

2011 Report: The USPTO

The U.S. Patent and Trademark Office (USPTO) recently released a Performance and Accountability Report for 2011. The USPTO, a massive administrative agency with law-making power and a multi-billion dollar budget, manages most aspects of patent and trademark prosecution in the United States. Below, we discuss highlights of the 2011 Report, and comment on the USPTO's ever-increasing interactions with foreign intellectual property (IP) offices.

A fully fee-supported agency

The 2011 Report shows a total earned revenue stream of about \$2.2 billion,

Ex Parte Patent Appeals - Improved

The U.S. Patent Office issued final rules for *ex parte* appeals before the Board of Patent Appeals and Interference (BPAI). The rules relate to *ex parte* appeals of patent applications (including reissue, design and plant patent applications) and *ex parte* reexamination proceedings.

The final rules were published in the Federal Register on November 22,

Enough is Enough: Setting Limits for E-discovery in Frito-Lay North America Inc. v. Princeton Vanguard, LLC, Opposition No 91195552 and Cancellation No. 92053001 (November 16, 2011) [precedential].

Frito-Lay North America Inc. ("Frito-Lay") filed opposition and cancellation actions before the Trademark Trial and Appeal Board ("The Board") against Princeton Vanguard, LLC's ("Princeton") registration and application for PRETZEL CRISP, with "PRETZEL" disclaimed, covering "pretzel crackers." The substantive issue, which remains pending, turns on whether PRETZEL CRISP is generic for "pretzel crackers." However, in its 30th precedential decision of 2011, the Board chose to limit Princeton's discovery requests, opining largely on the role of Trademark Trial and Appeal Board e-discovery in *Frito-Lay North America Inc. v. Princeton Vanguard, LLC*.

total program cost of about \$2.1 billion, and employment of 10,210 employees. It appears the USPTO remains a fully fee-funded agency as of 2011, and serves as a major employer in the United States.

Prosecution timelines and a new branch office

The USPTO reports an average of 28 months to issuance of a first Action in a patent application, falling short of its stated goal of 23 months. On the trademark side, the average time to a first Action is 3.1 months, and is within USPTO goals. The Report also indicates an average

continued on page 2

2011 and conclude a rather lengthy and unusual process which effectively began with proposed rules published in mid-2007. The new rules are applicable to all appeals in which a notice of appeal is filed on or after January 23, 2012.

The appeal process has always been an effective procedure for review. During the

continued on page 3

During discovery, Princeton and Frito-Lay failed to establish any useful protocols regarding e-discovery, with the exception of an agreed-upon .pdf format for all produced documents. Applicant Princeton proceeded to spend over \$200,000 in 2010 alone identifying over 1.6 million documents for discovery, and reviewing over 85,000 electronic documents including ESI (electronically-stored information). Frito-Lay, on the other hand, produced less information which included no internal, non-public documents, no emails and only one summary spreadsheet of sales data and an internally-generated list of trademarks. Dissatisfied with Frito-Lay's

continued on page 2

Reebok Agrees to \$25 Million Fine in FTC Action Regarding False Health Claims for Toning Shoes

The Federal Trade Commission recently filed suit against Reebok International, alleging that advertising stating that Reebok's EasyTone shoes would provide increased toning and strength due to their "balance ball technology" was false and misleading. Reebok entered into a settlement agreement with the FTC, in which Reebok agreed to pay \$25 million into an escrow fund for the redress of consumer complaints. Reebok also agreed to the entry of a permanent injunction against making health claims without competent and reliable scientific evidence to support them. In addition, the consent order requires Reebok to contact all retailers and take steps to remove and replace all hang tags, packaging and POS containing the improved health claims. And Reebok is still facing a consumer class action suit.

In its advertising, Reebok claimed that EasyTone footwear was "proven to work your hamstrings and calves up to 11% harder and tones your butt up to 28% more than regular sneakers. Just by walking." It also sold a series of related products, called RunTone, JumpTone and TrainTone for which it made similar claims of improved fitness and strength gained just by working out in the shoes. Such advertising appears to have been quite effective. According to the FTC's complaint, sales of toning footwear (industry-wide) increased from \$17 million in 2008 to almost \$1 billion in 2010.

The FTC Act requires that all claims made in advertising be true and not misleading. When specific claims—such as 11% and 28% improvement over wearing regular sneakers—are made, they must be supported by a scientific study conducted before the advertising is distributed. In many cases, the FTC has ordered studies

continued on page 3

USPTO (continued from page 1)

total pendency time of just under 3 years for a patent, and about 10.5 months for a trademark.

Within the next 3 years, the USPTO plans to maintain trademark pendencies, and to reduce time to a first patent Action to 10 months and for total patent pendency to 20 months. To achieve this goal, the USPTO plans to open a full-service branch office in Detroit, Michigan, and to hire new patent examiners from around the country with a more flexible, remote-access work program. Key to the success of these ventures will be across-the-board consistency in examination and approach, and the avoidance of a diffuse examination system that will allow forum-shopping opportunities.

Electronic filing

93% of patent applications and 73% of trademark applications were filed electronically with the USPTO in 2011. The USPTO has long promoted electronic filing of applications through its website. In conjunction with a new provision of the America Invents Act, which penalizes paper filers with up to \$400 in fees, the USPTO has particularly succeeded in this goal with patent filers. Trademark applicants, while also facing higher fees for non-electronic filing, have not yet been as fully persuaded to file electronically.

Sharing examination results and harmonizing U.S. laws

The USPTO is first and foremost a U.S. agency, responsible for interpreting U.S. legislative acts, writing relevant regulations and examination manuals, and providing services for trademark and patent applicants. Of interest is the 2011 Report's express and stated focus on strengthening IP protection worldwide.

