

# AIPLA

## American Intellectual Property Law Association

July 19, 2021

Andrew Hirshfeld

Performing the Functions and Duties of the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office

United States Patent and Trademark Office

c/o Office of Policy and International Affairs, Comment Request; State Sovereign Immunity

Mail Stop OPIA, P.O. Box 1450

Alexandria, Virginia 22314

Re: Comments on Notice of Proposed Rulemaking Regarding Changes to Implement Provisions of the Trademark Modernization Act of 2020, 86 Fed. Reg. 26,862 (May 18, 2021) (Docket Number: PTO-T-2021-0008)

Dear Mr. Hirshfeld:

I write on behalf of the American Intellectual Property Law Association (“AIPLA”) to express our appreciation for the efforts by the U.S. Patent and Trademark Office in preparing the Notice of Proposed Rulemaking (“NPRM”) to implement certain provisions of the Trademark Modernization Act of 2020 (“TMA”).

AIPLA is a national bar association of approximately 8,500 members that include trademark attorneys and trademark owners, as well as other IP professionals engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of trademark, patent, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our mission includes helping to establish and maintain fair and effective laws and policies that allow trademark stakeholders to protect their marks in an efficient, reasonable, and cost-effective manner.

Our comments below address seven aspects of the NPRM: (1) ex parte expungement and reexamination proceedings; (2) the petition filing fee; (3) the identification of the real party in interest in a petition; (4) flexible response periods; (5) letters of protest; (6) attorney recognition; and (7) the proposed burden hours for private sector respondents.

## **1. Ex Parte Expungement and Reexamination Proceedings**

### *a. Proposed Rule § 2.91(c) – Requirements for a complete submission*

The USPTO has proposed to add Rule 2.91(c) setting forth the requirements for proper and complete petitions to the Director under proposed Rule 2.92. Proposed Rule 2.91(c) states that only complete petitions will be considered by the Director under Proposed Rule 2.92. Among the requirements for a complete petition is a verified statement describing the elements of the reasonable investigation of nonuse conducted by the petitioner mandated by Proposed Rule 2.91(c)(8)(i). If the petitioner establishes a prima facie case of nonuse but does not adequately describe its reasonable investigation to the Director's satisfaction, the proposed rule appears to preclude the Director's consideration of the evidence of non-use under Proposed Rule 2.92(a) or (b).

A petition may present evidence establishing a prima facie case of nonuse, whether or not the petitioner adequately describes its investigation. AIPLA supports clarifying Proposed Rule 2.91(c) to allow the Director to initiate a proceeding under Proposed Rule 2.92(b) based upon the evidence establishing a prima facie case of nonuse submitted by a petitioner, even if the petitioner fails adequately to describe its reasonable investigation. This clarification would be consistent with the statutory purpose of expungement and reconsideration proceedings under the TMA and the discretion afforded to the Director to initiate such proceedings. If the Director is otherwise satisfied that a prima facie case of nonuse has been presented, a technical defect in the petitioner's description of its reasonable investigation should not preclude the Director from initiating a proceeding under Proposed Rule 2.92(b).

Proposed Rule 2.91(c)(9)(v) states that documentary evidence of nonuse may include evidence suggesting that a verification accompanying a relevant allegation of use in the registration was "improperly signed." The NPRM does not explain what "improperly signed" means. It is unclear whether this term is a substantive or a more technical requirement regarding the signature or signatory, or both. AIPLA requests that the Office clarify what it means by "improperly signed" in this section.

### *b. Proposed Rule 2.91(d) – Reasonable investigation of nonuse*

The USPTO has proposed new Rule 2.91(d) explaining the requirements for a petitioner's reasonable investigation to determine use of the mark that is the subject of the petition. Proposed Rule 2.91(d)(3) provides that not all possible, appropriate sources need be checked for the investigation to be considered reasonable. AIPLA supports the inclusion of Proposed Rule 2.91(d)(3) and believes it is helpful and appropriate. However, the proposed rule's generality makes it more difficult for a petitioner to determine what will be considered sufficient for the petition. Further guidance would be helpful. The USPTO should consider adding a further statement in Proposed Rule 2.91(d)(3) to indicate that a petitioner's investigation will be deemed reasonable if the sources used by the petitioner sufficiently demonstrate that a search for use in the typical relevant channels of trade and advertising for the identified goods and/or services did not reveal any relevant use.

