
STATEMENT FOR THE RECORD OF

MARY BONEY DENISON

**COMMISSIONER FOR TRADEMARKS
UNITED STATES PATENT AND TRADEMARK OFFICE**

BEFORE THE

**SUBCOMMITTEE ON INTELLECTUAL PROPERTY
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE**

**“Fraudulent Trademarks: How They Undermine the Trademark
System and Harm American Consumers and Businesses”**

December 3, 2019

I. Introduction

Chairman Tillis, Ranking Member Coons, and Members of the Subcommittee:

Thank you for this opportunity to submit a statement on the state of the U.S. trademark system, which is strong. The U.S. trademark system is the best in the world, and offers robust protections and enforcement mechanisms for those who obtain registrations.

The United States Patent and Trademark Office (USPTO) continues to work hard to ensure that America’s trademark system remains the global standard, including through the USPTO’s aggressive efforts to strengthen the accuracy and integrity of the U.S. trademark register.

The recent rise in improper trademark submissions and bad faith behavior are very concerning. I am honored to share with you the work the USPTO has been doing to address this issue.

II. Improper Filings and Bad Faith Behavior

Trademarks and brand protection are critically important to the economy, trade, and job creation. The USPTO’s primary mission as it relates to trademarks is to register marks that comply with the requirements of U.S. trademark law. Trademark rights in the United States are predicated on use of the mark in commerce, and, apart from limited exceptions, U.S. trademark law requires applicants to demonstrate use of the applied-for mark in commerce as a condition for federal registration. Furthermore, while trademarks are indefinitely renewable, continued use of the mark in commerce is required to maintain a trademark registration. Between the 5th and 6th years after

the date a trademark is registered, and every 10 years thereafter, a registrant must file a renewal document in which the registrant must swear that the mark is still being used in connection with all goods and/or services in the registration and provide a specimen for each class of goods or services in the registration that demonstrates that the mark is in use in commerce for each class of goods or services.

The USPTO creates and maintains the federal register of trademarks that now includes approximately 2.4 million registrations. The register itself provides notice to applicants, other trademark owners, and our examining attorneys of the registrant's claim of ownership in a mark and allows them to perform searches to determine the availability of marks for registration in the United States. The register is a valuable tool in making business decisions, and its accuracy is of paramount importance. When businesses are selecting names for new products, they turn to the register to figure out whether their chosen mark is available for their use and registration. But, for the register to be useful, it must accurately reflect marks that are in use in the United States for the goods and services identified in the registrations. If the register is filled with marks that are not in use, or features registrations obtained by improper means, it makes trademark clearance more difficult, time-consuming, and expensive. An inaccurate register also leads to expensive opposition and cancellation proceedings, and/or federal court litigation, to correct inaccurate registrations and to enforce rights. And, in turn, it may cause companies to alter business decisions, often at significant cost.

Unfortunately, in recent years, the USPTO has seen a significant increase in the number of applicants who are not fulfilling their legal and ethical obligations to file accurately and in good faith, particularly with respect to claims that the mark is in use in commerce. The USPTO increasingly has been receiving trademark application and registration maintenance filings involving false or inaccurate use claims and submission of fake or digitally altered specimens that do not show actual use of the mark in U.S. commerce in the ordinary course of trade, as required by law. Many of these applicants appear to be filing these questionable applications on the advice, or with the assistance of, foreign individuals and entities who are not authorized to practice law in the U.S. and therefore should not be representing trademark applicants before the USPTO. The USPTO also has seen increases in unauthorized changes of correspondence addresses in our electronic database, as well as fraudulent consent agreements, fraudulent assignments of ownership and false claims of legal representation.

The USPTO is very concerned about bad faith submissions, regardless of who files them. While some of the filings with inaccurate or possibly fraudulent claims of use of the mark are domestic, a significant and increasing number of these come from overseas, primarily from China. Often, those applicants are improperly represented by unauthorized Chinese practitioners who evade USPTO sanctions.

Filings from China have increased exponentially since 2014, jumping from approximately 5,160 applications in fiscal year 2014 to approximately 54,070 in fiscal year 2019. This dramatic rise in applications coincides with the rise in inaccurate and fraudulent claims of use that threaten to undermine the reliability of the trademark register. The USPTO will continue to work to combat the inaccurate and fraudulent claims of use that threaten to undermine the reliability of the trademark register.

The U.S. trademark system is the gold standard. It is a fundamental component of our economy and a driver of economic growth and job creation, and the USPTO is committed to maintaining its integrity. The USPTO is aggressively taking steps to combat the various threats to our trademark system. The USPTO has consulted with stakeholders and implemented a number of measures designed to strike the right balance between deterring bad conduct and avoiding the imposition of excessive new burdens on those who operate in good faith, who still make up the vast majority of applicants.