USPTO goals in the 2011 Report (and

other recent years) include promoting IP protection worldwide and increasing interactions with foreign IP offices. These goals were historically more in the realm of the U.S. Trade Representative's Office or other agencies geared toward foreign relations. Consider for instance the USPTO's development of bilateral contracts with foreign IP offices in the past few years, negotiating Patent Prosecution Highways (PPHs) with Australia, Austria, Canada, China, Denmark, European Patent Office, Finland, Germany, Hungary, Iceland, Israel, Japan, Mexico, Norway, Russia, Singapore, South Korea, Spain, Sweden, Taiwan and the United Kingdom. An applicant in one PPH country may, upon receiving allowance of at least 1 claim, request corresponding allowance in a counterpart U.S. application. While acknowledging differences between U.S. and foreign laws, the overall allowance rate of PPH applications by the USPTO is near 90%, in contrast with average allowance of 60% of non-PPH applications in the U.S. In an attempt to promote the use of PPHs, the USPTO eliminated certain fees associated with PPH filings in 2010.

The USPTO has also long worked to share or accelerate search and examination results in particular with the European Patent Office and Japanese Patent Office, and reports on advances in several programs with these patent offices in the 2011 Report.

As mentioned in our September newsletter, the America Invents Act recently made sweeping changes to U.S. patent law, in part to bring U.S. laws in conformance with patent laws common in other nations. Given the USPTO's increasing focus on foreign matters, we might expect USPTO interpretations of the Act to be influenced by international norms, as well as U.S. customary law.

—Valerie Neymeyer-Tynkov

E-discovery (continued from page 1)

production efforts, Princeton filed a motion to compel, demanding that Frito-Lay use Princeton's own search protocols, or similar. Frito-Lay argued that the cost of \$70,000-\$100,000 necessary to meet Princeton's demands would far outweigh the benefit.

The Board noted that TTAB discovery is designed to be less-extensive than federal court litigation discovery, given the limited scope of the Board's jurisdiction. While e-discovery requests are rare and must be carefully scrutinized, the Board did concede that e-discovery may be necessary under certain circumstances. The Board also noted the Federal Court's own comments that e-discovery in federal litigation "should be proportional to the amount in controversy and the nature of the case. Otherwise, transaction costs due to electronic discovery will overwhelm the ability to resolve disputes fairly in litigation."

The Board considered whether Princeton's demands were justified under the facts at hand, and ultimately denied the motion to compel, in large part. Under the Board's opinion, Princeton failed to establish the insufficiency of Frito-Lay's search and production methods, especially since the parties could not agree upon e-discovery protocol in advance. While the Board did grant a few of Princeton's more narrowly defined requests for additional production, Frito-Lay's standing efforts were deemed appropriate, given the issues before the Board.

According to the current TTAB schedule for this matter, the substantive issue, whether PRETZEL CRISP is generic for "pretzel crackers," will be decided in late 2012 or early 2013.

—Amanda Peluse

Patent Appeals *(continued from page 1)*

examination of an application, it is possible that an applicant may face an examiner rendering decisions which are not consistent with current understanding of patent law or rules. An appeal brings the matter before the BPAI where the matter is typically decided by three Administrative Patent Judges. Thus, if a patent applicant is unable to persuade an examiner to reach agreement on an issue after several attempts, and the applicant believes it has a strong position, the appeal is very likely to result in a more favorable outcome on the issue appealed.

However, the down side to an appeal is the cost in time and money. From the time the notice of appeal is filed, expect a significant amount of activity and 2 ½ years to pass before the Board renders a decision. Then, the matter reverts back to the examiner, where the examiner

will proceed consistent with the Board's decision. However, even a favorable decision by the Board may not necessarily translate into an allowed application. Thus, from the notice of appeal, at best, an allowed application might be obtained within 3 years.

The new final rules are very interesting because they are primarily directed to improving the process. For example, many of the prior formalities for the appeal brief have been dropped or modified. The result is expected to significantly reduce the issuance of a notice indicating the appeal brief is non-compliant and requiring an updated brief. The number of non-compliant examiner answers will also be reduced. In addition, under the new rules, the Board will presume that the appeal is taken from the rejection of all claims under rejection unless cancelled

by an applicant's amendment. The result will avoid introducing new rejections during the appeal process and otherwise streamline the appeal.

In addition, the final rules will avoid gaps of time where the jurisdiction of the case is transitioning between the examiner and the Board. For example, the rules provide for the Board to take jurisdiction over the appeal earlier in the appeal process and no longer require examiners to acknowledge receipt of reply briefs.

It is anticipated that the new rules will in fact reduce both the cost and time to obtain a decision from the Board. It is strongly recommended to defer filling any notice of appeal until January 23, 2012 and take advantage of the new rules.

—Michael L. Kenaga

Reebok *(continued from page 1)*

that provide "competent and reliable scientific evidence." But here, the FTC order required an even greater threshold for the an acceptable scientific study, by specifying an "adequate and well-controlled human study" which it defined as a "randomized, controlled, blinded to the maximum extent practicable, of at least six weeks duration, uses an appropriate measurement tool or tools... and is conducted by persons qualified by training and experience to conduct and measure compliance with such a study."

Product marketers are often inspired to make exaggerated claims in advertising. And wildly exaggerated health claims abound in the marketplace. But the Reebok case should serve as a reminder that they are not allowed under consumer protection laws. When reviewing an advertising campaign, it is important to identify all of the claims that are being made—express or implied—and to

confirm that they are properly supported by reliable studies. If the evidence is not there, the claims should not be made.

—Carolyn Knecht