

Comments from Erik M. Pelton & Associates, PLLC Regarding the United States Patent and Trademark Office’s Proposed “Changes in Requirements for Affidavits or Declarations of Use, Continued Use, or Excusable Nonuse in Trademark Cases”

The following are the comments of the firm of Erik M. Pelton & Associates, PLLC® of Falls Church, Virginia, in response to the *Changes in Requirements for Affidavits or Declarations of Use, Continued Use, or Excusable Nonuse in Trademark Cases* published June 22, 2016. The full request for comments was published in the Federal Register in Vol. 81, No. 120 at page 40589.

Introduction

The proposed amendments to the USPTO rules aim to assess and promote the accuracy and integrity of the trademark register through an auditing process requiring the submission of information, exhibits, affidavits, declarations, and additional specimens of use to ensure that the register accurately reflects marks that are in use in the United States for all the goods and services identified in registrations. This proposal comes *six years* after the Office first began investigating the problem of accuracy and integrity of the trademark register, when the USPTO held a roundtable at George Washington University to discuss the non-use of goods and services covered in trademark registration renewals.¹

Active trademark registrations that do not reflect the way the marks are actually used in commerce, commonly known as “deadwood,” take two forms: 1) registrations that contain overbroad descriptions of goods and/or services; and 2) registrations that continue to be registered even though they are no longer legitimately being used in commerce at all in the United States. If only 1 in every 200 registrations are deadwood, then approximately ten thousand entries on the register today are impeding legitimate users. The actual proportion of deadwood may be far greater.² Deadwood is a plague on the register, has real ramifications for

¹Although the Section 8 declarations required after six years are not technically renewals, because they have similar effect, we will refer to both the six-year maintenance filings and decennial renewals as “renewals” for the purposes of this comment.

²One privately conducted study showed that in a given year, approximately half of all marks due for their initial six-year maintenance are not renewed. “Making the Case to Amend USPTO Section 8 Deadlines?,” TOWERGATE SOFTWARE (Sept. 6, 2012), <http://towergatesoftware.com/2012/09/making-the-case-to-amend-uspto-section-8-deadlines/>. The USPTO pilot program indicated that, of the marks for which maintenance documents were

other applicant and registrants, and we remain concerned that the Office has dragged its feet to solve the problem.

At the 2010 meeting, the Office announced four proposals intended to lessen the problem of deadwood on the register: creating expungement proceedings; increasing the solemnity of use declarations; requiring a specimen of use for each good or service included within the registration; and instituting an audit program. After comments from the public, the Office announced a small audit pilot program. The program reviewed 500 renewals over two years. Of those 500 renewals, a staggering 51% failed to provide additional verified proof of use on specific goods or services for which use was initially claimed.³

The Office now proposes to extend the audit program to conduct random audits of up to 10% of the combined total of Section 8 and Section 71 affidavits filed each year in which the mark is registered for more than one good or service per class.

We commend the USPTO for its efforts to ensure that marks registered with the Office accurately reflect the marks being used in commerce. However, we believe the Office can and should go even further in the rulemaking to clear over-broad registrations and renewals from the register and to deter trademark applicants and registrants from abusing the Office's lax standards for evidence of use—particularly given the lengthy deliberations the Office has taken and the shocking results of the pilot program. Below, we address the USPTO's proposed rulemaking and provide recommendations for the Office to consider as it moves forward.

This comment begins by introducing the firm of Erik M. Pelton & Associates and our experience in the field. We the briefly address the importance of trademarks to the small business community and the impact we believe the rulemaking will have on small businesses. Then, we provide some broad, general comments before making specific proposals, namely:

1. require specimens of use for all claimed goods or services;
2. automatic audits of lengthy identifications of goods and services;
3. expungement petitions;
4. individual declarations for each good and service;
5. shorter initial Section 8 maintenance period;

filed, potentially another 50% contain deadwood. By looking at the results of these analyses as complements, one should conclude that well over half of all marks will become unused in whole or in part within six years of registration.

³ 81 Fed. Reg. at 40590.

6. additional penalties and disincentives; and
7. providing the public with more data.

