

USPTO Should Improve Controls over Examination of Trademark Filings to Enhance the Integrity of the Trademark Register

FINAL REPORT NO. OIG-21-033-A

AUGUST 11, 2021



U.S. Department of Commerce
Office of Inspector General
Office of Audit and Evaluation



August 11, 2021

MEMORANDUM FOR: 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

A handwritten signature in black ink, appearing to read "Frederick J. Meny, Jr.".

FROM: Frederick J. Meny, Jr.
Assistant Inspector General for Audit and Evaluation

SUBJECT: *USPTO Should Improve Controls over Examination of Trademark Filings
to Enhance the Integrity of the Trademark Register*
Final Report No. OIG-21-033-A

Attached for your review is our final report on the audit of the United States Patent and Trademark Office's (USPTO's) efforts to improve the accuracy of the trademark register. Our audit objective was to determine whether USPTO's trademark registration process is effective in preventing fraudulent or inaccurate registrations. To address this objective, we assessed whether USPTO prevents inaccurate trademark applications from entering and being maintained on the trademark register, as well as whether USPTO is adequately managing fraud risk.

Overall, we found that USPTO's trademark registration process was not effective in preventing fraudulent or inaccurate registrations. Specifically, we found the following:

- I. USPTO lacks controls to effectively enforce the U.S. counsel rule.
- II. USPTO approved trademark filings with digitally altered or mocked-up specimens.
- III. USPTO did not ensure accurate identification of goods and services.
- IV. USPTO lacks a comprehensive fraud risk strategy.

On July 7, 2021, we received USPTO's response to our draft report. We also received technical comments. Based on those technical comments, we made changes to the final report where appropriate. In response to the draft report, USPTO concurred with all of the recommendations and described actions it has taken, or will take, to address them. USPTO's formal response is included within the final report as appendix B.

Pursuant to Department Administrative Order 213-5, please submit to us an action plan that addresses the recommendations in this report within 60 calendar days. This final report will be posted on OIG's website pursuant to sections 4 and 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., §§ 4 & 8M).

We appreciate the cooperation and courtesies extended to us by your staff during this audit. If you have any questions or concerns about this report, please contact me at (202) 482-1931 or Amni Samson, Director for Audit and Evaluation, at (571) 272-5561.

Attachment

cc: Coke Morgan Stewart, Performing the functions and duties of the Deputy Under Secretary of Commerce for Intellectual Property and Deputy Director, USPTO
David S. Gooder, Commissioner for Trademarks, USPTO
David Berdan, General Counsel, USPTO
Stacy Long, Senior Counsel for Employment Litigation and OIG Matters, USPTO
Nicolas Oettinger, Senior Counsel for Rulemaking and Legislative Affairs, USPTO
Jay Hoffman, Chief Financial Officer, USPTO
Sean Mildrew, Deputy Chief Financial Officer and Audit Resolution Officer, USPTO
Welton Lloyd, Jr., Audit Liaison, USPTO
Mohamed Ahmed, Assistant Audit Liaison, USPTO
MaryAnn Mausser, Audit Liaison, Office of the Secretary



Report in Brief

August 11, 2021

Background

The United States Patent and Trademark Office (USPTO) manages more than 2.6 million marks on the trademark register, which carry the exclusive right of their use on specified goods or services. To protect the integrity of its register, USPTO relies on the good faith of its applicants in demonstrating proper use of a trademark in commerce, through an accurate application with valid specimen of use. However, since 2015, USPTO has identified a rapid increase in potentially fraudulent trademark applications, which erode the register's integrity. In addition, since 2012, USPTO audits have found that more than 50 percent of audited trademark maintenance filings contained goods or services not in use in commerce. If approved and maintained, these inaccurate registrations clutter the register and leave fewer trademarks available for future applicants, increasing their search costs and time.

USPTO faces challenges implementing its new initiatives to address these issues while detecting and addressing attempts to circumvent existing controls.

Why We Did This Review

Our audit objective was to determine whether USPTO's trademark registration process is effective in preventing fraudulent or inaccurate registrations. To address this objective, we assessed whether USPTO prevents inaccurate trademark applications from entering and being maintained on the trademark register, as well as whether USPTO is adequately managing fraud risk.

UNITED STATES PATENT AND TRADEMARK OFFICE

USPTO Should Improve Controls over Examination of Trademark Filings to Enhance the Integrity of the Trademark Register

OIG-21-033-A

WHAT WE FOUND

Overall, we found that USPTO's trademark registration process was not effective in preventing fraudulent or inaccurate registrations. Specifically, we found the following:

- I. USPTO lacks controls to effectively enforce the U.S. counsel rule.
- II. USPTO approved trademark filings with digitally altered or mocked-up specimens.
- III. USPTO did not ensure accurate identification of goods and services.
- IV. USPTO lacks a comprehensive fraud risk strategy.

WHAT WE RECOMMEND

We recommend that the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office direct the Commissioner for Trademarks to do the following:

1. Develop controls and/or tools to detect post office boxes, post offices, commercial mail receiving agencies, registered agents, and other unacceptable domicile addresses in trademark applications and other trademark filings.
2. Develop standards and procedures to (1) identify and investigate U.S.-licensed attorneys who are properly listed as the attorney of record on high numbers of fraudulent or inaccurate trademark applications and (2) address the attorneys' behavior by providing guidance, taking disciplinary action, or taking other actions as appropriate.
3. Revise *Examination Guide 3-19*, or other procedures as appropriate, to clarify (a) expectations for the extent of examining attorneys' use of third-party information sources when examining specimens, (b) steps for assessing webpage specimens (to include an overall assessment of a website's authenticity), and (c) guidance for identifying mocked-up labels and tags in specimen photos.
4. Develop controls to ensure consistency and coordination among examining attorneys for the examination of multiple trademark applications from a single applicant.
5. Develop specific guidance for examining attorneys' use of *Trademark Manual of Examining Procedure* Section 904.01(a).
6. Create a risk framework to address fraudulent or inaccurate trademark filings, to include a risk profile, goals, and targets; update the risk framework on a regular basis; and update the Special Task Force charter to align with the risk framework.
7. Develop procedures to aggregate data from managing attorneys' reviews of examining attorneys' work, and use this data to monitor and assess the effectiveness of efforts to improve the accuracy of the trademark register.

Contents

Introduction.....	1
Objective, Findings, and Recommendations	3
I. USPTO Lacks Controls to Effectively Enforce the U.S. Counsel Rule	3
A. USPTO lacked controls to enforce the domicile address requirement.....	4
B. USPTO did not have adequate procedures to hold accountable the attorneys who submitted inaccurate trademark filings.....	5
II. USPTO Approved Trademark Filings with Digitally Altered or Mocked-up Specimens	6
A. USPTO lacked adequate guidance and procedures for examination of specimens	6
B. USPTO lacked procedures to ensure consistency and coordination of application examination	9
III. USPTO Did Not Ensure Accurate Identification of Goods and Services	11
IV. USPTO Lacks a Comprehensive Fraud Risk Strategy.....	13
Recommendations	14
Summary of Agency Response and OIG Comments	16
Appendix A: Objective, Scope, and Methodology	17
Appendix B: Agency Response	19

Cover: Herbert C. Hoover Building main entrance at 14th Street Northwest in Washington, DC. Completed in 1932, the building is named after the former Secretary of Commerce and 31st President of the United States.

