigating cases in the federal court and who are  
13 litigating proceedings in the PTO -- I would expect having  
14 done this -- yes, actually I do think we considered this,  
15 am I right members from the past?

16           Not this last annual report, but a year before,  
17 the idea was floated. And we recommended against it very  
18 briefly for some reason.

19           MR. SAMS: Right. It was never really

1 thoroughly vetted, I don't think, and certainly not to the  
2 degree that we have done in the study that we produced.

3           One of the things that came out in several forms  
4 in which -- maybe not necessarily in the TPAC but in forms  
5 in which I have heard comments about this issue -- is even  
6 though we have a 98.8 percent eventual settlement rate  
7 that cases do get bogged down.

8           Cases get more expensive than they ought to and  
9 there ought to be some way that the board can make the  
10 cases go away faster, can provide means of a settlement  
11 that are not currently available.

12           This was one of the possibilities the we're  
13 exploring. I appreciate the comments because nowhere have  
14 we had in this degree of detail before those who are  
15 opposed to this in our practice.

16           I would like to hear from --

17           MS. KANE: Can I just say one more thing? If  
18 you want to proceed quickly, you can. You can take  
19 discovery just as soon as you get that notice. So those

1 people who feel it takes too long, we don't like this,  
2 they have something -- they can do something about that.

3           And in terms of encouraging settlement, I think  
4 there are other ways to do that other than put your feet  
5 to the fire and make your clients spend a lot of money.

6           MR. SAMS: I appreciate your comments, honestly.  
7 Do we have anyone else? I know we don't have a whole lot  
8 of time. I think we'll probably be working with the  
9 subcommittee on the TTAB of which Siegrun is a member  
10 along with Leslie Lott.

11           MS. KANE: I get to talk more later.

12           MR. SAMS: Yes, but I do hope that committee in  
13 working with us on this issue will talk with the other  
14 members of the committee to get their sense of --

15           MS. KANE: What is the next step in terms of --  
16 I know you have this memorandum?

17           MR. SAMS: The next step is to vet it with the  
18 people who need to have some input including the members  
19 of this committee.

1 MS. KANE: I assume AIPLA.

2 MR. SAMS: Assuming that your point of view does  
3 not prevail. Then the next step would be to come up with  
4 some kind of either official gazette announcement or a  
5 rule making if we believed it was required.

6 MS. KANE: Will you be vetting this with, for  
7 example, AIPLA?

8 MR. SAMS: I suspect that we will.

9 CHAIRMAN SAMUELS: I'm sure.

10 MS. KANE: We will be doing it if you don't.

11 CHAIRMAN SAMUELS: Any other comments? I would  
12 encourage people who have other views or similar views,  
13 Leslie?

14 MS. LOTT: Actually, mercifully, I was going to  
15 ask you in terms of the time frame in terms of vetting it  
16 and rule making, when it ultimately gets where it is going  
17 what do you see is the time frame for doing that?

18 MR. SAMS: I don't think we have a time frame  
19 now. If we feel it to be ultimately a good thing,

1 obviously we want to put it into effect as soon as we  
2 could.

3           But we're not going -- from my point of view  
4 we're not going to be rushing into it if it's not  
5 perceived or proved to be useful to our practice and we  
6 would take deliberate steps and not rush into it.

7           MS. LOTT: Mr. Chairman, what I would suggest is  
8 that rather than kind of debating it back and forth now as  
9 you mentioned a lot of people haven't really had a chance  
10 to look at it and maybe we should look at it, think about  
11 it, and go back to some of our other constituencies and  
12 fellow practitioners and maybe come back with a little bit  
13 more settled view.

14           CHAIRMAN SAMUELS: I think that's a good idea.  
15 I mentioned to David before we started that really we  
16 would just focus on the general concept and look at it  
17 with a broad brush today.

18           Then after we have had a chance to read it for  
19 the first time and to talk with others, at our next

1 meeting to come back and be able to discuss it in more  
2 detail. Kim did you have any comments?

3 MR. MULLER: Just one comment. There are many  
4 times from a corporate background that I do not agree with  
5 people in private practice but this is not one of them.

6 I would like to adopt those comments also. I  
7 just don't think this is going to be productive for you  
8 and your organization.

9 CHAIRMAN SAMUELS: Griff and then Jim.

10 MR. PRICE: Well, I have not had a chance to  
11 read through the proposal in detail. So I don't know what  
12 my full comments would be after an opportunity to study it  
13 in full, but I must say I think that Siegrun, Leslie, and  
14 Kim have made a pretty persuasive case that this may be an  
15 instance of overkill.

