

# USPTO audits go mainstream: prepare for the unexpected

The US Patent and Trademark Office is tightening controls on the post-registration requirement of use in an effort to clean up the US Trademark Register – meaning that rights holders now face random audits of their registered marks

**The US Patent and Trademark Office (USPTO)** has taken a significant step forward in tightening its controls for ensuring that trademark registrants comply with the use in commerce requirements of US registration practice. To this end, it has introduced a post-registration rule change which will likely have a significant impact on trademark maintenance practices.

In an effort to assess and promote the accuracy and integrity of the US Trademark Register and cut out dead wood, the USPTO has enacted a rule which enables it to conduct random audits of Section 8 and Section 71 declarations of use and excusable non-use in order to verify the accuracy of claims that the mark is in use in commerce in the United States on all of the goods and services identified in the registration. Registrants may be required to submit additional evidence, affidavits or information to confirm that the mark in question is in fact being used on all of the goods and services covered by the registration (or that any non-use is excusable). If a response is filed to the USPTO requesting that some goods or services be deleted, this will take place and the scope of the registration will be narrowed. However, the real teeth to this procedure come in the form of a new provision that if no response is filed to the request for additional information, the USPTO will cancel the entire registration – even if the specimens initially submitted substantiate the use of the mark on one or more of the goods or services covered

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by the registration. The implementation of this new audit procedure and the dire consequences for registrants that fail to file a response send a strong signal to trademark owners and practitioners that the USPTO is getting much more serious about enforcing compliance with the use in commerce requirements.

## Use in commerce

Unlike in many other countries, trademark rights in the United States flow from use in commerce. In order to secure a trademark registration in the United States, a trademark owner must confirm that it is using the mark in commerce in the ordinary course of business on or in connection with each of the goods or services identified in the application. This can be done by filing a declaration attesting to this use and enclosing one specimen showing the current use of the mark for each class of goods and services covered by the application. The exception to this rule is for applications filed under Section 44(e) of the Lanham Act, which may proceed to registration based solely on the mark's registration in another country. Therefore, to obtain a federal registration, either the applicant must show use of the mark in commerce in connection with each of the applied for goods or services or the application must be based on a foreign registration which covers the identified goods or services. Whichever filing basis is used to secure a registration, after the registration issues,



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the trademark registrant must make periodic filings with the USPTO in order to maintain it. Specifically, the trademark registrant must file maintenance documents between the fifth and sixth year after the registration issues, between the ninth and 10th year after registration and then every 10 years thereafter. Each of these deadlines includes a six-month grace period and involves the payment of an additional fee.

Regardless of the basis of the registration, a trademark owner must file a declaration of continued use during each maintenance period. In this, it must identify the goods or services that are currently being used in commerce in the ordinary course of business in the United States. If the trademark is no longer in use, the registrant may be able to assert that such non-use is excusable by identifying:

- the date when use ceased;
- the approximate date when use is expected to resume; and
- facts which show that this non-use is due to special circumstances.

The special circumstances standard is ambiguous, although the USPTO has commented on situations where it may be acceptable to allege it. For example, the sale of a business might be considered excusable, but reduced demand for the product sold under the mark will likely not constitute excusable non-use. In the USPTO's own words: "The purpose of the Section 8 and Section 71 affidavits is to facilitate the cancellation, by the Director of the USPTO, of registrations of marks no longer in use in connection with the goods/services/collective membership organization identified in the Registrations."

Trademark owners must submit one specimen of use per class in support of a declaration of continued use, showing the current use of the mark in commerce. In other words, even if a registration identifies a dozen products in Class 11, the maintenance filing need only include a specimen showing use of the mark in connection with one of the products. As it stands now, the only other affirmation that the other 11 products in Class 11 have been in continuous use is the registrant's declaration to that effect.

### Troubling discoveries

Concerned that the maintenance requirements were too lax or were not being observed, a few years ago the USPTO began a pilot programme to assess these filings

more closely. For a two-year period commencing in 2012, it randomly selected 500 registrations for which maintenance declarations of use were filed to assess the accuracy and truthfulness of the filing. For each of these 500 registrations, a declaration had been submitted that all of the goods or services identified in the filing were in use in commerce; none of the registrations included claims of excusable non-use.



## Unlike in many other countries, trademark rights in the United States flow from use in commerce

The pilot programme required that, in addition to the original specimen of use, each trademark registrant submit proof of use of its marks for two additional, randomly selected goods or services per class. There were four possible responses to the USPTO's demand for additional evidence of use:

- The trademark owner provided suitable proof of use of the two additional goods or services per class – in this case, a notice of acceptance was issued.
- The trademark owner responded to the inquiry, but did not fully address the requirements – in this case, the USPTO required further proof of use to verify the accuracy of the remaining goods or services identified in the registration.
- The trademark owner responded to the inquiry requesting that the goods or services identified by the USPTO be deleted – the USPTO then required further proof of use to verify the accuracy of the remaining goods or services identified in the registration.
- The trademark owner failed to respond – in this case, the registration was cancelled.

