

Remarks of

Q. TODD DICKINSON

UNDER SECRETARY OF INTELLECTUAL PROPERTY

AND

DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

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INTRODUCTION

Good afternoon and thank you. I'm pleased to be here today to talk a little bit about some of the United States Patent and Trademark Office's recent initiatives in the area of trademarks.

As everyone is by now aware, "globalization" is the shorthand term signifying increased interdependence of nations, and especially their economies. What this means, in practical terms, for those of us responsible for intellectual-property offices, is that our offices –like businesses everywhere –are being forced to become much more competitive.

Globally, we are seeing IP offices, including the USPTO, taking measures to ensure expeditious grant of rights, simplification of forms and process, and reduction of the formalities necessary to demonstrate and obtain those rights.

Of course, one driver behind globalization and the resulting push for competitive IP practice in the trademark area has been the Internet. Trademark owners, in particular, have been a part of this revolution in IP law: the intersection of domain names and trademark law, for example, will set a course on the Internet for years to come.

In particular, the path that ICANN takes, the corporate body overseeing the domain name assignment practice, will be crucial to that evolution.

Because of ICANN, we saw a formal structure for discussing Internet policies and for resolving some Internet-related disputes created in less than two years. That is a classic example of the

kinds of revolutionary change that are a hallmark of the Internet and, hopefully, IP law.

One result of globalization, its “legacy,” if we can speak in Internet time, is a push toward a more serious resolution of the harmonization of trademark procedures, and even a discussion on harmonization of substantive laws. It is not mere loose talk to discuss the possibility of a 21st-century “global trademark registration,” given the need of businesses worldwide for certainty and predictability.

Now, at the USPTO, I am proud that we are actually leading the world in moving IP into the 21st century, especially in terms of efficiency, quality, and innovation.

And we're particularly proud of our achievements in Trademarks.

ELECTRONIC FILING

One of the most important ways we can increase efficiency is by taking advantage of technology. Specifically, we are implementing state-of-the-art technology to allow customers to secure our products and services over the Internet.

The USPTO was one of the first national intellectual property offices in the world to offer an electronic filing system for trademarks. The Trademark Electronic Application System (TEAS) allows our customers to submit trademark applications using the Internet and to use credit cards to pay the filing fees.

If you use TEAS, your application filing date, an often critical aspect of the process, will be the day the application is transmitted to the USPTO, even if it is a Saturday, Sunday or federal holiday. Further, you will almost immediately receive a confirmation of transmittal, listing the serial number assigned to your filing.

And within 24 hours, you will receive an e-mail summary of your submission that will serve as the filing receipt for the application. And perhaps best of all, this electronic filing receipt will display the exact data you have submitted, totally free of the inevitable errors that result when USPTO staff must manually type data or scan from a paper form into a computer database.

And note that in FY2000 alone, almost 42,000 applications, representing 13.8% of the total applications filed, were filed

electronically. I'm looking forward to that number increasing exponentially in 2001, particularly since we are working to start requiring applicants to file using TEAS. Soon we plan on requesting comments on this matter, and then to promulgate a rule after hearing from the public, so look for these initiatives to happen in the next few months.

In addition to filing an initial application electronically, you can also use TEAS to file renewal applications, §8 affidavits, allegations of use and requests for extensions of time to file statements of use. TEAS sends these documents directly to the appropriate work unit, and, as a result, documents filed electronically are processed much faster than documents that are mailed or hand delivered.

I am also pleased to announce that in response to requests from practitioners, we have recently enhanced TEAS to permit you to create templates for specific clients by saving partially completed forms on your personal computers.

For example, if you have a particular client with many filings for the same goods, you would only need to change the mark in the saved file to have a form ready for signature and filing.

We are very proud of our TEAS system, and those who have used TEAS give it high marks. For example, one user of the TEAS system emailed us to say that it was the "nicest interaction" she ever had with the federal government. Another customer said that we had "renewed [his] confidence in the government bureaucracy."

