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Hot Topics in Trademark Ethics and the USPTO

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The number of trademark filings in the United States Patent and Trademark Office (USPTO) have risen steadily in recent years, from 503,889 in Fiscal Year 2015 to 638,847 in Fiscal Year 2018. To some extent, the increase is part of a consistent trend; however, a significant portion can be attributed to surge in submission of use-based applications filed with digitally altered specimens. At the same time, the register is filled with registrations that are maintained and renewed, making for a crowded register that makes it difficult for newcomers to register new marks. The USPTO has recently implemented numerous new policies to try to stem the tide of fraudulent applications and prevent maintenance and renewal of registrations for marks that are not in use.

Follow the Money

Why the dramatic rise in fraudulent applications? The sudden increase comes primarily from applicants based

in China. From 2016 to 2017, USPTO trademark filings from China increased over 43%. Many of these applications are based on specimens that are photos of goods that have been digitally altered to place an image of the trademark on an image of the goods.

It turns out there are financial incentives underlying this trend. Certain regional governments in China have been offering subsidies for citizens to obtain trademark registrations outside of China. An applicant filing a US application in a single Class and paying \$275 in filing fees stands to earn as much as \$1,200 in subsidies if the mark is registered. The surge in such applications closely followed the implementation of the subsidy programs. Filing a use-based application with an altered specimen is the most cost- and time-efficient manner to obtain a US registration and claim the subsidy payment. Thus, these subsidies are the likely explanation for the rise in these fraudulent applications.

What we do not know is whether any of the resulting registrations will be maintained when the Declaration of Use required at the sixth year anniversary of registration is due. Will the subsidy programs provide an incentive to maintain the registrations? This remains to be seen.

What to Look For

Often, there are common traits that make fake specimens relatively easy to spot. The applied-for mark may look like it has been digitally altered and placed onto the image of the claimed product. A Google Reverse Image search of such a specimen may identify the source, perhaps photos of goods from an unrelated ecommerce Web site.

In July 2019, the USPTO issued an Exam Guide to help Examiners identify altered specimens. (see <https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%2003-19.pdf>.) The USPTO explicitly stated that the new guidance is part of its ongoing efforts to improve the accuracy and integrity of the Trademark Register. The Exam Guide lists signs that the photo is a digital rendering rather than an image of a real product, including the following:

- The mark appears to float over the product or container.

- Features of the item disappear near or around the mark.
- The image includes pixelization around the mark.
- Features of the goods suggest that the goods are used while the tag or label to which the mark is applied appears new.

In some cases, the applicant does not take much care in editing the photo. In this application, the applicant neglected to remove the Armani eagle logo when it

digitally altered the image of the watch to replace the Emporio Armani mark with its mark:

In certain cases, the specimen shows the item available for sale on Amazon.com but in limited quantities and with signs that it was digitally altered. For example, the specimen pictured in Figure 2 is a mechanical walking stick for sale on Amazon. There is only one item available, no reviews, and the image matches the specimen that was previously submitted to the USPTO and rejected by the Examiner:

Figure 1. In US Reg. No. 5345329, the registrant took an image of an Armani watch and digitally removed the Emporio Armani mark and replaced it with its mark DADA D.C. DAM as shown by the red arrow. The registrant, however, neglected to remove the Armani logo as shown in the green circle:

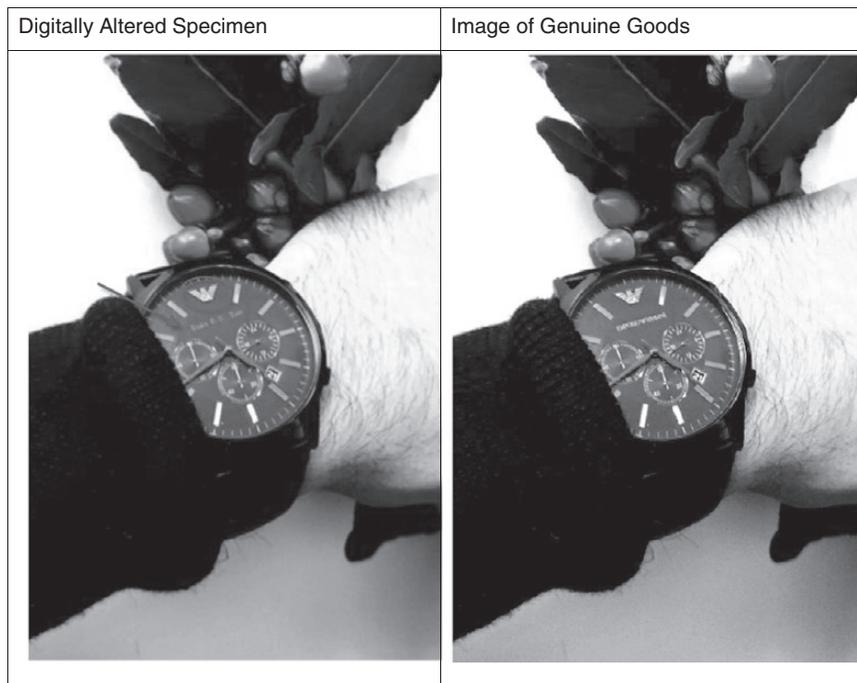


Figure 2.



