

New York University
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School of Law
Faculty of Law

40 Washington Square South
New York, NY 10012-1099

Barton Beebe
John M. Desmarais Professor of Intellectual Property Law

Jeanne Fromer
Professor of Law

Transmitted by electronic mail to TTABFRNotices@uspto.gov

United States Patent and Trademark Office
Trademark Trial and Appeal Board
P.O. Box 1451
Alexandria, VA 22313-1451

ATTN: Cynthia Lynch

August 14, 2017

Re: Comment on Possible Streamlined Version of Cancellation Proceedings on Grounds of Abandonment and Nonuse, Docket No. PTO-T-2017-0012

We are professors of law at New York University School of Law. We have both taught trademark law for many years, Professor Beebe since 2001 and Professor Fromer since 2007, and have published extensively in the area. Our article *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion* is forthcoming in *Harvard Law Review* and is available in draft form at http://its.law.nyu.edu/faculty/profiles/representativeFiles/BeebeFromer_D6A0EF5E-1B21-6206-60BEDB12DCD6324B.pdf. It reports the results of our statistical study of all 6.8 million trademark applications filed at the U.S. Patent and Trademark Office (“USPTO”) from 1982 through 2015.¹ These comments in support of the proposed streamlined version of the existing *inter partes* abandonment and nonuse grounds for cancellation before the USPTO’s Trademark Trial and Appeal Board (“Streamlined Proceedings”) build upon proposals that we advocate in that article for improving the trademark registration system.

We support the Streamlined Proceedings because they will help to clear the U.S. Trademark Register of unused marks and thereby mitigate troublesome historical trends we identify in our article’s empirical study that reduce competition and that hurt consumers. We term these trends “trademark depletion” and “trademark congestion.” Trademark depletion is

¹ The reported numbers will be finalized by the time of the article’s publication in early 2018 and at that point will include data through 2016.

the process by which a decreasing number of potential trademarks remain unclaimed by any trademark owner. Trademark congestion is the process by which, for any particular mark that has already been claimed, that mark is claimed by an increasing number of different trademark owners. Our trademark system has long operated on the assumption that there exists an inexhaustible supply of unclaimed trademarks that are at least as competitively effective as those already claimed; thus, trademark depletion and congestion should not be a problem. This conventional wisdom, however, is wrong. Our study shows that the trademark system has already reached chronic levels of trademark depletion and congestion, particularly in important economic sectors. The data further show that new trademark applicants are increasingly being forced to resort to second-best, less competitively effective marks. Yet registration refusal rates also continue to rise. The result of trademark depletion and congestion is a crowded U.S. Trademark Register that in turn produces mounting barriers to entry for those seeking a new mark and increasing consumer search costs. The Streamlined Proceedings will contribute to mitigating these harms.

We briefly review here certain of our study's main findings. To evaluate the extent of trademark depletion and congestion, we analyzed all trademark applications filed at the USPTO from 1982 through 2015 in light of the most frequently used words and syllables in American English and the most frequently occurring surnames in the United States. Considering first identical matches, the data show a steady increase over time in the proportion of word usage in American English consisting of words claimed as single-word trademarks in at least one class of goods or services (Figure 1). To give a sense of how many of the most frequently used words are thereby claimed, in 2015, 20,024 (23.2%) of the 86,408 most frequently used words in American English were claimed as single-word marks. These 20,024 words account for 74.3% of all word usage. Moreover, 816 of the 1,000 most frequently used words identically matched an active single-word mark, and 6,121 (61.2%) of the 10,000 most frequently used words did so (Table 1). The data also show a steady increase in the proportion of the U.S. population carrying a surname claimed as a single-word trademark (Figure 2). We estimate that at least 55 percent of Americans currently carry a surname that is already claimed as a single-word mark. It is often assumed that new businesses can simply coin new words if currently existing words are already claimed. However, the data show that a large proportion of the most competitively effective neologisms are already claimed. Of the 10,753 most frequently used syllables in American English, approximately 51 percent are already claimed as single-word marks, and these 5,532 syllables account for 76 percent of syllable usage in our language. As with frequently used words and frequently occurring surnames, the data show a steady increase over time in the proportion of syllable usage consisting of syllables registered as single-word marks (Figure 3). While these proportions tend to decrease when we investigate these data at a class-specific level, the more crowded classes, such as Class 9 (electronics goods, including software), Class 25 (apparel goods), and Class 35 (business administration services), have comparably high proportions of claims, as illustrated by our data on the proportion of all syllable usage consisting of syllables registered as single-word marks in 2015 by Nice Class (Figure 4).

