

### **Trademark Fee Proposal Comments**

*These written comments are submitted in response to the "Trademark Fee Setting and Adjusting Proposal to TPAC" on behalf of the law firm Erik M. Pelton & Associates, PLLC.*

Erik M. Pelton & Associates is a boutique trademark firm in Falls Church, Virginia. Since 1999, our firm has registered more than 3000 U.S. trademarks for clients who are overwhelmingly small businesses. We have also represented parties in many TTAB proceedings. Our attorneys are actively involved in INTA and the ABA's IP Law section, as well as other organizations. The firm also owns numerous trademark registrations of its own.

**The proposal's impact on small business trademark owners, applicants, and registrants will be significant.** Small businesses make up a large portion of the American economy. Over 99% of employers are small businesses, and in recent decades small businesses have created more than 60% of new jobs. According to a 2013 report from WIPO, small and medium-sized enterprises rely on trademarks much more than patents. See [https://www.wipo.int/edocs/pubdocs/en/intproperty/944/wipo\\_pub\\_944\\_2013.pdf](https://www.wipo.int/edocs/pubdocs/en/intproperty/944/wipo_pub_944_2013.pdf) at p.9.

Small businesses in general do not have an association or a stable of lawyers to work on comments to proposals like these. Yet they will feel the impact of the proposed changes and new fees the most.

For small businesses, the investment in trademark clearance and registration is even more important and more valuable, to guard them against the risks and expenses of trademark disputes and litigation. The costs of a trademark dispute – even one with the facts and law on their side – can, and frequently do, crush small businesses. It would thus be prudent to ensure that the fee structure of the USPTO provides an *incentive* for small businesses to protect their trademarks.

**As to the process for the fee proposal thus far**, although we understand there will be additional opportunities to comment, there were few if any discussions with stakeholders or in public TPAC meetings prior to the proposal's release. The proposed changes were announced less than a month ago, providing limited time for stakeholders to prepare and organize comments for today and for the upcoming written comment deadline. This short window is especially challenging for associations with membership that needs to be consulted and polled, and with procedures for drafting and finalizing comments on their behalf. As a result, the feedback at this stage is not as extensive as it would be with more time.

**Regarding the justifications cited in the materials for the fee changes**, we certainly support the goal of a more accurate Register – as well as one that is more robust, capturing a higher percentage of marks that are in use. More information regarding the justification of additional revenue to recover costs would be useful. According to the most recent annual TPAC report, the trademark

operation collected \$329m in FY2018 and spent \$316m, and the trademark operating reserve grew to \$135m. See [https://www.uspto.gov/sites/default/files/documents/TPAC\\_2018\\_Annual\\_Report.pdf](https://www.uspto.gov/sites/default/files/documents/TPAC_2018_Annual_Report.pdf) at p.24. The TPAC report also noted that in FY2018 “the USPTO considered its 5-year financial outlook and determined that additional fee adjustments are *not* warranted at this time.” *Id.* at p. 25 (emphasis added). What has changed? One plausible explanation is the continued IT delays and growing IT costs. According to the TPAC report “The total TMNG cost from inception through August 2018 has been \$178.8M.” Many IT enhancements are important and will benefit USPTO employees and users. For example, users would benefit tremendously from more upgrades to the TTAB’s online docketing and filing system; enhancements to TESS queries and results; image searching; more user-friendly interfaces; and much more.

Completion of the desktop tools to be used by hundreds of examiners has been repeatedly delayed. Of course, there have been numerous useful IT improvements in recent years – for example the ID manual, APIs, TSDR, the electronic Gazette – as well as many more made behind the scenes.

While upgrading and modernizing the systems is no doubt difficult and costly, the delays to date have been significant and the expenditures have repeatedly surpassed budget. As the USPTO asks users for more money, we urge it to share greater details and transparency about past and future IT expenses.

Increasing costs of TTAB proceedings are cited as a separate consideration. Has the cost per proceeding increased along with number of proceedings? Given technology enhancements and the 2017 Board rule changes, the costs *per proceeding* should be decreasing. Perhaps the issue merits separate study and discussion.

**Finally, we would like to comment about a few of the specific proposed increases.** We note there is not a single fee *decrease* featured in the proposal. The proposed **fees for new applications** would enlarge the difference between TEAS RF and TEAS+ from \$50 to \$100. We do not support such a gap; It is our experience that a majority of those who do not use TEAS+ choose not to use it because of the limitations of the ID manual and/or the accounting and reporting difficulties that may ensue if TEAS+ status is lost.

Furthermore, increased application filing fees will be felt disproportionately by smaller businesses – those who benefit the most from USPTO registration. We also note that any increase in filing fees may decrease the number of new applications, especially from small businesses, which would mean a less robust register.

The proposed fee for filing a **request for reconsideration** is greater than the entire application fee and will result in fewer requests for reconsideration meaning more appeals and/or more abandonments. There are many good reasons to file a request for reconsideration – and many that avoid an appeal from being filed or from being fully briefed and decided.

