

Expert Q&A: Evaluating the USPTO's Efforts to Clean Up the US Trademark Register

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An expert Q&A with Matthew D. Asbell of Ladas & Parry LLP on the USPTO's efforts to reduce the number of unused and overbroad trademark registrations on the US trademark register.

An ongoing issue for the United States Patent and Trademark Office (USPTO) has been the number of trademark registrations where registrants do not actually use or intend to use their marks on all of the goods and services covered by their registrations. If you ever had your US trademark application blocked by a prior registration for a mark that covered more goods and services than seemed possible or was otherwise clearly not in use for the goods or services deemed similar to yours, you have encountered this problem of "dead wood."

In an attempt to resolve this, the USPTO issued a final rulemaking on January 19, 2017, under which it intends to:

- Conduct random audits of, initially, about 10 percent of post-registration section 8 and section 71 maintenance filings.
- For those filings selected, require proof of use in addition to the one specimen of use per class currently required, in the form of:
 - information;
 - exhibits;
 - affidavits or declarations; and
 - specimens.

For more on the revised USPTO rules, which are now scheduled to take effect on March 21, 2017, see [Updates, USPTO Publishes Final Rule Facilitating Verification of Certain Trademark Use Claims in Affidavits or Declarations \(w-005-4636\)](#) and [Trump Regulatory Freeze Stalls New USPTO Trademark Use Rule \(w-005-9709\)](#).

Practical Law asked Ladas & Parry partner Matthew Asbell to discuss this problem of registered-but-unused marks on the US Trademark Register, including:

- The results of a USPTO pilot program preceding the rules revisions that illustrate the magnitude of the "dead wood" problem.

- Current limitations and obstacles to seeking cancellation of these registrations before the TTAB.
- Other means of clearing the register.
- What steps trademark owners should take in light of the USPTO's revised rules.

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WHAT IS "DEAD WOOD" AND WHY IS IT A PROBLEM?

Dead wood refers to registrations that remain in effect even though the owner no longer uses the marks on any of the goods or services listed in the registration.

But dead wood is only one of several related problems. There are other categories of registrations cluttering up the register:

- Those where the marks were registered without ever having been used at all.
- Those where the marks were registered for goods and services beyond those on which they were actually used.

All of these registrations are a concern because they block others from legitimately registering similar marks. Let us say you wanted to file an application to register the trademark you have been using for your business. A trademark search reveals a potentially blocking federal registration for a similar mark in connection with the same goods. You do some internet investigating and it does not look like the mark is in use, but there it is on the register, still getting in the way of your application – your legitimate application for a mark you have been using for years without a problem.

Of course, you may try to clear the way by filing a petition to cancel the problem registration, but then you are taking substantial legal and financial risks to get rid of a registration that should not be there in the first place.

Plus, shouldn't the USPTO ensure the accuracy and preserve the integrity of the US Trademark Register rather than leaving it entirely to third parties to raise objections?

HOW DOES THIS HAPPEN?

The dead wood problem arises in part because many foreign trademark owners and practitioners mistakenly believe that their (or their client's) registrations must include a comprehensive list of all of the goods and services in use or intended to be used, as well as those that may be of concern if registered or used by another party. This is not an issue of bad faith as:

- Many foreign jurisdictions operate on a first-to-file basis without pre-registration requirements to commence or prove use. This allows for the possibility in those jurisdictions of so-called defensive registrations that serve as a penumbra, or buffer, around the principal goods or services actually used by the owner.
- Some foreign jurisdictions allow registrations broadly covering entire classes of goods or services.

Foreign owners are permitted to file applications in the US based on their broad foreign rights, and need not always prove use to obtain a registration (though they eventually need to prove use to maintain or renew the registration).

Moreover, trademark practice in some countries may encourage overbroad goods and services descriptions. For example, in those jurisdictions where refusals are based strictly on classification rather than consideration of the specific goods or services, applicants may stretch their applications to capture additional classes (or subclasses).

Also, the specificity required by the USPTO in describing goods and services combined with a lack of clarity, especially among non-English speakers, regarding the exact scope of descriptions, such as those appearing in the USPTO's ID Manual, create an environment where foreign applicants include as a precaution many more goods and services than may be needed in their applications.