Introduction

The United States Patent and Trademark Office (USPTO) manages more than 2.6 million marks on the trademark register, which carry the exclusive right of their use on specified goods or services. To protect the integrity of its register, USPTO relies on the good faith of its applicants in demonstrating proper use of a trademark in commerce, through an accurate application with valid specimen of use. However, since 2015, USPTO has identified a rapid increase in potentially fraudulent trademark applications, which erode the register's integrity. In addition, since 2012, USPTO audits have found that more than 50 percent of audited trademark maintenance filings contained goods or services not in use in commerce.¹ If approved and maintained, these inaccurate registrations clutter the register and leave fewer trademarks available for future applicants, increasing their search costs and time.²

Many of the potentially fraudulent applications have originated from foreign applicants, particularly from the People's Republic of China (China). USPTO has also identified an increase in foreign filings that coincides with the increase in fraudulent trademark applications. For example, in fiscal year (FY) 2020, foreign filings represented about 32 percent of all trademark applications USPTO received. In FY 2020, USPTO also received 16 times as many applications from China as it received from China in FY 2014. Relatedly, an increasing percentage of office actions³ USPTO sent to foreign filers cited digitally altered or mocked-up specimens, from nearly zero percent in late 2014 to 12 percent in early 2018.

To address these issues, USPTO introduced several initiatives, including

- requiring foreign-domiciled applicants to obtain the assistance of licensed U.S. counsel;
- amending its guidelines for specimens of use;
- assessing an annual sample of processed application and maintenance filings, including an analysis of refusals for improper specimens by the Office of Training and Quality Review; and
- creating a Special Task Force (STF) to develop and implement policies, procedures, and technology solutions to identify, reduce, and mitigate improper activities related to trademarks.

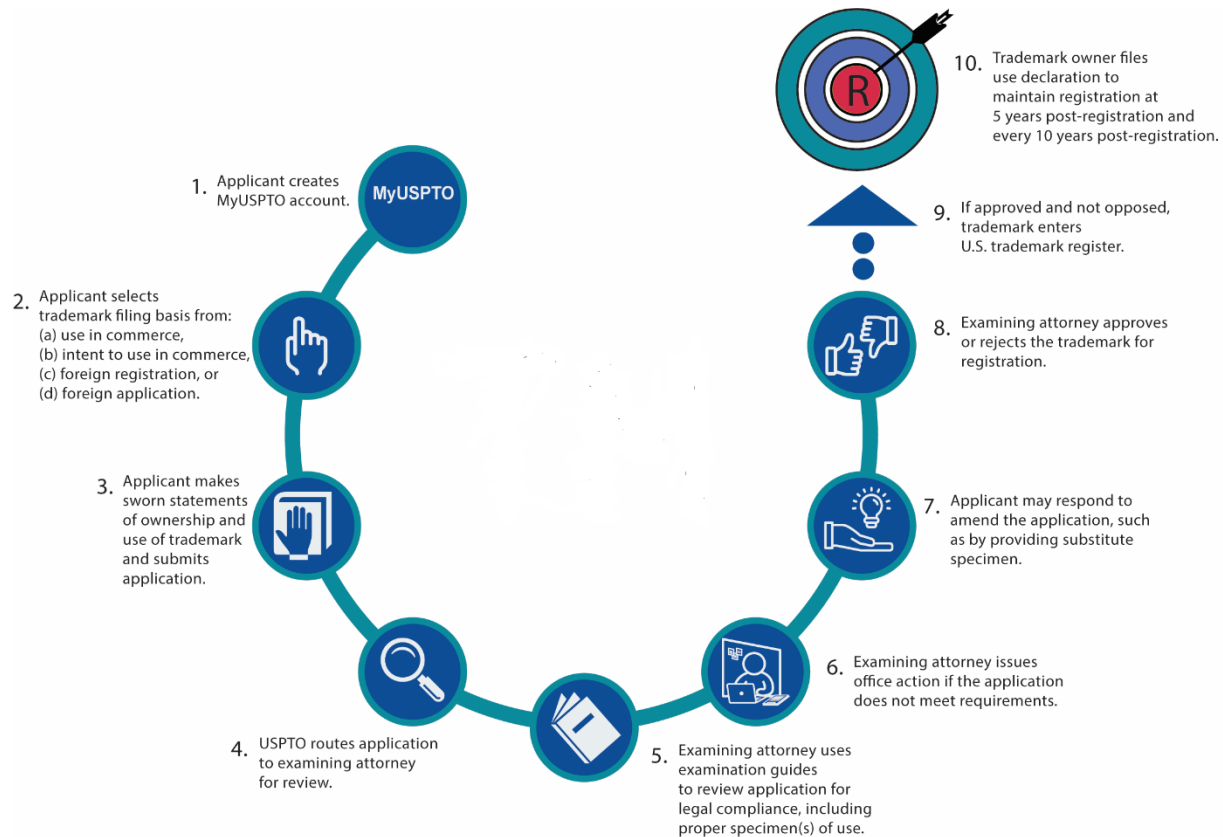
¹ USPTO's post-registration audit program randomly selects maintenance and renewal filings to assess the accuracy of the identification of goods and services in those filings.

² One company reported in 2019 that it spent millions of dollars in time and expense in the process of attempting to purchase a trademark that was not in use in commerce or associated with an actual company or person.

³ An *office action* is an official letter USPTO sends to the trademark applicant in which an examining attorney lists any legal problems with the chosen trademark, as well as with the application itself. The applicant must resolve all legal problems in the office action before USPTO can register a trademark. See United States Patent and Trademark Office. *Responding to office actions* [online]. <https://www.uspto.gov/trademarks-maintaining-trademark-registration/responding-office-actions> (accessed March 28, 2021).

Figure I describes key trademark filing actions and highlights USPTO initiatives to identify fraudulent or inaccurate trademark applications and other filings.

Figure I. Key Actions in Trademark Registration



Source: OIG summary of USPTO documentation

Following these new initiatives, some applicants have attempted to circumvent the new requirements by, for example, improperly listing U.S.-licensed attorneys on filings without the attorneys' consent and providing false U.S. domicile addresses. Through the Trademark Modernization Act of 2020, Congress increased USPTO's ability to respond to potentially fraudulent activity.⁴ However, USPTO faces challenges implementing the new controls while detecting and addressing attempts to circumvent existing controls.⁵

⁴ For example, the Trademark Modernization Act of 2020 empowers USPTO to initiate an expungement or reexamination proceeding for trademarks not in use in commerce. In addition, the law creates new grounds for cancellation for a registered mark never used in commerce for the goods or services cited in the registration. See Pub. L. No. 116-260, Division Q, Title II, Subtitle B (2020).

⁵ We performed this audit of USPTO's trademark registration process based on (1) Congressional interest in the topic, (2) the absence of prior audit coverage, and (3) its alignment with our FY 2020 top management challenges report. See U.S. Department of Commerce Office of Inspector General, October 16, 2019. *Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2020*, OIG-20-001. Washington, DC: DOC OIG, 16–17.

Objective, Findings, and Recommendations

Our audit objective was to determine whether USPTO's trademark registration process is effective in preventing fraudulent or inaccurate registrations. To address this objective, we assessed whether USPTO prevents inaccurate trademark applications from entering and being maintained on the trademark register, as well as whether USPTO is adequately managing fraud risk. See appendix A for a more detailed description of our objective, scope, and methodology.

Overall, we found that USPTO's trademark registration process was not effective in preventing fraudulent or inaccurate registrations. Specifically, we found the following:

- I. USPTO lacks controls to effectively enforce the U.S. counsel rule.
- II. USPTO approved trademark filings with digitally altered or mocked-up specimens.
- III. USPTO did not ensure accurate identification of goods and services.
- IV. USPTO lacks a comprehensive fraud risk strategy.

While USPTO continues to introduce and refine efforts related to fraudulent or inaccurate trademark registrations, we identified multiple actions USPTO should take to improve the integrity of the trademark register. Due to the changing tactics and incentives of bad-faith actors, USPTO should improve its registration process or it will be at risk of allowing additional inaccurate registrations to clutter the trademark register. This clutter imposes costs—such as increased time and effort to search for or challenge unused marks—on legitimate users of the trademark system.