We are aware that there has been a huge increase in recent years in **letter of protest** filings, in part from a Facebook group. Although many letters of protest may not result in USPTO action, those that are approved aid in examination, saving the USPTO time and money. Many avoid the need for a later opposition that is far more expensive for both the parties and the USPTO. We encourage exploration of other

ways to address the increase in these filings, including more public education about the circumstances when letters of protest are appropriate.

Regarding **renewal and maintenance** fees, the proposed increases will likely decrease renewal filings, especially among small businesses. Trademark renewal rates have already been declining – even before full implementation of the post-registration audit. Statistics from the USPTO’s PERFORMANCE AND ACCOUNTABILITY REPORT in 2018 show a decrease in the renewal rate over the last few years, from 32.4% to 29.1%. See <https://www.uspto.gov/sites/default/files/documents/USPTOFY18PAR.pdf> at p.37.

Increasing fees will decrease renewals. While improving the accuracy of the register is important, a decrease in renewals that aren’t filed due to cost burdens will be a detriment to the overall welfare of the register. We believe the audit program is working to eliminate a fair amount of deadwood. More time and more education could continue to increase the effect.

### **Regarding the TTAB fees proposed,**

- We oppose the fees for extensions of time for filing an appeal brief after the first extension. The internal costs of such extensions should be small. Extensions may result in less work for TTAB, and the fees may discourage settlement negotiations with prior registrants (which could in turn lead to more cancellation proceedings). For many of the same reasons, we oppose the proposed increase for extensions of time to oppose.
- Regarding the fees proposed for oral hearings and motions for summary judgment: As a matter of equity and justice, we do not believe these are fair. Discouraging oral hearings is a disservice to the Bar and to the parties, and to fair determinations of trademark cases that are inherently complex and long. Furthermore, the fee proposed for each event is greater than the current fee for an entire proceeding or appeal. Again, it is clear that small businesses would be much more dramatically impacted by these fees.

### ***We also have a few other general thoughts on trademark fees***

- We wonder whether there was discussion about raising other fees that would incentivize better behavior. For example, why not charge significantly more for renewals filed during the grace period? Or for petitions to revive? Or even greater charges for anything submitted on paper? Or an across the board increase to all fees of 10% or some other amount? For *Ex Parte* appeals, perhaps separate fees for the “notice of appeal” commencing the process versus “filing an appeal brief”? Many notices of appeal are simultaneous with requests for reconsideration, or to request suspension while a cited registration is in the renewal or grace period. Many appeals are often resolved or dropped before briefing and thus save the USPTO costs.
- Has the USPTO reviewed its use of paper for trademark and TTAB matters? Our firm has recently received abandonment notices, TTAB notices, and renewal filing acceptance notices on paper. Such paper communications consume time, paper, ink, and postage that might be saved. Was a separate fee for receiving an optional paper registration certificate considered? How much money would be saved by moving to an electronic registration certificate?
- Have reduced fees for smaller entities been considered, like on the patent side? To our knowledge, the USPTO does not collect or maintain statistics in trademark cases on small versus large entity applications. Collecting and tracking the filing and renewal information related to small businesses will help the USPTO better

understand the needs of small business applicants, and thereby better align the USPTO with its goal of reducing the burden on small businesses

**To conclude,** we believe that while some fee adjustments are appropriate, the process, justifications, and the selection of which fees to adjust and how much to adjust them ought to be re-examined and restarted. While we firmly support the need for IT improvements, we would like to see more transparency.

We want to reiterate that small businesses will unquestionably be more burdened by increased and new fees. A Fortune 500 company with inhouse counsel and a budget for IP protection, will not be terribly impacted by increases of a hundred dollars here or \$400 there. But the local restaurant a few blocks away on King Street, the software company started by college students last summer, and the snack company that recently begin selling in the market down the street, certainly will be impacted. A loss of protection for them is a loss for the entire trademark system and diminishes the accuracy and completeness of the register.

If small businesses don't register their marks at the same or greater rates than today, and if they can't afford to litigate disputes, the harm will extend far beyond the USPTO. It will impact the small business engine of the US economy.

The slides indicate that we are near the beginning of this process. But there are already substantial recommendations on the table. We suggest it would be prudent to take a step back, hold several public forums with stakeholders and in TPAC meetings to discuss the justifications, proposal, and alternatives, and then put forth a revised proposal. Reaching out to small business groups to explore the impact on them would also be tremendously value.

The USPTO's openness to users is much appreciated. There is no doubt that ensuring quality examination and maintaining a register with millions of records and hundreds of millions of documents and data points is a tremendous undertaking, but one with incredible value to the public and to trademark owners. The trademark operation has accomplished much in recent years, such as growing the examiner corps, providing useful APIs, educating the public via videos and the Trademark Expo, engaging with stakeholders on many issues, and combatting online cyberattacks and fraudulent filings. We believe there is consensus that incentivizing accuracy on the register is a worthy goal, and that the IT challenges are considerable and costly. But before moving forward with these significant fees, deeper engagement and discussion is warranted, including a review of the impact on small businesses.

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Respectfully submitted,



Erik Pelton®

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