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VIA EMAIL ONLY (TTABFRNotices@USPTO.gov)

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

**Re: Improving the Accuracy of the Trademark Register: Request for Public Comments on Possible Streamlined Version of Cancellation Proceedings on Grounds of Abandonment and Nonuse (Docket No. PTO-T-2017-002)**

Dear Ms. Lynch:

Verizon appreciates the opportunity to submit comments regarding improving the accuracy of the trademark register and, specifically, the idea of a streamlined version of cancellation proceedings on grounds of abandonment and non-use.

Verizon supports efforts by the USPTO to improve the quality of trademark registrations and the accuracy of the federal trademark register. We also support the broad goal of improving the efficiency of proceedings before the Trademark Trial and Appeal Board (the "TTAB"). As discussed below, however, we are concerned that the cancellation mechanism, as currently proposed, lacks necessary safeguards to prevent future abuse of a well-intentioned process. At a minimum, any proposal for a streamlined cancellation procedure must build in robust safeguards that deter abusive, meritless and opportunistic cancellation actions. Without proper deterrents in place, we believe the proposed expedited process will incent parties who wish to appropriate the valuable goodwill in valid trademark registrations or to otherwise interfere with trademark owners' legitimate rights. Unfortunately, the current proposal, with its low costs and relatively easy bar to entry, will embolden existing bad actors to monetize the process and file cancellation proceedings as a business model.

It is critical that the USPTO not overcompensate for "deadwood" registrations by focusing solely on creating an expedited cancellation process. A properly crafted expedited cancellation proceeding should be one of many measures that improve the quality and accuracy of the federal

trademark register. Improving the quality of trademark registrations should begin with the application process itself, including the examination of declarations supporting good faith use or intent-to-use, and it should extend to reviewing improvements to the Section 8 and 15 Declarations of Use.

### **TTAB Cancellation Actions are Already Abused Under the Existing Procedures and Rules**

Verizon, as one of the world's leading providers of communications, entertainment, information technology and security solutions, maintains a large and diverse portfolio of trademarks, including a myriad of marks comprising federal trademark registrations. These include many longstanding registrations for famous trademarks with extensive and historic goodwill. Unfortunately, a variety of bad actors have already misused the TTAB's existing cancellation procedures and made a business model around attempting to appropriate the long-standing goodwill in famous valid trademark registrations.

For example, a series of cancellations filed by Exim Brands LLC ("Exim") in October, 2007 provide a good illustration of this kind of abusive business model. Exim targeted trademark registrations that had acquired fame through a fishing expedition designed to misappropriate the famous trademarks of others for itself. Exim filed petitions against GTE Corporation and GTE Wireless Incorporated (collectively "GTE") to cancel a series of GTE trademark registrations, knowing that GTE had merged with Bell Atlantic Corporation to form Verizon in 2000.<sup>1</sup> Exim also targeted many other brands. For example, it targeted the registration GROKSTER, after this company lost several well publicized court battles<sup>2</sup> and appeared to be a ripe target.<sup>3</sup> The cancellations involving GTE and Grokster were among nine actions that Exim filed within the same two-week period, which sought to cancel registrations identifying a wide variety of goods and services.<sup>4</sup> In

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<sup>1</sup> *Exim Brands LLC v. GTE Corporation*, No. 92/048,359 (T.T.A.B. Oct. 31, 2007); *Exim Brands LLC v. GTE Wireless Incorporated*, No. 92/048,367 (T.T.A.B. October 31, 2007).

<sup>2</sup> See, e.g., *MGM Studios, Inc. v. Grokster*, 545 U.S. 913 (2005).

<sup>3</sup> *Exim Brands LLC v. Grokster, Ltd.*, No. 92/048,283 (T.T.A.B. Oct. 31, 2007).

<sup>4</sup> See *Exim Brands LLC v. The 3DO Company*, No. 92/048,323 (T.T.A.B. Oct. 19, 2007) (seeking to cancel 3DO in Class 9 for "Computer software for [ the ] operating interactive games on multimedia devices, video game machines, personal computers, and games played over a global computer network; and manuals sold as a unit"); *Exim Brands LLC v. Tandy Corporation*, No. 92/048,316 (T.T.A.B. Oct. 19, 2007) (seeking to cancel TANDY in Class 37 for "manufacture of computer and consumer electronic products to order and/or specification of others" and Class 42 for "retail store services in the field of computer and consumer electronic products"); *Exim Brands LLC v. Derby Holding (Deutschland) GmbH*, No. 92/048,303 (T.T.A.B. Oct. 19, 2007) (seeking to cancel UNIVEGA in Class 12 for "bicycles"); *Exim Brands LLC v. Nvidia U.S. Investment Company*, No. 92/048,296 (T.T.A.B. Oct. 19, 2007) (seeking to cancel 3DFX in Class 9 for "Semiconductors; computer hardware systems, comprising central processing units, memory, buses, bus slots, hard disks, sound cards,