I. USPTO Lacks Controls to Effectively Enforce the U.S. Counsel Rule

In an attempt to address the problem of false or inaccurate specimens and claims of use in commerce, USPTO implemented a rule in August 2019 requiring foreign-domiciled applicants to be represented by an attorney licensed to practice law in the United States ("U.S. counsel rule"). USPTO predicted that this requirement would increase the accuracy of trademark filings and compliance with trademark laws and regulations. Since the effective date of the U.S. counsel rule, USPTO has identified multiple ways that some applicants have attempted to circumvent the rule, such as listing attorneys on applications without their consent (which USPTO has taken steps to address).

According to a report from USPTO's Trademark Analytics, the U.S. counsel rule produced positive but mixed results as of the middle of FY 2020. The report noted that the share of applications originating from China declined after implementation of the U.S. counsel rule. However, this trend reversed in the latter part of FY 2020, and applications from China ultimately increased 34 percent compared to FY 2019. We assessed whether USPTO enforced the U.S. counsel rule, and whether the rule increased compliance with trademark laws and regulations.

A. *USPTO lacked controls to enforce the domicile address requirement*

Before the U.S. counsel rule was implemented, all applicants were required to provide the address of their domicile, which is defined as an individual's "permanent legal place of residence" or an entity's "principal place of business."⁶ An applicant must provide a valid domicile address regardless of whether they file the application with the assistance of an attorney. Under the U.S. counsel rule, the application must also include the attorney's name, address, email address, and bar information if the applicant is represented by an attorney. USPTO's *Examination Guide 4-19*⁷ outlines scenarios when examining attorneys should request additional documentation from the applicant, including if the domicile address is a post office box or a "care of" address, or has similar indications that it is not a street address. The examination guide states that a post office box or "care of" address is not a valid domicile address "in most cases,"⁸ but does not describe the possible exceptions.

We reviewed application data for trademark applications⁹ submitted between October 1, 2019, and April 30, 2020, and identified 196 approved¹⁰ applications with applicant addresses that included post office box or "care of" information. These applications also did not have an attorney listed, which—together with the lack of a valid domicile address—means they could have been out of compliance with the U.S. counsel rule. We reviewed the prosecution history in the Trademark Status and Document Retrieval system (TSDR)¹¹ for these applications. We found that, contrary to the requirements of *Examination Guide 4-19*, the examining attorney did not request or obtain sufficient documentation for the domicile address, and the record did not otherwise contain an acceptable domicile address, for 118 of the 196 applications (60 percent). Thirty applications contained acceptable addresses.¹²

Separately, we reviewed the domicile address in a judgmental sample of trademark applications and maintenance filings (see finding II) to determine whether USPTO identified unacceptable domicile addresses and requested documentation. We found

⁶ 37 C.F.R. § 2.2(o).

⁷ USPTO, September 2019. *Requirement of U.S.-Licensed Attorney for Foreign-Domiciled Trademark Applicants and Registrants*, Examination Guide 4-19 (Revised). Alexandria, VA: USPTO. Available at <https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%2004-19.pdf> (accessed January 22, 2021).

⁸ Examination Guide 4-19, § I.A.3.

⁹ We limited our review to applications filed under section 1(a) of the Trademark Act, on the basis that the trademark was in use in commerce at the time of application. See 15 U.S.C. § 1051(a).

¹⁰ We considered applications that USPTO registered or published for opposition as "approved."

¹¹ TSDR is defined as "a web application that provides real-time access to the electronic file wrapper of U.S. Trademark applications and applications for Extensions of Protection, as well as U.S. Trademark Registrations." See USPTO. *Trademark Status & Document Retrieval (TSDR)* [online]. <https://tsdr.uspto.gov/faqview> (accessed March 5, 2021).

¹² We could not determine the validity of the address for 48 of the applications, as the domicile address was hidden in TSDR. In February 2020, USPTO amended the application form to allow applicants to provide their domicile address separately from their mailing address and hide the domicile address from public view in TSDR.

19 applications with a domicile address that was not an acceptable street address, but the examining attorney did not request documentation for 18 of these applications.¹³

We found that USPTO cannot detect all unacceptable addresses that may initially appear valid, such as commercial mail receiving agencies (CMRAs)¹⁴ and registered agents.¹⁵ Although USPTO is working to obtain technical tools to help identify unacceptable addresses, these were not in place during the audit. Additionally, the guidance to examiners does not specify adequate procedures to review the domicile address and lacks definitive criteria for when to request additional documentation. As a result, examining attorneys approved applications without a valid street address. Without clear guidance and procedures, USPTO lacks adequate controls to enforce the U.S. counsel rule. Inadequate enforcement undermines the effectiveness of the rule because bad-faith applicants can more easily circumvent its requirements.

B. USPTO did not have adequate procedures to hold accountable the attorneys who submitted inaccurate trademark filings

USPTO stated that the purpose of the U.S. counsel rule is, in part, to reduce the submission of inaccurate trademark applications by requiring a qualified U.S.-licensed attorney to represent foreign applicants. U.S.-licensed attorneys have an incentive to ensure applications are accurate because they are subject to discipline by USPTO's Office of Enrollment and Discipline (OED) and state licensing authorities.¹⁶

We analyzed trademark application data for applications within the audit scope and found that the creation of the U.S. counsel rule did not prevent the submission of digitally altered or mocked-up specimens. Examining attorneys refused specimens because they were digitally altered or mocked up at a similar rate for both unrepresented applicants and for those represented by an attorney. We would expect a lower rate of submission of digitally altered or mocked-up specimens from represented applicants if the U.S. counsel rule incentivized accurate applications. We further found that many of the applications that examining attorneys suspected of containing a digitally altered or mocked-up specimen were submitted by a small number of attorneys. Five attorneys filed 20 percent of such applications, despite accounting for only 6 percent of the total applications USPTO received.

¹³ Unacceptable addresses included post offices, commercial mail receiving agencies, registered agents, and law offices of the applicant's attorney.

¹⁴ A CMRA is a private business that accepts mail from the U.S. Postal Service for recipients and keeps it for collection or re-mails it to another location. See USPS. *Mail Services at Non-Postal Sites (CMRA)* [online]. <https://faq.usps.com/s/article/Mail-Services-at-Non-Postal-Sites-CMRA> (accessed February 23, 2021).

¹⁵ A *registered agent* is a person or entity appointed by a business to accept mail on their behalf. See USPS. *Should You Hire a Registered Agent or Be Your Own?* [online]. <https://www.score.org/resource/should-you-hire-registered-agent-or-be-your-own> (accessed February 23, 2021).

¹⁶ USPTO cited a difficulty in exercising its disciplinary authority against foreign attorneys and individuals in its justification of the U.S. counsel rule. OED is responsible for enforcing the USPTO Rules of Professional Conduct set forth in 37 C.F.R. § 11.101 et. seq. and exercising disciplinary authority under 37 C.F.R. § 11.19(a).

Regardless of these patterns, USPTO officials told us that USPTO had taken formal action against a limited number of attorneys for frequently submitting digitally altered or mocked-up specimens. We determined that USPTO lacks adequate policies and procedures to identify and refer attorneys with high levels of inaccurate applications to OED for investigation and potential discipline or outreach and education. Without adequate policies and procedures, the U.S. counsel rule will not effectively reduce inaccurate submissions and promote accountability.

II. USPTO Approved Trademark Filings with Digitally Altered or Mocked-up Specimens

In response to the rise in fraudulent or inaccurate trademark applications, USPTO amended its regulations to clarify the requirements for valid specimens and issued *Examination Guide 3-19*¹⁷ and *Examination Guide 1-20*.¹⁸ *Examination Guide 3-19* provides (1) instructions and examples to examining attorneys to help them review specimens for indications they were digitally altered or mocked up and (2) procedures to refuse specimens with these indications. *Examination Guide 1-20* includes guidance on requirements for labels, tags, and webpages submitted as specimens.