16 I think the most striking fact about the inter  
17 partes proceedings in the TTAB is the very high level of  
18 resolution by agreement. I'm not at all convinced that  
19 this would promote that goal.

1           CHAIRMAN SAMUELS:  Joe.

2           MR. WELCH:  I also thought that this was a  
3 really commendable piece of work.  I was impressed that  
4 this kind of thought went into an issue of trying to  
5 improve practice before the TTAB.

6           I had a much more favorable reaction to it than  
7 the ones have you heard so far.  In civil practice, the  
8 early disclosure does often have the effect of focusing  
9 the parties on the issues early on in a way that they  
10 wouldn't otherwise.

11           I too, like the relaxed pace of TTAB proceedings  
12 in contrast to civil actions, but in reading this through  
13 and thinking about the effects of early mandatory  
14 disclosure, I found myself reacting favorably and  
15 thinking, yes, this may well help dispose of cases earlier  
16 and at less expense in the long run compared to exchanging  
17 written discovery requests and taking Depositions and so  
18 on, the kind of things that normally play out.

19           There is a certain cards on the table aspect to

1 this when you start putting together your evidence on both  
2 sides and starting to realize what your case really is all  
3 about.

4           So like everyone else, I would like more time to  
5 look at it of course. But I think there is some real  
6 potential here.

7           CHAIRMAN SAMUELS: Thank you, Joe. Does anybody  
8 else wish to comment?

9           We'll come back at our next meeting, David, and  
10 be in a position, I think, at that point in time to give  
11 you some more views, ones that are the subject of more  
12 reflection.

13           MR. SAMS: Thank you, Jeff. We are available at  
14 any time to talk with any members of the subcommittee or  
15 the committee as a whole.

16           CHAIRMAN SAMUELS: Okay.

17           Did you want to discuss some of the other issues  
18 that we had put on the agenda?

19           MR. SAMS: I can briefly do it. First of all,

1 before I leave the issue of initiatives, let me mention  
2 there was that other -- in your packet, a discussion of  
3 accelerated case resolution which started out to be a  
4 committee on ADR, a working group on ADR, who in  
5 discussing the issue decided that this kind of accelerated  
6 case resolution might work.

7           Siegrun has mentioned a couple of things that we  
8 will take into account and we do want the committee to  
9 help us work through that notion too.

10           We have also going now to the board two other  
11 study groups who are looking into first, the possibility  
12 of trying to speed up decisions on motions, which is one  
13 of the concerns of the committee, by having mandatory  
14 requirement for a telephone conference with a TTAB  
15 interlocutory or Judge before filing an uncontested  
16 motion, mainly motions like motions to compel or motions  
17 for summary judgment.

18           We can talk about that at the next meeting when  
19 it is more fully fleshed out. A second proposal, a second

1 group is studying the idea of allowing those who litigate  
2 before the board to serve each other electronically and  
3 how we might bring that into effect.

4           We have had some members of the private bar tell  
5 us that they would like to be able to do that in our  
6 proceedings instead of the limitations that they have now  
7 on effecting service.

8           Also, we want eventually to get to a position  
9 where we can send out our decisions electronically instead  
10 of on paper which we're doing now, which seems to be quite  
11 against the grain for us considering how many strides we  
12 have made in electronic processing.

13           We want to sort of tie the loop up by issuing  
14 our own decisions electronically where the parties are in  
15 agreement that we do that.

16           I'll give you an update on what is happening at  
17 the board. The first slide shows that the pendency for  
18 final decisions is still doing pretty well. Our goal is  
19 10 weeks.

1           This is contested motions. The slide before  
2 this shows our -- right now we're at 8.6 weeks to final  
3 decision on cases before the board. That is well under  
4 our 10 week goal for 2003. We have the same goal for  
5 fiscal year 2004.

6           As you saw, the next slide also shows we're  
7 doing pretty well with motions. We would like to make  
8 some improvement. That was one of the concerns of the  
9 committee also in its annual report for 2003 that we take  
10 some strides to try to increase the efficiency with which  
11 we decide motions.                   We're doing a lot of  
12 things, a lot of electronic filing so we get them to the  
13 decision makers quicker. Some other of these initiatives  
14 that I have just mentioned which we hope will help decide  
15 them faster.

