



TRADEMARK PUBLIC ADVISORY COMMITTEE

ANNUAL REPORT

November 28, 2003

TABLE OF CONTENTS

I. INTRODUCTION	3
II. OVERVIEW	4
III. DISCUSSION OF SPECIFIC ISSUES	4
A. Performance Statistics.....	4
B. Trademark E-Government	5
C. Quality.....	7
D. Fee Diversion and Pending Fee Proposal	9
E. Madrid Protocol	10
F. Trademark Trial and Appeal Board	10

TRADEMARK PUBLIC ADVISORY COMMITTEE

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TRADEMARK PUBLIC ADVISORY COMMITTEE

ANNUAL REPORT

I. INTRODUCTION

Report: This is the Fourth Annual Report of the Trademark Public Advisory Committee (TPAC). The Report reviews the Trademark Operations of the United States Patent and Trademark Office (USPTO) for the fiscal year ending September 30, 2003. Our mandate, pursuant to the enabling legislation, 35 U.S.C. § 5(b)(1) and (d)(1), is “to represent the interests of diverse users of the [USPTO]” and to “review the policies, goals, performance, budget, and user fees of the [USPTO]” with respect to trademarks.

Pursuant to 35 U.S.C. § 5(d)(2), this Report is submitted within sixty (60) days following the end of the fiscal year, and we transmit the Report to the President, the Secretary of Commerce and the Committees on the Judiciary of the Senate and the House of Representatives, and also submit the Report for publication in the *Official Gazette* of the USPTO. The Report is available to the public on the USPTO web site, www.uspto.gov.

As a preliminary matter, the Members of TPAC express their appreciation to the Commissioner for Trademarks, the Honorable Anne H. Chasser, and other officials of the USPTO for their support of the work of the Committee. The Committee looks forward to working with Commissioner Chasser and the members of her staff in meeting the many challenges ahead.

Members of TPAC: The Members of TPAC wish to express their appreciation to: Miles J. Alexander, of Kilpatrick Stockton LLP; Joseph F. Nicholson, of Kenyon & Kenyon; and David C. Stimson, of Eastman Kodak Company, the three retiring Members for their service on the TPAC. Their contributions to the work of the Committee are greatly appreciated. The USPTO and the TPAC recognize the outstanding leadership and counsel provided by Mr. Alexander during his service the past three (3) years as TPAC Chairman. The above Members’ terms expired in July 2003. Their replacements, Jeffrey M. Samuels, of the University of Akron School of Law; Maury M. Tepper, III, of Womble Carlyle Sandridge & Rice, PLLC; and Joseph N. Welch, II, of Pattishall, McAuliffe, Newbury, Hilliard & Geraldson, were appointed to three (3)-year terms by the Secretary of Commerce in July 2003. Mr. Samuels was designated by the Secretary to serve as the new Chairman of the TPAC during his term on the Committee.

Those Members of the TPAC who continue to serve are: Siegrun D. Kane, of Morgan & Finnegan, LLP; Kimbley L. Muller, of Shell Oil Company; Griffith B. Price, Jr., of Finnegan, Henderson, Farabow, Garrett & Dunner, LLP; Leslie J. Lott, of Lott & Friedland, P.A.; David M. Moyer, of The Procter & Gamble Company; and Jon Sandelin, of Stanford University.

In addition to the above voting Members, the TPAC benefits from the views of three non-voting Members representing the membership of the USPTO unions. They are: Ollie Person, of the National Treasury Employees Union (NTEU), Chapter 243; Howard Friedman, of NTEU, Chapter 245; and Lawrence J. Oresky, of the Patent Office Professional Association.

II. OVERVIEW

The past year presented the Trademark Operations with a number of major challenges. In addition to providing timely and quality examination of applications for Federal registration of marks, the office focused its energies and resources on promulgating rules and instituting new procedures relating to implementation of the Madrid Protocol, which took effect in the U.S. on November 2, 2003. The office also directed considerable resources to implementation of one of the key aspects of the USPTO's 21st Century Strategic Plan – complete electronic processing of trademarks.

III. DISCUSSION OF SPECIFIC ISSUES

A. Performance Statistics

Total trademark filings during Fiscal Year 2003 were 267,218 classes, an increase of 3.2% over last fiscal year. The office's efforts to encourage electronic filing of applications appear to be bearing fruit. During the past fiscal year, 57.5% of all applications were filed electronically through the office's TEAS system.

