USPTO establishes audit programme for affidavits of use

The USPTO recently made permanent a pilot programme to conduct random audits of post-registration affidavits of use. **Jason Vogel** and **Sam Kilb** explain what trade mark owners need to know about the changes and suggest best practices

On February 17 2017, the USPTO amended its rules in the Federal Register to make permanent the pilot programme under which it conducted random audits of post-registration affidavits of use. This move represents an effort by the USPTO to curtail the filing of affidavits of use containing inaccurate claims of use, and to reduce the amount of resulting deadwood registrations (that is, registrations that continue in force covering broad identifications of goods or services that are unsupported by use). Such deadwood registrations, in the USPTO's view, are harmful to the public because they may block later trade mark applications despite being, for practical purposes, legally unenforceable.

Under Section 8 of the United States Trademark Act, a registrant must submit an affidavit during the year prior to the sixth anniversary of the registration, and then again during the year prior to the end of each 10-year registration term. In such affidavit, the registrant must state under oath that the mark remains in use for the full range of covered goods and services under the registration (15 USC § 1058). If the mark is not in use for all the goods and services, the registrant must delete any items for which there is no use. Alternatively, under narrow circumstances, if the mark is not in use, the registrant may submit an affidavit stating that the non-use is excusable. A similar provision exists in Section 71 of the Trademark Act with respect to US extensions of protection under an international registration (15 USC § 1141K). These provisions further require that the registrant submit along with such affidavits "such number of specimens or facsimiles showing current use of the mark in

1 MINUTE READ

The USPTO in February made permanent the pilot programme under which it conducted random audits of post-registration affidavits of use in an effort to curtail inaccurate claims of use and reduce the amount of resulting deadwood registrations. A registration that has been randomly selected for audit will be issued a post-registration office action specifying the goods and/or services for which additional proof of use is required. The new programme increases the chance of having to submit actual evidence of use for any individual good or service listed in a registration so registrants may wish to do additional due diligence in preparing such filings. The most conservative way to do this would be to track down a suitable specimen for each item in a registration to have ready in case an audit is triggered, but this can be time consuming and difficult. The USPTO is also considering several other measures to reduce deadwood on the register.

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commerce as may be required by the Director". Historically, the number of specimens required under the Trademark Rules of Practice was one specimen per class of goods and services, regardless of the number of items in each class (37 CFR §2.161).

The USPTO launched a pilot study in May 2012 to assess the degree to which registrants were filing Section 8 and 71 affidavits with erroneous claims of use (whether intentional or careless) for broad lists of goods or services, when the mark remained in use only for more limited goods or services. In the pilot programme, the USPTO randomly selected 500 registrations for which Section 8 or 71 declarations of use had been filed, and required the registrants to submit additional specimens showing use of the registered marks for two additional goods and/or services per class selected by the examiner, beyond the first specimen submitted with the initial affidavit of use. At the conclusion of the pilot study, the USPTO found that 51% of the registrants selected to undergo the audit were unable to provide sufficient specimens to verify the claimed use in their Section 8 or 71 declarations. Of the 500 registrations selected, 175 (35%) deleted some goods and/or services, while 78 (16%) failed to respond completely and were cancelled as a result. These results led the USPTO to the conclusion that the perceived deadwood issue was, in fact, a significant problem (*Post Registration Proof of Use Pilot Final Report*, August 25 2015).

The new rule

After a roundtable discussion and call for public comment, the new rule allowing for random audits on a permanent basis was published at 82 FR 6259 on January 19 2017, amending the regulation at 37 CFR 2.161 and 7.37 to provide that the USPTO may "require the owner to furnish such information, exhibits, affidavits or declarations, and such additional specimens as may be reasonably necessary to the proper examination of the affidavit or declaration under Section 8 of the Act or for the Office to assess and promote the accuracy and integrity of the register".

The procedure set forth in the new rule is highly similar to the procedure established for random audits under the pilot programme. The USPTO will conduct random audits of up to approximately 10% of Section 8 and Section 71 affidavits filed each year in which the mark is registered for more than one good or service per class. The USPTO anticipates, and the rule allows, that the USPTO may increase the percentage of registrations that will be subject to the audit in the future, depending on the results of the audit programme and whether the USPTO has the resources to process additional audits.

A registration that has been randomly selected for audit will be issued a post-registration office action specifying the goods and/or services for which additional proof of use is required. As with the pilot programme, the USPTO anticipates requesting proof of use for two additional goods and/or services per class in the initial office action, though the rule leaves room for the requirement of proof for additional goods or services. There is no indication in the rule that the audit programme will disproportionately target foreign registrations, registrations owned by larger corporations, or registrations with longer specifications, or that the programme will be conducted on anything other than a random basis.