In the past year, TEAS has been recognized for excellence in two national competitions. In May, the TEAS program was selected as a semi-finalist in the *2000 Innovations in American Government Awards Program*, a competition sponsored by The Ford Foundation, The John F. Kennedy School of Government at Harvard University, and The Council for Excellence in Government.

And just this month, we learned that the panel of judges for the *2000 Government Technology Leadership Awards* had selected TEAS as one of this year's winners, from more than 60 nominations. This is quite an honor when you consider that these awards are geared specifically towards celebrating

successful government initiatives that boost efficiency, effectiveness, lower costs, and improve service to the public.

E-COMMERCE LAW OFFICES

Building on the success of TEAS, in August we launched a pilot program designating two law offices as “e-commerce law offices.” Our goal is to move toward a paperless environment, where all application processing, examination and even communication with the applicant will be conducted electronically.

Under this system, electronic applications are routed directly to an e-commerce law office that will process the application from filing to registration.

We expect that these applications will be examined promptly, perhaps within 30-40 days of filing, and applicants will be encouraged to expedite the examination process by using electronic communication to handle all examination activities, including responses to Office actions.

We're very excited about this project, and what it will mean for the future of our operation.

THE USPTO WEBSITE

Our website is also a valuable tool; essentially, all of our resources now are available online, at www.uspto.gov.

In addition to TEAS for electronic filing, you can search our database of registered and pending marks, and also view the status and prosecution history of applications and registrations.

Our legal resources are on the web, including the Rules of Practice, the Trademark Manual of Examining Procedure, the Manual of Acceptable Goods and Services, and other policies and guidelines.

INCREASED WORKLOAD

These achievements are even more significant when you consider that our employees have achieved them while simultaneously addressing an ever-increasing workload.

In fact, the dramatic increase in trademark filings is an important factor in our decision to focus on electronic processing of trademark applications and other trademark-related filings.

Consider the numbers. In fiscal year 1999, we received a record 295,200 trademark applications, which represents an increase of 27 % from the previous year. Fiscal year 2000, which ended on September 30, 2000, has all the indications of another record breaking year.

Preliminary data shows that filings were up 26% from the same period a year ago, which means we received over 375,000 applications between October 1, 1999 and September 30, 2000.

Again, we can look to the Internet as one of our most significant drivers. For example, the type and number of applications we receive at the USPTO have changed significantly. In 1994, the USPTO received only four applications that included the designation “DOT COM.” Today, we have more than 22,000 pending applications that include that designation.

Not only are we seeing an increase in filings related specifically to DOT COM marks used in the sale and advertising of goods and services on the Web, we are also seeing large increases in the related areas of computer and computer related services.

Application filings for service marks have been increasing at a higher rate than for marks related to goods. In fiscal year 1999,

applications for service marks increased by 50%. By contrast, the overall increase in filings related to goods was only 16%.

Further, the largest one year increases in filings occurred in the services related to Internet businesses: Class 35, advertising and business services, increased 68%; Class 38, telecommunications services, increased 65%; and Class 42 miscellaneous services, including many technology-related services, increased 53%.

But looking at the bigger picture, the Internet economy is not the only explanation. Filings have been increasing steadily for many years. Between 1990 and 2000, application filings have nearly quadrupled. Further, we expect filings to continue to increase.

If filings increase at a rate of 20% per year, by 2006 we will

receive over 1.1 million applications per year. That is a staggering number!

This means that the USPTO is at a point in history to enjoy a great opportunity to revolutionize our operations, and to work on policy answers in this area. And we need this revolution – while today we have 15 law offices and 700 employees, if we continue to do business as we have in the past, and if our filing projections are correct, in just five years we will need 56 law offices and a staff of 2,600.

There are a number of things we are doing to manage this growth. First, we continue to increase our workforce. In the past year, we have hired **74** trademark examining attorneys, bringing the size of our examining attorney workforce to **379** employees.

