

Comment on Changes in Requirements for Affidavits or Declarations of Use, Continued Use, or Excusable Nonuse in Trademark Cases, Docket No. PTO-T-2016-0002

I am a professor of law at Georgetown; I have taught trademark law since 2002 and written extensively in the area. My article *Registering Disagreement: Registration in Modern American Trademark Law* is forthcoming in the Harvard Law Review, and available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2735013. These comments are intended to supplement the suggestions I make in that article for improving the registration system. Substantive examination is vital to the strength of the registration system and to ensuring that resources invested into registration also produce benefits at later stages, when resolving conflicts between marks. The use-based system is a distinctive feature of U.S. trademark registration, but it can only play its statutorily mandated role if registrants provide accurate information.

I therefore commend the proposed revision. Given the evidence from the PTO's own studies finding overclaiming of goods and services in more than half of Section 8 affidavits or declarations, further examination and auditing of use-based claims is more than justified. Moreover, the information sought is peculiarly within the knowledge of the trademark claimant, and should be simple to produce if there is indeed use.

The proposed changes could be a model for other improvements as well. In particular, the PTO could benefit by increasing affiants' attention to the requirements for Section 15. The cost to the public of a single faulty Section 15 statement may be higher than the cost of a single extra goods/services designation, given the ability of a registrant to use "incontestability" as leverage in disputes. In the last year and a half alone, three legally significant cases were complicated by unwarranted Section 15 approvals that, because they purportedly removed the basis for a challenge to a mark as merely descriptive, were or could have been dispositive in subsequent infringement litigation.

- (1) *B&B Hardware Inc. v. Hargis Indus. Inc.*, 06-cv-01654 (E.D. Ark. Jun. 26, 2016), involved a remand based on the Supreme Court's earlier ruling in the case that preclusion could apply to TTAB rulings in subsequent infringement litigation. This result makes the stakes of registration higher, and reinforces the need to have the register reflect reality. In 2000, Hargis proved at trial that "Sealtight," the term claimed by B&B as its mark, was descriptive without secondary meaning. B&B subsequently renewed its registration and filed a Section 15 affidavit. B&B sued Hargis again in 2006, and the court of appeals found that preclusion from the first trial didn't apply because of the change in the mark's circumstances from contestable to incontestable. B&B, that is, filed an affidavit claiming that there had been no final decisions adverse to its ownership of the SEALTIGHT mark, after losing an infringement case on the ground that it did not own a protectable mark. Then it parlayed that affidavit into a decade of new litigation, including a successful opposition and a duplicate infringement suit, having precluded its opponent's previously successful defense. At a minimum, some sort of explanation should have been required of B&B much earlier. Given the PTO's resource constraints, requiring affiants to provide more information is a useful step towards ensuring that the register reflects reality.

- (2) *Paletaria La Michoacana, Inc. v. Productos Lacteos Tocumbo S.A. De C.V.*, 2016 WL 3034150, No. 11–1623 (D.D.C. May 27, 2016), considered many complicated issues about famous foreign marks, concurrent use, and territoriality. The case involved a term found by the court to be descriptive as a matter of law. The Section 15 affidavits for certain marks using the term were apparently erroneously accepted during the pendency of the litigation. The court, lacking detailed knowledge of the registration process, did not recognize that a Section 15 affidavit is inherently invalid if filed during a pending challenge to the validity of the mark. Thus, the court granted one party a priority date that might not have existed had the court allowed the other party to challenge the term as merely descriptive and lacking secondary meaning in the United States during the relevant period, and this ruling proved dispositive of the infringement claims.¹
- (3) *Nola Spice Designs, LLC v. Haydel Enterprises Inc.*, 783 F.3d 527 (5th Cir. 2015), involved an image mark that the trial court found to be merely descriptive without secondary meaning and thus invalid. During the pendency of the appeal, the plaintiff filed a Section 15 affidavit, which was duly accepted by the PTO despite the TSDR’s clear indication that there was a pending challenge to the validity of the mark. Had the Section 15 affidavit been legally effective, the plaintiff could have reversed the district court’s finding despite its legal correctness when made. When the error was brought to the PTO’s attention, it rescinded the acceptance—but no procedure is in place to prevent this from happening again, and, as in *B&B* and *Paletaria la Michoacana*, most businesses faced with a trademark threat won’t understand the details of registration and Section 15 affidavits.²

