
STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY, AND THE INTERNET
COMMITTEE ON THE JUDICIARY
UNITED STATES HOUSE OF REPRESENTATIVES

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

July 18, 2019

I. Introduction

Chairman Johnson, Ranking Member Roby, Chairman Nadler, Ranking Member Collins, and Members of the Subcommittee:

Good morning. Thank you for this opportunity to discuss 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, as is the proliferation of counterfeit goods in the marketplace. I am honored to be here with you today to share the work the USPTO has been doing to address these issues.

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 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 search the register 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 paramount. 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, 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 actually show 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 and assignments of ownership.

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 mainland China. Often, those applicants are improperly represented by unauthorized Chinese practitioners who evade USPTO sanctions.

China leads all foreign countries in the number of trademark applications filed at the USPTO, with 11% of total application filings. For perspective, the second highest foreign filer is Canada, at 2% of filings. China also leads other countries in the number of trademark applications filed

pro se, *i.e.*, without an attorney, at 80%. Germany is a distant second with 51% of filings being pro se filings.

Furthermore, filings from China have increased exponentially since 2014, jumping from approximately 5,161 applications in fiscal year 2014 to approximately 54,064 in fiscal year 2018. 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 combat the inaccurate and fraudulent claims of use that threaten to undermine the reliability of the trademark register.

The U.S. trademark system is a 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

Earlier this month, and after considering public comments on the proposed rule, USPTO published its final rule to require foreign trademark applicants and registrants to be represented by a U.S. licensed attorney (84 FR 31498; July 2, 2019). Under the final rule, which goes into effect on August 3, 2019, the Trademark Rules of Practice will require applicants, registrants, and parties to Trademark Trial and Appeal Board (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 final rule's 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. 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.

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 is ongoing and consists of personnel with examination and IT expertise who coordinate to identify improper activity and evaluate appropriate actions to take in response. The goals of the Task Force include developing and implementing policies, procedures, and technology solutions to effectively 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.

Auditing post-registration maintenance filings

This year, the USPTO has doubled the number of trademark registrations it audits through its random audit program to 5,000 per year and has increased the number of USPTO staff members working on the program. In 2012, the USPTO implemented the Proof of Use Audit Program. Through that 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 multiple training sessions for its examining attorneys (most recently in June) 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 recently updated its examination guidance to now 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. Last week, 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>.

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. Evidence submitted by third parties through the specimen protest program has aided 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

The USPTO is investigating IT solutions that would, for example, flag potential improper filings at the time of filing and create a database of specimens that can be searched by examining attorneys to identify multiple applications with virtually identical specimens for different marks filed by different applicants.

Revising the specimen rule

The USPTO is planning to amend the trademark rule concerning specimens of use by setting 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. The amendments will require that the specimen show use of the mark placed on the goods, on containers or packaging for the goods, or on labels or tags affixed to the goods.

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, 52% 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 egregious cases, the USPTO may refer attorneys to the USPTO's Office of Enrollment and Discipline (OED) for investigation of misconduct. 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 manually intercepts the vast majority of unauthorized changes. By late 2019, we hope to be able to eliminate this problem through (1) enhancements to our electronic systems that will move all of our electronic forms behind a firewall and (2) requiring users to have a MyUSPTO.gov account and login to file forms through TEAS. We also hope to implement proof of identity requirements for each individual's MyUSPTO account in early 2020.

IV. Anti-Counterfeiting Efforts

The USPTO has also directed its resources to initiatives aimed at protecting consumers, intellectual property rights owners, and businesses from another very real threat to intellectual property—counterfeits. By counterfeiting, bad actors attempt to trade on the goodwill and strong reputations of lawful trademark owners to the detriment and often peril of both consumers and the U.S. economy.

Presidential Memorandum on Combatting Trafficking in Counterfeit and Pirated Goods

The USPTO is actively involved in the policy development process within the Administration related to combatting online counterfeiting. On April 3, 2019, President Trump issued a Presidential Memorandum on Combatting Trafficking in Counterfeit and Pirated Goods. In the

Memorandum, the President explained that “[c]ounterfeit trafficking impairs economic competitiveness by harming United States intellectual property rights holders and diminishing the reputations and trustworthiness of online markets; cheats consumers and poses risks to their health and safety; and may threaten national security and public safety through the introduction of counterfeit goods destined for the Department of Defense and other critical infrastructure supply chains.” The President directed an interagency group, led by the Department of Homeland Security, to prepare and submit a report this fall that will assess the current state of counterfeiting and piracy conducted through online marketplaces and intermediaries and “identify appropriate administrative, statutory, regulatory, or other changes, including enhanced enforcement actions, that could substantially reduce trafficking in counterfeit and pirated goods or promote more effective law enforcement regarding trafficking in such goods.”

USPTO’s Ongoing Anti-counterfeiting Efforts

In addition to working in the policy development of the Administration’s online anti-counterfeiting efforts, the USPTO has long been engaged in combatting counterfeits. There are three prongs of USPTO’s anti-counterfeiting efforts:

1. Technical advice

The USPTO engages with government officials in the U.S. and abroad to improve domestic and foreign IP laws and regulations. Domestically, we provide policy and technical advice to the Administration on legislation impacting civil, criminal, and border enforcement of intellectual property laws. We work in coordination with the Administration’s Intellectual Property Enforcement Coordinator (IPEC) and also partner with the National Intellectual Property Rights Coordination Center (IPR Center). Internationally, the USPTO provides technical and policy guidance on foreign laws, regulations, and practices that impact the effective enforcement of civil, criminal, and border provisions to combat trafficking in counterfeit goods.

2. Training/capacity building

The USPTO’s Office of Policy and International Affairs works with countries around the world, including through our embassies, to provide technical assistance/capacity building programs on a government-government basis. These programs are designed to promote effective enforcement of civil, criminal, and border provisions to combat trafficking in counterfeit goods.

3. Public outreach and education

The USPTO is also working to raise awareness about counterfeiting and its impacts on multiple levels. For example, the USPTO held a video contest on the topic of “Consumers Combat Counterfeits” – with six winners from a range of age groups from across the country. The USPTO plans to use the winning videos to raise public awareness about the dangers of counterfeits. In addition, on June 6, 2019, the USPTO held a public forum with the McCarthy Institute to discuss challenges facing brand owners and how public and private organizations can help in this fight. The USPTO also just launched a multi-year, nationwide public awareness

campaign with the National Crime Prevention Council in a joint effort to educate U.S. consumers about the dangers of counterfeit goods.

In addition, at the 2018 Annual Meeting in Seoul, South Korea, the TM5 Partners (US, EU, Korea, Japan and China) adopted a new anti-counterfeiting project focused on raising public awareness about trademark infringement that will commence in late 2019.

China Team

The USPTO's Office of Policy and International Affairs has a team dedicated to China, including IP attachés stationed in three cities in China at the U.S. Embassy and two consulates. The China Team works to assist U.S. businesses navigating the trademark protection and enforcement processes in China. The Team also engages with e-commerce platform operators in China and the U.S. to raise concerns, for example, about slow and ineffectual take down procedures. Here in the United States, the USPTO offers China IP Roadshows to teach U.S. businesses about how to register and enforce their rights in China as well as how to deal with Chinese counterfeits arriving in the United States.

V. Conclusion

Chairman Johnson, Ranking Member Roby, Chairman Nadler, Ranking Member Collins, 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.