Figure 1: Proportion of All Word Usage Consisting of Words Claimed as Single-Word Marks, 1982-2015

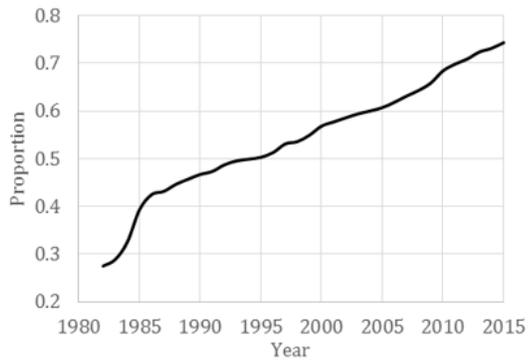


Table 1: Proportion of Most Frequently Used Words Matching Active Single-Word Marks in 2015

Number of Most Frequent Words	Number Registered as Single-Word Marks	% of Number of Most Frequent Words	% of All Word Usage Claimed by Single-Word Marks
1,000	816	81.6	60.4
5,000	3,437	68.7	70.2
10,000	6,121	61.2	72.6
86,408	20,024	23.2	74.3

Figure 2: Proportion of U.S. Population Carrying a Surname Registered as a Single-Word Trademark, 1982-2015

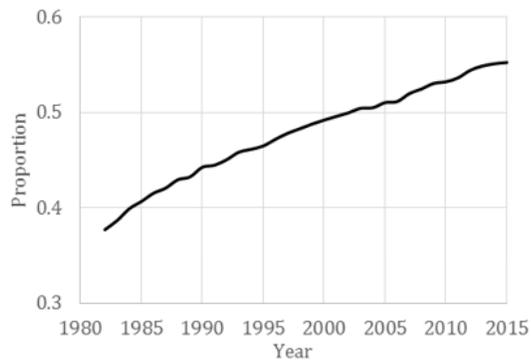


Figure 3: Proportion of All Syllable Usage Consisting of Syllables Registered as Single-Word Trademarks, 1982-2015

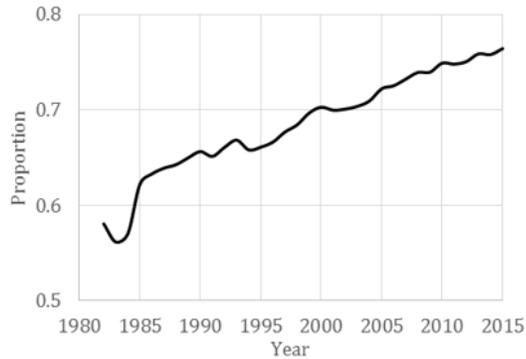
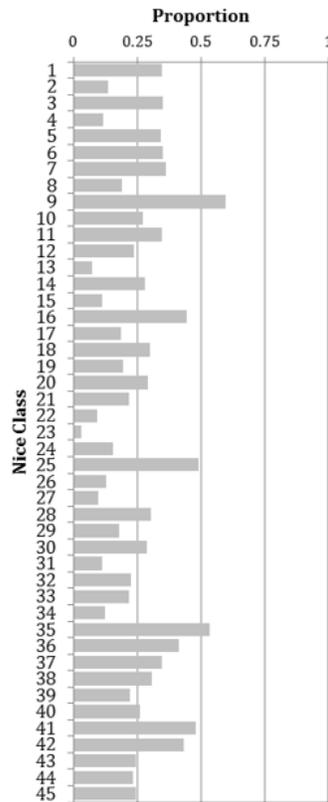


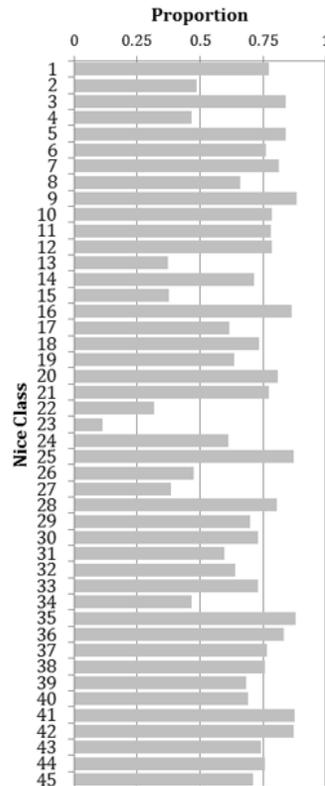
Figure 4: Proportion of All Syllable Usage Consisting of Syllables Registered as Single-Word Marks in 2015 by Nice Class