Of the 500 registrations selected for the pilot programme, over half (51%) failed to provide adequate evidence of use of the mark in connection with the two additional goods or services. This 51% comprised 175 registrants which requested that goods or services be deleted from the registrations and 78 owners which failed to respond. This means that of 500 registrants in the pilot programme, 253 had committed fraud by declaring that their marks were in use in connection with the maintained goods or services. The USPTO's *Post Registration Proof*

**TABLE 1:** Results of USPTO post-registration proof of use pilot audit

Basis for registration	Percentage of registrations selected for the pilot deleting goods or services queried under the pilot	Percentage of registrations selected for the pilot which received notices of cancellation	Percentage of registrations selected for the pilot which received notices of acceptance (including for a narrowed scope of goods or services)	Percentage of registrations selected for the pilot unable to verify previously claimed use in Section 8 or 71 declarations
Section 1(a)	28%	17%	83%	45%
Section 44(e)	58%	7%	93%	65%
Section 66(a)	57%	14%	86%	71%
Combined Sections 1(a) and 44(e)	56%	12.5%	87.5%	69%

of *Use Pilot Final Report*, published August 25 2015, contained a breakdown of results by filing basis.

As a result of the pilot programme, the USPTO undertook to increase the solemnity of the maintenance declarations and initiated a process to make random audits a permanent part of USPTO practice.

### Cleaning up the register

The USPTO has a simple reason for wanting to enforce the maintenance filing requirements more strictly: “A register that does not accurately reflect marks in use in the United States for the goods/services identified in registrations imposes costs and burdens on the public” (Federal Register, Vol 81, No 120, *Changes in Requirements for Affidavits or Declarations of Use, Continued Use, or Excusable Nonuse in Trademark Cases* (June 22 2016)). By requiring accuracy and integrity in maintained identifications of goods and services, the register is kept free of dead wood and the public – including trademark owners – is thus served. This is particularly true for trademark availability searches, which rely heavily on the register to determine whether a mark is available for use or registration. A stricter maintenance process will help to keep down the cost of investigating whether a mark is actually in use.

Beginning in February 2017, the USPTO has introduced a permanent programme whereby it will conduct random audits on up to 10% of maintenance affidavits and declarations of use filed each year for registrations covering more than one good or service per class. Similar to the pilot programme, the permanent programme will require registrants to provide additional proof of use of the mark in connection with two more goods or services per class – in addition to the primary specimen of use.

The USPTO will adopt a well-known method for initiating the audit – it will issue an office action which will specify the goods or services for which additional evidence is required within six months of the action’s issuance date or the statutory filing period for the declaration of use, whichever is later. Crucially, the statutory filing period includes the grace period; indeed, if time remains in the grace period, then the registrant may file an entirely new declaration, although this will incur a surcharge. The possible responses and outcomes of an audit are as follows:

- The trademark owner provides suitable proof of use of the two additional goods or services per class – in this case, a notice of acceptance will issue.
- The trademark owner responds to the inquiry but is ultimately unable to provide the requested evidence of use – in this case, the registration as it relates to the goods or services identified by the USPTO in the office action will be cancelled.
- The trademark owner fails to respond – in this case, the entire registration will be cancelled.

While the audit procedure is new, it is merely enforcing a requirement that the USPTO already had in place – albeit one which was being abused, if the results of the pilot programme are any indication.

### Preparing for audit

In 2015 slightly more than 150,000 affidavits and declarations of use were filed with the USPTO. If the new programme nears its maximum of 10% of all affidavits

and declarations, this means that trademark practitioners and owners need to be prepared for more than 15,000 new office actions to issue each year. Fortunately, there are a number of steps which both practitioners and owners can (and should) take to prepare proactively for this new law.

#### Practitioners: educate your clients

The USPTO is making a number of changes this year, so this particular change in the law seems to be flying under the radar to an extent. Practitioners should advise their clients about the possibility of a USPTO audit of their maintenance filings and encourage them to reach out with any questions. This new rule will reinforce how important it is for clients to confirm use of the mark on all goods and services. Practitioners should warn clients that this may include additional costs associated with reviewing and reporting the audit office action, working with clients to identify suitable specimens of use for the goods or services under audit, and preparing and filing a response.