16           Let me turn to the E-commerce point, because I  
17 think this is one of our great areas of success and I like  
18 to talk about it.

19           The TTAB developed and put on-line in October of

1 last year, a form for filing all extensions of time to  
2 oppose, a form for filing notices of opposition, and a  
3 form -- an electronic form for filing all papers in  
4 connection with inter partes proceedings at the board.

5           These ESTTA forms, the ESTTA system is where you  
6 file these, in case you didn't know. These forms are  
7 linked with our TTAVIS internal work flow system which  
8 means that when they are filed they skip the mail room and  
9 the scanning function and go right into the work flow,  
10 right to the person who needs to act on it.

11           We are very much encouraging people to use these  
12 forms because it makes it quicker for us to get a decision  
13 out. Practitioners have favorably responded so far.

14           Even though this option has only been in effect  
15 for very few months we find now that our recent report  
16 shows that already 30 percent of our extensions of time to  
17 oppose are being filed electronically.

18 That's a pretty good record for such a short period of  
19 time. Also, at 17 percent, our notices of opposition and

1 10 percent of all papers in connection with inter partes  
2 practice proceedings are now being filed electronically.

3           The rate of increase over those months has been  
4 phenomenal. We are really gratified that this is  
5 happening. It makes it easier for you and for us.

6           In the extension practice it is particularly  
7 nice because you get an immediate acceptance of your  
8 request for extension. And we don't have to touch it  
9 which makes us very happy.

10           I should also mention that in April of this year  
11 we plan to roll out to the web several more files that you  
12 can use -- filing forms under ESTTA.

13           We will be rolling out a form for filing a  
14 notice of ex parte appeal, a form for filing all papers in  
15 connection with ex parte appeals, and the petition to  
16 cancel form.

17           So look for those. We're really excited about  
18 them. They are just about fully tested now, and I like  
19 them.

1           One of the most exciting E-Government  
2 developments in the last year for us has been the  
3 deployment of TTABVue on the PTO website.

4           If you don't know, that allows practitioners to  
5 see all of our files, our electronic files, all the papers  
6 incoming and outgoing that have been basically filed in  
7 the last -- well, all of them that have been scanned.

8           We have had the scanning operation going for  
9 about two years. So those that have been scanned during  
10 that period. Not all of them were being scanned two years  
11 ago just certain pilot team.

12           But within the last year just about everything  
13 has been scanned. It is all there. You can see all the  
14 documents on-line. And we have gotten incredible positive  
15 feedback on TTABVue.

16           Within the last few weeks we have also done an  
17 upgrade to TTABVue. We were not satisfied with the way it  
18 was. You could only put the proceeding number in.

19           Now, besides the proceeding number you can

1 search our whole file records by mark, by parties, and  
2 even by the attorney by the correspondence address.

3           If you want to see how many cases you have  
4 before the board you can put it in that field. It will  
5 produce everything, including links to TARR if you want to  
6 see applications or registrations involved.

7           We have come a long way, as Doug Bourgeois said.  
8 We're aggressive. I guess the TTAB is leading the  
9 charge, we think.                   Toward the end of the  
10 last fiscal year, TTAB also posted on the website a new  
11 version of the TBMP, the Trademark Trial and Appeal Board  
12 Manual, with enhanced case citations, several expanded  
13 sections, and a lot of updates.

14           Given the pace of change in the office, it is  
15 already a little out of date. So we're working right now  
16 to put a new revision in an update to the second edition,  
17 which we believe -- which will include all the rules with  
18 the Madrid Protocol plus some other changes, small changes  
19 in practice that have happened in the interim since we put

1 it up fairly recently.

2           But that would be on-line, we believe, by the  
3 end of April. So we'll have a new version of TBMP -- a  
4 new edition to TBMP.

5           I think that is all. I don't want to take any  
6 more time. If there are any questions on any of that -- I  
7 know I went through it really fast, but I wanted to give  
8 you the benefit of that.

9           CHAIRMAN SAMUELS: Leslie.

10           MS. LOTT: On the electronic filing of inter  
11 parte papers and ex parte papers, do I understand you to  
12 say that that's all papers, motions, requests for  
13 extension, evidence, notices of reliance papers.

14           MR. SAMS: Everything. Anything that is filed  
15 in connection with a proceeding you may file using the  
16 ESTTA form with your document attached in the formats that  
17 we accept.