As of September 30, 2003, total pending applications (measured as classes) was 575,901, which represents a ten (10) percent reduction in inventory during the course of the fiscal year. However, the inventory of new unexamined files increased by 27%.

A record number of trademark applications were registered. The number of marks registered increased by more than seven (7) percent to 143,424.

Total trademark disposals for the fiscal year were 238,759, a five (5) percent increase over the previous year.

First action pendency as of September 30, 2003, was 5.4 months, an increase of 26% from the end of the preceding fiscal year. The TPAC understands that the increase in pendency was the result, in part, of Examiners working on amended dockets, as opposed to new filings, as well as the receipt of a greater than anticipated number of new trademark applications. Whatever the cause, we are concerned about the increase in pendency and expect the PTO to initiate steps to insure that first-action pendency is reduced during the next fiscal year. The average pendency to registration, abandonment, and issuance of Notices of Allowance, including suspended and inter partes cases, was 19.8 months, nearly the same as of the close of Fiscal Year 2002.

The Committee anticipates that the office's implementation of its various e-government initiatives (see discussion below) will result in a reduction in pendency and backlogs, as well as improved quality and increased customer satisfaction.

B. Trademark E-Government

In the view of the TPAC, the Trademark Office is well positioned to support the objectives of the USPTO's 21st Century Strategic Plan, which relies on electronic communications to offer market-based services and improve the availability of trademark information to more effectively serve an increasingly larger, global client base.

Electronic filing and information systems serve Trademark Office customers in two very important ways: by improving the timeliness and accessibility of information, and by improving the quality of the initial application and, therefore, the quality of the data that is captured and shared in the publication and registration of trademarks. Electronic filing and access also facilitates the filing of applications for Federal trademark registration. This, in turn, increases the opportunity for public notice and lessens the likelihood of public confusion. We endorse the Office's goal of being able to perform in the near future nearly all its communications with customers electronically.

We have set forth below a summary of the Office's e-government initiatives:

1. Trademark Electronic Application System (TEAS)

To handle trademark applications both accurately and cost-effectively and to respond more fully to customer requests for a technologically advanced trademark filing system, the Trademark Office developed the Trademark Electronic Application System (TEAS), available at <http://www.uspto.gov/teas>. TEAS is an on-line, interactive electronic application that allows an applicant to fill out a trademark form and check it for completeness over the Internet, and then submit the completed application directly to the USPTO.

The USPTO opened TEAS worldwide on October 1, 1998, following a successful ten-month pilot period. The USPTO thus became one of the first national intellectual property offices in the world to offer an electronic filing system for trademarks and soon emerged as one of the leaders in the U.S. Government arena in the area of electronic commerce. TEAS is now the centerpiece of the Trademark Operation's e-government initiatives. The system has received widespread recognition for the advantages it offers to trademark owners and applicants.

Since January 2001, the growth in electronic filing has been dramatic, increasing from 21% of applications being filed through TEAS to a current level of more than 57%. The ability to accept applications electronically is a critical factor to meeting the USPTO e-government goal of conducting 80 percent of trademark business electronically.

2. Trademark Information Capture and Retrieval System (TICRS)

TICRS is the source of the electronic trademark file. All incoming applications filed since Fiscal Year 1999, whether filed electronically or on paper, have been captured and stored electronically through TICRS. TICRS has been available to all Trademark employees from their desktop computers and to the public from the Public Search Library since 2002. In the past year, all outgoing correspondence has been captured electronically, setting the stage for the implementation of a fully electronic process in 2004.

3. File Administration System for Trademarks (FAST)

The First Action System for Trademarks (FAST 1.0) was deployed on July 2, 2003, and provides full electronic examination of new applications for all trademark examiners. Since July, examiners have been conducting their initial examination of the application from the TICRS image, which is linked to FAST, as the first step to transitioning to a completely electronic process. With the implementation of FAST, trademark applications are being processed electronically from receipt through the first office action. FAST 1.0 is the precursor to a fully electronic workflow that will eliminate the need for paper files.

The implementation of a fully electronic end-to-end workflow will integrate existing trademark IT systems for managing the processing and examination of trademark applications in 2004. The fully electronic system will provide a number of tangible benefits, such as: improved docket management, file integrity, performance, and production-related information; real time access for multiple concurrent users; elimination of manual bar-coding to record events; and facilitation of further expansion of telecommuting.

