

December 01, 2020

FEATURE

Bolstering Confidence or Burdening Parties? The U.S. Counsel Rule

Amanda Marston and Hope Hamilton

Share this:



©2020. Published in *Landslide*, Vol. 13, No. 2, November/December 2020, by the American Bar Association. Reproduced with permission. All rights reserved. This information or any portion thereof may not be copied or disseminated in any form or by any means or stored in an electronic database or retrieval system without the express written consent of the American Bar Association or the copyright holder.

Through a series of initiatives and rule changes, the U.S. Patent and Trademark Office (USPTO) has been on a mission to fight fraud and bolster confidence in U.S. trademark registration and administrative proceedings. But, where the USPTO is closing doors, are bad actors finding windows?

One of the USPTO's more recent initiatives—namely, the implementation of the U.S. counsel requirement—went into effect on August 3, 2019. This article explores whether the USPTO's goals in implementing the rule have been met and whether parties are finding new, creative ways to circumvent the rule. Although the data is still limited, it is arguably a little of both. When paired with the USPTO's other initiatives and new policies, it seems the USPTO is making meaningful progress in boosting confidence within the business community and its users.

Previous Counsel Rule Governing Nondomiciled Trademark Applicants and Registrants

Prior to August 3, 2019, the rules for who could represent nondomiciled applicants and registrants before the USPTO in trademark matters were relatively lax, especially when compared to many jurisdictions around the world. Domestic and foreign applicants, registrants, and parties to Trademark Trial and Appeal Board (TTAB) proceedings were authorized to represent themselves. And, if represented by counsel, that counsel could be either a U.S. attorney “who is an active

member in good standing of the bar of the highest court of [a U.S. state or territory]¹ or a foreign attorney or agent in a country with reciprocal recognition who could attest that “he or she is registered or in good standing before the patent or trademark office of the country in which he or she resides and practices.”²

There were not (and are not currently) any special admissions or exams required to practice non-patent law at the USPTO.³

Impetus for the New U.S. Counsel Rule

The USPTO’s decision to implement the rule was one initiative among many implemented after the USPTO observed “a significant increase in the number of applicants who are not fulfilling their legal and ethical obligations to file accurately and in good faith.”⁴ Improper behaviors observed included filing applications with no bona fide use or intent to use, fake or doctored specimens of use, inaccurate contact or address information, unauthorized changes of correspondence addresses, and fraudulent consent agreements and assignments of ownership. The USPTO also observed an “exponential” rise in fraudulent filings from non-U.S. applicants seeking to capitalize on subsidies offered by the applicants’ home countries, in particular, from China.⁵

The goal of the rule and other initiatives⁶ was to reduce fraudulent filings, increase compliance with U.S. trademark law and USPTO regulations, improve the accuracy of trademark submissions to the USPTO, and safeguard the integrity of the U.S. trademark Register.⁷ And, from a practitioner’s perspective, the rule was expected to reduce delay and increase efficiency in trademark examination and TTAB proceedings involving foreign-domiciled parties. The USPTO hoped that the requirement of U.S. counsel would address these concerns by ensuring parties are represented by individuals with knowledge of U.S. trademark rules, who could be held accountable for improper filings or improper behavior.

Although the USPTO weighed concerns that the rule would require non-U.S. applicants to incur more costs, it determined those concerns were outweighed by the significant costs that others, including the USPTO, were incurring as a result of applicant abuses. The USPTO also pointed out that the United States was an outlier among many non-U.S. trademark offices, which require local representatives to prosecute trademarks on behalf of foreign applicants.⁸

After thorough vetting and public comment, the rule was adopted and implemented on August 3, 2019.⁹ The new rule requires that all applicants and parties before the USPTO and TTAB not

domiciled¹⁰ in the United States appoint authorized U.S. counsel.

Impact of the U.S. Counsel Rule

Immediate Practical Impact

The immediate practical impact of the rule varies. For foreign-domiciled owners of existing trademark registrations, U.S. counsel will only be required to appear for post-registration actions, such as renewals. For trademark applications pending prior to implementation of the new rule, U.S. counsel must be appointed if an office action or other post-filing action occurs that requires a response. For matters pending before the TTAB, the TTAB has typically ordered unrepresented foreign-domiciled parties a prescribed period of time to appoint U.S. counsel. And, for new applications or TTAB proceedings, foreign-domiciled applicants must be represented by qualified U.S. counsel at the time of filing or appearance.¹¹

Positive Impact

Because the rule was one among several initiatives enacted in close succession to combat fraud and reinvigorate confidence in the federal trademark system, it is empirically difficult to assess the specific impact of the rule. Nevertheless, since implementation, the USPTO has reported some encouraging changes.

