

TRADEMARK UPDATE AND YEAR IN REVIEW

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“There have been a lot of significant developments in Trademark Law and Practice in 2019 and there will be many more changes to come in 2020. A lot of these changes were prompted by a dramatic increase in trademark filings from China that, upon review, appeared to be fraudulent and the USPTO is implementing new rules and procedures to crack down on improper filings and claims of use in commerce. We wanted to provide our clients with an update on those developments and what they can expect in the New Year.”

— Jennifer Fraser, Chair of Dykema's Trademark Practice Group

POSSIBLE TRADEMARK LEGISLATION

Director Iancu and the Current Commissioner of Trademarks testified before the House and Senate in 2019 on issues related to the accuracy of the Trademark Register and efforts to declutter the Register of registrations that are “deadwood” and no longer active.

With these issues of improper behavior and claims of use, Congress is considering revisions to the Trademark Act to try to address these issues. Possible legislative changes include shortening the current six month deadline to respond to an Office Action and implementing expungement and reexamination procedures to allow more opportunities for third parties and the USPTO to challenge improper claims of use. Proposed legislation also includes a provision to establish a (rebuttable) presumption of irreparable harm based on a finding of likelihood of confusion.

This would help trademark owners obtain an injunction in trademark litigation because federal courts were applying inconsistent standards as a result of distinctions with patent cases. There was also discussion of lowering the standard of fraud in connection with trademark filings; however, it appears this will not be implemented. Despite this, the USPTO has indicated it will refer problematic filings and attorneys to the Office of Enrollment and Discipline. All of the efforts designed to remove improper claims of use serve as an important reminder to be vigilant in ensuring accuracy and proper record-keeping.

On behalf of INTA, Jennifer Fraser has provided comments to Congressional staff on the proposed legislation & Dykema attorneys will keep clients informed as developments unfold.

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NEW SPECIMEN AND EMAIL ADDRESS REQUIREMENTS WILL TAKE EFFECT ON FEBRUARY 15, 2020

As a part of its efforts to improve the accuracy of the Trademark Register, the USPTO has been implementing many new rules in 2019 to reduce improper claims of use. In connection with the rule requiring mandatory electronic filing that will take effect on February 15th, the USPTO implemented a new rule requiring applicants and registrants to provide an email address, even when represented by counsel, in the event the USPTO cannot reach the designated attorney of record and it needs to contact the applicant/registrant directly.

To comply with this rule, we recommend that companies provide us with a generic address such as info@companyname.com or set up a new trademark-specific email address such as trademarks@companyname.com. Having a general email address will help avoid unwanted solicitations because the email addresses will be in a publicly available file. Additionally, a general email address will also assist if there is a change in personnel within the company so more than one person can access the emails. Dykema will still receive all communications from the USPTO and will keep you informed of any deadlines. We will also contact you to confirm email preferences.

Additionally, as a part of this rule change, after February 15th, the USPTO will no longer accept labels, by themselves, as specimens of use for goods. The USPTO will now require photographs of the labels as affixed to the goods, photographs of packaging or other traditional specimens.



USPTO REPORTS RESULTS OF U.S. COUNSEL RULE SHOWS POSITIVE SIGNS

At a meeting with USPTO Officials in November at the INTA Leadership Meeting, the USPTO reports that the rule requiring U.S. counsel implemented in August has resulted in a decrease in filings from China. Approximately 20,000 applications from China were filed in July, compared to approximately 9,000 in October. There was also a significant decrease in use-based foreign applications. The USPTO continues to monitor trends and suspicious filings and encourages trademark owners and attorneys to report suspicious behaviors.



PROPOSED FEE INCREASES AT THE USPTO AND TTAB

In September 2019, the USPTO began the process of proposing new fees and, based on this timing, new fees will be implemented in August 2020 after Proposed Rulemaking. In her role as the INTA Chair of the Trademark Office Practice Sub-Committee, Dykema Trademark Practice Chair Jennifer Fraser provided testimony on the new fees before USPTO officials and the Trademark Public Advisory Committee.



While periodic increases can be expected to fund USPTO operations, reserves and IT upgrades, many of the fees are new and are designed to address improper filings. For example, the USPTO has proposed to implement fees for deletions of goods/services for which use cannot be proved during a subsequent Audit. This proposal and the Audit itself serve as reminders to maintain proper records (especially considering document retention and deletion practices). Additionally, in anticipation of this and other trends, it would be prudent for Trademark Owners to scrutinize registrations and ensure goods/services for which use cannot be proved are deleted at the appropriate time.

