

**TRADEMARK PUBLIC ADVISORY COMMITTEE
ANNUAL REPORT 2017**



**UNITED STATES PATENT AND
TRADEMARK OFFICE**

TABLE OF CONTENTS

I. Introduction.	1
II. Report Highlights.	2
A. Trademark Operations.	2
B. IT and E-Government Issues.	2
C. Budget and Funding Issues.	2
D. Enterprise Services Proposal.	3
E. Trademark Trial and Appeal Board.	3
F. International Matters.	4
III. Discussion of Specific Issues.	4
A. Trademark Operations Performance.	4
1. Performance Statistics.	4
2. Quality and Training.	6
3. Initiatives Completed in FY 2017.	8
4. Ongoing Initiatives.	12
B. IT and E-Government Issues.	16
1. Status of Trademarks Next Generation.	16
2. TMNG-2 Accomplishments in FY 2017.	20
3. TMNG-External Accomplishments in FY 2017.	20
4. Legacy Systems Accomplishments in FY 2017.	21
C. Budget and Funding Issues.	21
1. Fee Collection.	21
2. Impact of 2017 Fee Adjustment.	22
3. Financial Advisory Board.	23
4. Direct v. Indirect Spending.	23
5. Spending in Trademarks for Trademark Information Technology.	23
6. Enterprise Services (formerly Shared Services).	24
D. Trademark Trial and Appeal Board.	24
1. Changes to TTAB Rules of Practice.	25
2. Changes to TTAB Fees.	27
3. Information Technology Changes.	28
4. Changes to Standard Protective Order.	29
5. Proposal for Streamlined Cancellation Proceedings for Abandonment and Nonuse.	29
6. Personnel.	30
7. Performance Statistics.	31
E. International Matters.	32
1. IP Attaché Program.	32
2. Technical Assistance.	33
3. WIPO.	34
4. The Five Trademark Offices.	36

Trademark Public Advisory Committee

Fiscal Year 2017 Annual Report

I. Introduction.

This is the eighteenth annual report of the Trademark Public Advisory Committee (“TPAC”). This report reviews the trademark operations of the United States Patent and Trademark Office (“USPTO” or “Office”) for the Fiscal Year (“FY”) ending September 30, 2017. The TPAC’s mission, which is specified in 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 60 days following the end of the federal fiscal year and is transmitted to the President, the Secretary of Commerce and the Committees on the Judiciary of the Senate and the House of Representatives. This report is submitted for publication in the *Official Gazette* of the USPTO. The report will be available to the public on the USPTO website, www.uspto.gov.

The TPAC acknowledges the contributions the USPTO has made by providing facts, figures and performance statistics relied upon in this report. The TPAC appreciates that throughout the fiscal year the Office not only responded to TPAC questions, but in several matters the Office requested input from the TPAC and seriously considered the TPAC’s questions, concerns, and positions on relevant issues. It is an honor to work with professionals so dedicated to improving the USPTO, the quality of services provided, and the customer experience.

Members of the TPAC. As of the end of FY 2017, the following individuals were members of the TPAC:

- Dee Ann Weldon-Wilson (Chair), Nashville, Tennessee (term ends December 6, 2018)
- William G. Barber (Vice Chair), Member, Pirkey Barber PLLC, Austin, Texas (term ends December 6, 2019)
- Jody Haller Drake, Partner, Sughrue Mion, LLC, Washington, D.C. (term ends December 6, 2017)
- Lisa A. Dunner, Managing Partner, Dunner Law PLLC, Washington, D.C. (term ends December 6, 2018)
- Jonathan Hudis, Partner, Quarles & Brady LLP, Washington, D.C. (term ends December 6, 2017)
- Timothy J. Lockhart, Partner, Wilcox & Savage, P.C., Norfolk, Virginia (term ends December 6, 2017)
- Mei-lan Stark, Senior Vice President and Chief Counsel Intellectual Property, NBCUniversal Media, LLC, Universal City, California (term ends December 6, 2018)

- Ilene B. Tannen, Of Counsel, Jones Day, New York, New York (term ends December 6, 2019)
- Brian Winterfeldt, Principal, Winterfeldt IP Group, Washington, D.C. and New York, New York (term ends December 6, 2019)

In addition to the above voting Members, the following people are non-voting TPAC members representing the membership of USPTO unions:

- Harold Ross of the National Treasury Employees Union (“NTEU”) Chapter 243
- Howard Friedman of NTEU Chapter 245
- Tamara Kyle of the Patent Office Professional Association

II. Report Highlights.

A. Trademark Operations.

Trademark Operations met or exceeded all of its performance goals for FY 2017. The TPAC commends Commissioner Denison and her management team for their leadership and the hundreds of employees in Trademark Operations for their hard work which made these results possible. The TPAC also applauds Trademark Operations for introducing and continuing initiatives to improve the customer experience through efforts within and outside the Office.

B. IT and E-Government Issues.

The TPAC is disappointed in the continued delay in the development and implementation of Trademark Next Generation (“TMNG”). This delay is particularly troublesome given the escalating costs to develop and implement TMNG. The latest cost estimate is almost five times higher than the original projection and the TPAC is concerned that, given the history of TMNG, the latest estimate of over \$260.7 million (not including the cost of the Trademark Trial and Appeal Board portion) may still prove to be low. The TPAC is pleased, however, that, recognizing the problem, the USPTO has formed a working group known as the “Path Forward Team” to focus on addressing the outstanding issues with TMNG.

C. Budget and Funding Issues.

Total trademark fees collected in FY 2017 increased by 9.9% which was within 0.4% of planned collections. Of that increase 1.2% was due to the fee adjustment. The TPAC commends the Office for its excellent budgeting. The TPAC notes that the Trademark Operations budgeting success is dependent upon their continued ability to adjust fees to take into account filing trends and practices. The current fee setting flexibility granted to the USPTO under the AIA expires on September 16, 2018. The TPAC encourages the USPTO to continue to advocate for Congressional action that would extend this authority.

It has also come to the TPAC's attention that Trademark Operations is contributing approximately \$1.6 million for the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office ("USEC"), including \$650,000 for regional office support. Trademark Operations do not have any personnel located in the regional offices, nor do they administer any services out of the regional offices. The TPAC believes that the Trademark Operations sufficiently manage outreach efforts in the regions through the Trademark executives and Alexandria office. As a result, the TPAC is concerned that trademark fees are being diverted to fund regional patent office operations. For these reasons, the TPAC would encourage the USPTO to reevaluate the Trademark Operations contribution to the funding for the regional offices.

D. Enterprise Services Proposal.

The USPTO has been participating in a working group with the Department of Commerce ("DOC") on its shared services project known as "Enterprise Services." The project's objective is to ensure that all DOC bureaus have access to high quality mission support services in certain core areas. The USPTO has previously made significant investments in those core areas. The TPAC is concerned that resources might be diverted from the USPTO, resulting in duplicate investments by the USPTO and also investments for functions that the USPTO, due to its specialized needs, may be unable to use, all at the expense of the USPTO's Operating Reserve and its ongoing commitments to improve its own systems. In addition, while the DOC and its bureaus are funded through tax revenues, the USPTO is funded entirely through user fees. The TPAC is concerned that reliance on shared DOC services could potentially undermine the USPTO's independence, clearly provided for by Congress in both the statutes establishing the USPTO and again more recently in the AIA. For these reasons, the TPAC believes it is critical to monitor closely any possible diversion to general DOC functions of user fees paid by trademark owners and inventors to protect their brands and innovations.

E. Trademark Trial and Appeal Board.

The TPAC congratulates the Trademark Trial and Appeal Board ("TTAB") on its outstanding performance as it continues to meet or exceed virtually all its performance goals and metrics. The TTAB's average pendency figures not only allow the TTAB to monitor its own performance, but assists practitioners in providing clients with an estimate of how long it takes the TTAB to resolve a typical case and/or motion. In FY 2017, Chief Judge Rogers and the TTAB have continued efforts and started new initiatives to (1) improve case pendency; (2) improve and clarify the TTAB rules of practice; and (3) propose a streamlined cancellation proceeding for abandonment and non-use. The TPAC eagerly anticipates seeing further action and progress on these matters during FY 2018.

F. International Matters.

The Office participates in discussions and initiatives with trademark offices and governments in other countries, and with the World Intellectual Property Organization (“WIPO”) to help improve trademark office examination practice, harmonize certain trademark tools and practices, and coordinate on compliance with treaties that relate to trademarks. Among other things, these efforts are designed to improve the experience of U.S. citizens in registering and enforcing their marks in other countries. The TPAC appreciates the work of the knowledgeable professionals that contribute to providing a better experience for U.S. citizens that utilize these services.

III. Discussion of Specific Issues.

A. Trademark Operations Performance.

1. Performance Statistics.

FY 2017 was another successful year for the USPTO’s Trademark Operations. Once again, it met or exceeded all performance targets.