#### Practitioners: adjust your docket and reminders

For many practitioners, maintenance deadlines are typically reported 12 to six months before the final deadline (not including the additional six-month grace period). Practitioners and their docketing teams may want to consider reporting the deadlines earlier in order to allow for a longer window in which a response to a maintenance audit office action may be filed. Remember that the new law will allow the longer of the six months from the date of issuance of the office action or the amount of time left in the statutory deadline (including the grace period). This means that with proper planning, response deadlines may be pushed out well past the six-month deadline.



**While the audit procedure is new, it enforces a requirement that the USPTO already had in place**

#### Registrants: closely review identification of goods or services

For registrants, the identification of goods or services should be closely analysed to determine whether the mark is still in use in connection with each and every good and service identified in the registration. This thorough assessment should identify any goods or services which may be easily deleted, those which are still in use and whether there are any for which the excusable non-use rules apply. Closely reviewing the scope of the goods or services may also lead to the realisation that new or evolved goods or services are not adequately covered and a discussion about the need for new applications.

#### Practitioners: closely review identification of goods or services

For practitioners, a careful review of the identification of goods and services and a comparison to the client’s current scope of services (based on a review of the client’s website or other promotional materials) can be helpful in identifying goods or services which may no longer be in



use. It may also result in the identification of new goods or services which may not be covered by the registration, but for which a new application could be filed.

**Registrants: obtain specimens of use for each good or service identified**

In order to be certain that the mark is being used in connection with each of the goods or services identified in the registration, best practice would be to identify a specimen of use for each good or service, rather than just one per class. This approach will not only serve as pre-emptive preparation for maintenance audit office action, but will force a more direct conversation about whether the mark remains in use with all of the goods or services.

**Practitioners: closely review each specimen of use**

Although only one specimen of use is required per class, it is important to closely review each one provided by the client. All proposed specimens of use should be saved in the event that there is a maintenance audit office action, as having them to hand will lead to a quick resolution. Each specimen should also be reviewed to determine whether it would be deemed acceptable by the USPTO. If a certain specimen is not acceptable, an explanation should be provided to the client as to why, along with an illustration of proper trademark usage.

**Practitioners: consider filing more than one specimen per class**

Although you are required to submit only one specimen of use per class, if you have other suitable specimens of use, you may want to consider submitting multiple specimens per class. Again, we do not yet know how the USPTO will approach these audits, but until more is known everything should be done that might prevent an office action from issuing. It would seem that submitting a maintenance filing which includes multiple specimens of use per class might help to discourage the USPTO from selecting that registration for an audit.

Representatives at the USPTO, mainly based at its Alexandria headquarters, have made clear that they want to promote the accuracy and integrity of the US Trademark Register by cutting out dead wood

**Practitioners and registrants: file a response**

Regardless of whether you can provide a specimen showing use of the goods or services being audited, a response should be filed. A response which affirmatively requests that certain goods or services be deleted from the registration will be accepted and the registration will be maintained for the remaining goods and services. An incomplete response will result in cancellation of the goods or services specifically identified in the maintenance audit office action. However, if no response is filed, the entire registration will be cancelled. This is a harsh policy and may come as a surprise to some who may believe that only the goods or services being questioned are in jeopardy. However, it illustrates that it is better to lose some of the coverage in the registration than to lose the entire registration.

**Practitioners and registrants: compile use information more regularly**

Implementing a system for regularly tracking and compiling use information can be very helpful in the event of an audit, as it will streamline the effort and expense of preparing a response. This may be particularly helpful for larger companies or for registrations covering long lists of goods and services. Making a practice of regularly collecting evidence of use can also be useful when it comes to monitoring proper use of a mark. It can also come in handy in the event of an opposition or cancellation action at the Trademark Trial and Appeal Board or in an enforcement action in federal court. This heightened focus on the scope of use of trademarks may also have the added benefit of identifying new projects or initiatives which require discussion and perhaps new filings.

**Conclusion**

Ultimately, best practices in trademark registration practice – including those relating to this new USPTO rule regarding enhanced scrutiny of maintenance filings – revolve around the benefit of early and regular conversations between attorneys and trademark owners regarding the scope of filings and what is needed to satisfy the USPTO requirements that marks be used in commerce in connection with all of the goods and services covered by a registration. The use in commerce requirements have not changed, but this is a strong reminder of the importance of complying with these requirements and a stern message from the USPTO that it may no longer just take your word for it when your maintenance declarations claim use on all of the goods and services in a registration covering numerous items. The big takeaway is that extra care should be taken to confirm that a mark is indeed being used in US commerce in connection with all of the goods and services covered by the registration when filing maintenance declarations; otherwise, there may be negative consequences. **WTR**



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