In order to use our limited office space most efficiently, we have recently expanded our work-at-home program. This will permit us to do additional hiring this fall.

But perhaps for the first time in the history of the Trademark Operation, we cannot simply rely on hiring alone. We must also continue to create initiatives that allow us to operate more efficiently and more effectively than we have in the past.

Towards that end, in addition to our electronic filing and processing initiatives, we are discussing other ways in which we could streamline the examination process to permit examining attorneys to work more quickly, while enhancing current levels of quality and responsiveness.

I would like to point out that, even with our historic levels of trademark filings, we have worked to ensure that first-action pendency figures - - that is, the time it takes for an examining attorney to review an application file and issue a priority action, an examiner's amendment, a refusal letter, or to approve the mark for publication - - remain relatively constant.

Even with a staggering workload, our workforce has risen to the challenge of keeping first-action pendency times as short as possible.

For FY2000, the average pendency to first action was 5.3 months.¹ Again, quite remarkable when you consider the unexpectedly large increase in filings this year.

We also achieved our goal of reducing the average time to final disposition during the initial examination period. Last year, the average time to final disposition of a case was 18.9 months. This year, the average time to final disposition dropped, to 17.1 months.

I'm very pleased to report that the large backlogs that existed in the Pre-Exam unit earlier this year have been eliminated. We are now mailing paper-filing receipts 17 days after the application is filed. And, as I mentioned, electronic filers now receive an electronic filing receipt within 24 hours of filing.

¹ Average pendency for the year was 5.3. Pendency on September 30 was 5.7.

QUALITY OF EXAMINATION

While we are talking about numbers, I would like to share the year-end report that I received last week from our Office of Quality Review. I am pleased to report that error rates in all areas have improved – that is, reduced - in FY 2000.

The Trademark Examining Operation (TMEO) concluded FY 2000 with a “clear error” rate of 3.4%, a figure that has declined from the “clear error” rate of FY 1999, 3.9%. A “clear error” means the failure to make a refusal mandated by statute or implementing regulation, or – more rarely – making a refusal not substantiated by statute or implementing regulation.

Clear examination errors are significant because they are substantive in nature and affect the registrability of a mark.

The rate of missed references has declined from 1.6% in FY 1999 to 1.1% in FY 2000. The error rate in deficient search strategies is 0.8% for FY 2000, an improvement from the FY 1999 average of 1.10%.

The error rate in Office practice and procedure has dropped to 4.9% in FY 2000 from 5.8% in FY 1999.

I really am pleased with these numbers, and pleased that we are consistently improving the quality of our services.

TPAC

Let me also mention another key component of the USPTO as we move forward: the creation of our new USPTO advisory panel, the Trademark Public Advisory Committee.

Chaired by Miles Alexander, a long time INTA member and their former counsel, this committee represents a wide range of trademark perspectives and diversity.

It advises my office on agency operations, goals, performance, budget issues and user fees, and consist of nine voting members plus non-voting membership for our three unions. In fact, we just met yesterday to discuss next year's budget, and I look forward to continued work with them on this issue.

We've certainly got a diverse group, ranging from academicians, to entrepreneurs, to corporate executives.

We're also working with attorneys, specialists in labor relations, experts in management, finance, science, technology, and, of course, intellectual property issues.

They really do offer us breadth and depth of experience- and I believe that they represent the variety of groups we work with every day at the USPTO.

GLOBAL PROTECTION OF TRADEMARK RIGHTS

Now, I've spoken about how the Internet economy has affected our filings at the USPTO, how we are leveraging technology to effectively manage our increased workload, and our outreach initiatives.

However, as members of the intellectual property community, we also recognize that the Internet and the global economy are diminishing the meaning of geographic boundaries.

We need to find creative solutions to the challenges this presents to trademarks owners in the United States and around the world.