In addition, AIPLA is concerned with the USPTO's reliance on 37 C.F.R. § 11.303(d), which provides: "[i]n an ex parte proceeding, a practitioner shall inform the tribunal of all material facts known to the practitioner that will enable the tribunal to make an informed decision, whether or not the facts are adverse." AIPLA seeks clarification whether this duty of candor continues after submission of a petition. Petitioner is not allowed to participate after a proceeding is initiated. Requiring the petitioner to update its showing to account for adverse evidence discovered after the petition is filed and before a proceeding is instituted appears to conflict with the provision that "the petitioner will not have any further involvement" once a proceeding is initiated.

Second, the Office's reliance on 37 C.F.R. § 11.303(d) could imply that the USPTO considers itself a "tribunal." Historically, the USPTO has not treated its individual examiners as tribunals. *See Sendor v. Where to Dine In, LLC*, No. 91195538, 2010 WL 11413794, at \*2 (T.T.A.B. Dec. 16, 2010 (nonprecedential) ("Here, the examining attorney's action with regard to opposer's first application was not a judgment on the merits by a court or other tribunal of competent jurisdiction nor does it control the merits of the case now before us."). Considering the USPTO a "tribunal" could have substantial consequences, including, but not limited to, creating an ongoing duty for an applicant to disclose information to examiners they need not disclose now, e.g., descriptive uses of an applied-for mark by other parties. *See, e.g., Bart Schwartz Int'l Textiles, Ltd. v. F.T.C.*, 289 F.2d 665, 669 (C.C.P.A. 1961) ("The position of the Trademark Trial and Appeal Board is fallacious in that it is based on the assumption that registrant had a 'duty' to disclose to the Patent Office that the Italian word 'flocco' meant staple rayon. No authority is cited by the Board for this proposition. Any 'duty' owed by an applicant for trademark registration must arise out of the statutory requirements of the Lanham Act, particularly those found in Section 1(a)(1)."). AIPLA, therefore, recommends that the USPTO consider adopting a separate rule specifically dealing with submissions in support of ex parte petitions for expungement and reexamination.

*c. Proposed Rule § 2.92 - Institution of ex parte expungement and reexamination proceedings*

Although the proposed rules establish timelines for the registrant to respond to proceedings initiated by the Director, the proposed rules do not establish a timeline for the Director to make a decision. In keeping with the purpose of streamlined proceedings, AIPLA believes that the USPTO should include in the final rules a requirement for the Director to issue a decision within a certain amount of time and specify the consequences to the petitioner, the registrant, and the subject registration in the event a timely decision is not rendered. The expected timeline for a decision likely will be an important consideration for a potential petitioner. For example, if a petitioner seeks a reexamination for nonuse of a mark on or before the relevant date, it would be critical for the petitioner to understand whether the proceeding likely will conclude before the fifth anniversary of the registration date of the subject mark, after which a petition for cancellation to the TTAB on the same basis would be time-barred under Section 14 of the Lanham Act.

Although the rules permit consolidation of proceedings by the Director, Proposed Rule 2.92(e) appears to preclude a single petitioner from asserting both expungement and reexamination in a single petition. If a petitioner's investigation establishes both grounds of nonuse, it will be

required to prepare and file two separate petitions. Yet, both grounds could potentially be asserted in a single cancellation petition to the TTAB. A rule that prevents a petitioner from filing a single petition to the Director asserting grounds both for expungement and reexamination may discourage a potential petitioner from using these procedures. There are advantages to a single proceeding such as the ability to assert alternative grounds for cancellation and efficiency in resolving multiple claims in a single proceeding. Provided a petitioner has grounds to assert both expungement and reexamination, AIPLA requests that the USPTO amend the proposed rules to provide that a petitioner may assert both bases in a single petition to the Director under Proposed Rule 2.92(a). A combined petition should be allowed for a single filing fee and would be a cost-effective means for parties seeking to prune dead wood from the Register.