A. USPTO lacked adequate guidance and procedures for examination of specimens

We reviewed a judgmental sample of 448 approved trademark applications and 159 accepted trademark maintenance filings to determine whether USPTO properly refused digitally altered or mocked-up specimens. For these applications and maintenance filings, USPTO determined that the specimen did not appear to be digitally altered or mocked up. We reviewed the specimens against the indicators¹⁹ of digitally altered or mocked-up specimens in the examination guides, as well as two indicators from an academic study of fraudulent trademark specimens.²⁰ Of 448 applications, we found that 167 (37 percent) contained a specimen with one or more indicators that the specimen was digitally altered or mocked up. Additionally, 78 of these 167 applications had specimens that met more than one indicator.

The most frequent indication we found was the same goods marketed under a third-party mark or brand (82 applications). For example, we found identical goods marketed on the Internet without an applicant's trademark or with a different trademark, and

¹⁷ USPTO, July 2019. *Examination of Specimens for Use in Commerce: Digitally Created/Altered or Mockup Specimens*, Examination Guide 3-19 (Revised). Washington, DC: USPTO. Available at <https://www.uspto.gov/sites/default/files/documents/TM-ExamGuide-3-19.pdf> (accessed January 22, 2021).

¹⁸ USPTO, February 2020. *Mandatory Electronic Filing and Specimen Requirements*, Examination Guide 1-20 (Revised). Washington, DC: USPTO. Available at <https://www.uspto.gov/sites/default/files/documents/TM-ExamGuide-MEF-1-20.pdf> (accessed January 22, 2021).

¹⁹ Indicators include “the image includes pixelization around the mark,” “the labeling appears to be crudely applied to containers or plain boxes,” and “the mark is not applied to the product in a manner consistent with the material composition of the product.”

²⁰ Barton Beebe and Jeanne C. Fromer. “Fake Trademark Specimens: An Empirical Analysis.” *Columbia Law Review*, Vol. 120 No. 7 (November 2020). <https://columbialawreview.org/content/fake-trademark-specimens-an-empirical-analysis/>.

found identical product photos used on multiple websites under different trademarks. The next most frequent indications were that the mark appeared to be digitally applied to the picture of the specimen because it appeared to “float” over the image (31 applications) and that the labeling appeared to be crudely applied to containers or plain boxes (30 applications).

Of our sample of 159 trademark maintenance filings, we found 12 (8 percent) that contained a digitally altered or mocked-up specimen.²¹ We validated our determinations on specific specimens with three managing attorneys at USPTO to ensure that we applied the indicators in the examination guides consistent with USPTO’s interpretations. We determined that our interpretation of the examples we presented to them was reasonable, while noting that there is subjectivity inherent in the examination process. One managing attorney also noted that examining attorneys may not be familiar enough with some types of goods to determine whether a mark is displayed in an atypical way. Figures 2-A through 2-C display specimen photo examples from our sample with the most common indicators that they were digitally altered or mocked up.

Additionally, and as further evident based on provided information in figures 2-A through 2-C, we found that the examination guides lacked adequate procedures and guidance for examining attorneys to follow, including (1) procedures and guidance for seeking and obtaining evidence that a good is marketed under another mark; (2) procedures for assessing a webpage used as a specimen, including steps to verify the authenticity of the webpage; and (3) guidance to determine whether a specimen lacks information expected for that type of good or service. The lack of adequate procedures is evident from examining attorneys’ differing refusal rates of applications due to digitally altered or mocked-up specimens, which ranged from 0 percent to 20 percent of assigned applications within the scope of the audit.

²¹ We expected to find fewer fraudulent or inaccurate specimens in maintenance filings compared to applications for two reasons. First, depending on reasons for the initial filing, the owner may not have an incentive to maintain an unused trademark, particularly given that they must pay a fee to maintain it. Second, USPTO noticed a steep rise in digitally altered or mocked-up specimens around 2015. The maintenance filings for the earliest of these trademarks only recently became due. If the registrants file to maintain these inaccurate registrations, USPTO can expect an increase in digitally altered or mocked-up specimens in trademark maintenance filings.

**Figure 2-A. Digitally Altered or Mocked-up Good—
Good Marketed by Third Party^a**



Sources: Left photo—USPTO's TSDR; right photo—<https://www.google.com/search?q=w-912+massager+pen>

^a The specimen photo (at left) matches packaging and goods found online (at right) with no trademark or a different trademark, indicating that the trademark (shown by arrow) was added to a third party's product.

Figure 2-B. Digitally Altered or Mocked-up Good—Packaging^a



Source: USPTO's TSDR

^a The trademark (indicated by arrow) is applied to packaging via a plain adhesive label, while the trademark is missing from the accompanying product information.

Figure 2-C. Digitally Altered or Mocked-up Good—Digitally Added Marking^a



Source: USPTO's TSDR

^a The mark appears to have been digitally added to the image of the good because it does not follow the contour of the good and appears to “float” over it.

Our sample of 448 applications included a subset of 140 applications where the examining attorney initially refused the specimen because it appeared to be digitally altered or mocked up, but ultimately approved the application after the applicant submitted additional documentation or a substitute specimen. We found that 41 of these 140 applications (29 percent) contained documentation or substitute specimens that also appeared to be digitally altered or mocked up, yet were approved by the examining attorney.

Clear guidance and procedures are important because examining attorneys must meet production standards that limit application review time, and examining attorneys may not consistently determine when an application requires additional evidence or increased scrutiny.

B. USPTO lacked procedures to ensure consistency and coordination of application examination

Our judgmental sample of 448 trademark applications included instances of an applicant submitting multiple applications. We reviewed these applications to determine whether USPTO applied specimen rules consistently. USPTO officials told us that an examining attorney should pull all applications from a single applicant onto their docket, but current procedures do not ensure this. USPTO's docket system also does not ensure all

applications from the same applicant are grouped together.²² As a result, we found that different examining attorneys examined applications from the same applicant, and identified similar specimens that received different determinations amongst the examining attorneys. Figure 3 displays an example of this.

Figure 3. Inconsistent Review of Specimens—Similar Goods and Tags^a



Sources: USPTO's TSDR

- ^a A single applicant submitted these similar specimens in different applications. The examining attorney issued an office action refusing the specimen on the left because the label appeared temporary, while a different examining attorney approved the application containing the specimen on the right.

We also identified instances where an applicant submitted webpage specimens from a single website and the website appeared to be mocked up or did not allow the goods to be purchased. However, this was not apparent from reviewing each specimen in isolation or without reviewing other pages of the website. A lack of consistency and coordination could prevent USPTO from detecting patterns of fraudulent specimens.

We also compared the results of examination across applicants and examining attorneys. We found that a lack of detailed guidance, particularly for the examination of webpages as specimens, led to differing interpretations for similar specimens. For example, we identified one application that USPTO refused because the specimen webpage indicated very low inventory, but one USPTO official told us that examining attorneys should interpret low inventory as evidence of use. Figure 4 displays an

²² Section 702.03 of the *Trademark Manual of Examining Procedure* states that the first 10 applications from an applicant that are filed in a 3-month period “will be assigned” to a single examining attorney, and that examining attorneys are “encouraged” to assign any additional unassigned pending applications by the same applicant to themselves. This process is dependent upon the trademark owner’s name being written consistently in each application.

example of inconsistent examination of product labels in specimen photos from our sample.

Figure 4. Inconsistent Review of Specimens—Similar Labels^a



Sources: USPTO's TSDR

^a The examining attorney issued an office action refusing the specimen on the left because the wording of the label ("Brand" and "Product") indicated the specimen was mocked up for the purposes of the application, while a different examining attorney approved the application containing the specimen on the right with similar wording.