4. Office Notices

The process for sending a notice of abandonment has been streamlined by electronically transmitting data for distributing bulk mail between the USPTO and the U.S. Postal Service through the Trademark Office's Trademark Postal Team (Tpostal) Project. The Tpostal Project is a joint effort between Trademarks and the agency's Chief Information Office (CIO). This project generates savings in the costs associated with processing paper notices and postage and ensures correct address information.

The USPTO received the Interagency Resources Management Conference (IRMCO) Team Award for its Trademark Postal Team (Tpostal) Project. The TPAC congratulates the Office on the receipt of this award.

5. Electronic Publication and Distribution

The production process for the *Trademark Official Gazette*, the weekly publication of current information covering several thousand marks and other office actions, is created

electronically and sent to the Government Printing Office for printing and distribution. Text and images are extracted from electronic records, making the entire layout of the *Gazette* and registration certificate fully automatic. The weekly *Trademark Official Gazette*, registration certificates, and updated registration certificates for the five most recent weekly issues are available electronically from the USPTO web site. The entire publication and registration certificates are available as a PDF file that can be downloaded via the Internet without charge.

6. Trademark Manual of Examining Procedure (TMEP)

The 2003 edition of the TMEP was revised to incorporate the changes in the Trademark Rules of Practice. The TMEP was distributed electronically in a searchable, downloadable format.

7. Electronic Access to Trademark Office Information

The Trademark Office's customers, through operation of the Trademark Electronic Search System (TESS) and the Trademark Application Registration Retrieval (TARR) System, have the ability to access the same data used internally in the processing and examination of trademarks and can conduct nearly all trademark-related business electronically on the USPTO web site. Customers may conduct an electronic search to determine the status of pending and registered trademarks; conduct a preliminary search prior to filing an application; access general information, including examination manuals, treaties, laws and regulations; obtain weekly information on published, registered and renewed marks; and file applications.

The TPAC supports the Office's e-government efforts. As the Office migrates to a fully automated operation, the cost and personnel required to process applications and related materials should be reduced substantially. The quality of the information relied upon by Office personnel in making registrability and other determinations also should be improved as a result of the above initiatives. The Members of TPAC will continue to closely monitor the implementation of the e-government initiatives to insure the stated goals are met.

C. Quality

The TPAC acknowledges the Trademark Office is placing a high priority on improving the quality of its products, increasing customer satisfaction, and building public confidence in the value of issued trademarks. In spite of the lingering effects of the reduction in force and the transition to e-commerce, with the demands and changes it places on examining attorneys, there has not been a serious erosion of quality. The Trademark Office historically measured "clear error rate" as to the registrability of a mark. The target in 2003 was 4% and the office achieved 2.3%. This measure will be changed in 2003 to provide a more comprehensive review of quality through an "in process" review.

During the past fiscal year, the Office of Trademark Quality Review completed a thorough review of more than 3,500 recent first and final action letters. Applying the new "in-process" review standard of quality for determining the deficiency rate for statutory refusals under Section 2 of the Lanham Act, the error rate for the year was seven (7) percent. The Trademark Office acknowledges that there is room for improvement and is implementing programs, as described below, to improve overall quality.

1. "In-Process Reviews"

The Office of Trademark Quality Review reviews first and final action letters and, under a set of published standards, identifies "excellent," "satisfactory," and "deficient" work with regard to decision-making. The TPAC supports such a program on the assumption that it will produce a net positive impact on quality. The Trademark quality review group also reviews the work of the examination support staff. The TPAC recognizes that it is too early to judge the effectiveness of these reviews on the quality of registrations.

2. Training

The TPAC supports continuing education programs to ensure Examiners have the knowledge and skills necessary to maintain high quality standards. Data from the "in-process reviews" is being used to prepare examination guides and training materials for examining attorneys. The Trademark Office is planning to expand web-based on-line training. An e-learning module on "proper handling of scandalous and disparaging trademarks" has been completed; a module on "likelihood of confusion regarding weak and diluted trademarks" is under development; and a third module on "quantity vs. quality of evidence" is planned. The TPAC recommends this transition to e-training be monitored and reviewed on a periodic basis to ensure it is meeting the training needs of Trademark Office employees.

3. Trademark Assistance Center

On February 10, 2003, the Trademark Assistance Center (TAC) services were expanded to include customer problem resolution. The TPAC believes TAC provides a valuable service to the trademark community and that the availability of TAC services should be widely conveyed to the trademark community. The Office should adopt clear guidelines as to when a problem should be addressed to the TAC, as opposed to the relevant examining attorney. TPAC recommends that "hotline" contact information should be provided on all action letters produced by the Trademark Office, including the Trademark Trial and Appeal Board (TTAB).