Although there was a surge in foreign applications in July 2019 prior to implementation of the new rule (with some residual inflation in August), the number of applications emanating from foreign jurisdictions after the implementation of the rule, and specifically China, have dropped precipitously. According to a presentation given by the USPTO on May 18, 2020, the number of Chinese applications dropped by 30 percent in just over one year—from 5,475 applications filed in March 2019 to only 3,768 filed in May 2020.

Likewise, the number of fake or altered specimen refusals, which surged in October when the majority of the July 2019 pre-rule applications were examined, dropped by 60 percent—from 6,250 refusals in October 2019 to 2,565 in November 2019.¹²

On balance, enactment of the rule seems to be moving the needle toward a reduction in improper filings. And as we gather more information on foreign filings, specimen refusals, and post-registration audits, those benefits will likely become more obvious.

Attempts to Circumvent the U.S. Counsel Rule

There is preliminary evidence that the USPTO's efforts are making positive strides, but because the rule is self-authenticating in the first instance,¹³ bad actors are finding new ways to circumvent the rule. The USPTO has observed several ways in which parties are attempting to circumvent the rule, including (1) using a U.S. address or mail drop to misrepresent the attorney's or the party's domicile; (2) misappropriating a U.S. attorney's credentials without the attorney's knowledge to create the appearance of proper representation; and (3) conspiring with an authorized U.S. attorney to use the attorney's credentials for self-representation.

Using a U.S. Address to Misrepresent a Party's Domicile

Some foreign applicants seeking entirely to avoid being subject to the rule are providing U.S. addresses to appear to be domiciled in the United States when that is not the case.¹⁴ Sometimes these are mail drops or mail receiving/forwarding agencies, and sometimes the party will use a random address unaffiliated with the applicant. This fraud is generally perpetrated at the application level.

If an application raises suspicion, the examining attorney may seek additional information to verify the address, but typically a special task force that handles fraud generally will examine the potential suspicious information, and the Office of Enrollment and Discipline (OED) can act accordingly.

Misappropriating an Attorney's Credentials

As noted above, for U.S. counsel to appear in USPTO trademark matters, the attorney must be an active member in good standing of the bar of the highest court of any state. And, due to the public accessibility of attorney information, it is not difficult for a fraudster to create the appearance of proper representation.

For example, a foreign party who intends to represent itself at the USPTO can easily conduct an internet search for "United States trademark attorneys." Such a search returns millions of hits of firm names, lists of the best trademark attorneys in the United States, and other resources for finding attorneys. From there, the party can generally find bar information through state-specific attorney registration websites, which often provide attorney bar numbers, addresses, and statuses

of good standing. This information alone is sufficient to satisfy the attorney requirements for filing documents with the USPTO.

Although our research has not uncovered any final decisions addressing this issue, as of October 22, 2020, the USPTO has issued more than 400 show cause orders to address this unauthorized activity.¹⁵ These include a large number of purportedly different applicants who all used the same counsel's information and who were identified when the attorney notified the USPTO, stating that the attorney had never represented a party before the USPTO or practiced trademark law.¹⁶

Conspiring with an Authorized Attorney

Another example of problematic behavior arising after implementation of the rule occurs when an attorney who satisfies the requirements to practice before the USPTO either solicits the attorney's own credentials for use by nondomiciled applicants or parties (often for a one-time fee) or is solicited to allow use of the attorney's credentials by a party who seeks to self-represent.¹⁷ Such agreements are contrary to the purpose of the rule, but more importantly, such arrangements could aid in the unauthorized practice of law, including under the USPTO Rules of Professional Conduct, which require attorneys to personally sign filings and correspondence and conduct reasonable inquiries before submitting any filings to confirm the facts have evidentiary support and are not filed for improper purposes.¹⁸ These schemes are difficult to detect, and we are thus far unaware of any precedential decisions addressing this type of behavior or how it was uncovered.¹⁹

Additional Potential Burdens and Need for Affirmative Action

Although these schemes may be possible to ferret out once the USPTO becomes aware of them, it is difficult to learn of these frauds unless called out either by the impersonated attorney, by a suspicious examining attorney or member of the special task force, or sometimes by adverse parties in inter partes proceedings. Thus, the rule creates some likely unanticipated burdens.

As discussed above, one way the USPTO learns about parties fraudulently using attorneys' credentials is when the authenticity of the credentials is challenged by the real attorney. This places a burden on *all* U.S. attorneys to check the USPTO public records regularly to make sure their credentials are not being misappropriated and to notify the USPTO if misappropriation occurred. This burden is not substantial, but in cases where an attorney does not practice

trademark law, this review of the USPTO website may never occur, and the fraud may go undetected and unreported.