About Erik M. Pelton & Associates, PLLC

Erik M. Pelton & Associates, PLLC (“EMP&A”) is a boutique trademark law firm located in Falls Church, Virginia. Established in 1999 by Mr. Pelton after working for the USPTO as a trademark examiner, EMP&A has registered more than two thousand U.S. trademarks for clients who are overwhelmingly small businesses. The firm has represented dozens of small business plaintiffs and defendants in all phases of trademark disputes and Trademark Trial and Appeal Board opposition and cancellation proceedings. EMP&A has filed Section 8 declaration for hundreds of trademark registrants, and Mr. Pelton has participated in USPTO roundtables regarding the accuracy of the register. EMP&A attorneys are actively involved in the International Trademark Association (INTA), the American Bar Association’s Intellectual Property Law section (ABA-IPL), and the Association of Intellectual Property Firms.

Importance of Trademarks to Small Businesses and The U.S. Economy

Intellectual property is a key driver of the U.S. economy, accounting for many of the jobs created in the U.S.⁴ Small businesses make up a large portion of the American economy, and intellectual property is a key asset to all businesses today. Trademarks, in particular, are used more widely than any other form of intellectual property, and around the world, small and medium-sized enterprises (SMEs) are heavily reliant on trademark rights.⁵ WIPO’s 2013 report on world intellectual property noted that trademarks are the most widely used form of IP, used by companies in every sector of the economy.⁶ According to the WIPO Report, (SMEs) rely much more on trademark rights than on patents.⁷

Because small businesses rely heavily upon trademark protection, and small businesses are important to the health of the U.S. economy, an efficient and accessible trademark regime

⁴ Office of Management and Budget: <http://www.whitehouse.gov/blog/2013/06/20/intellectual-property-key-driver-our-economy>.

⁵ WIPO, World Intellectual Property Report 2013, available at: http://www.wipo.int/econ_stat/en/economics/wipr/.

⁶ *Id.*

⁷ *Id.*

benefits small businesses and the economy at large. By keeping the register clear of deadwood, the USPTO will help small businesses easily and efficiently register their marks thus helping brands grow without the costly attorney fees that accompany contesting unnecessarily conflicting marks.

General Comments

We agree with the USPTO that an accurate and reliable trademark register helps avoid needless costs and burdens on those seeking to clear and/or register trademarks with the USPTO. We generally support the Office's efforts to ensure an accurate register. This is particularly important for small businesses that have invested substantial resources into building their brands. Typically, these businesses lack the funding necessary to initiate cancellation or opposition proceedings, enter into civil litigation to resolve disputes, or even entirely restructure their brands to avoid confusion with conflicting marks.

These situations are even more frustrating for small businesses when they are incurred as a result of unused registrations being allowed to remain on the register. The pilot program uncovered a serious problem that should be addressed to ensure the maximum accuracy and integrity of the register. Like many, we were shocked to learn that more than half of renewals reviewed required amendment or cancellation. By attacking the deadwood problem, the USPTO will alleviate some of the financial burden on businesses—especially small businesses—by reducing the amount of Section 2(d) refusals issued to Applicants and reducing the need for business to make difficult, costly decisions about choosing, using, and enforcing their brands based on marks that are not actually use.

While we applaud the intended effects of the auditing scheme, we believe the scheme must be even more vigorous to be effective at (a) clearing the register, and (b) deterring applicants and registrants from making overly-broad claims. Although the program intends to begin the arduous task of clearing deadwood from the register, the program does not do enough to deter applicants and registrants from overly broad claims.

Ten percent is not enough to give the auditing process teeth when more than half of maintenance filings required amendment after review. We believe that increasing the percentage of Section 8 declarations audited and introducing penalties will discourage applicants from filing overly-broad applications at the beginning of the registration process, thus decreasing the overall

volume of deadwood (rather than simply clearing already accrued deadwood). This deterrence would be particularly helpful in scenarios where applicants are not required to provide proof of use upon initial registration. By increasing the likelihood of a future audit, these entities would be more likely to choose their descriptions of goods and services wisely and sparingly so as to avoid future loss.

Moreover, any solution to the deadwood issue should go beyond the initial six-year maintenance filings. Although the proposed audit is aimed generally at Section 8 filings, it was not clear whether in practice this included all renewals, or only the six-year maintenance filing. All renewals should be subject to audit, regardless if the renewal comes after ten years, twenty years, or eighty years. Many of our proposals also address the deadwood issue from the time of application prosecution.