*d. Proposed Rule § 2.93 – Expungement and reexamination procedures*

AIPLA supports the USPTO's provision that allows the registrant an opportunity to cure defects in its response to a petition. Regarding Proposed Rule 2.93(b)(1) requiring that the registrant respond to the initial Office Action via TEAS within two months of the issue date, AIPLA has some concerns. Although two months may be sufficient time in some cases, depending on the scope of the petition and registration, or other circumstances, it may not be enough in others. Additional time may be required if the mark was recently acquired or the person most knowledgeable about its use is incapacitated. Other circumstances during the response period may make it difficult or impossible for a registrant to respond fully within two months. Consistent with the streamlined nature of these proceedings, AIPLA requests that the Office permit reasonable extensions of time for good cause shown. Any such extension should not be automatic, but provided good cause is established, the registrant should receive a reasonable amount of additional time to respond. AIPLA recommends that the USPTO allow a registrant to obtain an extension of time to respond upon a showing of good cause.

*e. Requests for Reconsideration and Appeals*

Proposed Rule 2.93(c)(2) of the NPRM contemplates that, if a registrant's responsive showing of use in commerce is inadequate, the registrant will have two months to request reconsideration a notice an appeal to the TTAB. AIPLA encourages the USPTO to address the intended relationship between requests for reconsideration and appeals. In particular, AIPLA requests that the USPTO clarify whether a registrant must file both a notice of appeal and request for reconsideration before the deadline to preserve its right to appeal. AIPLA also requests that the Office clarify whether a registrant will receive an opportunity to appeal after the denial of a request for reconsideration. If the USPTO chooses the first option, AIPLA asks that the Trademark Trial and Appeal Board stay the appeal during the pendency of a request for reconsideration.

AIPLA also encourages the USPTO to address the applicable standards of review following a determination in an ex parte proceeding that the registrant has not rebutted a prima facie case of nonuse. AIPLA requests the USPTO to specify the applicable standard of review of requests for reconsideration, namely whether they will be governed by the "requires appropriate change" standard applicable in Board proceedings under 37 C.F.R. § 2.127(b) or by submission of

“significant facts or evidence not previously available” as contemplated by requests for reconsideration of denials of petitions to the Director under TMEP § 1705.08. Additionally, AIPLA recommends that the USPTO clarify whether the Board can remand an appeal to the Director for the reconsideration of new evidence, as it can in the ex parte examination context. Finally, AIPLA asks the USPTO to set the standard of review the Board will apply in appeals. It would be helpful for the USPTO to address these issues upfront, rather than force registrants to wait for the case law to resolve them.

AIPLA notes that there appears to be a typographical error in Proposed Rule 2.93(c)(2), which refers to “a petition under paragraph (c)(2)(iv) of this section.” Paragraph (c)(2)(iv) does not exist in this section. AIPLA believes the proper citation is to paragraph (c)(2)(ii).

## **2. Petition Filing Fee**

Under 37 C.F.R. § 2.6(a)(26), the USPTO proposes to charge \$600 per international class for a petition for expungement or reexamination. This is the same fee charged for a cancellation petition. AIPLA submits this fee is too high for expungement or reexamination and will discourage parties from using the petition process, defeating the goal of the new ex parte procedures. The amount of work required to prepare a petition for expungement or reexamination is substantially more than the amount of work required to prepare a petition for cancellation. Barring a claim of fraud, cancellation requires simple notice pleading, unlike these petitions, which require evidentiary proffers establishing a prima facie case.

Further, many cancellation petitions for nonuse result in default judgments, leading to a partial refund of the filing fee. As the Office expects that the number of petitions for expungement including those registrations filed under Sections 44(e) and 66(a) will greatly exceed the number of petitions for reexamination, the goal of providing a less expensive alternative is not met by the proposed rules. AIPLA recommends reducing the filing fee to \$400 or lower. Alternatively, the Office should extend a refund of \$200 per class filed in cases where the respondent does not reply to the petition.