each case, Exim had submitted an application that was essentially identical to the existing trademark owner's registration.<sup>5</sup> Before these applications published for opposition (and thus before the registrants were likely to learn of the applications), Exim submitted its petitions to the TTAB to cancel the registrations, relying on its applications to establish standing. The petitions contained little more than bare allegations, made on information and belief, that the registrant has abandoned its registered mark. If Exim prevailed, it could rely on its recently filed application to assert rights in the already-famous mark that was once covered by the registration. The petitioner could then resell its now highly valuable trademark to a third party or potentially, back to the original registrant.

Exim discovered there was a significant return on its investments in pursuing bad faith trademark applications and baseless cancellation claims. Instead of attacking "deadwood" registrations in order to pursue legitimate business objectives, Exim's intent was to secure cheap defaults against valid famous registrations and resell the brand, along with its substantial goodwill, to others. Exim never submitted evidence that it used any of its trademark applications, even after prevailing in several of its cancellations. It made minimal investment in most of its actions, in which it used essentially identical petitions. It failed to pursue its cancellation claims when a registrant fought back and submitted an answer. Some registrants, however, failed to respond, arguably due to office error or simple lack of resources, which was consistent with Exim's strategy. Even though Exim did not prevail in each of its cancellations, its business was designed knowing that a few wins earned it more than enough income to account for its losses.

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graphics cards, control modules, ethernet, operating systems, and parts for each of the foregoing; computer hardware subsystems, comprising game control interfaces, graphics boards, and parts for each of the foregoing; interactive video games of virtual reality comprised of computer hardware and software"); *Exim Brands LLC v. Palm, Inc.*, No. 92/048,289 (T.T.A.B. Oct. 19, 2007) (seeking to cancel HANDSPRING in Class 9 for "computers, computer hardware, computer peripherals, hand held computers, personal digital assistants, electronic organizers, electronic notepads, electrical circuit boards, printed circuit boards, memory cards, liquid crystal displays, cables, modems, prerecorded computer programs for personal information management, database management software, character recognition software, telephony management software, electronic mail and messaging software, and database synchronization software, computer programs for accessing, browsing and searching online databases and instruction manuals distributed with the foregoing" and "photographic and video cameras"); *Exim Brands LLC v. Grokster, Ltd.*, No. 92/048,283 (T.T.A.B. Oct. 31, 2007) (seeking to cancel GROKSTER in Class 9 for "File sharing software").

<sup>5</sup> See 3DFX (Ser. No. 77/267,857); 3DO (Ser. No. 77/267,861); GTE (Ser. No. 77/267,869); HANDSPRING (Ser. No. 77/267,870); UNIVEGA (Ser. No. 77/267,872); WORLDCOM (Ser. No. 77/267,873); GROKSTER (Ser. No. 77/277,425); TANDY (Ser. No. 77/280,601); HANDSPRING (Ser. No. 77/936,865).

Others have also exploited the TTAB's existing cancellation procedures. For example, Leo Stoller, commonly referred to in the press as a "trademark troll," obtained numerous questionably valid trademark registrations in STEALTH and SENTRA, among others, which he aggressively enforced. This allowed him to obtain "royalties" from new entrants to the marketplace by submitting extensions of time to oppose accompanied by demand letters, oppositions or infringement actions in district court. His related efforts to extend his rights and attack the registered marks of sophisticated parties through cancellation actions were largely unsuccessful.<sup>6</sup> We also note the burdens that brand owners and the USPTO faced from the self-styled "Trademark King," Douglas A. LeHockey, who filed 152 trademark applications almost simultaneously.<sup>7</sup> LeHockey sought to register various famous brand names and descriptive terms, demonstrated remarkably little understanding of trademark law, but nevertheless occupied a significant portion of Examining Attorneys' time as they summarily issued refusals for each and every one of his applications. Again, much of his strategy involved targeting famous marks and reselling the brands and the substantial goodwill to third parties, including an application to register the trademark VERIZON CENTER.

### **The Streamlined Cancellations Proposed by the TTAB Will Exacerbate Cancellation Abuse**

Given the history of abuse discussed above, Verizon fears an expedited cancellation procedure, with its relatively low standing and pleading requirements, will be ripe for abuse. Currently, abusive petitioners must make significant up-front investments in each cancellation action, consisting mostly of the time and filing fees for each trademark application used to establish standing and the corresponding petition to cancel a senior registration. That investment is multiplied across petitions against many registrations, with the expectation that only some of the petitions will be successful. Because these petitions are never actually litigated, the USPTO's proposed low fees, changes to the scope of discovery, and expedited briefing schedule will only make such misconduct easier to engage in and even more profitable. The lower threshold has greater likelihood of emboldening abusers rather than cleaning the register of legitimately abandoned marks – the primary intent of the proposed mechanism.