When we move from an analysis of the data based on identical matching to an analysis based on confusing similarity, the extent of trademark depletion is shown to be even more concerning. In our study, we use a very conservative measure of similarity between two words based on edit distance (the number of changes that must be made to transform one word into another). We estimate that 97 percent of the 86,408 most frequently used words in American English are confusingly similar with a mark already registered in at least one class of goods or services. These words account for 89 percent of all word usage in American

English. These results are striking even when limited to specific classes of goods or services (Figure 5). In Nice Class 9, covering electronics and software, 88 percent of all word usage consists of words confusingly similar with trademarks currently registered in that class. Similarly, in Nice Class 25, covering apparel, currently registered marks are confusingly similar with words constituting 87 percent of all word usage.

Figure 5: Proportion of All Word Usage Consisting of Words Triggering Jaro-Winkler Similarity Matches with Active Registrations in 2015 by Nice Class



Given these conditions, new applicants are increasingly resorting to suboptimal marks. The data indicate that applicants are applying less often for standard English words and common surnames and more often for more complex marks, as measured by character, syllable, and word count. Our data show the increasing length in word count of applied-for and registered word marks over time. The average word count of all applications in 1982 was 1.90 words, and of all such applications that resulted in registration, it was 1.81 words. By 2015, these averages had increased to 2.28 words for all applications filed that year and 2.28 words for all such applications that have so far resulted in registration (Figure 6). Consistent with these results, applications for single-word marks in particular have declined from a high of 50.6% of all word mark applications in 1983 to a low of 40.1% of all such applications in 2007 and continuing at roughly that level through 2015. Registrations for single-word marks follow the same trend. Our data also similarly show the increasing length in syllable and character count of applied-for and registered word marks over time (Figures 7 and 8).

Figure 6: Length in Mean Word Count of Applied-For and Registered Marks by Year, 1982-2015

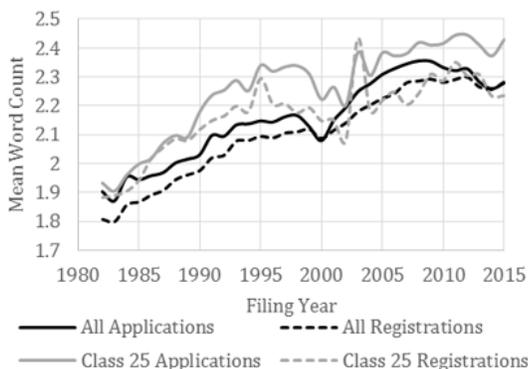


Figure 7: Length in Mean Syllable Count of Applied-For and Registered Marks by Filing Year, 1982-2015

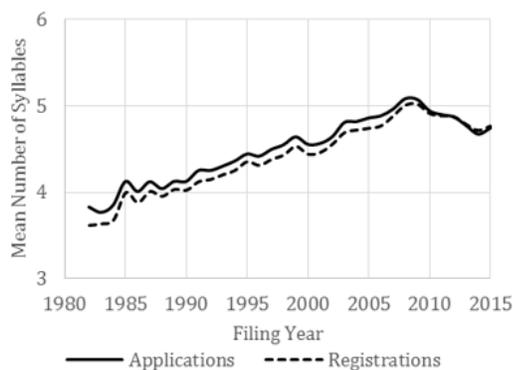
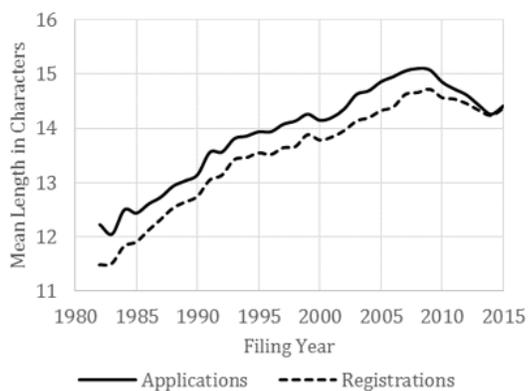


Figure 8: Length in Mean Character Count of Applied-For and Registered Marks by Filing Year, 1982-2015