Without effective procedures to detect digitally altered or mocked-up specimens, USPTO is at risk of registering unused marks, which clutter and undermine the integrity of the trademark register. USPTO is also at risk of refusing valid specimens. In both cases, costs to legitimate trademark owners could increase.

III. USPTO Did Not Ensure Accurate Identification of Goods and Services

USPTO requires an applicant to identify in their application the goods and services with which the applicant uses, or has a bona fide intention to use, the trademark in U.S. commerce. The applicant, however, is not required to provide a specimen of use for every good or service listed, and the examining attorney is not required to verify that the mark is in use in commerce for all goods or services in the identification.

Within our judgmental sample of applications and maintenance filings discussed in finding II, we identified 204 trademark applications and 57 maintenance filings where the submitted specimen was a webpage.²³ We focused on applications with webpage specimens because the submitted website for each one provided an independent indication of whether listed goods were in use in commerce. We reviewed these applications and maintenance filings to determine if goods listed in the identifications were available for purchase on the submitted websites. Our review found that many of these identifications included goods not for sale

²³ As part of their specimen of use submission, applicants can include a webpage if it provides a means for ordering the goods or services. The webpage must also contain a picture or textual description of the identified goods and show the mark in association with the goods.

via the same website.²⁴ Specifically, in 117 of 204 applications (58 percent) and in 8 of 57 maintenance filings (14 percent), we did not find evidence of one or more listed goods on the websites submitted as specimens for those filings. While the applicants and registrants may legitimately sell goods through different channels, the absence of available goods on websites can serve as an indicator that the claim of use in commerce as to the identification of goods is inaccurate.

Trademark examining attorneys have authority under the *Trademark Manual of Examining Procedure* (TMEP) to request additional specimens when the range of goods or services in a trademark application or maintenance filing is wide or contains unrelated articles.²⁵ We further reviewed the 125 filings (117 applications and 8 maintenance filings) with indications of goods listed that were not in use in commerce on specimen websites to determine whether the identification of goods was wide or included unrelated articles. We determined that potentially inaccurate identifications frequently contain a wide range of goods or unrelated goods. Of the 125 filings, we found 42 instances (34 percent) of identifications that indicated wide or unrelated goods. Specifically, 27 had unrelated goods listed, 12 had a wide range of goods listed, and 3 had characteristics of both. Unrelated goods and services in our sample came primarily from four trademark classes: hand tools, electrical and scientific apparatus, environmental control apparatus, and housewares and glass.

We learned from a USPTO official that examining attorneys do not frequently use the authority available under the TMEP to request additional specimens. We also found instances that illustrate inconsistent use of the authority. For example, one examining attorney requested additional specimens under this authority for a list of clothing items that appeared to be related.²⁶ Another examining attorney did not request additional specimens for a list of electrical and scientific apparatus that included acid hydrometers, MP3 players, sunglasses, and portable photography equipment that appeared to be unrelated.²⁷

²⁴ Specifically, we selected a judgmental sample of 448 approved trademark applications and 159 maintenance filings. Of these, we further reviewed the applications and maintenance filings submitted with a specimen available for order on a webpage.

²⁵ Section 904.01(a) of the TMEP states “When the range of items is wide or contains unrelated articles, the examining attorney may request additional specimen(s) under 37 C.F.R. §2.61(b).” The TMEP does not further define the term “wide.”

²⁶ The application identified the following goods: “Ball gowns; Business wear, namely, suits, jackets, trousers, blazers, blouses, shirts, skirts, dresses and footwear; Dresses; Formalwear, namely, dresses, gowns, tuxedos, dinner jackets, trousers and footwear; Sweaters; Swimsuits; T-shirts; Women’s athletic tops with built-in bras; Women’s clothing, namely, shirts, dresses, skirts, blouses; Women’s shoes.” See USPTO. TSDR [online]. <https://tsdr.uspto.gov> (accessed March 5, 2021).

²⁷ The application identified the following goods: “Acid hydrometers; Alidades; Amplifiers; Batteries; Battery jars; Cameras; Cell phone cases; Cell phones; Chargers for batteries; Computer bags; Connections for electric lines; Covers for electric outlets; Earphones and headphones; Frequency meters; Gas meters; Keyboards for smartphones; Lenses for astrophotography; Loud speakers; Microscopes; MP3 players; MP4 players; Optical apparatus and instruments, namely, optical ports for underwater photography, dome ports for underwater photography, wet diometers, adapter lenses for underwater photography; Optical condensers; Photometers; Power adapters; Pressure indicators; Stands adapted for mobile phones; Sunglasses; USB cables; Video recorders; Walkie-talkies; Wireless chargers; Wireless ear buds; Wireless speakers; Automated immunodetection system comprised of a vacuum manifold and one or more membrane holders for laboratory use; Cell phone battery chargers; Cell

Ultimately, the determination of lists of goods considered unrelated or wide is subject to the interpretation of each individual examining attorney because the *TMEP* does not further define or clarify the term “wide.” A USPTO official confirmed that there is no additional guidance to ensure examining attorneys apply this authority appropriately and consistently, and suggested that such information would be useful to examining attorneys. Without clear guidance and procedures for the use of this authority, USPTO examining attorneys may miss the opportunity to prevent unused marks from entering the register. Additional clarification and consistent application of this authority may prevent inaccurate lists of goods and services, which could clutter the trademark register and deter legitimate use of unused marks.

IV. USPTO Lacks a Comprehensive Fraud Risk Strategy

The Government Accountability Office (GAO) identifies practices to help federal officials manage fraud risks in its *Fraud Risk Management Framework (Framework)*.²⁸ The practices in the *Framework* are designed to help an organization (1) commit to combatting fraud by creating an organizational culture and structure conducive to fraud risk management; (2) plan regular fraud risk assessments and assess risks to determine a fraud risk profile; (3) design and implement a strategy with specific control activities to mitigate assessed fraud risks and collaborate to help ensure effective implementation; and (4) evaluate outcomes using a risk-based approach and adapt activities to improve fraud risk management. Although USPTO did not use the *Framework* as a guide when developing controls to prevent inaccurate registrations, we applied the *Framework* as a best practice to determine whether USPTO is adequately managing fraud risk. Our comparison of USPTO’s fraud risk management efforts to the *Framework*’s best practices²⁹ found that USPTO has not addressed all of the *Framework*’s elements.³⁰ Aligning USPTO’s approach more closely with the *Framework* should enable USPTO to improve the accuracy of the trademark register. Specifically, we found that USPTO has not

- Planned regular fraud risk assessments or created a fraud risk profile (Leading Practices 2.1 and 2.2).³¹ A formal risk profile that identifies inherent risks and analyzes the suitability of fraud controls should enable USPTO to prioritize risks and use agency resources efficiently.

phone battery chargers for use in vehicles; Computer keyboards; Electric cables and wires; Head-clip cell phone holders; Portable photography equipment, namely, reflectors, tripods, light stands and supports and bags specially adapted for these goods; Smartphone mounts.” See USPTO. *TSDR* [online]. <https://tsdr.uspto.gov> (accessed March 5, 2021).

²⁸ Government Accountability Office, July 2015. *A Framework for Managing Fraud Risk in Federal Programs*, GAO-15-593SP. Washington, DC: GAO, 6.

²⁹ USPTO’s current anti-fraud strategy includes forming specialized groups within the organization, updating current policy, enforcing current regulations, improving detection activities, and updating systems that manage trademark applications.

³⁰ GAO identified “leading practices” for managing fraud risks and organized them into the *Framework*, which encompasses control activities to prevent, detect, and respond to fraud, along with structures and environmental factors that influence or help managers achieve their objective to mitigate fraud risks.