- a. Increase in Applications. Trademark application filings increased by 12% for FY 2017, which was 4.5% more than Trademark Operations originally projected. Trademark Operations initially estimated it would receive 570,000 classes for registration in FY 2017. Midyear, the expected projection for filings was revised to 568,000 classes. The actual number of classes filed was 594,107. Trademark Operations received a notable increase in filings originating from China. More than 8.5% of total classes filed came from China. This represents an increase of more than 900% over the past five years, far outpacing growth from any other country. Trademark Operations is consulting with other IP organizations and is monitoring the situation to assist it in future planning.
- b. Applications Submitted Electronically. Trademark Operations continues its longstanding goal to have all trademark applications submitted electronically. Great progress has been made; more than 99.9% of all applications are now submitted electronically, due in large part to the change in fees for paper filed applications that took effect in January 2017. Given this progress, the goal has now shifted to encouraging two-way electronic communication throughout the entire registration process. Once again, Trademark Operations has exceeded their goal of 82%, with more than 86.5% of applications handled electronically end-to-end. The continued increase in electronic processing is due in large part to the January 2015 introduction of the Trademark Electronic Application System

(“TEAS”) Reduced Fees—TEAS RF—which continues to be used for about 50% of the classes filed, and a reduction in the fee for filing TEAS Plus, which accounts for 38% of classes filed. Both of these fee options require the applicant to communicate with the Office electronically throughout the application process.

- c. Balanced Disposals Exceeded Projections. Despite the significant increase in application filings, the Office exceeded its productivity targets for Balanced Disposals of 1,121,500, with 1,163,132 Balanced Disposals in FY 2017. A Balanced Disposal occurs when either (1) a First Office Action issues; (2) the application is approved for publication; or (3) the application is abandoned prior to publication.
- d. Total Office Disposals Higher. Total Office Disposals, which refers to the number of applications that resulted in either registration or abandonment, were higher than in FY 2016. In FY 2017, there were 515,007 Total Office Disposals, as compared to 479,657 in FY 2016, but 7.7% less than projected. Trademark Operations is in the process of investigating causes for this discrepancy, including the factors that may affect Trademark Office Disposals, to determine whether they need to adjust the planning targets going forward.
- e. Average First-Action Pendency in Target Range. The Average First Action Pendency continued to remain within the target range of 2.5 to 3.5 months, coming in at 2.7 months at the end of FY 2017. First Action Pendency is reported monthly for applications that received a first action as the average time between the filing of a trademark application and the substantive review of that application by the USPTO, which typically results in either a Notice of Publication or a first Office Action. The range that Trademark Operations maintains represents a balance of an appropriate pipeline of work for the Examining Attorney corps with a predictable and fast response time for the customers of the Office. The TPAC has supported this range for several years, and we commend the Office for continuing to meet this range as it has done for many years.
- f. Average Total Pendency Down. Trademark Operations exceeded its target goals on Average Total Pendency for FY 2017. Average Total Pendency, the average time between the filing of a trademark application and the final disposition of that application (through registration, abandonment, or issuance of a Notice of Allowance), continued to remain quite low, and in fact Average Total Pendency was 9.5 months if suspended or *inter partes* cases are excluded, and 10.9 months if those cases are included. (An application is

suspended in cases where the outcome of another matter must be determined before further action on the application can be taken. This can occur if there is a previously-filed application still under examination. An *inter partes* case is where there is an opposition or cancellation proceeding before the TTAB.) Both of these numbers are down slightly from FY 2016 in which the numbers were 9.8 months and 11.3 months, respectively. These excellent results are attributable in part to the greater adoption of electronic filing through TEAS Plus and TEAS RF, which together make up almost 90% of new filings. Two-way electronic filing and communication engenders more cost-effective processing, and now comprises 86.5% of all applications processed to disposal, slightly exceeding the Office's target of 82%. The TPAC commends the progress made and continues to support the Office's goal of increasing the percentage of trademark applications that are processed electronically from end-to-end.

- g. Overall. Once again, during FY 2017 Trademark Operations met or exceeded all of its performance goals. The TPAC commends Commissioner Denison and her management team for their leadership, making these results possible. Most importantly, these consistently excellent results would not be possible without hard work from the hundreds of employees in Trademark Operations, who all contribute to providing service to customers in a complex and dynamic system.

2. Quality and Training.

As important as the quantitative measures discussed above are to Trademark Operations, of even greater value to the public is the high quality with which work is done so that the Trademark Register is an accurate reflection of the important substantive rights owned by trademark owners. Once again, the USPTO has met or exceeded its aggressive targets.

- a. Compliance Rate. Examination quality is measured by evaluating random samples of applications at two different points during the examination process. This measurement is known as the compliance rate, or percentage of actions or decisions that have been determined to have been made correctly, with no deficiencies or errors. The first point of review looks at initial Office Actions that reject applications for registration or raise other issues regarding formalities that require correction to the application. The second point of review takes place at "final disposition" of an application, either by a final refusal to register or a decision to approve the application for publication. The goal at both points is to determine whether the Examining Attorneys' decisions and

written Office Actions comport with the bases of refusals under the Lanham Act. The goal for FY 2017 was a compliance rate of 95.5% for the First Office Action, and 97% for final compliance. For each of those targets, the Office exceeded both the FY 2016's results as well as the targets established for FY 2017. For First Office Action, the compliance rate was 97.3%, which is 1.8% above target, and for final compliance, the rate was 98.3%, exceeding the target by 1.3%.

- b. Exceptional Office Action Standard. The Exceptional Office Action is a standard with the following four criteria: the appropriateness of the likelihood of confusion search, the quality of the evidence provided, the clarity of the writing, and the quality of the decision making. In FY 2017, Trademark Operations exceeded the goal of 40%, with 45% of office actions meeting the criteria established.
- c. Training Law Offices. For the last several years, some classes of new Examining Attorneys have been placed together in one law office, in addition to dispersing new Examining Attorneys among existing Law Offices as attrition has occurred. FY 2017 brought the formation of Law Offices 123 and 125 in this manner. The Office continues to evaluate the practice of training new Examining Attorneys in one or multiple Law Offices. A total of 67 new examining attorneys were brought on board in FY 2017.

The TPAC commends the Office's efforts to improve training of new Examining Attorneys. Trademark Operations reports that they are likely to continue to create the next new Law Office 126 in this way in FY 2018.

- d. Trademark Manual of Examining Procedure ("TMEP") Training. This training for Examining Attorneys provided an overview of the changes to trademark examination legal policy in the October 2016 update of the TMEP. The presentation also included training regarding: (1) identifying and refusing digitally altered or mock-up specimens; (2) the Madrid Protocol and examining Section 66(a) applications; and (3) disciplinary procedures, unauthorized practice of law, and other ethical issues in trademark practice.
- e. Nice Classification 11th Edition, Trademark Rules Changes, ID Manual and ID Checker Review Training. This training for Examining Attorneys highlighted changes in the International Classification system brought about by the implementation of the 11th Edition of the Nice Classification System. The presentation also included refresher training regarding the on-line electronic ID

Manual and ID checker, updates on TEAS changes, and a summary of the TTAB rules changes.

- f. Industry Training. Training sessions held in FY 2017 focused on three industry groups: the U.S. Military, the Wine industry and the Fashion industry. During the training sessions, legal experts provided an overview of the new and evolving trademark issues facing the industries. The Fashion and Wine industry events were sponsored by the International Trademark Association (“INTA”) and featured a panel of legal experts who discussed trademark issues faced by providers in these fields when applying for and maintaining federal trademark protection in the United States.
- g. Merely Informational Matter Examination Guide: Multiple training sessions on this examination guide were provided to groups of law offices. Each session included time for questions and discussion regarding implementing the guidance during examination. The examination guide clarifies the policies and procedures for examining certain types of proposed marks that consumers would view as merely communicating information rather than indicating the source.
- h. Supreme Court, Federal Circuit (“CAFC”), and TTAB Case Updates and Guidance; Trademark Rules Guidance. Staff was provided examination guidance regarding: (1) Section 2(a)’s disparagement provision after the Supreme Court’s decision in *Matal v. Tam* and Section 2(a)’s scandalousness provision; (2) surnames combined with wording; and (3) the application of the final rules regarding revivals, reinstatements, and petitions to the Director. Summaries of precedential cases from the CAFC and the TTAB were provided quarterly.

3. Initiatives Completed in FY 2017.

- a. TMEP Updates. The USPTO issued updates to the TMEP in October 2016 and April 2017. The TMEP represents a valuable resource, both for applicants and for Examining Attorneys, and the TPAC commends Trademark Operations for providing ongoing and regular updates to the TMEP.
- b. Examination Guides. Between updates to the TMEP, the Office occasionally provides guidance on specific issues through the issuance of Examination Guides. Typically, Examination Guides supersede the current edition of the TMEP to the extent any inconsistency exists and the guidance contained is usually incorporated into the next edition of the TMEP. In June 2017, an Examination Guide was issued regarding examination of

applications for compliance with Section 2(a)'s scandalousness and disparagement provisions. In *Matal v. Tam*, the Supreme Court held that the disparagement provision violates the Free Speech Clause of the First Amendment. Accordingly, applications that received an advisory refusal under the disparagement provision and were suspended will be removed from suspension and examined for any other requirements or refusals. The scandalousness provision remains the subject of active court litigation involving its constitutionality. Therefore, the USPTO continues to examine applications for compliance with that provision according to the existing guidance in the TMEP and Examination Guide 01-16.