## **3. Identification of Real Party in Interest**

The USPTO has asked whether and, if so, when the Director should require the name of the real party in interest on whose behalf the petition is filed. There are meritorious arguments for and against disclosure. Arguments favoring identification are based on the possibility of bad actors abusing the process, and their identification would assist the Office in combatting abuse. Conversely, if a petition is meritorious, it should not matter who brought it to the attention of the USPTO. There are legitimate reasons why a real party in interest may wish to remain anonymous. Further, there are no guarantees that potential abusers of the system would provide accurate identifying information, even if required to do so.

AIPLA does not take a position for or against disclosure at this time. Instead, it recommends that the USPTO revisit the disclosure issue after some experience with processing the petitions.

#### **4. Flexible Response Periods**

Flexible response periods may result in applications moving more quickly. Yet, AIPLA does not support the proposed rule for the following reasons: (1) it penalizes Section 1 and 44 applicants by charging these applicants a fee for an extension request up to the full six-month period to file a response and requires that these applicants incur the time of an additional filing, while Section 66 applicants continue to have the benefit of the full six months for response without any fees or the need for any additional filings; (2) it fails to consider the fact that certain substantive responses are more complex and therefore, should be afforded the full-six month response period without payment of a penalty fee; and (3) it proposes a deadline for implementation that is insufficient in view of the fact that stakeholders will not be aware of the final rule until the end of 2021.

If the USPTO implements flexible response periods, AIPLA requests it to consider the following modifications: (1) rather than charging applicants a penalty fee for using the full six-month response period to respond to an Office Action, provide incentives to those applicants who file a response within three months – perhaps a \$50 refund of their application fees; or (2) do not charge applicants a penalty fee for using the full six-month response period for responding to Office Actions that include a Section 2(d) and/or Section 2(e) refusal. Further, AIPLA supports postponing any implementation of flexible response periods to December 27, 2022. This will give stakeholders a year from issuance of the final rule – time needed to implement modifications to docketing systems and to prepare clients for the change. This also gives the USPTO additional time to correctly modify existing forms and create new forms needed to handle any changes.

Finally, AIPLA does not support applying flexible response periods to post-registration Office Actions. The TMA does not provide the USPTO with authority to make this change, and AIPLA submits that registrants are better served with a full six months to respond to post-registration Office Actions, especially in the case of audits, which are often quite time consuming.

#### **5. Letters of Protest**

Section 3 of the TMA requires the Director to determine whether the evidence in a letter of protest should be included in the record of the application within two months of the letter's submission date. Neither the TMA nor the proposed rules identify the consequences should the Director fail to reach a decision within two months. AIPLA recommends that the USPTO identify those consequences if the Director does not reach a timely decision. Specifically, if the Director fails to make a timely decision, the USPTO should specify whether or not the evidence of nonuse is entered into the record.

#### **6. Attorney Recognition**

AIPLA generally support the Office's proposal to revise existing Rule 2.17(g) to indicate that, for the purposes of an application or registration, recognition of a qualified attorney as the

applicant's or registrant's representative will continue until the owner revokes the appointment or the attorney withdraws from representation. In many cases, the attorney who prosecuted the application continues to represent the trademark owner post-registration, so continuing to recognize the attorney as the applicant or registrant's representative better conforms to reality.

However, AIPLA opposes the USPTO's plan to remove the name of any attorney whose recognition was deemed to have ended under existing Rule 2.17(g) from the current attorney-of-record field in the USPTO's database, along with the attorney's bar information and any docketing information. The NPRM states that attorneys removed for this reason can be re-recognized as attorney of record by filing an attorney appointment, signing a document on behalf of an unrepresented party, or appearing by being identified as the attorney of record in a document submitted to the USPTO on behalf of an unrepresented party. At present, there are more than 2.8 million active trademark registrations. If even half of these have an attorney of record, this plan likely would involve at least tens of thousands of requests to re-recognize attorneys. The NPRM does not estimate the burden or the number of hours this plan would impose on trademark owners and attorneys to request that an attorney be re-recognized as attorney of record, nor the burden that this will place on the USPTO's TEAS system to accommodate the filing of such requests for attorney recognition.

The burden associated with submitting a filing to be re-recognized would be greatly exacerbated by removing attorney docket information from the database. While the TEAS forms presently allow updates to hundreds of records at a time provided the updated information is the same in all cases (i.e., law firm moves to a new address and needs to update all records accordingly), the proposed plan would require attorneys to re-input the individual docket number for every matter.