³¹ GAO *Fraud Risk Framework*, 12–15.

- Used a risk profile or other overarching document to allocate resources dedicated to anti-fraud efforts (Leading Practice 3.1).³² We found that the STF³³ charter identifies some risks; however, it does not address resources needed by the STF, and no personnel are dedicated solely to the task force's activities. The charter has not been updated since it was first finalized.
- Monitored anti-fraud activities and measured outcomes (Leading Practice 4.2).³⁴ Additional use of data to measure outcomes would allow USPTO to adapt its controls to emerging trends. Although managing attorneys rate the work of examining attorneys for performance management purposes, USPTO does not aggregate this information for review by management. Similarly, the STF's charter identifies improper activities that threaten the trademark register, but does not establish specific goals or targets to assess the agency's progress in addressing trademark fraud. An official from the STF told us that the metrics identified in the charter are not tracked.

Without addressing these gaps in its management of fraud risk, USPTO is at risk of approving inaccurate trademark filings and cannot determine if current strategies in place are effective.

Recommendations

We recommend that the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office direct the Commissioner for Trademarks to do the following:

1. Develop controls and/or tools to detect post office boxes, post offices, CMRAs, registered agents, and other unacceptable domicile addresses in trademark applications and other trademark filings.
2. Develop standards and procedures to (1) identify and investigate U.S.-licensed attorneys who are properly listed as the attorney of record on high numbers of fraudulent or inaccurate trademark applications and (2) address the attorneys' behavior by providing guidance, taking disciplinary action, or taking other actions as appropriate.
3. Revise *Examination Guide 3-19*, or other procedures as appropriate, to clarify (a) expectations for the extent of examining attorneys' use of third-party information sources when examining specimens, (b) steps for assessing webpage specimens (to include an overall assessment of a website's authenticity), and (c) guidance for identifying mocked-up labels and tags in specimen photos.

³² GAO *Fraud Risk Framework*, 18–19.

³³ USPTO established the STF in 2019 to develop and implement policies, procedures, and technology solutions to identify, reduce, and mitigate unauthorized or other improper activities related to trademark matters. Members include personnel from USPTO responsible for trademark policy, examination, and information technology.

³⁴ GAO *Fraud Risk Framework*, 30–31.

4. Develop controls to ensure consistency and coordination among examining attorneys for the examination of multiple trademark applications from a single applicant.
5. Develop specific guidance for examining attorneys' use of *TMEP* Section 904.01(a).
6. Create a risk framework to address fraudulent or inaccurate trademark filings, to include a risk profile, goals, and targets; update the risk framework on a regular basis; and update the STF charter to align with the risk framework.
7. Develop procedures to aggregate data from managing attorneys' reviews of examining attorneys' work, and use this data to monitor and assess the effectiveness of efforts to improve the accuracy of the trademark register.

Summary of Agency Response and OIG Comments

In response to our draft report, USPTO (1) concurred with all of our recommendations; (2) described actions it has taken, or will take, to address them to improve the accuracy of the trademark register; and (3) provided technical comments recommending several changes to the factual and technical information in the report. We accepted the technical comments, as appropriate, and included them in the final version of this report. We have included USPTO's formal comments in appendix B.

In their response, USPTO summarized actions it has recently taken that address or complement the recommendations in the draft report, including (1) increased efforts to detect unacceptable domicile addresses and fake specimens and (2) enforcement actions taken against individuals responsible for inaccurate filings. We appreciate the additional information provided and are encouraged by USPTO's continuing efforts to address the problem of fraudulent or inaccurate trademark filings.

Appendix A: Objective, Scope, and Methodology

The objective of our audit was to determine whether USPTO's trademark registration process is effective in preventing fraudulent or inaccurate registrations. We focused our audit work on USPTO's improper activity detection and prevention efforts in place from October 2019 to April 2020 for trademark applications and trademark maintenance filings.

To accomplish our objective, we performed the following actions:

- Interviewed USPTO personnel—specifically, those responsible for trademark application and maintenance filing examinations, policy development, quality assurance, and responses to improper activity—to obtain an understanding of USPTO's efforts to detect and prevent improper activities.
- Reviewed the following documents:
 - Relevant trademark laws and regulations
 - *TMEP*, dated October 2018
 - USPTO examination guides: *Examination Guide 1-11*, dated May 2011; *Examination Guide 1-20*, dated February 2020; *Examination Guide 3-19*, dated July 2019; and *Examination Guide 4-19 (Revised)*, dated September 2019
 - Project Charter for the Trademarks STF on Improper Activities, dated May 11, 2019
 - Columbia Law Review article by Barton Beebe and Jeanne Fromer, *Fake Trademark Specimens: An Empirical Analysis*, dated November 2020
 - GAO, *A Framework for Managing Fraud Risks in Federal Programs*, dated July 2015
 - *USPTO 2018-2022 Strategic Plan*, dated November 2018
 - *FY 2019 USPTO Performance and Accountability Report*, dated November 2019
- Selected a judgmental sample of 448 trademark applications and 159 maintenance filings submitted between October 1, 2019, and April 30, 2020, based on traits such as filing date, filing basis, and country of origin. We then reviewed these applications and maintenance filings to determine if USPTO adhered to existing procedures. We also analyzed data from trademark applications and maintenance filings submitted between October 1, 2019, and April 30, 2020, and from the judgmental sample, to identify trends. The filings in the judgmental sample illustrate the trademark application and maintenance filings reviewed by some trademark examiners, and the issues found in them cannot be generalized to the universe of trademark applications received by USPTO. However, they provide examples of issues that USPTO should address.
- Evaluated USPTO's efforts against the four components of GAO's *Fraud Risk Framework*: (1) commit to combatting fraud by creating an organizational culture and structure conducive to fraud risk management; (2) plan regular fraud risk assessments and assess risks to determine a fraud risk profile; (3) design and implement a strategy with specific

control activities to mitigate assessed fraud risks and collaborate to help ensure effective implementation; and (4) evaluate outcomes using a risk-based approach and adapt activities to improve fraud risk management.³⁵ We reviewed USPTO policies and procedures and obtained information from interviews to compare USPTO's antifraud efforts against each of these components.

In addition, we assessed internal controls that are significant within the context of our objective.³⁶ We also considered (1) whether controls individually and in combination were capable of achieving an objective and addressing the related risk; (2) if the control exists and has been placed into operation; and (3) if controls were applied at relevant times from FY 2020 to present, the consistency with which they were applied, and by whom or by what means they were applied. We identified control weaknesses related to enforcing USPTO's U.S. counsel rule and ensuring consistency across applications.

In addition, we identified a lack of performance metric targets related to USPTO's strategy to improve the accuracy of the trademark register. We did not find any instances of USPTO fraud, waste, or abuse.

Although we could not independently verify the reliability of all the information we collected, we compared it with other available supporting documents to determine data consistency and reasonableness. Based on these efforts, we believe the information we obtained is sufficiently reliable for this report.

We conducted our review from June 2020 through January 2021 under the authority of the Inspector General Act of 1978, as amended (5 U.S.C. App.), and Department Organization Order 10-13, as amended October 21, 2020. We performed our fieldwork at USPTO offices in Alexandria, Virginia.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

³⁵ The *Fraud Risk Framework* (GAO-15-593SP) was designed to aid agencies and federal managers in their effort to combat fraud and preserve integrity in government programs, and help them take a more strategic, risk-based approach to managing fraud risks and developing effective anti-fraud controls.

³⁶ This included examining the reviews by management at the functional or activity level, management of human capital, controls over information processing, establishment and review of performance measures and indicators, and appropriate documentation of transactions and internal control.