In July 2017, an Examination Guide was issued that clarified the policies and procedures for examining certain types of proposed marks that consumers would view as merely communicating information other than source.

In August 2017, two Examination Guides were issued. In light of precedential decisions issued by the TTAB and the CAFC, the first provided updated guidance regarding the policies and procedures for examining marks containing wording in addition to a term that, standing by itself, is primarily merely a surname under Section 2(e)(4). The second guide summarized the final rule entitled "Revival of Abandoned Applications, Reinstatement of Abandoned Applications and Cancelled or Expired Registrations, and Petitions to the Director" and its implications for trademark applicants and registrants.

- c. ID Manual. The ID Manual lists identifications of goods or services and their respective classifications that Examining Attorneys will accept without further inquiry if the specimens of record support the identification and classification. Although the listing of acceptable identifications is not exhaustive, it serves as a guide to Examining Attorneys and to those preparing trademark applications on what constitutes a sufficiently "definite" identification.

On January 1, 2017, the TMNG ID Manual ("TMNG-IDM") became the sole identification manual for external customers and the vast majority of internal users. The USPTO continues to receive feedback from internal and external customers regarding the TMNG-IDM and has implemented several of the suggested changes. For example, internal and external users now have the ability to sort search results using primary and secondary criteria ("double sorting"). A feature was also added to allow internal users of TMNG-IDM to save their display preferences. As an

alternative to the default stemming setting, users may return more precise search results using the “Exact” search mode. The display of search results was also improved to return more search results per page.

On January 1, 2017, the Eleventh Edition of the Nice Classification, version 2017, came into force. These changes had an impact on the USPTO’s examination policy and examination practice. A complete list of those changes can be found by setting the “Effective Date” field in the Next Generation ID Manual to the Operator “=” then typing the date “01/01/2017” and pressing the “Search” button.

- d. TEAS Enhancements. A number of enhancements to the Trademark Electronic Application System (“TEAS”) were completed in FY 2017. Improvements include new wizard questions and language changes related to the rule on revivals, reinstatements, and petitions to the director, simplified success screens and filing receipt language, new mark drawing validation, and telephone number standardization.
- e. Website enhancements. In an effort to improve the Trademark website, a customer experience administrator and two plain language writers were hired to make information more accessible to the general public. Other improvements include a new maintenance tab in the Trademark Status Document Retrieval (“TSDR”) system to assist customers in determining when maintenance documents are due. MyUSPTO, a personalized homepage for managing IP portfolios, was improved to add widgets to provide specific capabilities and more are on the way. One of the most important new widgets is “Trademark Docket,” which allows trademark owners or practitioners to create an unlimited number of trademark portfolios, or “collections,” of up to 1,000 trademarks per collection. The number of Trademark Docket users now stands at approximately 2,500, a total growing by 50 new users each week. The widget “Trademark Official Gazette Watch” is also proving popular. Additional MyUSPTO developments for FY 2018 are expected to include the widget “Trademark Form Finder” and an application-filing widget called “Trademark Simple File.” In addition, a mobile trademark application was added to Github to provide push notifications anytime the status of one or more particular applications has changed.
- f. Trademark Expo. The National Trademark Expo was held on October 21 and October 22, 2016 in Washington, D.C. The event was designed to educate the public about the instrumental role that

trademarks play in business development and the value of trademarks for growth in the global marketplace.

The theme of the Expo was “Movement and Energy.” Highlighting key themes such as “Unusual Trademarks” and “Brand Evolution,” the Expo offered a variety of educational seminars including “Trademark Basics,” “Applying to Seek Federal Registration,” “What Happens After Federal Registration,” and “Why Buy Legit.” A number of leading corporations, small businesses, and governmental agencies participated, highlighting their trademarks and providing information on the benefits of federal trademark registration. The Expo featured exhibits and display cases of authentic goods alongside counterfeit goods, including a display by the Indian Arts and Crafts Board. Exhibits addressed that losses to U.S. businesses from counterfeiting of trademarked consumer products are estimated at billions of dollars and hundreds of thousands of jobs annually, and create serious public health risks and safety hazards. The USPTO is planning another TM Expo for the fall of 2018.

- g. Rulemaking. In FY 2017, Trademark Operations issued four final rules.
- (1) Trademark Fee Adjustment. On October 21, 2016, the USPTO published a final rule to set or increase certain trademark fees as authorized by the AIA. The adjusted fees allow the Office to recover the aggregate estimated cost of Trademark and TTAB operations and USPTO administrative services that support Trademark Operations. The new fees became effective January 14, 2017.
 - (2) International Trademark Classification Changes. On November 4, 2016, the USPTO published a final rule to incorporate classification changes adopted by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks. The changes became effective January 1, 2017 and are listed in the International Classification of Goods and Services for the Purposes of the Registration of Marks (11th ed., ver. 2017).
 - (3) Changes in Requirements for Affidavits or Declarations of Use, Continued Use, or Excusable Nonuse in Trademark Cases. On January 19, 2017, the USPTO published a final rule concerning the examination of affidavits or declarations of continued use or excusable nonuse filed pursuant to Section 8 or affidavits or declarations of use

filed pursuant to Section 71. Specifically, the USPTO is authorized to require the submission of information, exhibits, affidavits or declarations, and such additional specimens of use as may be reasonably necessary for the Office to ensure that the register accurately reflects marks that are in use in the United States for all the goods or services identified in the registrations, unless excusable nonuse is claimed in whole or in part. The rule originally published with an effective date of February 17, 2017. Pursuant to a memorandum from the Assistant to the President and Chief of Staff that froze regulatory actions pending review, the effective date was delayed until March 21, 2017.

- (4) Revival of Abandoned Applications, Reinstatement of Abandoned Applications and Cancelled or Expired Registrations, and Petitions to the Director. On October 28, 2016, the USPTO published a Notice of Proposed Rulemaking (“NPRM”) to amend its rules regarding petitions to revive abandoned applications and petitions to the Director regarding other matters, and to codify USPTO practice regarding requests for reinstatement of abandoned applications and cancelled or expired registrations. The intent of the proposed changes was to provide more detailed procedures regarding the deadlines and requirements for requesting revival, reinstatement, or other action by the Director, which would ensure that the public has notice of the deadlines and requirements for making such requests, facilitate the efficient and consistent processing of such requests, and promote the integrity of application/registration information in the trademark electronic records system as an accurate reflection of the status of applications and registrations. The comment period ended December 27, 2016. After consideration of the comments received, the USPTO published a final rule on June 29, 2017, which became effective July 8, 2017.

4. Ongoing Initiatives.

- a. Regulatory Reform. The USPTO has assembled a Working Group on Regulatory Reform to consider, review, and recommend ways that USPTO regulations can be improved, revised, and streamlined. The Working Group was formed to implement Executive Order 13771, titled “Presidential Executive Order on Reducing Regulation and Controlling Regulatory Costs.” Members of the public may submit their ideas to improve, revise, and streamline USPTO regulations to the following website:

RegulatoryReformGroup@uspto.gov. As part of this initiative, the TTAB identified the rules governing trademark interferences as candidates for removals. A NPRM regarding removing these regulations published on October 18, 2017. The Working Group will continue to review the Trademark rules for additional candidates for removal or revision.

b. Efforts to Improve the Accuracy of Identifications of Goods or Services in Registrations. In FY 2015, Trademark Operations concluded a pilot program in which 500 randomly-selected registrations were reviewed, to test whether registrants could support claims of use on multiple goods or services. The statistics from the pilot supported implementing ongoing measures to improve the accuracy and integrity of the Trademark Register as to the actual use of marks with the goods or services included in registrations. To that end, the USPTO is taking steps to implement proposals to increase the solemnity of the declaration filed with Sections 8 and 71 Declarations of Use, and to institutionalize random audits of such declarations.