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<sup>6</sup> See, e.g., *Central Mfg. v. Centra Software, Inc.*, No. 92/031,211; *Leo Stoller d.b.a. Central Mfg. v. Nissan Jidosha Kabushiki Kaishya d.b.a Nissan Motor Co., Ltd.*, No. 92/030,944; *Leo D. Stoller d.b.a. Sentra Sporting U.S.A. Co. v. Timex Corporation*, No. 92/024,308.

<sup>7</sup> See Tim Lince, *Pros and cons of DIY filings highlighted by USPTO as "Trademark King" vows to fight on*, World Trademark Review Blog (Jun. 8, 2015) <http://www.worldtrademarkreview.com/Blog/detail.aspx?g=37037656-4556-42cc-89cc-54c4180f6aed>.

*Reduced Costs of Streamlined Cancellations Will Benefit Abusive Petitioners*

The proposed fee reduction for streamlined cancellations will have a direct effect on the incidence of abusive cancellation proceedings. As currently structured, such streamlined cancellations would be available for a low \$300 per class fee when filed electronically, which is \$100 less than the current fee for electronically filed cancellations with a much quicker result. Meanwhile, the cost for filing a simple TEAS Plus trademark application was reduced to a mere \$225 per class in 2015. While inexpensive trademark applications have wide ranging benefits to brand owners large and small, taken together with a reduced cancellation filing fee, they also have the unintended effect of making it affordable for abusive petitioners to prepare form pleadings when seeking to appropriate marks.

*Standing for Streamlined Cancellations Remains Easy to Establish*

The proposed streamlined cancellations are also readily abused because they retain the lenient standing requirements of full cancellation actions. Ordinarily, cancellation petitioners need only have “a real interest in the outcome of the proceeding, and a reasonable basis for [their] belief that [they] would suffer some kind of damage by the continued registration of the mark.”<sup>8</sup> Many abusive petitioners can easily satisfy this requirement by filing an intent-to-use application for the target trademark, which cannot mature to registration while the senior registration remains in force. Even if a petitioner does not employ this strategy, it is still likely that a party with bad faith intent might nevertheless be able to establish a real interest and reasonable basis in a cancellation action.

*The Amplified Pleadings the USPTO Proposes Will Not Deter Abusive Petitioners*

Verizon appreciates that the Request for Comment suggests that streamlined petitions be pled with particularity. Particularized pleading alone, however, will not create a substantial obstacle to abusive petitioners. The USPTO proposes that streamlined cancellations only be used for petitions based exclusively on claims of abandonment or non-use. To successfully plead abandonment, a petitioner need only allege that the registrant ceased using a trademark with the intent not to resume use. To plead a claim of non-use, it must allege that the registrant was not using a trademark at the time the registrant alleged in a use-based application,

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<sup>8</sup> *Nsm Res. Corp.*; & *Huck Doll LLC*, 113 U.S.P.Q.2d (BNA) 1029 (T.T.A.B. Nov. 25, 2014) (citing *Ritchie v. Simpson*, 170 F.3d 1092, 50 U.S.P.Q.2d (BNA) 1023, 1025 (Fed. Cir. 1999); *Universal Oil Prods. Co. v. Rexall Drug & Chem. Co.*, 463 F.2d 1122, 1123, 174 U.S.P.Q. (BNA)458, 459 (CCPA 1972)) (internal quotation marks omitted).

Statement of Use or Amendment to Allege Use. As such, any claim raised in a streamlined cancellation must allege an omission, rather than an affirmative act. Particularized pleading of abandonment or non-use only requires the petitioner to allege the particular circumstances of the conduct in question, or in this case, pleading in the negative as an absence of use. A potential petitioner can merely claim that upon belief and knowledge, the mark does not appear to be in use. Pleading the circumstances of an absence of conduct will never be as amenable to description as pleading affirmative acts with particularity. As such, the mere requirement that streamlined petitions to cancel be pled with particularity will not provide much deterrence to abuse. Likewise, the proposal in the Request for Comment that pleadings in streamlined proceedings be submitted with supporting evidence does not go far enough. The option of submitting a declaration detailing a petitioner's investigatory efforts could easily be gamed.