Therefore, I want to touch briefly on some of the major issues and initiatives that we're working on to support global protection of trademark rights.

Madrid Protocol

First I'd like to say a few words on the Madrid Protocol. As many of you know, the Protocol is an international agreement that simplifies the process for filing a trademark in multiple

countries. If the United States joins the Protocol, a U.S. trademark owner may apply to register its mark in any of the 49 Madrid countries by filing a single application, in English, at the USPTO.

The Protocol accession package is now with the Senate Foreign Relations Committee. Final action by the 106th Congress on either the Madrid Protocol accession package or the implementing legislation, while still possible, is unlikely.

However, we are confident that the Senate will eventually ratify the Protocol, and that Congress will pass legislation to implement its provisions.

When the Madrid legislation is enacted, the USPTO will prepare to have its Madrid-Protocol processes operational within one year from the date of enactment. This will be a huge undertaking for our Office, but well worth it. The Protocol's one-stop, streamlined application process will make it easier than ever for U.S. mark owners to protect their valuable trademark rights worldwide.

Now, the Madrid Protocol was adopted in 1989 in order to introduce certain new features into the system of the international registration of marks (as existing under the Madrid Agreement that dates from 1891).

And these new features remove the difficulties that prevented countries, including the United States, from adhering to the Madrid Agreement.

The Protocol introduces the following main innovations:

1. Applicants may base their applications for international registration not only on the registration in a national (or regional) office of origin but also on an application for national (or regional) registration filed with that office;
2. Each contracting Party in which the applicant seeks protection may, within 18 months (instead of one year), and an even longer period in the case of opposition, declare that protection cannot be granted to the mark in its territory;

3. The office of each Contracting Party may receive higher fees than under the Madrid Agreement;
4. An international registration which is canceled, at the request of the office of origin, may be transformed into national (or regional) applications retaining the original international filing date and, where applicable, the priority date (a possibility which does not exist under the Madrid Agreement); and
5. Applications governed by the Protocol can be filed in English (as opposed to just French, as is the case under the Madrid Agreement).

Even though we have not yet implemented the Madrid Protocol, I have heard concerns expressed that U.S. applicants will be

penalized by the Office in its effort to ensure that all substantive refusals are notified by the 18-month deadline.

As I noted previously, first-action pendency is less than six months. Further, our internal quality standards require that all applicable refusals be raised in the first Office action.

The 18-month Madrid deadline does not mean that all prosecution must be completed within 18 months. It simply means that refusals that could be raised at the examination level must be raised within that 18 month time period.

For all these reasons, I hope I can allay any fears that non-Madrid applicants will receive any sort of “second-class”

treatment before the USPTO because that simply will not be the case.

Well Known Marks

Another area of international activity involves famous or well-known marks. In September of 1999, the Assembly of the Paris Union and the General Assembly of the World Intellectual Property Organization (WIPO) jointly adopted a recommendation concerning the protection of well-known marks.

The United States, represented by employees of the USPTO, was active in crafting the Joint Recommendation Concerning Certain Provisions on the Protection of Well-Known Marks.

The Joint Recommendation makes clear that well-known marks must enjoy protection even if they are not registered in a

particular country, as long the mark is known in a relevant sector of that country's public. This principle, that well-known marks are entitled to protection without registration, is critical to the adequate and effective protection of trademark rights, and is now incorporated in a document which represents an international consensus on the topic of well-known marks.

Trademark Licenses

Just last month, the Assembly of the Paris Union and the General Assembly of WIPO jointly adopted another recommendation, this time concerning trademark licenses.

In many countries, it is necessary to record a trademark license agreement. The United States, however, does not require recordal of trademark license agreements.

We used our experience in the United States to promote the elimination of these burdensome licensing requirements required by some countries.

And the resulting Joint Recommendation on Trademark Licenses is another example of the international trend, started by the Trademark Law Treaty, toward simplification and elimination of the formalities necessary to obtain and maintain trademark rights.