18           MS. LOTT: Thank you.

19           CHAIRMAN SAMUELS: Thank you, David.

1           CHAIRMAN SAMUELS: The next to last agenda item  
2 is Jim Toupin who is the PTO general counsel, who is going  
3 to discuss with us the proposed changes to the code of  
4 professional responsibility and disciplinary rules that I  
5 know, at least within the patent bar, has caused quite a  
6 bit of consternation.           I guess, Jim, if you are  
7 going to -- hopefully, you are just going to focus on  
8 those aspects that are going to impact on trademark  
9 practitioners.

10           MR. TOUPIN: I will quickly tell you what is not  
11 going to affect you. Then we can go into what will affect  
12 you.

13           You usually see me as an executive who provides  
14 legal advice to the agency or who has some management  
15 responsibility for the TTAB.

16           Here I'm in my hat as the manager with some  
17 responsibility for the Office of Enrollment and  
18 Discipline. This is Harry Moatz, who is the Director of  
19 the Office of Enrollment and Discipline.

1           The people in the patent side know Harry very  
2 well. You folks from the trademark side I hope never know  
3 Harry. But here he is just for the sake so you can  
4 associate a face with a practice.

5           In December, the office published proposed  
6 rules, basically, revamping the whole discipline and  
7 admission process, and ethical rules.

8           We initially gave a 60-day comment period, which  
9 ended early this month. At the request of some commentators  
10 initially, we extended the time to comment as to the  
11 ethics rules by 60 days, into early April.

12           We have expanded that extension in response to  
13 additional comments to cover everything except what we  
14 need to put into effect for the patent practitioner  
15 admissions exam in April.

16           So what we're not extending the time to comment  
17 will be, basically, provisions which the trademark side  
18 doesn't have to worry about because it is for the  
19 practitioner's exam.

1           Let me quickly go through some of the provisions  
2 that won't affect you, some of which are the most  
3 controversial in the patent bar.

4           Then I'll quickly go through what we're doing on  
5 the ethics rules, which may be of concern to the trademark  
6 side, in which I think what we have done is basically  
7 opened up issues for broad discussion.

8           We are changing the admission process for patent  
9 practitioners. Basically, we're providing for the  
10 equivalent of test centers around the country available  
11 five days a week all year round rather than two exams.

12           We are proposing an annual fee and mandatory  
13 continuing legal education for patent practitioners. I  
14 think the only aspect of that is that some of the  
15 commentators are saying if you are imposing it on patent  
16 practitioners why don't you impose it on trademark  
17 lawyers.

18           That was not our proposal. We are making  
19 certain changes in disciplinary procedures one or two of

1 which I'll comment on, and we're proposing changes in the  
2 rules of conduct.

3           The disciplinary procedures and the ethics rules  
4 are applicable to trademark attorneys. They are currently  
5 applicable and this is modifying what is already  
6 applicable.           The basic thrust of the changes in  
7 the ethics rules was to update the Patent and Trademark  
8 Office rules to reflect the ABA model rules rather than  
9 the ABA model code, which was what we relied on back in  
10 '85 when the current rules were promulgated.

11           One of the things that we asked was how can we  
12 better improve our processes for changing rules so that we  
13 can, you know, be a little bit more up-to-date. Since  
14 most of the comments said, give us more time to comment,  
15 we haven't gotten very far on that front.

16           There are some departures that are being  
17 proposed from the model rules where we have identified  
18 particular problems or issues arising, principally, out of  
19 Patent and Trademark Office practice, specifically as many

1 of the states that have adopted the ABA model rules have  
2 done.

3           Some of those are controversial and I will try  
4 to get to those now.

5           One of the questions that we asked when we  
6 extended the time to comment with respect to the ethics  
7 rules was whether the rules should include the ethics 2000  
8 editions to the ABA model rules.

9           We had not done that originally because our  
10 attempt was to adopt, basically, rules that were in as  
11 much widespread practice across the country as possible  
12 and the 2000 changes in the model rules had not generally  
13 been adopted yet.

14           On the other hand, we run the risk of falling  
15 behind if there is now a waive of state adoption of those  
16 rules. There were sound reasons why the ABA proposed  
17 those. So we asked for comment on that issue,  
18 specifically.

19           Getting now to the points that have been found

1 to be controversial. Jeff was out in Palm Springs and I  
2 imagine got to attend the session which I got to sit there  
3 and listen to everybody air their complaints. Let me try  
4 to summarize the ones that seemed to be the most  
5 controversial.