To encourage accuracy and decluttering of the Register, the USPTO is considering allowing voluntary amendments without a fee. Dykema attorneys will continue to update you as the USPTO proceeds with any new fees or practice changes.

NEW STRATEGIES TO ADDRESS BLOCKING TRADEMARKS

With the improper filings and maintenance of registrations which might not be entitled to remain on the Register, brand owners have to consider new strategies in removing blocking trademarks in clearing new marks and traversing cited marks. Because of this, the TTAB has seen significant increases in oppositions and cancellations; however, default rates for certain cases are well over 50% indicating many choose not to defend such proceedings.

As another way to assist in identifying bogus specimens, the USPTO has also implemented a "specimen" protest where third parties can report suspicious specimens to the USPTO. The USPTO has also implemented new exam guides on "doctored specimens" and other issues that, while they can affect legitimate trademark owners, are designed to reduce improper filings.

These issues have resulted in a backlog at the TTAB and certain divisions at the USPTO but they also illustrate the many tools available to brand owners to address issues involving blocking trademarks and questionable claims of use.

ONGOING ISSUES WITH MISLEADING SOLICITATIONS REGARDING TRADEMARK REGISTRATIONS

Fraudulent entities using official-sounding names and seals are sending bogus solicitations offering to renew trademarks registrations and take other action, warning that applications and registrations could be lost if a fee is not paid. This is a widespread scam affecting many countries. These notices are sent over a year in advance of any deadline in an attempt to deceive trademark owners or others who receive the notice into paying the fee.

Dykema will remind you of any deadlines as they approach and want to alert you to ensure you do not pay the fees. You might wish to alert those who receive mail or process checks as some of the notices also resemble invoices. Additional information about the misleading notices are available here: <https://www.uspto.gov/trademarks-getting-started/caution-misleading-notices>. The Department of Justice has been prosecuting some of these entities.

THE SUPREME COURT AND TRADEMARKS IN 2019



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On May 20, in *Mission Product Holdings, Inc. v. Tempnology, LLC n/k/a Old Cold LLC*, No. 17-1657, 587 U.S. ____ (2019), The Supreme Court held that when a trademark licensor in bankruptcy rejects a trademark license, the rejection should be deemed a breach of the license but it does not terminate the licensee's right to continue use of the mark. The result is more certainty in business transactions. No longer do parties need to form a bankruptcy-

proof entity or impose burdensome financial disclosure obligations on the licensor in order to provide a licensee assurances the license will not blow up. Trademark licenses are now more valuable without a potential cloud hanging over them.

The result is that previously immoral and scandalous names can now be federally registered. Since the decision, the PTO has seen a surge in filings for immoral and scandalous marks such as curse words. While some may question the commercial viability of adopting an immoral and scandalous mark, there is no question the US Trademark Office is now powerless to prevent it from being registered.

On June 24, in *Iancu v. Brunetti*, No. 18-302, 588 U.S. ____ (2019), The Supreme Court determined that the portion of Section 2(a) of the Federal Trademark Act refusing to grant registration to "immoral" and "scandalous" trademarks is unconstitutional under the freedom of speech clause in the First Amendment to the United States Constitution.

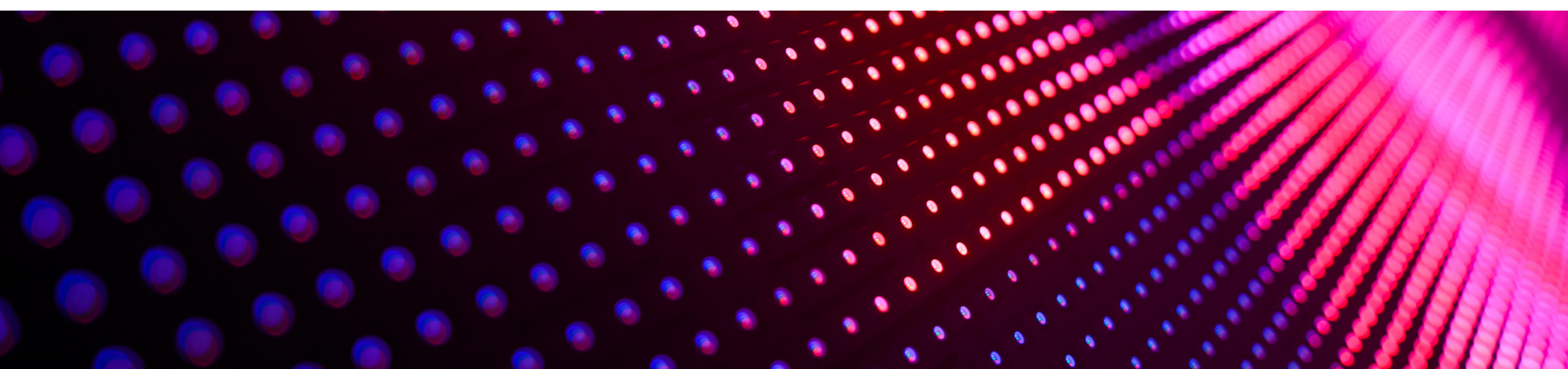
In a unanimous decision on December 11, 2019, the Supreme Court decided *Peter vs. NantKwest Inc.* holding that the PTO cannot recover the salaries of legal personnel as "expenses" in patent appeals. This case likely supersedes a prior appellate court decision in *Shammas vs. Focarino* involving appeal of a trademark refusal where the Court required the applicant to pay PTO expenses. The decision reinforces the American Rule, the general principle that in a lawsuit each party is responsible for paying its own fees in the absence of a statutory or contractual requirement.