Finally, the Office should be mindful that it has the inherent power to investigate specimens provided during registration, maintenance, and renewal with more scrutiny. The Office wields this power conservatively and generally takes specimens submitted at face value, regardless of the quality of the specimen. From our own experience, patently fraudulent specimens are frequently accepted, as are specimens that are clearly identical to prior submitted specimens (rather than being current for each maintenance filing). The Office should exercise its own discretion to review such specimens and crack down on such abusive practices.

Deadwood is a complicated problem that requires a multifaceted solution. We believe that a combination of some of the following proposals is a good place to start.

Recommendations

In addition to our general comments, we also recommend the USPTO consider further supplementary rulemakings that would increase the efficiency and effectiveness of the auditing process. We believe our proposals, if adopted, would help ensure that only marks that are in use are receiving registrations and that Registrants are actually maintaining their registrations so as to protect the ability of others seeking to protect their marks.

Require Specimens of Use for All Claimed Goods or Services

Requiring specimens of use for all claimed goods or services during the application prosecution as well as with maintenance filings would entirely eliminate the need to audit

registrations. Currently, applicants and registrants are only required to supply one specimen of use per class of goods, regardless of how many very different goods or services within each class are claimed. These lax evidentiary standards enable applicants and registrants to claim use of goods and services that they otherwise would not be able to prove use of. The audit program would require only those audited—a meager 10% of renewals—to provide additional evidence; this proposal would require additional evidence from all applicants and registrants.

The Office has considered such a proposal in the past. Although some argue that the requirement is burdensome on applicants and registrants, we find this argument is not convincing when balanced with (i) the significant rights attached to a registration, and (ii) the benefits of eliminating deadwood. An applicant or registrant should already have proof of use readily available if it is, in fact, using the mark in connection with those goods and services. Uploading an image file to the TEAS portal is no more burdensome than providing any other type of information required by the USPTO. In many cases, the same specimen may suffice for multiple goods or services, thereby lowering the cost of collecting specimens. Moreover, this option is clearly the fairest and most effective option because it applies to all applicants and registrants and because it concerns all goods and services. The additional burden imposed is worth the clear benefits and is not likely to deter any applicant or registrant with a bona fide intention to use and register a trademark.

There should be no legal difficulty in applying this proposal to all registrants seeking renewal. However, the proposal would require the Office to evaluate how applications filed under Sections 44(e) and 66(a), for which no use is required at application, would fit into the proposal. A larger proportion of these types of registrations are deadwood than applications filed under Sections 1(a) and 1(b), and therefore any scheme to resolve the deadwood issue from the point of registration would need to include Section 44(e) and 66(a) applications. We believe there is no reason why these applicants should not be subject to the same use requirements as US applicants, but understand that the US's treaty obligations complicate matters. Still, the benefits are too great to not explore this option further.

Automatic Audits of Lengthy Identifications of Goods and Services

One way in which the USPTO could greatly reduce the registration of ultimately unused marks would be by performing automatic audits of registrations with lengthy identifications of

goods and services. While there is nothing inherently wrong with claiming dozens (or hundreds) of goods and services within the scope of a registration, the low burden of proof of use often means that some such registrations are merely “kitchen sink” registrations, claiming numerous goods and services that are never used. The Office should, at a minimum, be able to take the length of the identification of goods and services into consideration when reviewing renewals or applications. Even better, however, would be to automatically audit any renewal for a registration claiming rights to more than a certain number of goods or services.

Affirmative Petition to Audit (Expungement Proceedings)

Another way in which widely unused marks could be cleared from the register would be to open the auditing process up as an affirmative procedure available to applicants. Similar proposals have already been considered by the USPTO in the form of the expungement proceedings proposed in 2010. The proposal would allow an applicant whose mark is the subject of a Section 2(d) Office Action refusal to petition the Office to audit a registration if the applicant has a good cause to believe that the mark that forms the basis of the refusal is not being used in connection with some or all of the goods and services in the registration. This request would be contingent on whether the partial or complete cancellation of the conflicting mark would result in Applicant’s mark being allowed to proceed to publication (i.e., audit requests are allowed so long as the Section 2(d) refusal would be the only bar to registration). The Office would need to judiciously review these petitions and the petitioner’s good cause to ensure the process could not be abused, and additional safeguards could flesh out this rough proposal. This petition process, however, would ultimately have the potential to save applicants the time and expense of arguing against unnecessary likelihood of confusion refusals, eventually facing a costly appeal process, or engaging in lengthy cancellation proceedings before the Board.