### **More Robust Protections are Needed to Effectively Deter Abusive Petitions**

Verizon believes that, without proper protections to curb abuse, it would be best not to adopt any streamlined cancellation proceeding. In its present form, combining the proposed low fees, changes to the scope of discovery, and expedited briefing schedule is likely to encourage abuse and circumvent the legitimate cancellation process, not enhance it. If the USPTO, however, decides that such a proceeding is still necessary, Verizon would suggest the following ideas to help curb abuse:

#### *Parties to Streamlined Cancellations Should Be Subject to a Loser Pays or Fee Shifting Model*

Streamlined cancellation actions should employ the so-called "English Rule," where the losing party pays for both the costs and reasonable attorney's fees of the prevailing party. Under existing cancellation procedures, the worst penalty an abuser would face is termination of the proceeding.<sup>9</sup> A streamlined cancellation, however, should build in extra protections to penalize frivolous claims, while keeping the ultimate costs low for meritorious actions. A loser pays model distributes the risk to both parties and ensures that abusive petitioners assume responsibility for the costs and reasonable attorney's fees trademarks owners would incur as a result of their misconduct. The USPTO should explore all options for how to best effectuate the loser pays model. Because the costs incurred to mount an effective defense to a petition brought in bad faith can far exceed those incurred to prepare it, loser pays or fee shifting would be a simple and

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<sup>9</sup> See Trademark Trial and Appeal Board Manual of Procedure §527.02 (Jun. 2017).

effective deterrent against abuse since true repercussions would exist for meritless claims.

*Petitioners Should Post a Bond Against Misconduct in Streamlined Proceedings*

As an additional deterrent, we also propose that the USPTO require petitioners to post a bond to cover additional costs incurred if their submission is later found fraudulent or otherwise improper. The USPTO appears to have broad authority under Section 10 of the Leahy-Smith America Invents Act of 2011 to set fees for services as necessary to “recover the aggregate estimated costs to the [USPTO] for processing, activities, services, and materials relating to . . . trademarks, including administrative costs of the USPTO with respect to such . . . trademark fees.”<sup>10</sup> Fraudulent and frivolous pleadings are not only costly to registrants, but they require that the USPTO and the Board dedicate its own limited time and resources to such cases. The USPTO will incur additional expense in determining that an expedited cancellation procedure was submitted in bad faith. An upfront bond would also help deter the strategy of bulk cancellation filings that abusive petitioners rely on to hedge their bets.

*Streamlined Proceedings Should Have Amplified Requirements for Standing and Remedies for Serial Abusers*

To deter abuse, the proposed streamlined cancellation proceedings petitioners should carry an increased standing requirement. Unlike the TTAB’s existing cancellation proceedings where parties benefit from the more expansive discovery and generous briefing schedule, as discussed above, streamlined cancellations with a low standing requirement, will be ripe for abuse. For any expedited cancellation action, the USPTO should consider requiring a petitioner to establish: (i) that it owns trademark registrations that are valid and subsisting at the time the petition to cancel is filed; (ii) that any valid trademark applications which form the basis of a petition to cancel be use-based applications (including perhaps consider requiring additional proof of such use in commerce); or (iii) that any common law trademark which forms the basis of a petition to cancel be submitted with even more robust evidence that the mark is in use in commerce. These three classes of petitioners would encompass the vast majority of good faith petitioners, while simultaneously excluding abusive petitioners that in the past have typically relied on an intent-to-use application to satisfy standing. For any petitioner that does not meet the more robust expedited standing requirements, the TTAB should have the full authority to dismiss such petitions quickly. We also encourage the USPTO to consider remedies to

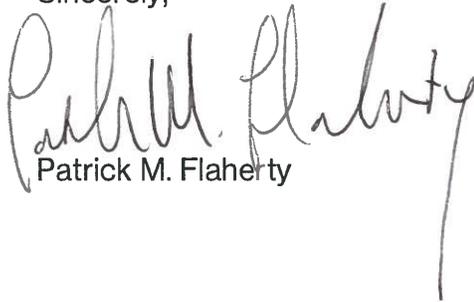
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<sup>10</sup> 125 Stat. 284, 316 (Sep. 16, 2011).

address serial abusers of the expedited cancellation process. The USPTO has played a valuable role in the past in educating the public about various schemes and scams that use the USPTO's name and procedures to confuse and harm the public.<sup>11</sup> The USPTO might consider publishing its decisions and prominently highlighting findings where petitioners have been found to abuse the TTAB processes. After a party has been publicly found to misuse the TTAB's expedited cancellation process, as a practical matter, they would likely find any of their future petitions facing greater scrutiny.

We trust these ideas have been helpful as the USPTO continues to work on this important issue. Thank you again for the opportunity to provide these comments. We would welcome the opportunity to discuss our comments in further detail.

Sincerely,



Patrick M. Flaherty

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<sup>11</sup> See, e.g., *Non-USPTO Solicitations*, United States Patent and Trademark Office (Jul. 10, 2017) <https://www.uspto.gov/trademarks-getting-started/non-uspto-solicitations>.