Roll over image to zoom in

Professional Folding Walking Canes Lightweight Adjustable Canes and Walking Sticks for Men and Women
by GOGYMI

Price: ~~\$60.99~~ & **FREE Shipping**

Get \$70 off instantly. Pay \$0.00 ~~\$69.99~~ upon approval for the Amazon Prime Rewards Visa Card. No annual fee.

Note: Not eligible for Amazon Prime.

- Easy and smooth folding the walking canes into convenient parts/snap out automatically
- Anodized aluminum body provides maximum safety to handle up to 250 lbs
- Handle has an ergonomic design to fit the shape of the palm and relieve pressure from the wrist
- rubber tip at the bottom with some traction so that the cane does not slip in if you are on wet
- This walking sticks is convenient storage and usage with carrying bag. Ideal gift for the elderly and strengthens the structure.

1 new from \$60.99

Report incorrect product information.



The Jessica Alba Store
Learn about her *Harvest Life* and explore her beauty and family picks. [See more](#)

Effects on brand owners

Illegitimate applications create numerous negative consequences for legitimate brand owners. On the most fundamental level, they can be and are cited to block genuine applications. Registrations resulting from fraudulent applications can also cause marketplace disruptions for legitimate trademark owners, especially as online retailers like Amazon utilize trademark registrations to manage sellers.

There have also been cases of pirates who falsely update the USPTO correspondence address of a trademark application or registration directly through the USPTO database. The purpose of the maneuver is to attempt to obtain the legitimate brand owner's Amazon Brand Registry confirmation notice. If successful, the perpetrator will have control of the brand on Amazon, while the legitimate owner is none the wiser.

To combat this deceptive practice, the USPTO has instituted a procedure to alert the original correspondence addressee of the change via an automated email. If counsel receives one of these alerts, it is prudent to urgently check if the change in correspondence was authorized, and if it was not, to notify the USPTO.

Hijackers continue to seek new ways to undercut the system with more sophisticated forms of subterfuge. In one example, Chinese applicants entered the name of a Canadian attorney in filings, thereby shrouding the applications in the guise of legitimacy.

What can brand owners do to protect their rights?

To bolster protection of their marks, brand owners can subscribe to a trademark watch service, which will notify them of filings for identical or similar marks. This affords owners the opportunity to object to third-party applications before they are published or registered. Thus, placing a mark on watch may help to avert potentially harmful marks from falling through the cracks.

Typically, when suspicion of infringement arises, a brand owner objects to a conflicting application by sending a letter to the applicant demanding withdrawal or amendment of the application. In cases of fraudulent filings, perpetrators, however, will usually not engage in discussions with legitimate objecting parties. In this instance, raising an objection directly with the USPTO is the best course of action.

Given the recent surge of fraudulent applications, in 2018 the USPTO developed a dedicated email address for interested parties to direct alerts of suspicious specimens: TMSpecimenProtest@uspto.gov. Through this channel,

prior to or within 30 days of publication of an application, senders can notify the USPTO of suspected altered specimens by submitting evidence of the identical image, without the applied-for mark, as used in third-party commerce. Evidence may include website screenshots, photographs of print advertisements, or the identification of prior applications or registrations of different marks using the identical image. In this manner, some fraudulent specimens can be filtered out when they might otherwise have passed unnoticed.

Finally, trademark owners may also file oppositions or cancellations with the Trademark Trial and Appeal Board. The likelihood of such an applicant defending such a proceeding is rare. In the vast majority of these cases, absent response from the applicant or registrant, the TTAB issues a default judgment in favor of the legitimate brand owner and refuses the fraudulent application or cancels the fraudulent registration.

USPTO responses

The USPTO has taken numerous steps to try to rein in fraudulent and illegitimate applications to try to cull from the Register existing registrations of marks that are not in use.

Some of the strategies have already been mentioned above (including providing an email address to report false specimens, notification to attorneys of change in correspondence, and issuing an Exam Guide regarding altered specimens).

Domicile address and representation by US attorneys

In addition, on August 2, 2019, the USPTO issued Exam Guide 4-19 to implement a July 2019 rule (84 FR 31498) requiring foreign applicants to be represented by US attorneys and requiring that all applicants provide a domicile address. A revised Exam Guide was then issued in September 2019. (The full text of the Exam Guide is available at https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%2004-19.pdf?utm_campaign=subscriptioncenter&utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=)

As to the requirement for a domicile address, the USPTO requires that the applicant or registrant provide an actual street address—a post-office box or “care of” address will not be accepted. Because the addresses are publicly accessible, this, however, poses privacy concerns for certain individuals or companies. Therefore, the revised Exam Guide provides a procedure in extraordinary cases to request a waiver of the domicile address being made public by filing a Petition to the Commissioner.