We think that applicants are modifying their conduct in this manner primarily to avoid applying for marks that the USPTO would refuse to register on the basis of section 2(d) of the Lanham Act, 15 U.S.C. § 1052(d), which denies the registration of a mark that due to its similarity with an already registered mark would confuse consumers as to source. Yet

applicants appear to be increasingly unsuccessful in avoiding such refusals. Working from a dataset of all 1.9 million trademark office actions issued by the USPTO from 2003 through 2015, our study reports the increasing rate at which the USPTO is refusing applied-for marks on the basis of section 2(d) (Figures 9-12). Despite these trends, one class of applicants appears to be doing fine. Incumbent applications (those based on previous registrations) continue to apply for non-neologisms at a rate substantially higher than non-incumbent applications and continue to enjoy very low section 2(d) refusal rates. For the ten-year period from 2003 through 2014, 32.7% of all non-incumbent applications resorted to single-word applications consisting of neologisms as compared to 23.7% of incumbent applications. For the same time period, 10.5% of incumbent word mark applications received a section 2(d) refusal, and 77.1% of these applications overcame that refusal and published. In contrast, 14.2% of non-incumbent applications received a section 2(d) refusal and only 35.5% overcame the refusal and published. More generally, over the same time period, incumbent applications enjoyed a substantially higher publication rate, at 0.93, than did non-incumbent applications, at 0.76.

Figure 9: Proportion by Filing Year of Applications Containing Text That Triggered a Section 2(d) Refusal, 2003-2014

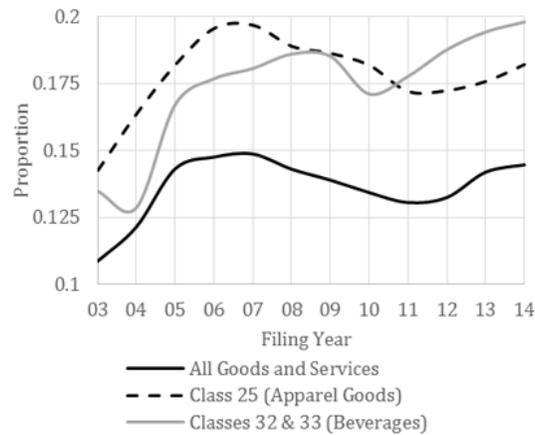


Figure 10: Proportion by Filing Year of Applications Containing Text That Triggered a Section 2(d) Refusal and Failed to Publish, 2003-2014

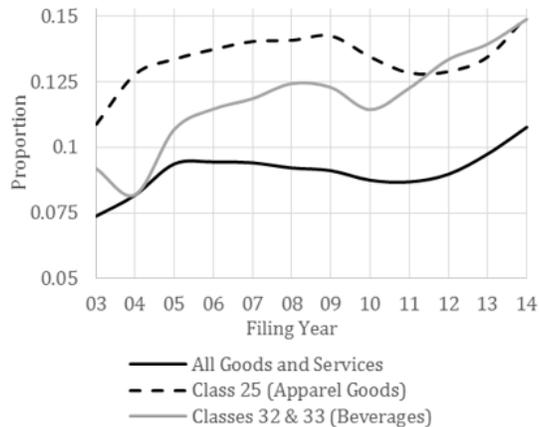


Figure 11: Proportion by Filing Year of Single-Word Applications Containing Text That Triggered a Section 2(d) Refusal and Failed to Publish, Neologisms vs. Non-Neologisms, 2003-2014

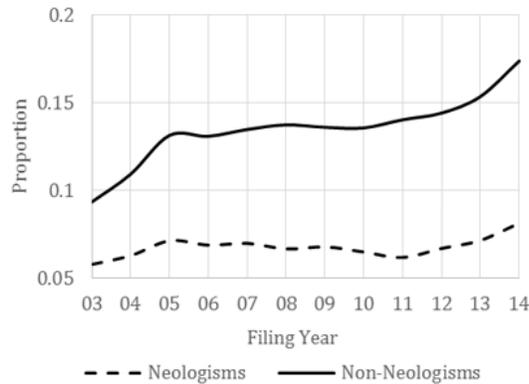
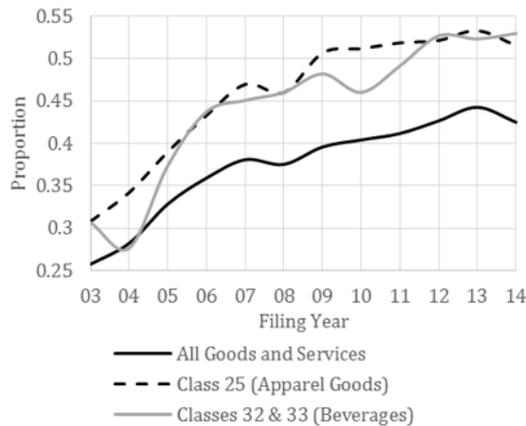
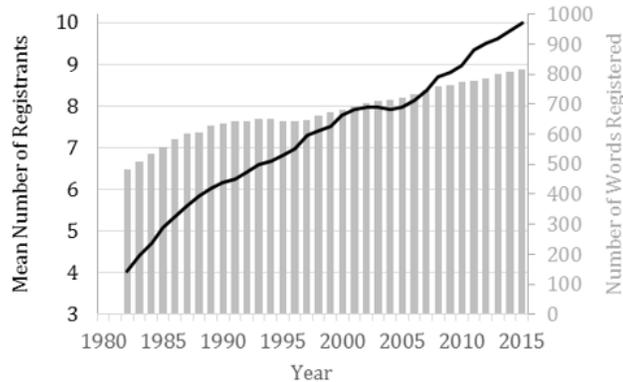