Certiorari Granted:

On June 28, 2019, The Supreme Court granted certiorari in a pair of cases that may affect how trademark cases are argued in federal courts. In *Lucky Brands Dungarees, Inc. v. Marcel Fashion Group, Inc.*, the Court will determine whether federal preclusion principles bar defendants from raising defenses that could have been raised in previous cases between the same parties, even when the plaintiff asserts new claims.

In *Romag Fasteners, Inc. v. Fossil, Inc.*, the Court will decide whether a finding of willful infringement is required to award an infringer's profits in cases involving false designation of origin or false description. On November 8, the Supreme Court granted certiorari in a case involving the USPTO's refusal to register the mark BOOKING.COM on the ground it is generic. At issue is whether the addition of the .COM portion of the mark renders the mark not generic as a whole. The Supreme Court will hear arguments in the case next spring and should render its decision by June 2020.

2019 WAS A
BIG YEAR FOR
THE SUPREME
COURT
AND U.S.
TRADEMARK
LAW!



WHY IS THE USPTO DOING THIS?

Many ask what has prompted all these changes in U.S. Trademark Practice. One can clearly point to the results of the Post-Registration Audit, summarized by the USPTO below.

Post-registration proof of use random audit program

Basis for registration	2012–2015 pilot program 500 registrations	Nov. 2017–April 30, 2019 permanent program 3,518 registrations*
USE Section 1(a)	45%	49%
PARIS CONVENTION Section 44(e)	65%	70%
MADRID Section 66(a)	71%	67%
Combined USE & PARIS Sections 1(a) and 44(e)	69%	65%

*78% represented by counsel

This Audit indicates, according to the USPTO, that when asked for proof of use for certain goods/services after filing a Post-Registration Declaration of Use, instead of providing acceptable proof, Registrants deleted such goods/services in the high percentages indicated above. Although many trademark practitioners have explained to the USPTO that such deletions do not necessarily indicate fraud or a lack of legitimate use but difficulties in collecting acceptable specimens of use, for example, but generally the USPTO believes this is a significant problem.

Further, the USPTO found that a high percentage of those deleting goods/services are represented by counsel and the USPTO believes this could suggest that some attorneys are not educating trademark owners and/or conducting proper inquiries into the facts surrounding use. As a result, as discussed in this Newsletter, the USPTO is now imposing several new rules to address these behaviors.

A big driver in the increase has been the significant rise in filings from China which now represent nearly 10% of total new applications. At the end of FY 2017, filings from China had increased by nearly 1,000% from FY 2013. If these trends continue, filings from China by 2023 are expected to represent at least 32% of total U.S. trademark filings.

— Andrei Iancu, Director of the U.S. Patent and Trademark Office

Bad faith behavior before USPTO

Submitting fake or altered specimens

Submitting false claims of use in U.S. commerce

Using unauthorized practitioners

Making unauthorized address changes

Trying to circumvent U.S. counsel rule

In May 2019, Director of the U.S. Patent and Trademark Office Andrei Iancu summarized these trends in his testimony before the United States House Subcommittee on Courts, Intellectual Property, and the Internet Committee on the Judiciary:

There has been a rise in behaviors that undermine the accuracy and reliability of the trademark register. As I mentioned in my testimony last year, USPTO has faced a surge of foreign applications during the last few years, particularly from China, in some cases with inaccurate or possibly fraudulent claims of use of the mark for the goods or services specified in the application. 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 of use of the mark for the goods or services specified in the application. 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.