III. USPTO Actions to Curb Abuses

The USPTO is aggressively using its existing statutory authority to attack the problems from multiple angles, working within the parameters of its existing statutory authority.

a. Actions taken

The USPTO is devoting considerable resources to implementing measures aimed at combatting improper applications and inaccurate use claims. These measures include the following:

Requiring foreign-domiciled applicants to be represented by U.S. counsel

After considering public comments on the proposed rule, USPTO published its final rule to require foreign-domiciled trademark applicants, registrants, and parties to the Trademark Trial and Appeal Board (TTAB) to be represented by a U.S. licensed attorney (84 FR 31498; July 2, 2019) and implemented the rule on August 3, 2019. The Trademark Rules of Practice now require applicants, registrants, and parties to TTAB proceedings with a foreign domicile to have a lawyer licensed to practice law in the United States represent them in any trademark matter at the USPTO. Requiring a local licensed representative to prosecute trademark applications on behalf of foreign applicants is a common requirement that many other countries, including China, have had in place for years. The USPTO believes that the requirement for foreign-domiciled trademark filers to be represented by a U.S. licensed attorney at the USPTO will increase the accuracy of the submissions to the USPTO and will decrease the incidence of foreign trademark attorneys and agents engaging in the unauthorized practice of law before the USPTO.

The rule was implemented on August 3, and it has significantly impacted filing behavior:

- Chinese trademark filings went from approximately 4,870 in June 2019 to a spike in July 2019 of 20,440, and then ultimately decreased to 2,620 in October 2019
- Chinese *pro se* applications¹ decreased from approximately 80% of all Chinese applications in July 2019 to approximately 9% in October 2019

¹ These are Chinese *pro se* applications that do not include attorney information at the time the data is pulled. If the application does not include attorney information, the examining attorney will then require it as required by the rule.

- Chinese applications based on use in commerce under Section 1(a) decreased from approximately 94% of all Chinese applications in July 2019 to approximately 78% in October 2019
- All foreign trademark filings went from approximately 10,650 in June 2019 to a spike of approximately 27,370 in July 2019 and then ultimately decreased to approximately 9,090 in October 2019
- All foreign *pro se* applications² decreased from approximately 67% of all foreign applications in July 2019 to approximately 28% in October 2019.
- All foreign applications based on use decreased from approximately 76% of all foreign applications in July 2019 to approximately 32% in October 2019.

In addition, the Commissioner for Trademarks has issued orders excluding a number of apparently Chinese citizens who have abused our laws from appearing before the USPTO in trademark matters. The USPTO is also investigating a number of applicants who have possibly used fake attorney information, unauthorized attorney information, or fake U.S. addresses in an effort to circumvent the U.S. Counsel rule.

Creating a Special Task Force

Earlier this year, the USPTO created a Special Task Force within the Trademark Operations to focus on improper behavior related to trademark applications and registrations. The task force consists of personnel with examination and IT expertise who coordinate to identify improper activity and evaluate appropriate actions to take in response. The task force develops and coordinates implementation of policies, procedures, and technology solutions to address fake specimens, false use claims, unauthorized Trademark Electronic Application System (TEAS) submissions, and other efforts to circumvent the USPTO's Rules of Practice in Trademark Cases.

The task force has already had an impact. For example, the task force identified suspicious credit card transactions, which led to the USPTO blocking credit cards used by a few foreign individuals to file applications who later claimed that the credit cards were stolen. Additionally, the task force has identified unauthorized changes of correspondence addresses and revocation of attorney forms made in our electronic systems. Following the suspension of automatic uploads of changes and the task force's interventions, the USPTO has seen an overall downward trend for unauthorized changes. These have further decreased with the implementation of a login requirement in October 2019 to access any of USPTO's trademark electronic forms.

Auditing post-registration maintenance filings

In FY2019, the USPTO doubled the number of trademark registrations it audits resulting in approximately 5,010 registrations being audited. To accomplish this, the USPTO increased the number of USPTO staff members working on the program. In 2012, the USPTO implemented the Proof of Use Audit Program as a pilot, making it permanent in November 2017. Through that

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program, the USPTO audits the accuracy of claims of use made by registrants in their post-registration maintenance filings, which must be made between the 5th and 6th year and every 10 years after registration. Once a registration is randomly selected for audit, the owner is required to submit proof that the mark is in use for additional goods and services in the registration. Audited registrations with unsubstantiated claims may be cancelled, or unsupported goods and services may be removed from the registration. Thus far, over 50% of the audited registrations have resulted in at least some goods or services being deleted from the registration because the registrant could not provide proof of use for those good or services.

Updating examination guidance and issuing refusals based on lack of evidence of use in commerce

The USPTO continues to provide frequent training sessions for its examining attorneys (most recently in August with more training scheduled for December) on how to identify digitally created or altered specimens of use. In the past, when a specimen did not appear to show sufficient evidence of use in commerce, the USPTO simply allowed an applicant to submit a substitute specimen. However, the USPTO updated its examination guidance in June to require that examining attorneys issue a refusal in such circumstances and request additional information about and evidence of the mark's use in commerce. The USPTO has also directed examining attorneys to request additional information and evidence about the applicant's use of the mark where a specimen appears to be fake or suspicious. In July, the USPTO issued *Exam Guide 03-19, Examination of Specimens for Use in Commerce: Digitally Created or Altered and Mockup Specimens*, which the USPTO plans to incorporate into the Trademark Manual of Examining Procedure in our next update. The guide is publicly available on the USPTO's website at: <https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%2003-19.pdf>.