(1) In response to the recommendation regarding declarations, the USPTO evaluated the declaration language in the post-registration and other use-related forms and concluded that the issue is not the solemnity of the declaration language, but instead that signatories may not be carefully reading and appreciating the significance of the attestations they are making. The USPTO believed that the prior formatting of the declaration paragraphs did not promote sufficient reflection on the language by the signatory before he or she signs a document. Therefore, the USPTO decided to reformat the verified statements made in connection with applications and allegations of use, in addition to those required for post-registration affidavits, to separate out the clauses to improve readability and to require the signatory to check a box next to each statement in order to validate an electronic submission. In addition, the updated forms include an explicit statement reiterating what is already required pursuant to 37 C.F.R. § 11.18(b) of all signatories of documents submitted to the USPTO. The USPTO believes that requiring signatories to focus on the declaration language best achieves the goal of increasing the signatory's appreciation of the solemnity of the statements he or she is making. Reformatting the statements and requiring applicants and registrants to check a box indicating that he or she has read each statement in order to validate an electronic submission will hopefully encourage accuracy in the identification of goods or

services/collective membership organizations for which use or continued use is claimed. The USPTO posted the declarations for comment on the IdeaScale® online collaboration tool on July 28, 2016, and the comment period ended August 28, 2016. The USPTO is in the process of implementing these new forms.

- (2) As noted above, the USPTO also published a final rule concerning the examination of affidavits or declarations of continued use or excusable nonuse filed pursuant to Section 8 or affidavits or declarations of use filed pursuant to Section 71. The rule allows the USPTO to require additional proof of use to verify the accuracy of claims that a trademark is in use in connection with particular goods or services identified in the registration. The USPTO is currently seeking stakeholder input regarding proposed procedures for implementing the rule.

- c. Pilot on Amending Goods or Services to Reflect Evolving Technology. On September 1, 2015, the USPTO commenced a pilot program to allow, under limited circumstances, amendments to identifications of goods or services in trademark registrations that would otherwise be beyond the scope of the current identification. Amendments may be permitted where they are deemed necessary because evolving technology has changed the manner or medium by which the underlying content or subject matter of the identified goods or services are offered for sale or provided to consumers. This piloted change in trademark practice takes into account the policy goal of preserving trademark registrations in situations where technology in an industry has evolved in such a way that amendment of the goods or services in question would not generate a public-notice problem. The USPTO posted on its website the requirements for seeking such amendments as well as a non-exhaustive list of acceptable amendments under the new practice, along with a sample declaration: <http://www.uspto.gov/trademark/trademark-updates-and-announcements/recent-postings>. These materials will be updated periodically as amendments are permitted. Also, a new technology evolution webpage (located at <https://www.uspto.gov/trademarks-maintaining-trademark-registration/amending-your-registration-s-goods-services-when>) was launched in June 2017 to consolidate all information and answer frequently asked questions regarding the pilot program.

Since September 1, 2015, 135 petitions have been filed under the pilot program. Of the 135 petitions filed, 68 have been granted, 32 have been dismissed on procedural grounds, 23 have recently been

published for public comment, but no decision has issued, two petitions have been denied for failure to respond, and 10 are pending.

- d. Consistency Initiative. The USPTO determined that it would be useful to both its customers and the Office to make its Consistency Initiative Pilot Program a permanent program. As originally envisioned by the Office, the Consistency Initiative serves as a valuable instrument for applicants to raise concerns about any instances of inconsistent practice within the Office and to promote overall high-quality examination. An applicant may bring to the attention of the Office situations where, in applicant's opinion, the Office has acted inconsistently in its treatment of applicant's pending applications/recent registration(s). For requests that address substantive or procedural issues, applicants' requests may include registrations that have issued within five years. For requests involving identifications of goods and services, applicants may submit a request when an identification issue(s) has been addressed in a significantly different manner in different cases, excluding applications and registrations based on the Madrid Protocol. The USPTO posted on its website the provisions for submitting such requests at <https://www.uspto.gov/trademark/trademark-updates-and-announcements/consistency-initiative>. The Consistency Initiative is not meant to discourage applicants from first contacting the assigned Examining Attorneys to address consistency issues. On the contrary, applicants are encouraged to do so because of the Examining Attorneys' familiarity with and knowledge of the issues raised in their Office actions.
- e. Fraudulent Solicitations. In August 2017, the USPTO co-hosted its first ever public roundtable on fraudulent solicitations with the TPAC. The objectives of the event were to educate the public about the problem of misleading or fraudulent advertisements for trademark services, to learn more about what other government agencies were doing, and to brainstorm new ideas for tackling this complex issue. The topic has gained increased attention as applicants and registrants have paid fees to private companies while mistakenly thinking they were paying fees required by the USPTO.

Joseph Matal, who is performing the duties of the USEC, spoke at the roundtable, as well as 11 public speakers and seven government speakers from the USPTO, U.S. Department of Justice, U.S. Postal Inspection Service, Federal Trade Commission, Small Business Administration and U.S. Customs and Border Protection.

The USPTO also continues to increase awareness of the issue of solicitations from companies fraudulently promising to protect trademarks through notices and warnings to users. The TPAC commends the Office for these efforts.

B. IT and E-Government Issues.

1. Status of Trademarks Next Generation.

- a. Overview. The USPTO has been working on Trademarks Next Generation (“TMNG”), an advanced, cloud-based IT system to perform end-to-end trademark processing, for over seven years. The USPTO now recognizes that its original goal of developing and implementing the system in four years or less was overly optimistic. Nevertheless, although the USPTO has identified a variety of reasons for the significant delay and increased cost, the TPAC remains troubled that this project has taken so long and cost so much.

We note that the Inspector General (“IG”) of the DOC announced on January 3, 2017, that it is conducting an audit with the stated objective of determining whether the USPTO has provided effective program management of TMNG implementation. The TPAC looks forward to reviewing the IG’s report.

- b. Phases of TMNG. The USPTO has divided the TMNG project into three phases (none of which includes the TTAB):
- (1) TMNG: FY 2011-FY 2015 (Complete); focused on design and development of trademark examination capabilities and concentrated on building the TMNG infrastructure and framework.
 - (2) TMNG-2: FY 2015-FY 2019 (Active); completing the development of, and delivering, trademark examination capabilities and non-examination capabilities such as Madrid applications and Petitions to the Director.
 - (3) TMNG-External: FY 2013-FY 2018 (Active); developing and delivering TMNG capabilities to support external trademark customers.

As discussed more fully below, completion of TMNG-2 will take at least two years longer than projected in the already delayed schedule that the Office of the Chief Information Officer (“OCIO”) announced in FY 2015, and completion of TMNG-External will take at least a year longer than projected in that schedule.

- c. Delay and Increased Cost. As discussed more fully in Section 2 below, the news is not all bad. Some aspects and features of TMNG have been implemented—for example, in 2012 the USPTO implemented the Trademark Quality Review System and the TSDR; the Electronic Official Gazette (“eOG”) became fully operational in 2013 and has been enhanced since then; and TMNG-IDM became fully operational earlier this year and is now the sole identification manual for external customers. Also, despite the effort it is expending on TMNG, the OCIO has nevertheless managed to develop and deploy enhancements to the Trademark Operations’ and the TTAB’s legacy systems, including TEAS/TEASi, ESTTA, and TTABIS.

Unfortunately, what could be characterized as the heart of TMNG, the examination tool, or “TMNG Examination,” which USPTO trademark attorneys will use to process applications, has encountered serious difficulties in beta-testing. Most notably, difficulties have been encountered with the custom word-processing editor that the USPTO developed and has now replaced with a commercial, off-the-shelf (“COTS”) product. Because of the unknown amount of work and time that will be required to integrate the COTS product into TMNG Examination, the OCIO now estimates that beta-testing of the examination tool will not be completed until the third quarter of FY 2018. In addition, the OCIO now estimates that full rollout of the tool to all trademark law offices will not be completed until the second quarter of FY 2019—almost three years after the original projection of “the first half of FY 2016,” as documented in the TPAC Annual Report for 2015.

Other key aspects and features of TMNG are not as far along as TMNG Examination. For example, the business requirements for TMNG Madrid, TMNG Petitions, and TMNG eFile are still being defined. That situation begs the question of why, as the TPAC noted in its FY 2015 Annual Report, the OCIO then expressed a high degree of confidence that TMNG would be in place no later than the end of FY 2017. In that report, the TPAC noted that, in its view, “delaying full implementation of TMNG beyond [FY 2017] would be and should be unacceptable.”

Disappointingly, the USPTO and the trademark community have no option but to accept the delay of TMNG’s full implementation. In the TPAC’s view, the USPTO is too far down the TMNG road to turn back now, and there are no viable options other than to complete the essential elements of the system and deploy it as quickly as possible, with the understanding that improvements and enhancements will certainly be required soon thereafter.

Not surprisingly, the extra years of development that TMNG has required—and may still require—have added exponentially to its cost. The 2011 estimate for developing TMNG, including its TTAB component, was \$53 million. The TPAC’s Annual Report for FY 2016 noted that the total projected cost had then ballooned to \$202 million through the end of FY 2018, not including the TTAB portion, which was then being re-estimated. The USPTO’s latest estimate is that the total cost of TMNG, including post-FY 2018 spending but again not including the TTAB portion, will be at least \$260.7 million. (The “Budget and Funding Issues” section below provides a more detailed breakdown of the relevant figures through FY 2018.) As a result, the latest estimate is almost five times higher than the original projection which, as the TMNG history suggests, may prove to be low.