Industrial Designs and Geographical Indications

WIPO's Standing Committee on the Law of Trademarks, Industrial Designs, and Geographical Indications is now focusing its attention on two topics of great interest to trademark owners.

First, the Standing Committee is working on another joint recommendation aimed at facilitating the application of existing laws relating to industrial property to the use of trademarks and other distinctive signs on the Internet.

This work is distinguished from the work of ICANN and the Uniform Dispute Resolution Policy because it does not address trademarks in top-level domain names (gTLDs and ccTLDs).

Rather, the Standing Committee's work focuses on identifying what might be considered infringing use of trademarks and other distinctive signs in the text of a website, or through metatags, banner advertisements, and the like.

Second, the Standing Committee is taking up issues relating to trademarks and geographical indications. By way of background, “geographical indications” are terms which associate a good with a particular quality or reputation which is derived by association with a specific geographic area, e.g. “Idaho” for potatoes, or “Napa Valley” for wine.

While not an issue that has made much news on the domestic front, the suggestion by some countries that geographical indications are superior to trademarks and should be able to cancel trademarks, is quite troubling to the United States.

Conversely, many countries make it difficult or impossible for U.S. geographical indications to obtain protection.

Again, USPTO employees are quite involved in promoting and defending the rights of trademark owners in international fora such as WIPO and the World Trade Organization.

While these international issues are very complex, and I have only briefly mentioned a few current issues, it's important for the international community to continue to work together to develop ways to protect trademark rights worldwide.

BUDGET/SPACE CONSOLIDATION/CONCLUSION

With work in automation, outreach, as well as international cooperation and agreements, we are truly in an excellent position at the dawn of the new millennium. There is, however, one key area that I still have not addressed, and before I leave you today, I want to be sure and let everyone here know that the

USPTO is still working to retain fully the fees you and your clients pay to us to have your trademarks examined and registered.

Funding is a very important issue that we absolutely need to come to terms with. Clearly, we can only be of limited help to the IP community if appropriations continues to block access to our fees.

The Federal appropriations strategy to remain below established budget caps has put both the Administration and the Congress under increasing pressure to find sources of revenue to fund Government programs.

Understandably, perhaps – given our success –the USPTO fee collections as a result have become an inviting target for diversion to these programs.

But as I've stated over and over again, we need those fees in order to run our business.

We're not making a profit, and every dime we get, we use to make sure our customers are getting the services they require to protect their property.

Now, we're not sitting on our hands when it comes to this issue, and plan on continuing our work with the Secretary of Commerce to craft a legislative proposal that would enable the USPTO to have access to all of its fee collections, but still be subject to the Appropriations process.

This approach is not unique, which to me is a hopeful sign.

And I think that protecting US prosperity is vital, so I'm doing everything I can to get the word out and make sure that our fees are put to the purpose for which they were intended: issuing patents and registering trademarks.

Of course I greatly appreciate the support I receive from the IP community on this, and hopefully the beginning of the 21st century will also see the beginning of a fully funded USPTO.

Finally, like any rapidly growing business, the USPTO has one other basic concern that continues to dog us- space and space consolidation. Now, while it's true we have signed the lease to

allow us to move to new modern, consolidated facilities in Alexandria in 2004, dramatic increases in patent and trademark applications promise to keep space a top issue for the USPTO.

Keep in mind that by 2002, we are going to have 675 trademark attorneys, up from the current number of 350. And of that 675, probably 380 will likely telecommute from home. Right now only about 60 do.

Clearly, we need to be realistic about what the Information Age means to the USPTO logistically.

Let me close by saying that the progressive policies and changes I've outlined for you today regarding trademarks are essential if we want to continue offering excellent service to our customers.

They are even more essential if we hope to keep ahead of the advancing tidal wave of technology that is clearly transforming our intellectual property system.

Thank you, and now I'd be happy to answer any questions you may have.