Parties to TTAB proceedings are often the first defense against misuse of attorney credentials because they spend time entrenched in the matter and are most likely to catch inconsistencies, which lead to inquiries into the adverse attorney's information. This may require counsel to conduct costly investigations, draft lengthy motions, and invest significant resources to enforce the new rule, a responsibility not designed for parties before the TTAB. This burden is further compounded by the general reluctance of the TTAB to enter a procedural judgment, even if fraud is proved.

There is also risk of delay to proceedings when a foreign party engages U.S. counsel but cannot retain the counsel for one reason or another (e.g., nonpayment, potential fraud, etc.) and counsel withdraws. Generally, the party would then be allowed some time (likely 30 days²⁰) to retain new counsel. During this time, assuming they are able to retain new counsel, counsel will have to acquaint themselves with the matter, further delaying proceedings. This revolving door could go on for some time, depending upon the parties and the nuances of the matter.

Looking Forward

Despite new schemes to circumvent the rule and the potential additional burdens placed on U.S. attorneys and applicants and registrations, the USPTO's initiatives, including the formation of a special task force responsible for enforcing the initiatives and developing new policies and procedures, are having a positive impact on reducing fraudulent applications and specimens and improving confidence in the USPTO.

To continue improving and eliminating improper conduct, the USPTO is already investing in additional measures to combat abuse, including (1) building a database of specimens that can be searched to aid in identifying fakes; (2) amending the rules concerning specimens, including requiring that the website specimens include indicia of authenticity such as URLs and print dates; (3) considering a "zero fee" maintenance filing option to remove goods and services no longer in use; (4) providing additional education on use-in-commerce requirements; (5) requiring users to have a MyUSPTO²¹ account and to log in to use the trademark filing system (TEAS); and (6) implementing proof of identity requirements for each MyUSPTO user account.²²

Although the USPTO has so far stopped short of considering a separate trademark bar admission process (like that of the patent system), if abuses and fraud continue to rise, this will no doubt be on the table.

For now, as part of their best practices, attorneys should conduct routine checks through the Trademark Electronic Search System (TESS) and TTABVue portals²³ to confirm that their credentials have not been misappropriated. And attorneys and parties engaged in matters before the TTAB should be diligent in researching adverse counsel and notify the USPTO if there are any inconsistencies that raise concerns regarding the authenticity of the adverse counsel or their credentials.²⁴

Endnotes

1. *See* 37 C.F.R. § 11.1.

2. For the text of 37 C.F.R. § 11.14 prior to the 2019 amendments, see <https://www.govinfo.gov/content/pkg/CFR-2019-title37-vol1/xml/CFR-2019-title37-vol1-sec11-14.xml>. The rules also permitted Canadian counsel to represent Canadian parties, provided the attorney applied for, and was granted, recognition by the OED.

3. In comparison, patent practitioners must apply for registration, take a patent-specific exam, complete a data sheet and oath of affirmation, and pay a registration fee. *See Becoming a Patent Practitioner*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/learning-and-resources/patent-and-trademark-practitioners/becoming-patent-practitioner> (last modified Oct. 19, 2020).

4. Statement of Commissioner for Trademarks Mary Boney Denison before the United States House Subcommittee on Courts, Intellectual Property, and the Internet Committee on the Judiciary (July 18, 2019), <https://www.uspto.gov/about-us/news-updates/statement-commissioner-trademarks-mary-boney-denison-united-states-house> [hereinafter Commissioner Denison Statement].

5. *See* Commissioner Denison Statement, *supra* note 4; *see also* Josh Gerben, *Massive Wave of Fraudulent US Trademark Filings Likely Caused by Chinese Government Payments*, GERBEN, <https://www.gerbenlaw.com/blog/chinese-business-subsidies-linked-to-fraudulent-trademark-filings> (last visited Oct. 28, 2020) (discussing subsidies offered by the Shenzhen province to encourage Chinese businesses to expand their businesses globally).

6. Additional programs designed to address these activities include a program that audits post-registration maintenance filings for proof of use, a special task force to address fake specimens and false use claims, improvements to examiner training, and pilot programs to expedite TTAB proceedings. *See* Commissioner Denison Statement, *supra* note 4.

7. *See Trademark Rule Requires Foreign-Domiciled Applicants and Registrants to Have a U.S.-Licensed Attorney*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/trademark/laws-regulations/trademark-rule-requires-foreign-applicants-and-registrants-have-us> (last modified June 15, 2020).

8. *See* Commissioner Denison Statement, *supra* note 4.