Moreover, the plan to remove the current attorney-of-record field in the USPTO's database seems inconsistent with retaining the attorney information in the correspondence field and continuing to send correspondence to the "former attorney." The NPRM states that this plan will "facilitate a period of transition to the new attorney recognition procedures while allowing the USPTO to proceed with its plans to implement updates to TEAS login processes" and that the "proposed revision is needed to facilitate implementation of a role-based access control system" that will require identity verification and assign roles to customer accounts. Details of how this system will be implemented are not provided, so it is not possible to comment on whether the plan to remove attorneys from the attorney-of-record database is a sensible way to move toward implementation of that system. AIPLA would welcome the opportunity to learn more about the proposed role-based access control system before it is implemented.

To the extent that the USPTO proposes to remove attorneys because of a change to the rule on when attorney representation ends, AIPLA recommends that attorneys affirmatively remove themselves from the record if they do not wish to continue to be recognized as the attorney.

If the USPTO does carry through with this proposed plan, AIPLA urges it not to delete the attorney docket information, to ease the re-recognition burden the plan will impose on registrants and their attorneys.

AIPLA also does not support the imposition of a new 30-day requirement for attorneys to withdraw in cases in which the practitioner is discharged. AIPLA believes that the onus should

be on the owner (or new owner, if there has been a change in ownership) to update the USPTO with respect to the attorney to be recognized in the record. To the extent that the proposed rule is adopted as proposed, it should be amended to provide that the 30-day requirement applies only after the practitioner has received notice of his or her discharge. AIPLA would also appreciate guidance on what constitutes “discharge” and in particular, whether a change in ownership of the trademark application or registration constitutes discharge in cases in which the practitioner does not have an attorney-client relationship with the new owner. When the attorney has been discharged, the rule should provide a way for the attorney simply to state that fact and not require any representations about protecting a fictitious client’s interests.

AIPLA does support the imposition of a new 30-day requirement for attorneys to withdraw under the permissive withdrawal provisions of 37 C.F.R. § 11.116 (b). Moreover, the USPTO should permit withdrawal when the practitioner informs the USPTO that there has been a change in ownership of the trademark application or registration and the practitioner does not have an attorney-client relationship with the new owner. In that circumstance, the rule should not require that the practitioner make representations about any notices or documents provided to “the client” prior to the request for withdrawal, since the trademark owner is not the client of the recognized attorney.

The NPRM requests stakeholder comment about whether registrations that are the subject of an expungement or reexamination proceeding should also automatically be selected for audit under 37 C.F.R. §§ 2.161(b) or 7.37(b) if a registration maintenance filing is pending or, if one is not pending, when the next maintenance filing is submitted. AIPLA opposes this proposal. The program should continue as a random audit of post-registration filings, especially considering the USPTO’s limited resources to conduct audits.

## **7. Proposed Burden Hours for Respondents**

The USPTO has estimated the response time and respective costs to respondents for the preparation and responses to Petition for Expungement/Reexamination. Accurate estimates are necessary for realistic assessments of the regulatory burden of complying with the proposed rules and weighing of the costs with the benefits of the proposed rules. Because the USPTO has estimated the burden hours to be the same for private sector respondents as individual and household respondents, these comments will treat them the same.

With the exception of line 7 -- filing a request for extension of time, AIPLA submits the estimated burden hours are underestimated. The implication of the USPTO’s estimates is that a petitioner can conduct a reasonable investigation and draft a petition making prima facie case in 1.5 hours and a registrant can rebut it in 1 hour. Yet, the petitioner/registrant must provide sufficient evidence to either make or rebut a prima facie case of nonuse. While case-by-case specific, the time required to research, collect, and compile this evidence, and then draft a petition or response may generally take on average at least a dozen or more hours, rather than the 1 to 1.5 hours posited by the Office. The Office should provide more realistic estimates that take into account the time to collect and assemble the evidence, verifying the evidence, and drafting the petition or response.



AIPLA appreciates the opportunity to provide these comments and would be happy to answer questions they may raise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joseph R. Re".

Joseph R. Re

President

American Intellectual Property Law Association