- d. Identifying the Major Causes. The USPTO recognizes that developing TMNG has taken far longer and cost far more the original plan. Some of the major causes for the problem are:
- (1) People: Insufficient government staff to execute and integrate parallel TMNG projects and below-average performance by the USPTO’s TMNG contractors;
 - (2) Process: Several issues, namely, requirements volatility, immature Agile implementation and practices, and a lack of integrated testing activities; and
 - (3) Technology: Challenges such as needing to replace both the TMNG custom editor (with a COTS product) and TMNG’s Case Management Tool.

Most and perhaps all of these issues were foreseeable. In its Annual Report for 2015, the TPAC expressed concern about both government-staffing issues and about potential problems with the Agile development process. Also, the OCIO’s rationale for developing a custom editor when several proven COTS editors were readily available was never entirely clear and raised concern within the TPAC. In fact, it now appears that the decision to develop a custom editor instead of simply using a proven COTS product may have been the most significant cause of delay in the TMNG project.

Moreover, given that the USPTO is now citing insufficient government staff as contributing to the delay of TMNG, the TPAC is surprised that the OCIO represented to the TPAC last year that it “focused in FY 2016 on hiring people to fill its IT positions that support the TMNG project” and that consequently “unfilled

trademark-focused positions within the OCIO are apparently no longer . . . contributing to the delay of TMNG.”

One additional delaying issue that the USPTO has not noted, at least not to the TPAC, is the turnover in OCIO managers for the TMNG project. In the last year alone there have been two permanent managers and one acting manager. That change in leadership of the project and any associated confusion, reorganization, and redirection likely contributed, perhaps significantly, to the many other problems besetting TMNG.

e. The Joint TMNG Team. In what should be a helpful, if somewhat belated, step to address the foregoing issues and other difficulties with TMNG development, especially development of TMNG Examination, the USPTO has formed a joint OCIO, Trademark Operations, and USEC team to focus on the problems and agree on a path forward to:

- (1) Complete development and deployment of a fully operational TMNG Examination product to an expanded user group;
- (2) Integrate the COTS editor chosen by the team into TMNG Examination; and
- (3) Perform a third-party analysis of TMNG Examination to include areas such as requirements, user stories and tasks, system architecture, software/code, code analysis tool, defects and other related documentation.

The team’s objectives include:

- (1) Identifying critical success factors (“CSFs”) to define when TMNG Examination will be “done”;
- (2) Mapping work items (user stories and defects) to the CSFs and creating and clarifying user stories;
- (3) Scheduling work items into future development sprints; and
- (4) Defining testing expectations.

One result of the team’s work is a detailed definition and schedule of what must be done to complete the development of TMNG Examination and roll it out to all Trademark Law Offices. The TPAC will be interested in seeing how the team’s work progresses and how its efforts might help TMNG development move forward more effectively and efficiently.

2. TMNG-2 Accomplishments in FY 2017.

The USPTO has highlighted to the TPAC the following accomplishments with respect to TMNG-2 in FY 2017:

- a. Trademark Examination (developing an end-to-end electronic workflow for trademark examining attorneys):
 - (1) Deployed enhancements and significant defect fixes based on the feedback from the beta testers; beta testing in the production environment continues;
 - (2) Completed analysis of trademark examiner docket workflows and deployed all docket capabilities into the production environment for further testing; and
 - (3) Selected a COTS product to replace the TMNG custom editor.
- b. TMNG Content Management System (“CMS”): Continued with migration of registered marks (6+ million) and TTAB .pdf documents (0.9+ million) dating from January 1970 to present.
- c. Trademark Status and Document Retrieval (“TSDR”): Deployed a new maintenance tab for registered marks in TSDR. The tab displays the due date for the next required maintenance filing.
- d. Staffing:
 - (1) Increased the number of beta testers of the Trademark Examination tool to 70+ examining attorneys, managing/senior attorneys, and Trademark Quality Review attorneys (although none are engaged in beta-testing on a full-time basis).
 - (2) Added government staff (*i.e.*, Product Owners and Business Analysts) to execute and integrate parallel TMNG projects.

3. TMNG-External Accomplishments in FY 2017.

The USPTO has highlighted to the TPAC the following accomplishments with respect to TMNG-External in FY 2017:

- a. eOG: Deployed enhancements for the eOG based on user feedback:
 - (1) Ability to create registration certificates and updates to registration certificates in .pdf form;

- (2) Retired the Trademark In-House Photocomposition System (also known as “TIPS”); and
 - (3) Retired the Official Gazette Review System (also known as “OGRES”).
 - b. TMNG ID Manual (“IDM”):
 - (1) Now fully operational; legacy systems are utilizing new IDM as of January 2017; and
 - (2) Deployed enhancements for the IDM based on user feedback.
 - c. TMNG eFile: Initiated a competitive acquisition for TMNG eFile.
- 4. Legacy Systems Accomplishments in FY 2017.

With respect to the USPTO’s legacy (*i.e.*, pre-TMNG) trademark systems, the OCIO has highlighted to the TPAC that various enhancements were deployed to the following legacy systems in FY 2017:

- a. Trademark Electronic Application System (“TEAS/TEASi”);
- b. Electronic System for Trademark Trial and Appeals (“ESTTA”); and
- c. Trademark Trial and Appeal Board Information System (“TTABIS”).

C. Budget and Funding Issues.

1. Fee Collection.

Total trademark fees collected in FY 2017 are \$305 million representing an increase of 9.9% over collections in FY 2016. With prior fiscal year Operating Reserve and other sources of income, \$417.4 million in total resources were available. Total spending was \$296.8 million, resulting in \$120.6 million projected to be available in the Operating Reserve at the beginning of FY 2018.

The optimal Operating Reserve target—set at four months operating expenses when last assessed in FY 2015—was reassessed in FY 2017 resulting in a recommendation to increase the optimal level to five months beginning FY 2018. In addition, the USPTO Operating Reserve Policy was updated to allow projected reserve balances to exceed the optimal level by up to 25%, which would permit the reserve to increase to six months of operating expenses. This additional flexibility acknowledges

the high degree of variability in trademark fee collections. The optimal reserve target is reviewed every two years to assess the likelihood and consequence of risks to ensure an appropriate reserve level is maintained to mitigate the uncertainty and complexity of the operating environment. The TPAC noted in the 2016 Annual Report that it would monitor the Operating Reserve with a goal of maintaining a six-month reserve of trademark operating expenses. The TPAC appreciates the efforts to review the Operating Reserve targets every two years and is pleased to see the new five month optimal level with the 25% acceptable planning variance. In the past, significant unanticipated spending on the IT side has impacted the Operating Reserve and the TPAC will continue to monitor the impact of IT budgeting and spending on the health of the Operating Reserve.

2. Impact of 2017 Fee Adjustment.

The USPTO continually strives to balance the fees according to office needs because of workload ebbs and flows, and to incentivize behaviors for the users to encourage greater use of the electronic systems. The TPAC commends the due diligence of the Trademark Operations.

In 2017, the USPTO increased all fees for filing paper applications to address the additional cost of processing paper applications and to further encourage electronic filing. The fee for filing the initial application on paper increased the most, from \$375 to \$600 per class. The fee for filing a regular TEAS application increased from \$325 to \$400 per class. The lowest cost TEAS Plus filing option, remained \$225 per class. Finally, the TEAS RF introduced in 2015 at \$275 per class remained unchanged. The fees associated with the electronic filing of extensions to file a statement of use were lowered by \$25 per class and the fee for electronic filing of an affidavit of use increased by \$25 per class.

TTAB fees were increased and new fees were established. The per class fee for filing a petition to cancel, filing a notice of opposition and *ex parte* appeal were all increased by \$100 for filing electronically or \$200 for filing on paper. A tiered structure for per application fees for requests to extend the time for filing an opposition was established. The initial 30-day extension does not require a fee. Subsequent 60-day extension requests are \$100 for an electronic filing and \$200 for a paper filing. (An initial extension of 90 days remains available, so long as the filer pays the fee attributable to the 60-day portion beyond the initial 30-day extension.) A final 60-day extension is \$200 for electronic filings and \$300 for paper filings. The objectives of the fee changes were to encourage potential opposers to make decisions sooner; to reduce the time for concluding cases by beginning proceedings earlier, and to protect the integrity of the register.

3. Financial Advisory Board.

The Financial Advisory Board (“FAB”) overseen by the Office of the Chief Financial Officer, OCIO, and Patent and Trademark executives provides oversight, accountability, and analysis for financial activities, ensuring funding is sufficient to carry out the mission and objectives of the USPTO. The FAB reviews fee proposals and annual agency spending requests to ensure consistent practices to mitigate financial and operational risk. The FAB oversaw the biannual fee review for setting patent and trademark fees, reviewed budget spending plans and funding to ensure financial resources were sufficiently managed within expected revenues and reviewed delivery on performance commitments. The revalidated FY 2018 plans and the FY 2019 budget request are based on a positive financial outlook. Trademark revenues and operating reserves are sufficient to fund planned hiring and spending requests, as well as increases for continuing TMNG projects.