9. *See* Requirement of U.S. Licensed Attorney for Foreign Trademark Applicants and Registrants, 84 Fed. Reg. 31,498 (July 2, 2019).

10. Domicile is defined as the “permanent legal place of residence” of a natural person or the “principal place of business” of a juristic entity. 37 C.F.R. § 2.2(o); *see also* U.S. PATENT & TRADEMARK OFFICE, EXAMINATION GUIDE 4-19 (REVISED) § I(A) (2019), <https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%2004-19.pdf>.

11. *See Trademark Rule Requires Foreign-Domiciled Applicants and Registrants to Have a U.S.-Licensed Attorney*, *supra* note 7.

12. Although the number of fake or altered specimen refusals is generally higher when comparing March 2019 to March 2020, this is likely less as a result of more fake or altered specimens being filed with applications and more likely the result of the USPTO’s work to identify fake or altered specimens during examination.

13. Although the USPTO has an OED, a party who represents that it is qualified to practice under 37 C.F.R. § 11.14 will be taken at their word. There is no verification process.

14. *See, e.g.*, Transcript of Trademark Public Advisory Committee Meeting (Nov. 1, 2019), https://www.uspto.gov/sites/default/files/documents/TPAC_Transcript_20191101.pdf.

15. *See Orders Issued by the Commissioner for Trademarks*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/trademark/trademark-updates-and-announcements/orders-issued->

[commissioner-trademarks](#) (last modified Aug. 5, 2020).

16. *See id.*

17. *See Trademark Rule Requires Foreign-Domiciled Applicants and Registrants to Have a U.S.-Licensed Attorney*, *supra* note 7.

18. 37 C.F.R. pt. 11.

19. The TTAB was asked to evaluate a motion for sanctions for circumventing the rule in *eBay Inc. v. Edutec Limited*. Although the TTAB concluded in a nonprecedential decision that “documents filed in this proceeding that include [Applicant’s U.S. counsel’s] signature appear to have been filed by Applicant’s [in-house] representative,” the TTAB declined to issue sanctions and instead ordered the applicant to appoint a new, qualified U.S. counsel. *See* *eBay Inc. v. Edutec Limited*, Opposition No. 91241109 (T.T.A.B. June 3, 2020), <https://ttabvue.uspto.gov/ttabvue/v?pno=91241109&pty=OPP&eno=43>.

20. *See* TRADEMARK TRIAL AND APPEAL BOARD MANUAL OF PROCEDURE (TBMP) § 513.01 (June 2020).

21. *See TEAS Login Requirement*, U.S. PAT. & TRADEMARK OFF. (Sept. 23, 2019), <https://www.uspto.gov/about-us/news-updates/teas-login-requirement>.

22. *See* Commissioner Denison Statement, *supra* note 4, for full detail on these initiatives. *See also* Press Release, U.S. Patent & Trademark Office, New U.S. Counsel Rule: USPTO’s Initiatives to Ensure Accuracy and Integrity of the Trademark Register (July 30, 2019), <https://www.uspto.gov/about-us/news-updates/op-ed-new-us-counsel-rule-usptos-initiatives-ensure-accuracy-and-integrity>.

23. *See* TRADEMARK ELECTRONIC SEARCH SYSTEM (TESS), <http://tmsearch.uspto.gov> (last visited Oct. 28, 2020) (use “Free Form” search); TRADEMARK TRIAL AND APPEAL BOARD INQUIRY SYSTEM (TTABVUE), <https://ttabvue.uspto.gov/ttabvue> (last visited Oct. 28, 2020) (search “Correspondent”).

24. If your attorney information has been misappropriated, you may contact the OED at oed@uspto.gov or via mail at Mail Stop OED, U.S. Patent and Trademark Office, P.O. Box 1450, Alexandria, VA 22313-1450. You may also contact the Office of the Commissioner for Trademarks at tmpolicy@uspto.gov or via mail at U.S. Patent and Trademark Office Commissioner for

Trademarks, Attn: Administrator for Trademark Policy & Procedure, 600 Dulany Street, Madison Building East, 10th Floor, Alexandria, VA 22313 1450.

ENTITY:

SECTION OF INTELLECTUAL PROPERTY LAW

TOPIC:

INTELLECTUAL PROPERTY

Authors

Amanda Marston

Amanda Marston is an associate at Holland & Hart LLP in Boulder, Colorado. She specializes in providing comprehensive counseling, strategic advice, and enforcement and litigation support to clients with trademark and copyright needs.

Hope Hamilton

Hope Hamilton is a partner at Holland & Hart LLP in Boulder, Colorado. She specializes in contentious trademark and copyright matters.