Appendix B: Agency Response



UNITED STATES PATENT AND TRADEMARK OFFICE

UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

July 7, 2021

MEMORANDUM FOR: Frederick J. Meny Jr.
Assistant Inspector General for Audit and Evaluation

FROM: David S. Gooder
Commissioner for Trademarks
United States Patent and Trademark Office

SUBJECT: Response to Draft Report: "USPTO Should Improve Controls over
Examination of Trademark Filings to Enhance the Integrity of the
Trademark Register"

Maintaining the integrity of the trademark register remains a top priority for the United States Patent and Trademark Office (USPTO) and the Trademarks Business Unit. The Office of Inspector General's (OIG) findings focused on several areas of concern that the USPTO has been working to address, including how to ensure compliance with the USPTO's rules, especially by foreign applicants; how to detect specimens that are digitally created or altered, and therefore do not show actual use in commerce; and how to identify and address patterns and trends of potentially fraudulent activity. The Agency has, over the last several years and with amplified vigor since the fall of 2020, worked diligently to respond to the increase in and constantly evolving nature of inaccurate or potentially fraudulent trademark filings, particularly with respect to claims that marks are in use in commerce. In this regard, the challenges being faced are not unlike counterfeiting issues that plague private industry. Applying many anti-counterfeiting strategies and best practices, the Agency's current "Register Protection" tactics include:

- *Post Registration Audit Program* – In 2017, the USPTO formalized a 2012 pilot program to audit declarations of use filed in certain trademark registration maintenance documents. The USPTO has canceled or removed goods or services in more than 50% of audited registrations, resulting in a decrease in dead registrations and, consequently, a more accurate trademark register.
- *Mandatory Account Login* – In 2019, the Agency started requiring users to create a USPTO.gov account in order to file any trademark forms. The registered accounts enhance system security, as well as provide metadata used to investigate filing behavior. The USPTO can also deactivate accounts, blocking any further filings if they are abused, and the Agency is now testing an identity authentication feature that will help prevent bad actors from creating new accounts if the original is deactivated. In the future, authenticated accounts will also control access based on users' roles; this will

prevent unauthorized submissions and potential application and registration hijacking, which is a growing concern.

- *Examining Attorney Guidance on Digitally Created or Altered Specimens* – The Agency updated examination guidance in July 2019 and October 2020 and provided training to help examining attorneys more effectively spot and take action against indications of fraud or bad faith in specimens submitted to show a mark is in use in commerce. Examining attorneys must issue a refusal when a specimen shows indications that it is fake, doctored, or mocked up, and they have discretion to investigate and request additional information if material in an application raises suspicions about the mark’s use in commerce.
- *Special Task Force* – In 2019, the Agency created a Special Task Force (STF) comprised of attorneys, investigators, analysts, and information technology personnel to investigate potentially fraudulent submissions and address broader patterns and trends of suspicious activity. If warranted, the STF also determines whether the Agency should pursue sanctions, including using the Trademark Commissioner’s authority to sanction parties who violate the USPTO’s rules, referring attorney misconduct for investigation by the Agency’s Office of Enrollment and Discipline (OED), and engaging with the OIG and law enforcement if criminal activity is suspected.
- *U.S. Counsel Rule* – In order to improve the accuracy of submissions and compliance with the USPTO’s rules by foreign applicants and registrants, the Agency implemented a new requirement, effective August 2019, that such parties must be represented in any USPTO trademark matter by a licensed U.S. attorney. This type of requirement is common in trademark offices in other countries.
- *Trademark Modernization Act* – The Agency is currently implementing the Trademark Modernization Act (TMA), enacted in December 2020, including its express statutory authority for the USPTO’s longstanding “letter of protest” practice that allows third parties to submit evidence regarding a pending trademark application’s registrability; two new ex parte processes that provide a faster, more efficient, and less expensive mechanism for third parties to challenge a registered mark’s use in commerce; and a shortened time for applicants to respond to office actions so that suspicious filings can be addressed more quickly.

As the USPTO continues to accelerate its trademark register protections, we also recognize that our stakeholders—the good-faith filers who remain the vast majority of trademark applicants—need prompt examination results to allow for timely business and marketing decisions. As we consider additional controls or requirements for our examining attorneys or applicants, we are constantly seeking the right balance to successfully maintain the integrity of the trademark register by deterring bad conduct while considering the impact of longer pendency and/or increased fees, all while maintaining the high quality of the registrations we issue.

With that balance in mind, the Agency concurs with the OIG’s overall recommendations regarding areas in which there is room for improvement. In the narrative below, we discuss (1) the OIG’s main findings and provide updates on actions taken to address the highlighted concerns since the end of the OIG’s audit period in April 2020, and (2) our responses to the report’s recommendations.

Post-Audit Period Activities

Enforcement of the U.S. Counsel Rule

The USPTO implemented the U.S. Counsel Rule to instill greater public confidence that U.S. trademark registrations issued to foreign applicants would be less susceptible to invalidation for reasons such as improper signatures or bogus use in commerce claims, and to enable the USPTO to more effectively use disciplinary and administrative mechanisms to enforce compliance with statutory and regulatory requirements.

Domicile Address Detection

The OIG's findings show that the vast majority of applications, even within the first months this rule was in effect, were compliant, including having a valid domicile address. First, in reviewing the application data for the approximately 113,000 use-based applications filed during the period of its review, the OIG identified only 196 applications, or 0.17%, that had problematic domicile addresses (i.e., post office box or "care of" information). Moreover, even when the OIG narrowed its review to its judgmental sample, which was focused on submissions containing indications of fraud or inaccuracies¹, the OIG found only 3.1% of the 607 applications and maintenance filings in the sample lacked an acceptable street address.

Even with these high rates of compliance, in 2021, the USPTO has already implemented additional procedures to detect unacceptable domicile addresses in trademark applications and other trademark filings, including:

- An automated query of post office boxes or "care of" addresses used as domicile addresses in pre-examination, creating a flag for action by examining attorneys to issue an appropriate refusal.
- Pre-publication review of the Official Gazette for post office box or "care of" addresses to ensure unacceptable applications are not published.

Holding Bad Actors Accountable

In addition to taking steps to identify invalid domicile addresses, the USPTO has also implemented measures to identify and hold individuals accountable for submitting inaccurate trademark filings, including efforts to circumvent the U.S. Counsel Rule. The STF has enhanced its data analytics tools so that each investigator can, for example, track suspicious applications by particular data elements and find related applications, including all filings by a single bad actor or entity. Using those tools as well as the USPTO.gov account metadata, the Commissioner for Trademarks recently issued a Show Cause Order to a Chinese individual, and the trademark filing firm for which she is the principal officer, that implicates many applications with potential violations of USPTO rules, including the U.S. Counsel Rule. Based on any response to the Show Cause Order received, the Commissioner has the authority to issue a Final Order for Sanctions against this individual and her firm.² Additionally, the Commissioner recently issued two Final Orders for Sanctions that precluded the named parties from filing any further trademark-related

¹ The OIG explained that it selected its judgmental sample based in part on traits it believed would be more likely to reflect fraudulent or inaccurate registrations. These included applications that had a specimen refusal in the prosecution history, applications from applicants who submitted multiple applications and either had a history of specimen refusals or some marks that were made up of seemingly random strings of characters, and applications where the applicant listed Chinese citizenship and a U.S. address. The maintenance filing sample included filings where the attorney of record was listed on at least 25 applications with a digital alteration specimen refusal. As noted by the OIG, this sample cannot be generalized to the universe of trademark applications and filings received by the USPTO.

² <https://www.uspto.gov/sites/default/files/documents/TM-Show-Cause-order-In-re-Yusha-Zhang.pdf>.

submissions to the Agency, terminated their USPTO.gov accounts, and in one of the cases, terminated the proceedings, i.e., abandoned the applications that the party had filed in violation of the USPTO's rules.³

Furthermore, the Agency has centralized its internal fraud reporting mechanism to allow the STF to more efficiently and effectively identify filing trends and respond appropriately with sanctions or needed policy changes. Moreover, the Agency is currently procuring case management software to improve issue tracking, develop custom reports, and provide more timely information to the examining staff regarding ongoing investigations.