4. Direct v. Indirect Spending.

Total trademark fee collections account for approximately 10% of the total USPTO fee collections. The Trademark share of USPTO’s FY 2017 expenses was 9.4%. Direct expenses for Trademark Operations and the TTAB accounted for 50.5% of trademark fee collections. Spending on trademark and TTAB IT systems was 15.3% of total trademark expenses. Including the trademark share of supported IT products, services, and support, OCIO expenses comprised 30% of total trademark expenses. The remainder of the trademark spending (19.5%) is based on a cost allocation for supporting administrative services within the USPTO, which include infrastructure for agency-wide information technology, human resource management, financial management, legal services, policy and international activities, and USPTO administration and management. It is noted again that in 2017, the allocation percentage for trademark user fees for administrative services or allocated indirect expenses within the USPTO showed improvement from previous years. While the percentage share of user fees is still higher than that allocated to patent user fees, the allocated amount as a share of spending has come down. This has been an area of concern for the TPAC. The TPAC will continue to monitor these allocations and discuss any appropriate adjustments with the USPTO.

5. Spending in Trademarks for Trademark Information Technology.

In 2017, the IT Subcommittee and Budget Subcommittee worked more closely in monitoring budget versus spending for IT, which accounts for 29.3% of direct trademark spending in 2017. Particular focus was paid to the deliverables in TMNG, where \$29.4 million was obligated through July 2017 for work that began this fiscal year. Work continued on a separate phase, TMNG-2 (begun in 2015), which includes several new

projects. The following figures show the current plan for projected total investment (spent and projected) of trademark users' fees for all individual projects planned and completed from 2013-2018 as of July 2017.

TMNG	\$66,895,000—completed FY 2015
TMNG-2	\$172,431,000
TMNG-External	\$21,385,000
TMNG-TTAB	To be determined
Total	\$260,711,000

6. Enterprise Services (formerly Shared Services).

The USPTO has been participating in a working group with the DOC on its shared services project known as “Enterprise Services.” The objective of the project is to ensure that all DOC bureaus have access to high quality mission support services in the core areas of Human Resources (“HR”), Acquisition, Financial Management (“FM”), and Information Technology (“IT”). As one of the largest organizations within the DOC and due to its specialized technical needs, the USPTO has previously made significant investments in financial management, acquisition, human resource, and IT systems. The USPTO has maintained arrangements for payroll processing and human resources systems that operate under a shared arrangement through DOC with other departments. Whereas the Enterprise Services initiative may help some of the smaller bureaus with more limited capabilities acquire new services, the TPAC is concerned that it will do so at the expense of the USPTO. Resources might be diverted from USPTO fees to pay for facilities or services the USPTO may be unable to use due to its specialized needs, at the expense of the USPTO’s operating reserve and its ongoing commitments to improve its own systems. It should be noted that, while the DOC and its bureaus are funded through tax revenues, the USPTO is funded entirely through user fees. Furthermore, reliance on shared DOC services could potentially undermine the USPTO’s independence, which was clearly provided for by Congress in both the statutes establishing the USPTO and again more recently in the Leahy-Smith America Invents Act. For these reasons, the TPAC believes it is critical to monitor closely any possible diversion of user fees paid by trademark owners and inventors to protect their brands and innovations to general DOC functions.

D. Trademark Trial and Appeal Board.

The TPAC commends Chief Judge Rogers and the TTAB for the proactive initiatives they have taken over the past fiscal year to (1) improve case pendency at the TTAB; (2) improve and clarify the TTAB rules of practice; and (3) propose

a streamlined cancellation proceeding for abandonment and non-use. The TTAB's proposal for a streamlined cancellation proceeding is in its early stages. TPAC provided some preliminary comments to the TTAB, but does not yet have enough information to comment on the wisdom of the proposal until the TTAB further develops it.

1. Changes to TTAB Rules of Practice.

Effective January 14, 2017, the TTAB implemented substantial changes to its rules of practice. As addressed in last year's annual report, the new rules were the culmination of significant internal examination of processes and procedures by the TTAB and extensive outreach to practitioners and stakeholder organizations over the past several years. The focal points for the new rules included consideration of internal and external suggestions for improvements to its prior rules, leveraging into all trial cases efficiencies used in Accelerated Case Resolution proceedings, and ensuring that TTAB proceedings would continue to meet the needs of both the USPTO and parties to such proceedings. The Final Rule was published in the Federal Register (81 Fed. Reg. 69950) on October 7, 2016, with a Correction Notice (81 Fed. Reg. 89382) published on December 12, 2016, and the changes took effect on January 14, 2017. On July 21, 2017, another Final Rule published (82 Fed. Reg. 33804) clarifying two of these changes.

While the TPAC and its various members may not have agreed with every rule change, we commend the TTAB for its thoughtful and inclusive process in developing these new rules. Some of the major changes in the TTAB's Final Rule include the following:

- a. All submissions to the TTAB must be filed electronically through the TTAB's Electronic System for Trademark Trials and Appeals (ESTTA). Paper filings must be accompanied by a Petition to the Director including the petition fee (for extensions of time to oppose and trial case pleadings) or accompanied by an explanation of reasons for not using ESTTA (for all other filings during proceedings).
- b. The TTAB has resumed the responsibility to serve the initial pleading in *inter partes* proceedings (e.g., the Notice of Opposition or Petition for Cancellation) on the Defendant, and will do so by email whenever possible. Rather than serving a paper or .pdf copy of the complaint, the Board will serve it in the form of a link to, or web address for the electronic case file in, TTABVUE in the notice of institution.
- c. Service of all papers by the TTAB on the parties will be by email whenever possible. The parties also must serve all papers between

them by email, unless they stipulate otherwise to accommodate other methods of communication where email is not practical (e.g., file hosting services with cloud storage, delivery of USB drive, etc.). In view of mandatory email service, the additional five days previously added to response periods to account for mail delays is removed in the final rule (though the response period for most filings has been extended by five days).

- d. As with interrogatories, requests for production and requests for admission are limited to 75, including sub-parts and compound questions, with the option of requesting leave to serve additional requests upon good cause shown. One additional comprehensive request for admission is permitted for authentication of documents produced by the other party, and which the requesting party plans to introduce at trial. This facilitates introduction of produced documents by the Board's Notice of Reliance procedure.
- e. Parties now have the right to submit trial testimony by declaration or affidavit. However, the adverse party has the right to take testimonial depositions to cross-examine each declarant/affiant. The party submitting trial testimony of a witness by declaration/affidavit has the obligation to make that witness available for cross-examination, but the cross-examining party bears the expense of the cross-examination. The notice to take a cross-examination deposition must be served on the adverse party and filed with the Board within 20 days after the declaration/affidavit is served, and the deposition must be completed within 30 days after the notice is served.
- f. Deposition testimony must be filed in full-sized format, not condensed with multiple pages per sheet, to aid Board review.
- g. All discovery must be completed during the discovery period. Thus, discovery requests must be served sufficiently in advance of the discovery deadline such that the responses are due and documents produced or inspected on or before the deadline.
- h. The deadline for filing motions to compel discovery or to determine the sufficiency of responses to requests for admissions (see clarification below) is prior to the day of the deadline for the plaintiff's pretrial disclosures for the first testimony period.
- i. Certain requirements for Notices of Reliance have been updated to reflect current TTAB practice (e.g., submitting printouts of Internet documents), and to standardize the requirements for the covering notice regardless of the type of evidence being filed.

- j. Parties, examining attorneys, and Board members may elect to attend hearings remotely through video conference.

Furthermore, a Final Rule entitled “Miscellaneous Changes to TTAB Rules of Practice: Clarification” was published (82 Fed. Reg. 33804), with immediate effect, to clarify in particular that:

- k. The following motions must be filed before the day of the deadline for pretrial disclosures:
 - (1) Motions to compel discovery.
 - (2) Motions to test the sufficiency of responses or objections to requests for admission.
 - (3) Motions for summary judgment.
- l. The purpose of these amendments was to promote efficiency and predictability in the procedure and process of trial cases and to ensure that parties and practitioners would read the rules as intended when first amended.

Also in January 2017, the TTAB’s Trademark Board Manual of Procedure (“TBMP”) was revised in conjunction with the deployment of the amended rules of practice, as an out of cycle revision intended to aid practitioners and parties involved in TTAB cases; and then was revised again in June 2017, on the regular revision schedule for the TBMP.

2. Changes to TTAB Fees.

On October 21, 2016, the USPTO issued a Final Rule (81 Fed. Reg. 72694) adjusting various trademark fees, including some TTAB fees, effective January 14, 2017. Given that the TTAB had not increased its fees or added new fees in many years, and the overall cost of TTAB operations is largely subsidized by fee revenue from trademark applicants and registrants, the TPAC supported the upward fee adjustments charged by the TTAB.