6           One has to do with consent to inspect records of  
7 attorneys if there is a complaint. This is an attempt by  
8 rule to give the office the equivalent power to  
9 investigate that the state bars have.

10           The state bars, being branches of the courts,  
11 can either issue or obtain subpoenas to investigate  
12 records when there is a complaint.

13           The office currently doesn't have that authority  
14 and that leaves us in the position either of needing to  
15 begin proceedings when otherwise if we obtain the records  
16 we would not have to begin proceedings or not being able  
17 to follow up on a client accusation of malfeasance.

18           MS. KANE: Correct me if I'm wrong, and this is  
19 just hearsay that I'm reporting, that this power enables

1 you to investigate not just the records of an attorney who  
2 is accused of some kind of malfeasance but of the entire  
3 firm's records?

4 MR. TOUPIN: I don't know the details of that.  
5 No, I don't think that is correct. If it is correct, we  
6 can fix it. Again, these are proposals.  
7 What we're trying to do -- as I say -- we're trying to  
8 create equivalent power in the office to investigate what  
9 the state bars have in enforcing the same rules.

10 My hope is that if the public or the members of  
11 the bar have problems with the way we accomplish that,  
12 they will propose ways in which we can get it right and  
13 not simply say, well, you got it wrong so we're not going  
14 help you.

15 But if that's the impression, that was not our  
16 intent. There may be situations in which the relevant  
17 record with respect to the attorneys alleged malfeasance  
18 may be regarded as a record of the firm, in which case we  
19 may need to figure out which way to describe that

1 properly.

2           But it, certainly, was not our intent to go in  
3 and look at a firm's records on anything.

4           A second issue which has caused a certain amount  
5 of controversy which, I think, probably equally affects  
6 patent and trademark practitioners is a proposed  
7 disciplinary rule which requires informed written client  
8 consent to communicate with a client through foreign  
9 agents.

10           This is a matter of putting in the rule subject  
11 matter that is addressed currently by a Commissioner  
12 notice in the OG for, I don't know, 10 or 15 years ago.

13           I think the comments that I have heard,  
14 basically, actually, support a reason for concern, which  
15 is that the relationship is not with the client, but with  
16 the foreign agent.

17           That is the party with whom the U.S.  
18 practitioner wants to deal. And they don't want to deal  
19 even through the agent directly with the client to

1 establish the direct relationship between the client and  
2 the U.S. practitioner.

3           Part of the problem from an ethics perspective,  
4 I think, is that on the one hand the concern was expressed  
5 -- I know at the AIPLA conference was, we don't speak  
6 their language.

7           The other flip side of that is that they may  
8 not, not being Americans, appreciate what the client-  
9 attorney relationship is in the United States.

10           So, part of this rule is an attempt to  
11 understand that, in international practice, there is a  
12 need to act through agents which might not be really  
13 permitted in domestic practice, but that something needs  
14 to be done to establish in the client's mind what the  
15 nature of the relationship is.

16           I think this is a provision that's just going to  
17 be the subject of some dispute. I hope what it will do is  
18 give rise to suggestions that can help us to help the bar  
19 establish that relationship properly.

1 MS. LOTT: May I interrupt you with a quick  
2 question on that? By foreign agent I assume you mean  
3 foreign counsel?

4 MR. TOUPIN: Foreign counsel, yes.

5 MS. LOTT: So if counsel refers a case to you,  
6 you cannot deal with counsel without having the informed  
7 written consent of the client.

8 MR. TOUPIN: Right.

9 MS. LOTT: Is there a form or format that is  
10 proposed for the informed consent?

11 MR. TOUPIN: I don't think we --  
12 We have not included a proposed form but there is a form  
13 or format in Quigg's notes from 1987, Commissioner Quigg,  
14 Q-U-I-G-G.

15 If we implement we can post a form on the  
16 internet that would be helpful. That sort of thing  
17 happens frequently.

18 There are other disciplinary rules which require  
19 full disclosure and written client consent for things like

1 waivers of conflict. That too has raised certain  
2 disputes. Some jurisdictions do not require a writing  
3 reflecting the consent.

4           The ABA Model rules don't insist that it be  
5 signed by the clients. And there are disputes between --  
6 and the ABA model rules use the term "after consultation"  
7 rather than after full disclosure.