These are examples that turned up in my research fortuitously; they were not produced from any attempt to determine how often problems with Section 15 or Section 8 affidavits occur. Moreover, each case appears to involve legal error by a court that did not notice, and was almost certainly unfamiliar with, the legal prerequisites for incontestability. If a Section 15(3) affidavit is mistaken (whether or not knowingly false), then the requirements of 15(1) or 15(2) haven’t been met, and thus courts *should not* accord the affected registration an irrebuttable presumption of distinctiveness. But it is a disturbing fact that the error has been repeated multiple times by different courts in case-dispositive ways, including in a case that made it all the way to the Supreme Court without any litigator noticing the problem. The PTO cannot, of course, prevent all errors—but its public pronouncements may educate courts in the future, and changes to the process for Section 15 affidavits similar to those proposed for Section 8 may help registrants avoid the kinds of inadvertent errors that may well have underlain these cases.

I would therefore suggest, in addition to the PTO’s current proposals, that the PTO consider whether the Section 15 process could be similarly improved. One possibility is to expand the audit procedure to a percentage of Section 15 affidavits, at least to the extent of having examiners run a Westlaw search and check whether any pending cases appear in TSDR and then,

¹ See <https://tushnet.blogspot.com/2016/07/it-depends-on-what-meaning-of-is-is.html>.

² See also *Constellation Brands, Inc. v. Arbor Hill Associates, Inc.*, 535 F. Supp. 2d 347 (W.D.N.Y. 2008) (similar fact pattern: Section 15 affidavit filed during pendency of dispute). *Constellation* is an example of a case in which the defendant caught the problem, but then engaged in doubtless expensive litigation over whether the affiant’s arguably gross negligence amounted to fraud on the PTO.

if the trademark appears to be the subject of litigation, asking the trademark owner to explain why the cases aren't relevant.³ Other measures could make the requirements of Section 15 more salient, just as the PTO is trying to make the use requirements for Section 8 more salient. For example, the affiant could be required to check a box, yes or no, about whether there are any pending or resolved cases involving the mark.⁴ If the answer is yes, the form could ask the affiant to provide more information and explain whether there is any (1) pending or (2) successful and final challenge to the validity or ownership of the mark. Alternatively, the affiant could be required to list all proceedings, pending and terminated, involving any challenge to the validity or ownership of the mark in question, and state the status or outcome of the proceeding with respect to the mark.⁵ Since most registered trademarks are never involved in litigation, the burden on registrants would be minimal.

Most registrants who provide incorrect information are not determined to distort the register. Negligence and ignorance are bigger problems. It is therefore worth giving more detailed cues about the statutory requirements for a Section 15 affidavit to affiants at the moment those cues are most needed. Changing the Section 15 affidavit would not materially increase the burden on the PTO, because the PTO need not invest any more resources in examining Section 15 affidavits. Likewise, the minimal burden on trademark owners or their agents of confirming the facts is fully justified by the benefits a Section 15 affidavit confers, over and above a registration.

Some people may object to increased attention to the statutory requirements for registration and for Section 8 and 15 filings. But such changes are useful steps to improving the quality of the register, removing deadwood and confirming the continued existence of properly registered marks. While penalties such as cancellation of the entire registration might be appropriate for fraud, correction of the register to reflect reality, such as the reality of nonuse, is not a penalty. And the minimal increased burden on trademark claimants to confirm the facts is justified given the enormous benefits federal registration provides to such claimants. These benefits are worth the effort of confirming the accuracy of claims with someone in a position to know the truth.

Fundamentally, no one should be made better off by providing inaccurate information to the PTO. Unfortunately, it is currently possible to benefit from doing so. The PTO's proposed changes are positive steps towards making it less likely that affiants will inadvertently misrepresent the facts.

³ In addition, I'd urge the PTO to reach out to the clerks' offices for the federal courts, reminding them that notices should be sent to the PTO about pending cases involving registered trademarks. Such notices should be sent routinely, but experience indicates that compliance is extremely spotty.

⁴ Affiants might be asked separately to check a box about whether there is any notice of pending or resolved cases that appears in TSDR, in order to deal with the sadly not uncommon situation in which registration counsel is not litigation counsel and may not be aware of pending litigation. Signing the affidavit without further inquiry in this circumstance is at least negligent, but clear notice of the required steps may increase the care taken by registration counsel.

⁵ Many run-of-the-mill infringement cases don't involve challenges to validity or ownership; the facts about the cases should be easy for the trademark registrant to verify, given that the Section 15 affidavit need be filed only once in the registration's history.