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USPTO Continues Battle Against Trademark Fraud

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Around the world businesses have become more aware of the value and benefits of a U.S. trademark registration, particularly in view of the increase in e-commerce resulting from the COVID-19 pandemic. The importance of a U.S. trademark registration has caused a large uptick in trademark filings over the past year. As [reported](#) by the United States Patent Office (USPTO) as of June 17, 2021 there was a 63 percent increase over the previous year in trademark applications from both U.S. and foreign applicants.

What You Need to Know:

- U.S. Patent & Trademark Office is expanding its investigative task force to improve quality and fight fraud;
- Penalties may be imposed for filing applications with over-inclusive recitation of goods and services, and new proposed rules to provide for third-party challenges to such applications;
- Rules also proposed to shorten prosecution time of pending trademark applications.

Unfortunately, along with the increase in trademark applications the USPTO noticed an increase in suspicious submissions ranging from inaccurate to fraudulent. Many of the issues arise from foreign manufacturers being told, sometimes incorrectly, that they need a U.S. registered trademark for their products to receive priority position on e-commerce sales platforms. This has spawned the growth of companies, and sometimes attorneys, marketing low-cost trademark filing services to potential and unsuspecting clients and has created a market for the buying and selling of U.S. trademark registrations. A result of this activity is a surge of improper trademark filings reported by the USPTO.

To counter these problems the USPTO plans to expand an investigative task force originally established in 2019, and in January 2021 implemented a fee penalty imposed on those filing inaccurate claims-of-use in their filings to maintain registrations. The fee penalty system may require an applicant to pay a \$250 deletion fee per class each time the applicant must delete goods or services from the registration due to failure to provide proof of use for the goods or services applied for. Additionally, there is a possibility of incurring a \$100 deficiency surcharge if the deleted goods or services were removed after a declaration of use was filed.

Further, in January 2021 the USPTO proposed new rules under the [Trademark Modernization Act of 2020](#) providing third parties the ability to challenge those registrations that they believe are not or have never been validly used, including a process to cancel unused registered trademarks. The process will consist of a proceeding allowing third parties to request cancellation of goods or services in a registration if the registrant never used the trademark in commerce with those goods or services. It will also provide a shorter response period for office actions, where registrants are required to respond within three months instead of the current six-month response period, although for a fee an extension for an additional three months to respond can be requested. Implementing the additional tools the Trademark Modernization Act of 2020 will help clear the federal trademark register of unused registrations and give the USPTO the ability to be more efficient in moving applications through the registration process. By expanding the special task force and implementing new rules under the Trademark Modernization Act of 2020 a decrease in the amount of inaccurate and fraudulently-obtained registrations is expected.

The increase in trademark fraud, changes in rules, and imposition of penalties in certain circumstances is an important reminder that businesses must be extremely cautious and attentive when obtaining counsel and filing trademark registrations.

Saul Ewing Arnstein & Lehr attorneys regularly counsel and assist entities with trademark registration, maintenance and enforcement. For more information relating to Saul Ewing Arnstein & Lehr's trademark practice, please contact the authors or the attorney at the Firm with whom you are regularly in contact.

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