8           The reason that we went to a full disclosure  
9 proposal is that bars which have addressed problems  
10 arising in connection with outfits representing a lot of  
11 small clients regarded it as necessary to say that the  
12 consultation was not adequate if there was not a full  
13 disclosure with respect to the nature of the conflict and  
14 its consequences.           So our proposal is an attempt  
15 to try to flesh that out. I think, that what we will get  
16 -- I'm hopeful, is that we will find that the bar is able  
17 to define circumstances in which a client otherwise  
18 represented by counsel may be able to appreciate the  
19 nature of the conflict with a different level of

1 disclosure than may be available for a client who is not  
2 otherwise represented by counsel. The current  
3 rules don't really distinguish and don't provide that  
4 guidance and this is a proposal adapted from one major  
5 state's holdings in this area.

6 This is a problem that we have seen arise. We  
7 have had a recent decision in the invention development  
8 company/client arena. We're hopeful that we will get  
9 useful feedback that will help us both make a process that  
10 is feasible for the counsel and sufficiently protective of  
11 the clients.

We're proposing on the  
12 procedural aspects of the disciplinary proceedings, we're  
13 proposing standards to govern contacting non-complaining  
14 clients.

15 Currently, both our rules and most state bar  
16 rules provide no standard that bar counsel need to go  
17 through in order to contact a client who is not  
18 complaining. Basically, there is no process. They can  
19 simply do it.

1 MS. KANE: What do you mean, not complaining?

2 MR. TOUPIN: If you have a client -- you have an  
3 attorney -- one of his clients is complaining, and you  
4 believe that the same malfeasance, if it has occurred,  
5 would have been committed against other parties whom that  
6 attorney represents before the office. Can we -- under  
7 what circumstances do we contact that other party?

8 MS. KANE: What a nightmare. Let me mention  
9 something. This, again, is hearsay.

10 This part isn't hearsay. As I understand it,  
11 under most state law, if you are found to have committed  
12 an infraction of these rules, it is per se malpractice,  
13 and you will then have to demonstrate that it is not  
14 malpractice.

15 I'm a little troubled by terminology like after  
16 full disclosure. My God, what is full disclosure? Who is  
17 going to decide and how much do you have to say? And then  
18 you have got somebody who made a complaint and then you  
19 are contacting all the other clients about complaints and

1 -- I'm concerned.

2 MR. TOUPIN: On the first issue I'm not sure  
3 which is after consultation or after full disclosure which  
4 is less vague.

5 MS. KANE: I think consultation is broader.

6 MR. TOUPIN: But I think it leaves more  
7 discretion to the decision maker. But in any event  
8 getting to this issue, currently bar counsel can do this.

9 What we propose is to require in most  
10 circumstances an initial contact with the attorney if we  
11 are not making initial contact with an attorney, a  
12 standard and informal review within the office in order to  
13 decide not to make that contact.

14 What we're trying to do in this context is put  
15 in place by rule more restrictions on us and more guidance  
16 that would be protective of counsel while also allowing us  
17 to engage in the investigation.

18 MS. KANE: But now you are not doing this at  
19 all?

1 MR. TOUPIN: We do do it. Bar counsel generally  
2 do it.

3 MS. KANE: How often do you do it?

4 MR. TOUPIN: It is a rare phenomenon but we want  
5 to impose on ourselves a procedure in which we do do it.  
6 We do have -- I'm trying to not use a pejorative term.

7 MS. LOTT: Go ahead.

8 MR. TOUPIN: We do have counsel who represent  
9 lots, and lots, and lots of people. There are times when  
10 dealing with the complaints we begin to get from some of  
11 those people, we have to be able to talk to the others.

12 We can't really get a full picture of the nature  
13 of the accused malfeasance if we don't. So this is really  
14 an important -- we regard as an important part of our  
15 protection of the public.

16 As I say we're trying to put in place -- we  
17 review the practices of the various bar counsels, most of  
18 whom do this without any form of procedure.

19 We are trying to find the best procedure that

1 would fairly balance the need to investigate with the need  
2 to protect -- have a safeguard in place.

3           One aspect that is raised which I think will not  
4 affect trademark counsel, is record keeping provisions  
5 with respect to trust accounts.

6           What is not noticed in that provision, which  
7 puts the highest level or one of the higher levels of  
8 record keeping requirements among state bars is that if  
9 you govern -- if your trust account is governed by state  
10 bar rules, and you satisfy the state bar rules that will  
11 be sufficient for our purposes as well. In that context  
12 we don't consider.