The TTAB fee adjustments included:

- a. Increasing the fee for filing a Notice of Opposition or Petition for Cancellation from \$300/class to \$400/class (if filed electronically) or \$500/class (if filed by paper).
- b. Increasing the fee for filing an *Ex Parte* Notice of Appeal from \$100/class to \$200/class (if filed electronically) or \$300/class (if filed by paper).

- c. Instituting a three-tiered fee structure for requests for an extension of time to oppose an application: (1) no fee for a first request for a 30-day extension; (2) \$100/application for a second request for an additional 60-day extension for good cause, if filed electronically (\$200/application if filed by paper); (3) \$200/application for a final 60-day extension with consent of the applicant or with a showing of extraordinary circumstances, if filed electronically (\$300/application if filed by paper). NOTE: A potential opposer still may request a 90-day extension, rather than a 30-day extension, but will have to include a showing of good cause in such first request, and the second tier fee will apply (\$100/application if filed electronically, \$200/application if filed on paper).

3. Information Technology Changes.

On January 14, 2017, the USPTO made Information Technology (“IT”) changes to its systems to accommodate the revisions to the TTAB’s rules of practice:

- a. Updated the ESTTA filing form for extensions of time to oppose to provide for collection of the new extension fees.
- b. Deleted the ESTTA screen for specifying the method of service by the plaintiff of a new complaint.
- c. Added “email” and “other forms of electronic transmission” as options under the certificate of service specification on the Consent Motions and Change of Address forms.
- d. Enhanced the capacity and flexibility of party email address fields.
- e. Updated processing of extensions of time to oppose, notices of appeal from an examining attorney’s refusal of registration, and notices of opposition, to facilitate electronic processing and notifications to parties by email (and halting issuance of postcards to parties).
- f. Added a link in notices of institution for oppositions, to the notice of opposition itself.
- g. Created and stored proceeding/briefing schedules (for internal TTAB use) for oppositions and appeals.

On June 17, 2017, the USPTO made the following Information Technology (“IT”) changes to its systems to accommodate the revisions to the TTAB’s rules of practice. The changes covered:

- h. Automatic institution of petitions to cancel where the registrant has authorized owner email address in TRAM.
- i. A new functionality: an updatable “current proceeding schedule” available to TTAB internal users (TTAB Administrative Trademark Judges (“ATJs”), Interlocutory Attorneys, and paralegals) to view and update.
- j. When filing a motion for summary judgment via ESTTA, the filer will be prompted to answer questions to assess the timeliness of the motion.
- k. When seeking review of a TTAB decision in an *inter partes* proceeding via ESTTA, the filer will be prompted to choose between Request for Reconsideration or Appeal (and whether the Appeal will be sought before the Federal Circuit Court of Appeals or before a federal District Court).

4. Changes to Standard Protective Order.

On June 24, 2016, the TTAB adopted a revised Standard Protective Order (“SPO”). The new SPO simplified procedures for designating information or documents as confidential, and maintaining them as such, by reducing the levels of protected information to two (“Confidential” and “Confidential-Attorneys’ Eyes Only (Trade Secret/Commercially Sensitive)”), and made various other minor changes to the prior SPO (summarized in the TPAC’s 2015 Annual Report at II.D.4.e.). TTAB leadership plans to obtain input from its interlocutory attorneys and publish for discussion on the TTAB IdeaScale for public input further proposed changes to the SPO. Members of the trademark bar and the public will be alerted to these proposed changes by a USPTO Trademark Alert email blast to subscribers. One issue under consideration in the modification of the SPO is the treatment of a party's confidential information when the adverse party is participating in a TTAB proceeding *pro se*.

5. Proposal for Streamlined Cancellation Proceedings for Abandonment and Nonuse.

On May 16, 2017, the TTAB published (82 Fed. Reg. 22517) a Request for Comments on a proposal for Streamlined Cancellation Proceedings on Grounds of Abandonment and Nonuse cases. Comments were due by August 14, 2017. TPAC, numerous bar groups, private entities and individuals submitted comments by the deadline. The TTAB also sponsored a public meeting on the merits of the proposed Streamlined Cancellation Proceedings on September 25, 2017. The TTAB’s proposed Streamlined Cancellation Proceedings could have the following features,

but further stakeholder outreach and the comments that would follow publication of a NPRM could alter these features before deployment of the option:

- a. Lower per-class fees than those charged by the TTAB in standard cancellation proceedings.
- b. A Petition for Cancellation that must include evidence supporting the Petitioner's standing and asserted grounds (whether those grounds be a total abandonment of the registered mark or non-use of the mark in connection with all or some of the goods/services in the registration).
- c. An Answer to the Petition for Cancellation that must include evidence of the Respondent's continued use of the mark in addition to the Respondent's admissions, denials and limited affirmative defenses. The Answer may not assert any counterclaims. Any claims of the Respondent would have to be asserted in a separate proceeding.
- d. Upon receipt of the Answer, Petitioner may (i) submit a Reply with rebuttal evidence in support of its standing and asserted grounds; (ii) withdraw the Petition without prejudice to later filing of a new petition on other grounds; or (iii) convert to a full cancellation proceeding with an Amended Petition, possible additional grounds for cancellation, and requisite additional fees.
- e. No provision for a suspension of proceedings unless there is concurrent court litigation that could have a bearing on the Board proceeding.
- f. One extension of time per party to file its pleadings (*i.e.*, the Answer and Reply).
- g. Limited discovery, provided only to the Respondent on the issue of Petitioner's standing.

6. Personnel.

As of the end of FY 2017, the TTAB had 24 Administrative Trademark Judges ("ATJs") (in addition to the Chief and Deputy Chief ATJs), 14 Interlocutory Attorneys (one attorney works a 60% schedule), a Managing Interlocutory Attorney, and 11 paralegals (in addition to a Lead Paralegal and a Supervisory Paralegal).

During the first quarter of FY 2017, the Board's most senior judge, Ellen J. Seeherman, retired from federal service. The TPAC would like to commend Judge Seeherman for her many years of excellent service.

Interlocutory Attorney Robert H. Coggins was promoted to Administrative Trademark Judge.

Two weeks prior to the start of FY 2017, the TTAB hired Christopher C. Larkin as an ATJ. The TPAC would like to congratulate and welcome Judges Larkin and Coggins to their new roles at the TTAB.

7. Performance Statistics.

In FY 2017, the TTAB continued its streak going back many years of meeting or exceeding virtually all of its performance goals and metrics. The TPAC once again congratulates the Board on its outstanding performance and service to the trademark community. Highlights of these statistics are set out below. Note that “average pendency” figures are calculated after excluding cases that resulted in issuance of precedential orders or decisions, or consideration of such issuance, and cases with anomalous prosecution histories (such as lengthy suspensions or remands). The resulting figures thereby provide more useful averages for those involved in the vast majority of typical proceedings and allow clients and counsel a more accurate estimate of how long it will take the Board to resolve typical cases or motions.

- a. In FY 2017, 6,156 Oppositions, 2,101 cancellation proceedings, and 3,158 appeals were filed (compared to 5,881 oppositions, 1,848 cancellation proceedings, and 3,121 appeals in FY 2016).
- b. The TTAB issued 37 precedential decisions in FY 2017 (within its target of 35-40 precedential decisions/year).
- c. Average pendency of all non-precedential final decisions (in both *ex parte* and *inter partes* cases) issued in FY 2017 was 7.8 weeks (compared to the TTAB’s goal of 10-12 weeks). The average for *ex parte* appeals was 7 weeks, and for *inter partes* cases was 10.4 weeks. Pendency is measured from the date the case becomes ready for final decision (“RFD”) to the date the final decision is issued.
- d. Average pendency of precedential decisions issued in FY 2017 was 23.2 weeks for final decisions in *inter partes* cases (compared to 32.5 weeks in FY 2016), 20.1 weeks for final decisions in *ex parte* cases (compared to 30.6 weeks in FY 2016), and 26.5 weeks for interlocutory orders (compared to 25 weeks in FY 2016).
- e. The TTAB issued final decisions disposing of a total of 649 cases in FY 2017 (compared to 688 in FY 2016), leaving the total inventory of cases ready for final decision at year end at 93 cases (compared with of the FY 2017 final inventory of 83 cases).

- f. The average “end to end” (commencement to completion) pendency of *inter partes* cases decided in FY 2017 was 157.2 weeks (compared to 154.3 weeks in FY 2016)—an increase of 1.9%. The median pendency of such cases was 148 weeks (compared to 142 weeks in FY 2016), an increase of 4.2%.
- g. The average “end to end” processing time for *ex parte* appeals decided in FY 2017 was 38.8 weeks (compared to 39.7 weeks in FY 2016), a decrease of 2.3%. Median pendency of such appeals was 31.5 weeks (compared to 34 weeks in FY 2016), a decrease of 7.4%.
- h. Average pendency of non-precedential decisions on contested motions issued in FY 2017 was 7.8 weeks (compared with a target of 8-9 weeks).
- i. The case with the oldest contested motion RFD at the end of FY 2017 was RFD for 10.7 weeks (compared with the goal of having no case at the end of any quarter RFD for more than 12 weeks).
- j. The inventory of contested motions RFD at the end of FY 2017 was 147 (compared with the target range of 145-175 motions).