4. Paralegals

As reported in last year's Annual Report, the TPAC supports, in principle, a pilot program to determine if paralegals can assume greater responsibility in connection with the

examination function. We do not, however, support delegating to paralegals jurisdiction to decide substantive issues of trademark law.

5. Re-Certification

Likewise, the TPAC reiterates its position that it is not necessary, as proposed in the office's strategic plan, to re-certify the competency of each examining attorney every three years. We believe current methods of assuring quality, including random review of applications and providing of CLE opportunities, are adequate.

6. May 2003 E-Commerce Survey of Examiners

The TPAC was provided the results from a May 2003 survey of examining attorneys. The survey was undertaken by NTEU 245 to "better understand the impact of the E-Commerce initiatives on examination practice, productivity, and quality." Approximately 40% of all examining attorneys completed the survey. The survey results revealed that a significant number of examining attorneys believe there has not been adequate training and instruction in e-commerce methods and procedures, that they are spending a larger percentage of time on non-examination duties (without production adjustments) and, thus, that overall quality of work is suffering. While labor-management relations fall outside the jurisdiction of TPAC, the survey results raise significant concerns. We encourage a thoughtful review by Trademark management of the issues raised in the survey results. We remind management that the office's e-government initiatives are not an end unto themselves. They are designed, in large part, to permit examining attorneys to perform their functions in a more efficient and effective manner. It is the responsibility of management to insure that such objectives are met.

D. Fee Diversion and Pending Fee Proposal

The TPAC reaffirms its earlier-stated opposition to any increase in trademark application filing fees while USPTO user fees are diverted to support other Government programs. We, thus, support enactment of that provision of the "Patent and Trademark Fee Modernization Act" (H.R. 1561, S. 1760) that would amend Section 42 of Title 35 so as to enable the agency to use all the revenue it collects from users.

We note that the pending legislation would adjust trademark fees so as to incorporate a three-tier fee schedule: the fee for an electronically filed application would be \$325; the fee for an application filed on paper would be \$375; and the fee for an electronically-filed application that is prosecuted through electronic means may be reduced to \$275. Consistent with the views expressed in last year's report, TPAC supports enactment of the reduced cost options. We believe that such options will provide additional incentives to trademark owners to file and prosecute their applications electronically, thereby resulting, presumably, in a reduction in pendency, increased quality, and operational efficiencies. However, TPAC opposes the proposed increase in the filing fee for "paper"

applications unless and until legislation is enacted to prevent the diversion of any user fees.

E. Madrid Protocol

One of the major initiatives of the past fiscal year related to the Office's implementation of the Madrid Protocol, an international treaty designed to facilitate obtaining trademark protection beyond the boundaries of a trademark owner's home country. The "Madrid Protocol Implementation Act of 2002" (MPIA), Pub. L. 107-273, 116 Stat. 1758, 1913-1921, amends the Lanham Act to implement the provisions of the Madrid Protocol in the United States.

On September 26, 2003, the USPTO published new regulations to implement the MPIA. These regulations, as well as the Protocol and the implementing legislation, took effect in the U.S. on November 2, 2003. The regulations, as adopted, require that certain submissions made to the USPTO in connection with the Madrid Protocol be transmitted using the Trademark Electronic Application System (TEAS).

The TPAC congratulates the USPTO on its efforts to implement the Protocol. The adoption of the final regulations was preceded by an opportunity for public comment. We note that the final rules, in many respects, took into account at least some of the concerns voiced by the trademark bar during the public comment period. The Office's e-government initiatives should assure that the Protocol is administered efficiently.

The TPAC notes that the Office has temporarily suspended those provisions of the rules requiring electronic transmission of certain Protocol-related documents. We understand such measure was taken to provide the Office more time to assure that its electronic systems are capable of meeting the demands and requirements of the Protocol.

The TPAC will continue to monitor the Office's implementation of the Protocol and expects to be kept abreast of issues as they arise, whether of a legal, policy, or operational nature. We anticipate that much of our work during the current fiscal year will focus on assisting the USPTO on Madrid Protocol-related matters.

F. Trademark Trial and Appeal Board

The TTAB has continued to work with the TPAC on a number of issues over the past year. Chief Administrative Trademark Judge, J. David Sams, and other representatives of the TTAB have attended all of the public meetings of the TPAC and Chief Judge Sams has given regular briefings to the TPAC on the principal issues facing the TTAB. The TPAC acknowledges the TTAB's receptiveness and willingness to continue the dialog and to strengthen the lines of communication that have been established.