13           I don't know, if any of you have heard of others  
14 that I haven't captured in my attempt to describe the most  
15 controversial.

16           CHAIRMAN SAMUELS: Can you give us an idea? You  
17 said you extended the time within which to comment to,  
18 what, April and I suppose it will take you another few  
19 months to formulate your final rules and then you will

1 publish them again and they will go into effect 30 or 60  
2 days thereafter.

3           So we're, probably, looking at the earliest in  
4 the late fall?

5           MR. TOUPIN: I would guess. At this stage -- as  
6 I say we're putting in place within a month the rules with  
7 respect to the admission process.

8           CHAIRMAN SAMUELS: Right.

9           MR. TOUPIN: On the patent side. Whether or not  
10 we're going to want or need to engage in additional rule  
11 making processes after we get in the swarm of comments.  
12 Frankly, I'm currently uncertain whether we will want to  
13 ask for additional comments on some provisions.

14           I think we haven't decided yet, but I think your  
15 timing is roughly accurate. This is a rule making which  
16 is garnering massive response. We're not going to turn  
17 around from a proposed to a final rule overnight at best.

18           CHAIRMAN SAMUELS: Right. I would encourage  
19 members of TPAC to read the rules as they are currently

1 formulated and as they come out in final form.

2 I think we'll have an opportunity probably at  
3 our next meeting to come back to this if we so wish. I  
4 mean, they are extensive.

5 If you think the TTAB's proposals on mandatory  
6 disclosure are extensive, the ones that are proposed here  
7 with respect to the disciplinary rules and code of  
8 professional responsibility are significantly more so.

9 I think it is probably worth everyone's time to  
10 read them. Thank you, very much Jim.

11 MS. LOTT: I'm sorry, one quick question. Is it  
12 true that the proposed rules have also been set between  
13 patents and trademark lawyer and a client incident to the  
14 representation?

15 MR. TOUPIN: That's a current rule of the New  
16 York bar. We put it in there to elicit comment.

17 The reason that it is in there apart from trying  
18 to engender additional e-mail traffic around the country,  
19 is that currently the rules can be read to cover that

1 activity and have no limitation with respect to ability to  
2 cover that.

3           So the question is whether to make that  
4 obligation more specific or not. I think -- my guess is  
5 judging from the reaction we have gotten far and wide that  
6 final rule may not address that subject.

7           MS. LOTT: It is the incident to the  
8 representation part that I have a question about.

9           MR. TOUPIN: That's part of the attempt to  
10 define the obligation.

11          CHAIRMAN SAMUELS: Larry.

12          MR. ORESKY: A client can call about a concern  
13 and complain. If I understood you correctly you want the  
14 right to contact non-complaining clients to investigate.  
15 Correct?

16          MR. TOUPIN: Yes.

17          MR. ORESKY: Isn't that going to ruin the  
18 attorney representation?

19          MR. TOUPIN: One of the reasons we have a

1 proposal is that our procedures would provide, in the  
2 normal case, for us to contact the attorney.

3           Currently, we have no constraint on our ability  
4 to make that contact. Where we are not making that  
5 contact, there will be a form of necessity for proof that  
6 making the contact would destroy the ability to get  
7 information.

8           But the attempt is to put constraints on our  
9 process that is currently unconstrained.

10           MS. KANE: For our future study I just wanted to  
11 call the committee's attention to page 21 of this very  
12 thorough document on mandatory disclosures, which has a  
13 list of the things that if you don't disclose you are  
14 going to be in trouble.

15           That includes any document you might want to use  
16 to question the witness at a deposition or any individual  
17 you might want to produce at trial. As you study it, I  
18 just mention that as a particular thing to sort of --

19           MR. TOUPIN: Since David took the heat on this

1 one, and I'm partly to blame, I will speak up.

2           One of the reasons that I urged David to ask the  
3 TPAC to study it, is that now that this practice is so  
4 well accepted in civil action, it was my view that we  
5 should not reject the procedure out of hand without  
6 careful study.

7           We owed it to sound practice to look at it  
8 carefully. Part of it, as Jon Dudas said initially, we  
9 valued the TPAC's contribution as a sounding board with  
10 respect to issue like this.

11           And in particular, knowing what value the TPAC  
12 and the bar at large have put on this with respect to  
13 leniency in time in order to settle or moving the  
14 proceeding forward, these are very important  
15 considerations for us and we really do appreciate your  
16 input.