The efforts of the STF have already increased the frequency with which attorneys are considered for potential sanctions. Significantly, in the past two years, 14 attorneys have been referred to OED for investigation and appropriate action. As a noteworthy example, the Agency recently suspended from practice before the USPTO an attorney licensed in New York, who resides in Beijing, China, for signing his name to *thousands* of trademark filings made on behalf of foreign clients in violation of the USPTO's regulations.⁴

Detection of Digitally Created/Altered or Mockup Specimens

The USPTO continues to respond to the increasing and evolving trend of applicants submitting specimens of use that are digitally created or altered, or mocked up (i.e., "fake" specimens). As noted in the OIG's report, submissions with indications of fraud, like many included in the judgmental sample of 607 applications and maintenance filings, are more likely to contain digitally altered or mocked up specimens. While the findings regarding fake specimens cannot be generalized to the universe of trademark applications received, the USPTO will continue to update its examination guidance about fake specimens.

The USPTO remains focused on finding efficient ways to identify potentially problematic specimens without overburdening the examination system. The Agency recently clarified its letter of protest policy to allow third parties to submit evidence that a mark does not appear to be in use in commerce. An examining attorney may issue a refusal based on that evidence, if credible. The USPTO is also aware that fake specimens may be used in more than one application and are frequently used by different applicants with the same representative. Considering this trend, the Agency has taken additional steps to consolidate for review applications with identified indications of fraud (e.g., same fake address, same USPTO.gov account, or same representative featured in multiple applications in which suspected rule violations are present). The USPTO can then more effectively employ digital forensic and reverse image search tools.

Accurate Identification of Goods and Services

The USPTO has taken steps to avoid and reduce clutter in the trademark register. For example, the USPTO recently issued a fee rule that penalizes inaccurate or false claims of use in filings to maintain registrations. Furthermore, the USPTO requested that Congress provide an efficient mechanism in the Trademark Modernization Act for a third party to challenge a registrant's use in commerce. Once implemented, these new procedures will allow removal of a registered mark

³ <https://www.uspto.gov/sites/default/files/documents/TM-order-for-sanctions-Thong-Quang-Ngo.pdf>,
<https://tsdr.uspto.gov/documentviewer?caseId=sn90571970&docId=EMO20210507104820#docIndex=0&page=1>.

⁴ https://foiadocuments.uspto.gov/oed/Lou_Final_Order_D2021-04_Redacted.pdf.

from the trademark register or cancellation of the registration as to certain goods and/or services, thus improving the accuracy of the register.

OIG Recommendations and the USPTO's Response

The OIG Recommends that the Under Secretary of Commerce for Intellectual Property and Director of the USPTO:

(1) Develop controls and/or tools to detect post office boxes, post offices, commercial mail receiving agencies, registered agents, and other unacceptable domicile addresses in trademark applications and other trademark filings.

USPTO Response:

The USPTO concurs with this recommendation. Since the period considered by the OIG in its review, the USPTO has already implemented an automated query for post office boxes and “care of” addresses, and we will assess the feasibility and potential effectiveness of other methods to detect unacceptable domicile addresses, such as automated address checks and pre-examination and pre-publication address reviews by personnel.

(2) Develop standards and procedures to identify, investigate, discipline, and/or provide guidance to U.S.-licensed attorneys who are properly listed as the attorney of record on high numbers of fraudulent or inaccurate trademark applications and address the attorneys' behavior by providing guidance, taking disciplinary action, or taking other actions as appropriate.

USPTO Response:

The USPTO concurs with this recommendation and, as discussed above, has already taken steps to identify, investigate, discipline, and/or provide guidance to U.S. counsel associated with a high volume of fraudulent or inaccurate trademark applications. The USPTO will continue to enhance the process for both examining attorneys and stakeholders to report suspicious applications; expand the capabilities of the STF to investigate suspicious applications; and refer any attorney found in violation of the law or rules to OED for appropriate sanction, including suspending attorneys from practice before the USPTO, referring matters to the attorneys' state bar authorities, and terminating applications filed by these attorneys.

(3) Revise Examination Guide 3-19, or other procedures as appropriate, to clarify (a) expectations for the extent of examining attorneys' use of third-party information sources when examining specimens, (b) steps for assessing webpage specimens (to include an overall assessment of a website's authenticity), and (c) guidance for identifying mocked-up labels and tags in specimen photos.

USPTO Response:

The USPTO concurs with this recommendation to continue to enhance the ability of examining attorneys to identify specimens that may have been digitally created or altered or mocked up. The USPTO will explore the efficacy of revisions to Examination Guide 3-19, and will also assess the feasibility and potential effectiveness of additional specimen review by non-examiners or technology-based review. In considering these options, the USPTO will

also monitor trends in the nature and types of evidence regarding potentially fraudulent specimens that third parties submit through the letter of protest mechanism.

(4) Develop controls to ensure consistency and coordination among examining attorneys for the examination of multiple trademark applications from a single applicant.

USPTO Response:

The USPTO concurs with this recommendation. In addition, recognizing that duplicates of improper specimens are more likely to be found in applications from *multiple* applicants, the USPTO will also continue to use investigative tools to identify suspicious specimens across applicants to enhance coordinated review.

(5) Develop specific guidance for examining attorneys' use of TMEP Section 904.01(a).

USPTO Response:

The USPTO concurs with the recommendation to address the accuracy of applications that include a wide range of or unrelated goods and is revising the Trademark Manual of Examining Procedure (TMEP) accordingly. The USPTO will also monitor the impact of the implementation of the fee for deleting goods and/or services during the examination of maintenance declaration filings, as well as the TMA-authorized nonuse cancellation procedures, on trademark register "clutter." Over time, these procedures are likely to decrease the number of trademark applications and registrations being filed or maintained that contain goods and services for which the owner does not demonstrate the requisite use in commerce.

(6) Create a risk framework to address fraudulent or inaccurate trademark filings, to include a risk profile, goals, and targets; update the risk framework on a regular basis; and update the STF charter to align with the risk framework.

USPTO Response:

The USPTO concurs with this recommendation and will leverage the GAO's *Fraud Risk Management Framework* to enhance the Agency's fraud prevention, detection, and assessment activities. Since FY 2020, the Agency has monitored the root causes of fraud on the trademark register as part of its quarterly Enterprise Risk Management Reports. Furthermore, the STF investigates fraud and works with policy officials to evaluate whether additional examination guidance would help deter or mitigate fraudulent or otherwise improper submissions. When new guidance is issued, the Office of Trademark Quality Review and Training (TQR) ensures that staff is appropriately trained on the policy. The TQR also monitors adherence to the guidance through its quality review program and then tracks the quality review data across all examining attorneys to identify training needs.

The USPTO agrees that additional efforts to assess fraud risk, define fraud controls, and track progress over time would benefit the Agency's ongoing efforts to prevent and respond to improper trademark filings. The USPTO will consolidate documentation of its fraud risk profile, goals, and targets, and will regularly update this documentation based on Agency-wide fraud assessments.

(7) Develop procedures to aggregate data from managing attorneys' reviews of examining attorneys' work, and use this data to monitor and assess the effectiveness of efforts to improve the accuracy of the trademark register.

USPTO Response:

The USPTO concurs with this recommendation and will continue to explore automation and database options for tracking data on employee quality as part of its continued efforts to improve the accuracy of the register.

Conclusion

The USPTO is committed to strengthening the integrity of the trademark register and is confident in our ability to timely implement not only these recommendations but also additional register protection strategies.