E. International Matters.

1. IP Attaché Program.

The USPTO’s IP Attaché Program (“IP Attaché Program”), introduced in 2006 and managed by the Office of Policy and International Affairs (“OPIA”), continues to be a very important tool both in advancing harmonization and supporting the protection and enforcement of the rights of U.S. businesses abroad.

- a. Fee Allocation. The TPAC continued in FY 2017 to monitor the IP Attaché Program as it impacts trademarks and the USPTO’s budget allocations. In FY 2015, the Office adopted a new way for the IP Attachés to report their time, which tracks allocation of their time by category (trademarks, patents, copyrights, and other), rather than just reporting on major initiatives. Under this method, the fees from the IP Attaché Program which were allocated to trademarks, were adjusted on a quarterly basis so that they directly reflected the work completed on trademark issues. The TPAC is very pleased by this result as this approach has worked well and also appreciative of the responsiveness of the USPTO to bring greater transparency to funding for this invaluable program.

- b. Outreach. Throughout FY 2017, the IP Attachés engaged with the corporate community, academia, and other U.S. stakeholders to raise awareness of the availability and the services of the Attaché Program and to learn what issues were paramount to the concerns of the community. In December 2016, the IP Attachés hosted or otherwise participated in a series of meetings in Washington, D.C., including one with some members of the TPAC and various IP organizations such as American Intellectual Property Law Association and INTA, and another session with the U.S. Chamber of Commerce.

TPAC members who attended the meetings in December 2016 reported that the gathering was very informative. Several in attendance recommended that the IP Attachés utilize their USPTO webpage as a means to communicate information to IP organizations and the general public earlier so that they can better assist them with ongoing issues. The TPAC fully supports this recommendation. Since that time, the IP Attaché Program has placed a number of articles by, and about the work of, the IP Attachés on the IP Attaché Program pages of the USPTO website. As reported above, the IP Attachés' method of tracking the allocation of their time by category was confirmed as they reported their percentage of time worked on trademark matters was in keeping with the fee allocation for this program. The IP Attachés reported that in their respective territories' counterfeiting continues to be a serious problem.

2. Technical Assistance.

The OPIA provides technical assistance to foreign trademark officials typically in the form of examination, Madrid Protocol implementation, or IP office administration training. These programs give OPIA the opportunity to share best practices with other officials, demonstrating not just how the USPTO trademark system works but why it was designed that way. These exchanges are critical for influencing foreign examination practices and in creating ongoing dialogues about how to handle particular issues. This fiscal year, the USPTO has provided training on trademarks, geographical indications, IP Office Administration, or the Madrid Protocol to officials from the CARICOM countries in the Caribbean, China, Kazakhstan, India, Pakistan, Sri Lanka, Paraguay, Argentina, Thailand, Vietnam, Brunei, Myanmar, Cambodia, Indonesia, Malaysia, Singapore, Philippines, Brazil, Mexico, Jordan, Palestine, Nepal, Bangladesh, Taiwan, Georgia, Ecuador, Costa Rica, Egypt, and Israel.

3. WIPO.

- a. Growth of Madrid Protocol – New Accessions. Thailand and Indonesia acceded to the Madrid Protocol this fiscal year, bringing the total number of contracting parties to 115.

The top 10 designated contracting parties in the Madrid System are EUIPO, China, US, Japan, Russia, Switzerland, Australia, Republic of Korea, India, and Mexico. The top Nice classes designated are Class 9 and Class 35.

- b. WIPO Working Group – The Legal Development of the Madrid System for the International Registration of Marks. The WIPO Madrid working group continued to discuss several issues but did not approve any new amendments for the Madrid Assembly. These topics included:

- (1) Replacement. The International Bureau (“IB”) is trying to “regularize” replacement, an underutilized and misunderstood feature of the Madrid System, based on requests from some delegations and users. Delegations had agreed previously that there should be a process for an applicant/holder to file a request to take note of replacement at the IB instead of at the national office, as the USPTO does. Upon further reflection, delegations noted the low number of requests for replacement (15-20 per year at the USPTO) raise concerns about the high IT implementation costs of implementing such a procedure at the national level. The delegations will continue to discuss when such a procedure could enter into force.
- (2) Examination of Limitations. The Madrid working group continues to discuss who should be responsible for examining “limitations.” A “limitation” is requested by the applicant/holder to limit the scope of the “basic list” of goods/services to a particular designated contracting party (“DCP”). Limitation may be requested (1) in an international application (“IA”); (2) in a subsequent designation (“SD”); or (3) pursuant to Rule 25(1)(a)(ii) request for recording of a change in an international registration after a territorial request for extension of protection has been made to avoid a provisional refusal in a DCP or because the applicant/holder does not intend to use the mark for certain goods/services in a given DCP. Currently, the working group does not agree on who should examine limitations filed at these three different stages to

see if it is within the scope of the basic list. Discussions will continue.

c. WIPO Standing Committee on Trademarks, Industrial Designs and Geographical Indications (“SCT”).

(1) Country Names. The Delegations of Jamaica and Switzerland are advocating for a draft joint recommendation on the protection of country names. The joint recommendation proposes both that country names are considered private rights owned by governments, but also considers that any unauthorized use would be considered per se deceptive, thus, avoiding the need for the affected governments to take enforcement action. The SCT has undertaken a large survey of Member states to study how countries are already handling country names in trademark examination and in use to evaluate whether such a joint recommendation is necessary. The Secretariat is preparing a document analyzing delegations submissions on the areas of convergence found in the survey replies for consideration at the next session of the SCT.

(2) Geographical Indications (“GIs”). The EU and its member states are requesting a work program on GIs and the Internet, including online enforcement of GIs and protection of GIs in the domain name system, but have refused a work program to discuss national systems for the protection of GIs. The U.S. believes discussions on these Internet and domain name topics is premature in light of the lack of understanding globally as to what a GI is and what is the appropriate scope of protection. The U.S. and other like-minded countries are pursuing a work program to have the SCT discuss GI registration systems at the national and regional levels. Negotiations will continue at the next session of the SCT in October 2017.

d. WIPO Lisbon Agreement on Appellations of Origin and Geographical Indications. The Geneva Act of the Lisbon Agreement on Appellations of Origin (“AOs”) and GIs was adopted at a diplomatic conference in 2015 and did not allow for equal participation by all WIPO members and as a result was an agreement that many, if not most, WIPO members cannot join. In addition to trying to negotiate a work plan on GIs at the SCT that is more inclusive for WIPO members that cannot join the Geneva Act, the U.S. continues to take the position that Members of the Lisbon Agreement comply with their treaty and either raise fees to support the operating costs of that system, or otherwise find the

funds to support those costs without continuing to rely upon fees generated from other registration systems administered by WIPO. The US has consistently opposed using funds from other WIPO registration systems to promote the Lisbon System in light of the fact that 5/6 of WIPO members were blocked from fully participating in the adoption of the revised Geneva Act.

4. The Five Trademark Offices.

The Five Trademark Offices (“TM5”) is a framework through which five intellectual property offices, namely, the USPTO, the Japan Patent Office (“JPO”), the Korean Intellectual Property Office (“KIPO”), the European Union Intellectual Property Office (“EUIPO”), and the Trademark Office of the State Administration of Industry and Commerce of the People’s Republic of China (“SAIC”), exchange information on trademark related matters and undertake cooperative activities aimed at harmonizing or improving their respective trademark systems and procedures.

- a. Annual Meeting of October 28-29, 2016. The last annual meeting of the TM5 was held in Kunshan City, China. At that time, the TM5 offices discussed various joint projects, including the “Continuation/Expansion of the Bad Faith Project,” “Comparative Analysis on Trademark Examination Results,” and the “ID List Project.” Each partner made a presentation on bad faith followed by presentations from Chinese academics, attorneys, and industry. JPO also proposed an experts’ meeting on Image Search, which will take place on November 8-9, 2017, in Tokyo, Japan. The partners will share information on the progress of development of image search systems in searching for design marks.
- b. Mid-Year Meeting. The TM5 partners conducted their mid-term meeting on May 22, 2017, in Barcelona, Spain. The partners continued cooperation on the “ID List Project” and approved a new project for increased user association involvement at TM5 meetings. As such, the midterm meeting included a user session that gave users an opportunity to discuss image search and indexing of non-traditional marks. In addition, several new projects were proposed, including a USPTO-led project on combatting fraudulent solicitations and a JPO-led project on “Quality Management for Trademark Examination.”
- c. Upcoming Annual Meeting. EUIPO is the secretariat for the 2017 Annual Meeting, which will take place in Alicante, Spain, on November 30 – December 1, 2017.