Figure 12: Proportion by Filing Year of Applications Failing To Publish That Received a Section 2(d) Refusal, 2003-2014



Our study also shows severe levels of trademark congestion, in which more than one company uses the same mark albeit in a non-confusing manner (for example, ACE for bandages and ACE for hardware). To assess trends in the degree of congestion of common English words, we focus on single-word registrations identically matching any one of the 1,000 most frequently used English words regardless of class of goods or services. Figure 13 shows two trends from 1982 through 2015. The bars (and the right axis) show by year the number of the 1,000 most frequently used words that were the subject of one or more active single-word registrations. The line (and the left axis) shows by year the average number of different registrants for each such word. In 1982, 485 words among the 1,000 most common words were claimed by an average of 4.0 different registrants across the various Nice classes. By 2015, conditions had changed substantially. Of the 1,000 most frequently used words, 816 were claimed by an average of 10.0 different registrants. We emphasize that these data relate only to trademark registrations that identically matched the frequently used word. The increase in parallel or near-parallel usage of trademarks (PROGRAM and PROGRAMME, for example) by different firms in the economy overall is likely substantially higher.

Figure 13: Number of 1,000 Most Frequently Used Words Registered as Single-Word Trademarks and Mean Number of Registrants Per Word by Year, 1982-2015



Trademark depletion and congestion are problems because they undermine trademark law’s goals of promoting efficient and fair competition and minimizing consumer search costs. In particular, as depletion worsens, entrants face higher costs than incumbents had faced earlier in locating or devising a mark that is not confusingly similar with already registered marks and that is competitively effective. Moreover, entrants are generally constrained to settle for less effective marks, such as longer and more complex marks, that minimize the advertising power of these marks. New entrants also do not enjoy an additional advantage of incumbents. Having registered their mark in a particular class of goods or services, incumbents may more easily leverage that registration into new registrations within that class or in other classes. Although new firms are still finding trademarks to register and are still managing to compete, an insidious quality of depletion is that it proceeds gradually, and even though its pace has quickened in recent years, it remains a chronic rather than acute condition. We should expect no tipping point or moment of crisis in which there are suddenly no trademarks left at all and competition grinds to a halt. Instead, we should expect what the data report: a continuous process in which individual applicants are still able to find usable marks, but at ever greater cost in pursuit of ever less benefit. Trademark depletion also increases consumer search costs—and in a similarly gradual way—because consumers must cope with less efficient marks and a more crowded space of them. Like depletion, trademark congestion raises consumer search costs by diminishing marks’ distinctiveness of source. Parallel uses blur the link between the mark and any one source.

We think that trademark law and policy can be adapted to decrease trademark depletion and congestion. One key way to do this is to by establishing the proposed Streamlined Proceedings. Doing so would help enforce trademark law’s use requirement and abandonment provision. As made clear by the USPTO’s recent pilot study and new rule to audit use, marks that are not in use but appear on the U.S. Trademark Register undermine the register’s accuracy and impose costs on entrants seeking to register marks. Making it less costly and time-consuming for third parties to challenge non-use or abandonment of marks through Streamlined Proceedings would similarly help decrease the ever-growing levels of trademark depletion and congestion. Streamlined Proceedings would make it easier to cull marks from the U.S. Trademark Register that are not in use or that have been abandoned, freeing them for use by others. Businesses could then have a broader pool of competitively

effective marks from which to choose new marks, both benefiting competition and lowering consumer search costs. For these reasons, we support establishing Streamlined Proceedings.