A number of issues that have been raised in the past, such as electronic filing, greater use of teleconferencing by interlocutory attorneys, work-at-home opportunities for TTAB staff, and possible changes to the rules on extensions of time to oppose have been

addressed. Other issues, such as greater use of mediation, increased imposition of sanctions in cases of abuse of motion practice, and the consideration of one-judge panels in appropriate cases, are still under discussion.

Among the issues that are receiving ongoing attention and discussion are the following:

1. Reduction in Pendency

The Administrative Judges of the TTAB have worked hard to reduce pendency and render timely decisions, and their work in that regard has been commendable and effective. However, in the opinion of the TPAC, excessive delays persist in the performance of certain functions. For example, the TTAB takes considerable time to decide motions, such as motions to compel discovery. The Board, for the most part, is responsive to problems in specific cases when they are pointed out, but routine matters, such as sending out new trial schedules when suspensions are lifted and interlocutory decisions, could be handled more efficiently.

There are also specific procedural rules which result in further delay. The TTAB is implementing a system to automatically set “call-up” dates, which should increase the efficiency of such matters. The TPAC will work with the TTAB to identify specific procedural rules that could be improved.

In the past, extensions of time to oppose have not been timely processed, resulting in opposed marks being erroneously passed to publication. The necessity of recalling these registrations and then re-instituting opposition proceedings resulted in excessive delays in a determination of rights. The TTAB has aggressively addressed this issue and has taken steps to resolve it.

2. Alternative Dispute Resolution (ADR)

The vast majority of TTAB cases are resolved prior to trial. However, there is no requirement for the use of ADR, nor is it actively encouraged. The TPAC will address in the coming year whether and how ADR should be actively encouraged.

3. Work-at-Home

The opportunity for TTAB staff, including judges, to work at home has been endorsed and encouraged by the TPAC. We note that provision has been made for contacting personnel during work-at-home hours. The TPAC strongly urges the TTAB to continue to closely monitor personnel who choose to work at home to insure that adequate opportunity exists for outside communication with the public.

4. Interlocutory Decisions

In the past year, the TTAB has essentially met its goal for determination of pending motions. The average time to decide contested motions, including motions for summary

judgment, is now 10.3 weeks. The TPAC encourages the TTAB to consider adoption of actions to reduce this period of time. Such actions could include the hiring of additional Interlocutory Attorneys, “tightening” of performance appraisal goals, the use of “motion calendars” or telephone hearings on motions, etc. The TPAC will continue to work with the TTAB on effective means to combat this problem.

5. Electronic Filing

The TTAB, along with the rest of the USPTO, has been engaged in the conversion to electronic filing. During the past year, this conversion has been essentially completed with the establishment of TTABVue, the TTAB on-line database with images of all opposition and cancellation filings available to the public. Every paper filing is scanned into the electronic system and new forms have been established for filing oppositions, cancellations, and related documents. The conversion itself went smoothly, and it is anticipated that electronic filing and the ability to electronically monitor pending cases, decisions, etc., will continue to increase efficiency. The TPAC looks forward to continuing to work with, and to following the progress of, the TTAB in this massive and important undertaking. The TPAC encourages and supports this goal and applauds the steps taken by the TTAB in this regard

6. Brief Page Limitations

The Board, in *Saint-Gobain Corp. v. Minnesota Mining and Manufacturing Co.*, 66 USPQ2d 1220 (TTAB 2003), recently held that the 25-page limit on a brief in support of or in opposition to a motion includes the table of contents and the table of authorities. Because the briefs in issue in that case were in excess of the limit, they were rejected. This is not consistent with the general practice of Federal courts. The TPAC is concerned that this ruling will result in litigants filing briefs without a table of contents and table of authorities. Such pages provide a road map for the briefs that are filed and make them easier for the TTAB and the parties to work with. The TPAC recommends that the Board consider amending its rules so that the table of contents and table of authorities pages are excluded from any page limitations.

7. Appeal of TTAB Decisions

The TPAC is aware of a pending proposal to limit review of TTAB decisions to the U.S. Court of Appeals for the Federal Circuit. The TPAC does not favor this limitation. There are disadvantages in having the Federal Circuit as the only court reviewing issues that come before the TTAB. The current appeal provisions provide flexibility, which is beneficial to all parties. District Court review is a trial *de novo*, and, as such, allows for the introduction of new evidence, which can result in a more thorough examination of the issues. Injunctive relief is also available in the District Court.