Trade mark owners will have the standard six-month time period to respond to the office action. In the event the trade mark owner responds but is unable to provide sufficient specimens evidencing use of the trade mark in connection with the requested goods and/or services, the USPTO will deem the Section 8 or 71 affidavit unacceptable as to the goods and/or services to which the requirement pertained and those goods and/or services will be deleted from the registration. If the trade mark owner fails to respond at all, the entire registration will be cancelled.

Best practices

The submission of any document to the Trademark Office contains an implicit certification that the facts stated in such document are true or believed to be true and likely to be supportable by evidence (37 CFR §11.18). Furthermore, Section 8 and 71 affidavits must contain a declaration explicitly stating under oath that all facts stated in the affidavit are true or believed to be true, and that false statements could jeopardize the validity of the registration. As such, it has always been important to emphasise to clients the necessity of confirming the accuracy of use claims made in such affidavits. The new audit programme, therefore, should not materially change best practices. But it does increase the chance of having to submit actual evidence of use with respect to any individual good or service listed in a registration. So registrants may wish to do additional due diligence in preparing such filings.

The most conservative approach would be to track down a suitable specimen for each item in a registration to have ready in case an audit is triggered. Doing so has the additional benefit of creating an evidentiary record of use should the validity of the registration ever be challenged (for example, in a third party cancellation). However, tracking down suitable specimens for each and every item in a registration can be time-consuming, expensive and administratively difficult, particularly when implemented across a broad portfolio of registrations. So, at minimum, trade mark registrants should be alerted to, and prepared for, the possibility that the USPTO will issue an audit request

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and force the production of additional specimens. Perhaps a middle-ground, reasonable approach would be to review the specification of goods and services and identify the most important two or three items in each class for a registered mark, and find and save specimens for only such items. This approach would be less costly and time-consuming than identifying specimens for every item, and would ensure the protection of at least the most important goods and services in the event of an audit.

Further measures under consideration by the USPTO

In addition to the audit programme, the USPTO is considering several other measures to reduce deadwood on the register. First, consideration has been given to the creation of a streamlined non-use expungement procedure similar to the Section 45 expungement proceeding in use in Canada. Currently, if a third party wants to challenge an existing registration on the basis of non-use, it must file a formal cancellation proceeding before the US Trademark Trial and Appeal Board (15 USC § 1064). In such a proceeding, the petitioner bears the burden of proving the registrant has abandoned the trade mark (that is, has discontinued use with the intention of not resuming such use). Proving such a negative intent can be a high burden, although the Trademark Act establishes that three years of non-use constitutes *prima facie* abondonment (15 USC § 1127). This cancellation proceeding is a lengthy and expensive administrative process akin to litigation, with discovery periods and potentially a trial.

Under the Canadian Section 45 procedure, a party who believes that the owner of a registration is not using its mark in connection with some or all of the goods or services in a registration may initiate a summary proceeding to require that the trade mark owner prove use of the mark for the goods or services challenged. Such proceeding differs from cancellation in the United States in that the registrant bears the burden of proving use through submission of specimens for each identified item. Additionally, there is no discovery, and typically no hearing. The matter is decided simply on the basis of whether the registrant is able to produce evidence of use. If not, the mark is cancelled (*Practice in Section 45 Proceedings*). Implementing such a change to US practice would be more complicated than the new audit procedure because, whereas the audit procedure merely required a change in USPTO rules, creating an expungement procedure would likely require legislative amendment by Congress to the Trademark Act. So, it may be some time before such a measure is put in place, if indeed the USPTO decides to push for such a change.

A further measure discussed by the USPTO was a change to increase the solemnity of the language of Section 8 and 71 declarations. It is difficult to imagine how the solemnity of the language might be increased since it has always contained cautions that false statements could subject the declarant to fine or imprisonment or jeopardize the validity of the application or registration. However, the USPTO did recently reformat declarations to list the various statements – confirming use of the mark, entitlement of the registrant to registration, and the truth of all statements – in bullet form, and require declarants to affirmatively check each statement before signing. Presumably, such format change makes declarants focus on the various statements to which they are attesting.

In conclusion, the recent rule change expands and makes permanent the audit programme introduced by the USPTO on a pilot basis in 2012. The new audit procedure is already in effect, so registrants filing Section 8 and 71 affidavits should be prepared for the possibility of receiving office actions requesting additional specimens. As such, registrants may wish to conduct additional due diligence in advance of filing affidavits to identify potential specimens for more than just a single item of goods or services in anticipate of a possible audit request.

Jason Vogel

Samuel Kilb

© Kilpatrick Townsend. Jason Vogel is a partner in the firm's Los Angeles and New York offices and Sam Kilb an associate in the firm's New York office