Domestic applicants may also apply for unnecessarily broad lists of goods or services. In devoting less attention to the trademark registration process than their attorneys may want, they may unwittingly disregard guidance to limit identifications of goods and services or to collect and retain use evidence. Registered marks in which not all goods and services are in use may also arise from mark owners' tendency to try to grab more than is needed as a defensive buffer against competitive use of similar marks. The latter especially has been the focus of adjudication during the last decade or so.

HOW BIG OF A PROBLEM IS THIS?

Potentially, about half of the trademark register is implicated.

In August, 2015, the USPTO issued a [final report](#) (Report) on a post-registration proof-of-use pilot program it conducted from 2012 to 2014. In the program, the USPTO required the owners of 500 randomly selected registrations due for maintenance or renewal to provide evidence of use for three specific goods and/or services per class in addition to what was already submitted with their maintenance filing.

The USPTO specified the goods or services for which the registrant needed to provide additional specimens. If the registrant did not respond or could not provide acceptable evidence of use for those goods or services, the items were deleted from the registration and specimens for additional goods or services were requested.

The results were enlightening. Of the 500 registrations chosen, 253 (slightly over 50 percent) failed to meet the requirements to prove use. Those registrants either:

- Deleted goods and/or services in response (173 registrations, approximately 35 percent).
- Failed to respond and/or address issues raised by the USPTO (80 registrations, approximately 16 percent).

This clearly suggests that there is a significant number of registrations with identifications covering more goods and/or services than are actually in use.

CAN'T OTHER TRADEMARK OWNERS TRY TO CANCEL THESE REGISTRATIONS?

Trademark owners may try to clear away blocking "dead wood" registrations by seeking their cancellation before the Trademark Trial and Appeal Board (TTAB), typically alleging either abandonment of the registered mark or fraud against the USPTO in the procurement of the registration for those goods or services allegedly not in use. Another common cancellation ground in recent years has been the claim of a lack of *bona fide* intent to use the mark in US commerce at the time of filing.

However, having potential trademark applicants bear the costs and risks of trying to preserve the integrity of the Trademark Register is not very efficient. Other significant obstacles to cancellation actions include that:

- Abandonment and fraud are hard to prove because both have an element of intent that the plaintiff must plead with particularity and ultimately show. (Though, lack of *bona fide* intent to use may be somewhat less difficult because much of the burden of proving the intent is the defendant's.)
- Many of the problem marks remain registered through neglect or oversight, not bad faith.

But even if the circumstances support cancellation and a trademark owner wants to risk the time and money, the shifting fraud standard makes prevailing on a fraud claim tricky.

HOW HAS THE STANDARD FOR A SUCCESSFUL FRAUD-ON-THE-PTO CLAIM CHANGED? AND HOW ABOUT THE ABANDONMENT STANDARD?

The standard for proving abandonment in a cancellation action has not changed substantially in recent years. The plaintiff still must show both of the following:

- The use of the mark has discontinued or never commenced.
- That the defendant has an intent not to resume use.

Nonuse for three consecutive years is considered *prima facie* evidence of abandonment. (Lanham Trademark Act § 45, 15 U.S.C. § 1127 and see, for example, *City Nat'l Bank v. OPGI Mgmt. GP Inc./Gestion OPGI Inc.*, 106 U.S.P.Q. 2d 1668, 1676-79, 2013 WL 3168094 (T.T.A.B. 2013)).

On the other hand, the issue of fraud on the Trademark Office has a more turbulent history and not necessarily a stable future.

The fraud frenzy started in *Medinol Ltd. v. Neuro Vasx, Inc.*, more than a dozen years ago. In *Medinol*, the TTAB cancelled the entire registration for the mark NEUROVASX after the mark's owner, Neuro Vasx, failed to delete "stents" from its identification in its statement of use, when the mark was used only in relation to "catheters." The TTAB ruled that this omission, when Neuro Vasx knew at the time it alleged use that its use was limited, was a material misrepresentation in violation of the sworn oath it submitted. (*Medinol Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 2003 WL 21189780 (T.T.A.B. 2003).)

This decision was widely criticized for being unduly harsh. Nevertheless, for a period of about six years following *Medinol*, numerous registrations were canceled in their entirety or in relation to entire classes of goods or services on the ground of "fraud before the USPTO."