Individual Declarations for Each Good and Service

The USPTO could also require more specific, affirmative declarations from Registrants seeking renewals or filing maintenance documents. The Office could, for example, include more stringent requirements upon renewal beyond simple “yes” declarations that a mark is in use for all goods and services identified in the registration. Rather than being allowed to make blanket declarations proclaiming that a mark is still in use for every good and service claimed in the

registration, registrants seeking renewal should be provided a more comprehensive item-by-item checklist of all goods and services claimed in the original registration. Registrants would be required to specifically declare use of each good and service being used at the time of renewal, perhaps by signing or initialing a simple declaration for each item in the registration before signing a broader, solemn declaration to finalize the renewal. This would force registrants to more seriously evaluate their registrations and encourage self-policing during the renewal process that could potentially lead to registrants voluntarily conceding the non-use. Such a renewal process would not be very burdensome on registrants, and would save the Office considerable time and expense by lessening some of the need to audit renewals.

Shorter Initial Renewal Period

Several years ago, in 2011, the Office sought comments concerning the possibility of changing the initial renewal period from the current six years.⁸ In response, we conducted an empirical analysis of the typical length of a registration and found that an initial renewal period of 4 years would provide the best balance benefiting registrants while preventing deadwood.⁹ At the end of the current six-year renewal period, more than half of eligible marks are not renewed.¹⁰ With a shorter initial renewal period, many of those unused marks will be cleared from the register earlier than they otherwise would under the current system, creating more space in the register for new marks. We continue to believe that a shorter initial renewal period would improve the current trademark landscape, and that the Office should reconsider efforts to pursue shortening the initial renewal period.

⁸ See Changes in Requirements for Specimens and for Affidavits or Declarations of Continued Use or Excusable Nonuse in Trademark Cases, 77 Fed. Reg. 30197 (May 22, 2012).

⁹ See “Comments of Erik M. Pelton & Associates, PLLC in response to USPTO Request for Comments Regarding Amending the First Filing Deadline for Affidavits or Declarations of Use or Excusable Nonuse,” available at http://www.uspto.gov/sites/default/files/trademarks/law/comments_first8-71_EMPA.pdf.

¹⁰ “Making the Case to Amend USPTO Section 8 Deadlines?,” TOWERGATE SOFTWARE (Sept. 6, 2012), <http://towergatesoftware.com/2012/09/making-the-case-to-amend-uspto-section-8-deadlines/>.

Penalties and Disincentives

We propose the Office implement a penalty system to incentivize Applicants and Registrants to only register and renew marks for goods and services that are actually being used. While we applaud the Office's current proposal, we fear that the proposed mechanism provides very little disincentive for applicants and registrants to make abusive, ignorant, or fraudulent claims during registration and renewal. By potentially facing both cancellation *and* a fine or other penalty, Applicants and Registrants will be discouraged from seeking or maintaining overly-broad registrations that will potentially inhibit others from registering their own new marks. Furthermore, the revenue generated from these fines could be funneled back into the USPTO auditing program and used to broaden the scope of the process and aid in its use as an affirmative procedure.

Public Data and Third Party Resources

Lastly, we propose that the Office make more data available to the public concerning the marks on the register, the number of applications and renewals filed, and the number of refusals and amendments filed. Outside parties are well-suited to the task of analyzing data, identifying issues facing the Office, and proposing solutions to those issues. This data would strengthen academic and public understanding of the Office and promote discourse that would encourage the Office's mission.

Conclusion

The Office's efforts to remove deadwood from the register are laudable, and the proposed audits are a positive first step. We believe, however, that the Office needs take further action to ensure the effectiveness of its efforts, and should do so with all possible haste.

Respectfully submitted,



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