The new rule also requires applicants, registrants, or parties to a trademark proceedings who are not domiciled in the United States to be represented by an attorney who is an active member in good standing of the bar of the highest court of a state in the United States. If an US address is listed as the domicile, the applicant or registrant is not required to be represented by an US attorney. The rule also requires US attorneys to provide their bar information when representing applicants and registrants, regardless of domicile.

New login requirements for Trademark Electronic Application System (TEAS)

Beginning October 26, 2019, in order to file electronic documents through TEAS, users must set up an account at myUSPTO.gov, and log in with a two-step authentication to access and file forms. In addition, sessions will time out after 30 minutes of inactivity. The USPTO has explained that these measures will allow it to better track filing activity and reduce misuse. (More information is available at <https://www.uspto.gov/about-us/news-updates/teas-login-requirement>)

Electronic filing and applicant/registrant email

The USPTO is implementing a new rule (84 FR 37081) concerning electronic filings and email addresses for applicants and registrants. (See <https://www.federalregister.gov/documents/2019/07/31/2019-16259/changes-to-the-trademark-rules-of-practice-to-mandate-electronic-filing-for-the-full-text-of-the-rule>).

The rule requires applicants to file all applications and documents online using the TEAS. With limited exceptions, paper and fax submissions will no longer be accepted. Email submissions will continue to be accepted, but only for informal communication regarding an application or registration.

The rule also requires that an applicant or registrant provide and maintain an accurate email address for receiving correspondence from the USPTO in the event that the party is no longer represented by the attorney. The email address will not be private or confidential. Therefore, creation of a generic email is prudent.

The USPTO's stated goals for the new all-electronic processing system include faster processing times and fewer errors. There, however, is obviously an intent to improve the vetting of specimens, because the new rule also incorporates requirements for specimens, such as requiring the URL and the access or print date of all webpage specimens for goods or services. Also, the rule requires that label and tag specimens are shown attached to the goods or their packaging.

At the date of the writing of this article, the implementation of the rule, originally scheduled for October 5, 2019, has been pushed to December 21, 2019.

Post-Registration Audit Program

Another step taken by the USPTO to maintain the integrity of the registry is the recently-instituted post-registration audit program. Under this program, the USPTO randomly selects ten percent of maintenance filings for audit to ensure that the mark is in use for all of the registered goods and services.

After a maintenance filing is chosen for audit, the USPTO issues an office action requesting proof of use of the registered mark for two goods or services identified in the registration that were not shown in the specimen filed with the registrant's maintenance filing. The USPTO specifies in the office action the two goods or services for which proof of use is required; the registrant itself cannot decide. The USPTO has provided examples of what constitutes an acceptable "proof of use." In the case of goods, a proof of use can be, for example, a photograph that shows the mark on a tag or label affixed to the goods, or a screenshot of a webpage that shows the mark being used in connection with the goods at their point of sale. For services, acceptable proof of use includes a copy of a brochure or flyer showing use of the mark or a photograph of the mark on a retail store sign. (See <https://www.uspto.gov/trademarks-maintaining-trademark-registration/post-registration-audit-program#What%20is%20%E2%80%9Cproof%20of%20use%E2%80%9D?> for more information on proof of use).

If the registrant is unable to provide proof of use for the two products or services chosen by the USPTO, then those goods or services will be deleted from the registration. Moreover, the USPTO will issue a second office action requiring proof of use for *all* of the remaining goods or services covered by the registration.

The results of the audit program have revealed that many registrants are maintaining registrations for goods or services that they are no longer offering in connection with the registered marks. As of June 28, 2019, the USPTO had audited over 4,600 registrations since the program began in November 2017, and it had received approximately 2,708 responses.

Of those registrants who responded, about 50.1% deleted at least some goods and services from their registrations. Moreover, 79% of those who responded were represented by an attorney.

The chart below shows the percentage of the 2,708 responses that were unable to verify use of the marks, separated by filing basis. This information shows that registrations that were originally filed under either the

Figure 3.

Basis for Original Registration	Percentage of 2,708 responses unable to verify previously averred use, by original filing basis
Use Section 1(a)	45%
Paris Convention Section 44(e)	68%
Madrid Protocol Section 66(a)	64%
Combined Use & Paris Conv. Sections 1(a) and 44(e)	65%

Paris Convention or the Madrid Protocol fared significantly worse in the audit program than registrations that were based on use. This may be because applications filed under either the Paris Convention or the Madrid Protocol tend to include very broad goods and services identifications, in part because such applicants do not have to show use of the marks at the time of filing.

Overall, the results of the audit program show that registrants are failing to delete goods and services from their registrations that are no longer in use, even when represented by counsel. The USPTO announced in May 2019

that it intends to increase the number of registrations audited. Therefore, it is important for counsel to discuss maintenance filings with their clients and inform them of the potential of being audited.

It remains to be seen whether the new USPTO procedures will be successful in significantly stemming the tide of fraudulent applications or cleaning up the register. It also seems likely that additional reforms will be implemented going forward to continue these efforts. Thus practitioners must stay abreast of new developments and adjust their practices as well as guide their clients to comply with USPTO requirements.

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