As illustrated by the many recent Congressional hearings on trademark issues, Congress wants to understand and try to address these problematic filings. Director Iancu's April 2018 testimony before the Senate Judiciary Committee explained the magnitude of the surge in filings: "A big driver in the increase has been the significant rise in filings from China which now represent nearly 10% of total new applications. At the end of FY 2017, filings from China had increased by nearly 1,000% from FY 2013. If these trends continue, filings from China by 2023 are expected to represent at least 32% of total U.S. trademark filings."

Fraser's advice to Trademark Owners is "to take steps now to prepare for the changes to ensure they have all necessary information to be able to timely file applications and responses. They also need to preserve relevant documents to prepare for issues that could arise months or years later. Congress has also taken note and significant legislative changes are under consideration and brand owners should anticipate these changes and modify their best practices accordingly."

Fraser added "the United States stands out among most countries who do not require proof of use to obtain or maintain trademark registrations but the U.S. is strict with these requirements and greater scrutiny of claims of use is underway at the USPTO. The USPTO has sanctioned practitioners for signing false claims of use and for not conducting a proper inquiry related to such claims. We can expect those trends to continue."

DYKEMA'S D.C. TRADEMARK TEAM



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Jennifer Fraser represents clients in a variety of areas including trademark filings and prosecution, trademark and copyright litigation, litigating rights before the courts and the Trademark Trial and Appeal Board and resolving domain name disputes. She served as an Examining Attorney with the USPTO, which enables her to effectively anticipate and resolve issues during examination of trademark applications. Ms. Fraser assists clients with other intellectual property issues including copyright prosecution, counseling and litigation, and drafting various agreements to strengthen intellectual property rights and resolve disputes. She has significant trial experience including obtaining damages for willful infringement. She has been recognized as a leading trademark practitioner in the Washington D.C. area by *World Trademark Review* and has been selected as a Washington D.C. *Super Lawyer* since 2014.



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Eric Fingerhut has been practicing identity and reputation management law for nearly 30 years. He has registered and protected many of the world's best-known brand names across numerous industries. Eric's practice includes providing advice on commercially viable brand-naming strategies, clearance searches and opinions, global-filing programs, designing and implementing cost-effective trademark protection and enforcement programs, including protecting trademarks from harm from unauthorized domain name registration and misuse on social media, managing global trademark portfolios and due diligence. His litigation experience includes infringement, dilution, cybersquatting, unfair competition and counterfeiting cases in federal district and appellate courts, oppositions and cancellations before the U.S. Trademark Trial and Appeal Board and domain name arbitration proceedings. His transactional experience includes negotiating trademark licenses, sales, and purchases. Described by clients, "Eric is exceptional in prosecution and has a lot of experience with domain names, too. Personable, knowledgeable and client focused, he has a good head on his shoulders. He is a deal maker, not a deal breaker; his shrewd judgment often leads both his client and the opposing side down the most painless route" - *World Trademark Review*. In addition to having been recognized as a leading trademark practitioner in the Washington D.C. area for the past 8 years, Eric has been selected as a Washington, D.C. *Super Lawyer* since 2016.



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Marsha Gentner focuses her practice on the management of global trademark portfolios. In addition to filing and maintaining an extensive docket of registrations throughout the world, she supervises enforcement actions, including proceedings before local trademark authorities, customs and court seizures, and civil and criminal counterfeit actions around the globe. She handles transactional and licensing negotiations and disputes with manufacturers, suppliers, and international distribution networks, as well as due diligence. Marsha has over 30 years of experience prosecuting and litigating trademark and other intellectual property matters before the USPTO, U.S. district courts and courts of appeal. She has extensive experience in managing trademark prosecution and litigation and customs proceedings in China. She also is a mediator serving on the INTA's select Trademark Mediators Network.



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Shannon McKeon has 13+ years of experience in all aspects of trademark searching, clearance, prosecution, maintenance and renewal, enforcement and defense of third-party claims. She is responsible for reviewing searches, prosecuting applications, coordinating international filings, litigating opposition and cancellation proceedings, and executing policing programs. She also supervises Dykema's legal assistants and administrative support in performing these services.



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Jeremy Pisigan is a skilled trademark paralegal with 10 years of experience and he handles administrative functions for the Trademark Practice Group, including conducting searches, filing trademark applications, reporting office actions and other office communications, maintenance and renewal, and reporting attorney-supervised recommendations to clients. Jeremy also assists with due diligence related to small and large-scale IP transactions, and docketing and database management.



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