17           CHAIRMAN SAMUELS: Thank you, again. I guess  
18 this to brings us to our last agenda item, which is to  
19 focus on future plans, including our next meeting date.

1 I think for a variety of reasons it would be a  
2 good idea if we plan to have our next meeting sometime in  
3 June.

4 This would, first of all, give the members of  
5 the committee, the three members who will be rotating off  
6 in July, an opportunity to participate one more time. I  
7 think that there are some issues that will further mature  
8 between now and June.

9 I don't want to loose momentum with respect to  
10 those issues. I would propose we get together sometime in  
11 June. Obviously, I'll be getting back in touch with  
12 everyone to find out what dates work best and then set a  
13 date sometime in June.

14 Then, probably, after June we'll have a meeting,  
15 probably, sometime in October after the conclusion of the  
16 fiscal year but before the time by which we need to do our  
17 annual report. I think that makes some sense as well.

18 I think with respect to some follow-up issues, I  
19 think some of them are self evident. We'll be coming

1 back, obviously, with the mandatory disclosure.

2 We'll probably be revisiting with Lynne with respect  
3 to the issue with licensing and perhaps some other issues  
4 of a legal nature as well.

5 To the extent there are any changes in the PTO's  
6 proposal with respect to disciplinary rules or model  
7 rules, we may want to take another look at that as well  
8 and obviously get updates from the standpoint of trademark  
9 operations, pendency, production, quality, and things of  
10 that sort. Am I leaving anything  
11 out that we should note now?

12 MR. PRICE: I have one question with respect to  
13 the mandatory disclosure memorandum and the accelerated  
14 case resolution proposal. We have discussed that on the  
15 public record here today.

16 My question is whether these memoranda can be  
17 distributed to colleagues in our firms, at associations  
18 for study and comment, or would Judge Sams prefer that  
19 these be maintained in confidence at this point?

1           MR. SAMS: I prefer they not be spread so wide  
2 until we get a chance to look at it again. I have your  
3 initial comments on it. Basically, I don't want to whip  
4 up any frenzy unnecessarily.

5           MR. TOUPIN: We do regard apart from the fact we  
6 mentioned them in public session we do regard those as  
7 pre-decision.

8           CHAIRMAN SAMUELS: On the other hand, I don't  
9 think we want to unduly delay further dissemination of  
10 them.

11           I know that Siegrun, and Leslie, and Maury  
12 Tepper met with you yesterday. Siegrun you are on the  
13 TTAB subcommittee too. So perhaps the three of you within  
14 the next few weeks will have an opportunity if not in  
15 person, over the phone to talk to David after you have had  
16 more time to digest the memorandum.

17           MR. MOYER: One of the things we talked about  
18 was possibly making a report to Congress, Congress people  
19 on the fee bill.

1           CHAIRMAN SAMUELS: Yes. I guess maybe, Jim, can  
2 you give us some guidance as to whether that's lobbying?

3           MR. TOUPIN: Let me try to distinguish what you  
4 can and can't do, although I do think this is something  
5 which you normally get briefings from the department.

6           What you can't do is lobby using appropriated  
7 funds. So on days when you are temporary government  
8 employees, or whatever status it is called on days like  
9 this, you cannot engage in lobbying.

10           When you are not in that status as individuals  
11 you can do whatever you would normally do as individuals.

12  
13           You can't do it as quasi representatives of the  
14 TPAC. And you probably should not use materials,  
15 resources that are available to you only because you are a  
16 member of TPAC.

17           But the obligation arises out of the rule with  
18 respect to using appropriated funds to lobby. If that  
19 helps guide what you can do and not do, I hope it does.

1           If you have further questions we can certainly  
2 try to get additional guidance for you.

3           CHAIRMAN SAMUELS: I think that brings us to the  
4 conclusion of the meeting. I want to thank, obviously,  
5 everybody from the PTO who was with us today for their  
6 participation. It, obviously, is essential to our  
7 discussions and deliberations and, obviously, I want to  
8 thank, as well, members of the TPAC for being here today.

9  
10           I think we had perfect attendance, which might  
11 be a first. Hopefully, we can continue that in future  
12 meetings.

13           I guess we stand adjourned.

14           (Thereupon, the meeting was adjourned at 3:30  
15 p.m.)

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FRANCES M. FREEMAN

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FRANCES M. FREEMAN

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