Then, in *In re Bose Corp.*, the US Court of Appeals for the Federal Circuit raised the standard for proving fraud to the extent that it became nearly impossible to cancel a registration on this ground. Declining to find fraud in Bose's renewal application, which was less than accurate and apparently based on a mistaken belief, the court held that fraud requires proof of "willful deceit." (580 F.3d 1240 (Fed. Cir. 2009).)

Following *In re Bose*, the assertion of fraud on the USPTO as a ground for opposition or cancellation was considered unavailable in most cases because of the difficulty of showing the requisite intent. Essentially, fraud was thought "dead" and, as a partial result, dead wood and many other registrations for unused marks were able to remain on the register and live on as it became more difficult to cancel them.

In 2014, the TTAB resurrected the fraud claim in *Nationstar Mortgage LLC v. Ahmad*, where it held that when determining fraud, culpable intent can be found where the accused's party's testimony is so lacking in credibility that it supports the inference that the party's statements to the USPTO are also not credible (112 U.S.P.Q.2d 1361, 2014 WL 6480655 (T.T.A.B. 2014)).

However, the circumstances in which a determination of fraud is likely to be made remain limited. Therefore, the problem of dead wood has not been resolved through adjudication. Current and possible future changes in the rules of practice and even the form of declarations before the Trademark Office may have some impact on how the TTAB and courts will view these fraud claims in the years to come.

WHAT IS THE USPTO'S SOLUTION?

In its rulemaking, the USPTO formalized one of the measures originally described in its Report, namely, that it intends to:

- Randomly audit about 10% of registrations in which Section 8 or 71 use declarations were submitted.
- Require additional evidence of use for additionally specified goods and services.

It has already attempted to increase the solemnity of use declarations by updating the declarations in its online forms. The revised forms require applicants to tick a separate checkbox next to

each averment to draw attention to the significance of the specific statements made in the declarations. It remains unclear whether the revised declarations with corresponding checkboxes will somehow make it easier to assert fraud and essentially modify the current standard in the TTAB and courts.

Meanwhile, the random audits will require the USPTO to expend more resources, essentially resuming its practices under the pilot program indefinitely. It may also prove to be more costly for trademark owners, as they are likely to incur additional expenses in responding to a USPTO audit. The final rule states the USPTO's expectation that the additional time needed to address its audits would be about one hour. This estimate seems low.

This proposal also creates a measure of uncertainty for trademark owners, who will not be able to anticipate that their registration may be subjected to additional, nonstandard requirements.

ARE THERE ANY OTHER OPTIONS?

The USPTO sought practitioner and stakeholder input on this issue at a public meeting in 2014, at which other potential solutions were credibly discussed. However the USPTO did not include any other options in the new rule.

Instead, the USPTO separately followed up in 2016 with informal requests for comments on the idea of creating a streamlined nonuse expungement procedure, which was the most popular option at the earlier public meeting. Similar to what is now available in Canada, this system would allow a third party who believes that a trademark owner is not using its mark as registered to file a request with the USPTO for the trademark owner to prove use.

The USPTO explored the possibility of an expungement action as well as expungement as an acceptable claim in a cancellation proceeding. An interesting aspect still being considered is whether the official fees for these actions will be based on the number of goods or services challenged as opposed to the class as a whole. This may affect how applicants describe their goods or services in future applications.

WHAT SHOULD TRADEMARK OWNERS DO?

While further developments in law and practice are likely, much of the advice to prospective applicants right now remains unchanged: do your part to ensure the accuracy and preserve the integrity of the US Trademark Register. Specifically:

- File applications with identifications that cover only goods and services actually in use or intended to be used.
- Retain and update documentation of actual use as it commences and continues during the life of the registration. This use evidence can protect the registration by ensuring that relevant materials are readily available:
 - to respond to office actions seeking additional use evidence under the USPTO's new audit program; and
 - to defend against possible cancellation claims or eventual TTAB expungement procedures in the future.
- When filing documents to maintain or renew a registration, delete items for which use has either ceased or never commenced.

In light of the USPTO's new rule, the proactive retention of use evidence will be key to limiting maintenance costs. Mark owners and their counsel should also consider preemptively submitting multiple specimens of use with applications and maintenance filings to reduce the likelihood of a USPTO audit.

Meanwhile, it seems highly likely that the USPTO will make additional changes to improve the integrity of the register, so applicants and their counsel should be sure to stay informed of legal developments.

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