As a result of this effort, there have been approximately 15,790 office actions containing the new specimen and request for information refusals issued since June 11, 2019. Since June 11, the USPTO average of approximately 269 specimen refusals issued per week increased 156% to approximately 687 per week.

Piloting programs to allow third parties to provide evidence in examination and expedite *inter partes* non-use challenges

The USPTO established a Specimen Protest email box to allow third parties to submit evidence to the USPTO that a particular specimen submitted in a pending application is digitally created or altered. When examination procedures were updated in June to require refusals in connection with suspect specimens, the specimen protest procedure was similarly expanded so that when examining attorneys now receive credible third-party evidence of one bad specimen, even when there are other acceptable specimens for that mark in the file, they issue a refusal. Evidence submitted by third parties through the specimen protest program has aided in the detection and examination of fake specimens.

The USPTO is also exploring other ways that registrations for unused marks can be removed from the trademark register as quickly as possible, including a 2018 TTAB pilot program to expedite resolution of cancellation proceedings involving a claim of non-use or abandonment of the registered mark.

b. Additional efforts

The USPTO is also aggressively working on a number of additional initiatives to bolster its efforts to protect the integrity of the trademark register.

Building a database of specimens

While the USPTO has had a database of trademarks, it has not had a way for examining attorneys to easily access and search all specimens filed by applicants. The USPTO is in the initial stages of creating a database of specimens that can be searched by examining attorneys, so that they can identify multiple applications with virtually identical specimens for different marks filed by different applicants. To this end, the USPTO signed a contract with a vendor in late August 2019 and expects to implement the database by spring of 2020.

Revising the specimen rule

In December, the USPTO plans to implement an amendment to the trademark rule concerning specimens of use that sets criteria for electronic submissions in accordance with precedential case law for specimens of use, including requiring that webpages show the URL and access or print date.

Proposing incentives for accuracy

The USPTO is considering creating incentives for registrants to ensure that their registrations are and remain accurate regarding the goods or services for which the mark is in use, without waiting until the maintenance filing to do so. For example, the USPTO is considering charging a “zero fee” to file a request to delete unused goods/services outside of the Proof of Use Audit Program or a TTAB proceeding. Furthermore, the USPTO is considering charging a fee to amend a registration when goods or services are deleted from a registration as a result of an audit.

Providing more education on use in commerce

The USPTO’s ongoing post-registration Proof of Use Audit program has demonstrated that 79% of those audited were represented by counsel and, of those audited who had a lawyer, over 50% have been required to delete goods or services for which they previously swore the mark was in use. These statistics are troubling to say the least and suggest a lack of care, knowledge of what the law requires, or both, by mark owners and their counsel. In certain cases, the USPTO may refer attorneys to the USPTO’s Office of Enrollment and Discipline (OED) for further investigation. But, to ensure that mark owners and their counsel understand U.S. use requirements and their mutual obligations under the USPTO’s rules to confirm that the submissions they make to the USPTO are accurate and that claims of use have evidentiary support, we are developing educational materials for our website and will be adding information to our notices. We are hopeful

that providing materials that explain what use in commerce is, the importance of use in commerce to having trademark rights and a valid registration, the steps lawyers and clients should be taking to confirm the facts of use, combined with the U.S. counsel requirement, will help improve the accuracy of submissions to the USPTO.

Requiring log-in to use our trademark filing systems and other IT enhancements

The USPTO's open and accessible trademark electronic systems have encouraged filers to use them to protect their trademark rights in the U.S. through registration, but have also opened them up to abuse by bad actors. We have seen a rise in instances of parties who have filed forms through the Trademark Electronic Application System (TEAS) to make unauthorized changes to trademark records. The USPTO is fighting back to prevent these unauthorized changes. The problem affects a very small number of total applications and registrations, and USPTO staff has manually intercepted the majority of unauthorized changes, manually corrected more, and issued notifications to applicants and registrants where possible when we were unable to stop the upload of the unauthorized changes. This practice has diminished even further following the October 26, 2019 implementation of a login requirement with two-factor authentication. Users now must have an USPTO.gov account to access our electronic forms. By the first half of 2020, we are targeting implementation of proof-of-identity requirements for each individual's USPTO.gov account.

IV. Conclusion

Chairman Tillis, Ranking Member Coons, and Members of the Subcommittee, we appreciate your continued support of the goals, priorities, operations and employees of the USPTO. We look forward to working with you to address abuses of our nation's trademark laws and to promote the strong and balanced protection of intellectual property rights.