

## QUESTIONS FOR THE RECORD FROM REP. LOU CORREA

Hearing on “Counterfeits and Cluttering: Emerging Threats to the Integrity of the Trademark System and the Impact on American Consumers and Businesses”

July 18, 2019

### **Questions for Commissioner Denison**

1. Thanks for coming today to discuss fraudulent trademarks from foreign filers. It is my understanding that the Chinese province of Shenzhen announced a change to the incentive payments for successfully registered trademarks. This may remove the incentive. What percentage of applications over the years are from that province?
  - a. Follow Up: How many of those marks are in use today in the United States and how many applications do you have pending from Shenzhen?
2. Thanks for all you are now doing to address what I see as problem on fraudulent foreign trademark filers. Can you describe in more detail who comprises your task force and how long that has been in place?
  - a. Are there solutions you think would make a difference in solving the problem that require statutory changes?
3. I appreciate the training of examiners you mentioned. Are these trainings mandatory? Are you changing trademark examiner guidance as well? How do you get the message out to your examiners who are around the country and work remotely?
4. You mentioned you are blacklisting known bad actors and coming up with a database of images. Where are you in that process and how will you be educating examiners to be aware of these things? What is the timeline for integration with the application and examination process?
5. Are there lessons or practices we can apply from the patent side of the USPTO to address the cluttered registry of trademarks?
6. As we consider next steps on legislation, in light of the conversation at the previous hearing, it is my understanding that you are required to give trademark applicants a minimum of six months to respond to any questions an examiner has. That seems antiquated when almost all communication between applicants and the PTO now takes place electronically, so there’s no waiting for the mail or for a submission to be processed manually. If you could have that time period shortened, what would the impact be to your process? What do you anticipate it would improve?
  - a. Follow Up: It is my understanding that you have a statutory requirement that the process must take a minimum of six months. Is that correct?

7. It is my understanding that if a company sees a fraudulent or photoshopped specimen or image with an application, their only recourse is to file a letter of protest, which can't stop the application and has no legal standing. The company can also report it to the PTO under the Specimen Protests Email Pilot Program, which only applies to a very narrow set of circumstances. If we in Congress were to consider changing the current law to oppose these applications prior to registration, is there a model you could describe for me? Follow up: If you can't describe a model, can you share with me what you think the impact will be on businesses if they could challenge what appears to be a fraudulent application in the application process, not post-registration?
8. When seeking to identify counterfeit sellers, some companies and marketplaces consider tracking payments and payment accounts to identify repeat offenders. Have you considered doing this or have you already done this to identify trademark filers? If you have what patterns did you discern?
  - a. Follow Up: I am assuming if there is a bad actor filing multiple applications there might be a common thread. We know they change their company names, but do they change their payment methods?
  - b. Follow Up: Do you have a system in place to detect common payment methods?
9. Commissioner Denison it is my understanding that you recently entered into agreement for \$7 - \$8 million with the National Crime Prevention Council to educate consumers about counterfeits. Where did the money for this program come from? Did you have discretion in your budget to make that decision or was it dictated by law or by recommendation from an advisory Committee, by the White House, anyone? What do you estimate you are spending to combat fraudulent trademark filers beyond operational budget?
10. You said in your testimony you have had one examination training and another one is scheduled. Are those both specific to fraudulent trademark filers?
  - a. Follow Up: In your report from last year, page 176 of the FY 2018 Performance and Accountability Report, you list all of your trainings for examiners – quite impressive list of trainings. Were any of these trainings focused on the fraudulent filer issue or shell companies applying for trademarks?
11. Under your existing authority in the Trademark Examination guide, examiners can issue refusals of an application rather than inquiries requesting more information where an item or as you call it a specimen, does not appear to show actual use in commerce in the US market. A lot of these fraudulent images I have seen have tags written in Chinese – if these are really for sale in the US market, why are your examiners approving them? Have you considered issuing refusals requiring the applicant to either prove that the application is legitimate or change their filing basis from in use in the US market from intent to use?

- a. Follow Up: If not, why? OR If so, how many applications are refused vs asked for more information when you have a photoshopped image, incorrect tags, or duplicative images?
  
12. It appears that some applicants submit images that do not necessarily prove use in the US – price tags are in foreign currencies, or online marketplace listings are set up to sell one item, that may or may not be available for purchase when you review the listing at a later date. Do you have a process for dealing with these types of applications and for reviewing use of a mark throughout the application process to confirm, for example, that a sham marketplace listing isn't just taken down as soon as a specimen is accepted? Not to pick on the marketplaces, but they have a model that is ripe for abuse on counterfeits or for fraudulent trademarks. How do you review these applications – does a marketplace image get additional scrutiny?
  
13. I understand you are currently piloting a post-registration audit program that is aimed at ensuring registrants are continuing to use their marks on all of the products they claim to offer. Are there any learnings from that program you think could be applied to the application process that would help keep the register from becoming cluttered, ie stopping fraudulent applications at the front end rather than requiring action to declutter the register years down the line?
  
14. Thank you for prompting and bringing to completion the US local counsel rule – a year long accomplishment with an aggressive effective date of August 3. This is a good step forward, but as you have mentioned, you are already seeing attempts to circumvent the rule. What are you anticipating ways bad actors are or could be attempting to circumvent this rule and what tools do you have to enforce against those who are unscrupulous?
  
15. Thank you for your testimony today about the need to declutter the register. You spoke in depth about processes that could take effect post-registration. Do you have thoughts on changes to the examination and application process? It seems to me we should not be approving this stuff to begin with. Decluttering after registration would be helpful, but we need to stop the bleeding.
  
16. Another question about the application/examination process. I am concerned because companies like Target – the largest trademark filer in the US shared with me a window into their branding process and how pending applications basically block their innovations, costing them millions of dollars in additional costs. They're a big company what happens to mid-size or small companies who can't attempt to fight this? Have you done any research into company impacts when they try to register a trademark and are blocked by a pending application?

17. Today, when a trademark is not in use, whose responsibility is it to prompt the removal off of the register? Does USPTO have a process or does it rely on external stakeholders reviewing it?
  - a. FOLLOW UP: How long does it take for a trademark to be challenged, adjudicated, and removed from the trademark register? Have you done any research on the impact to business?
  
18. How much time does it take to successfully deregister a trademark that is fraudulent or not in use? What percentage are prompted by the USPTO and what percentage are prompted by external stakeholders or challengers
  
19. What do you estimate the impact will be trademark filings after the new local counsel rule goes into place?
  
20. Why are you focused on de-registration of trademarks vs. pending applications? What do you see as the difference in the problem?
  
21. What is the value of decluttering the registry to businesses? Is there a difference in value for small or large businesses?
  
22. How does the USPTO intend to police bad faith filers if they use fake counsel information? What if they do indeed enlist a U.S. attorney, but that attorney doesn't verify the truthfulness of the foreign applicant's filing? How will the USPTO act upon this information? Can you describe effective methods and how many actions have been take against attorneys on other issues?