



[3510-16]

DEPARTMENT OF COMMERCE

United States Patent and Trademark Office

37 CFR Parts 2 and 7

[Docket No. PTO-T-2016-0002]

RIN 0651-AD07

Changes in Requirements for Affidavits or Declarations of Use, Continued Use, or Excusable Nonuse in Trademark Cases

AGENCY: United States Patent and Trademark Office, Commerce.

ACTION: Final rule.

SUMMARY: In order to assess and promote the accuracy and integrity of the trademark register, the United States Patent and Trademark Office (USPTO or Office) amends its rules concerning the examination of affidavits or declarations of continued use or excusable nonuse filed pursuant to section 8 of the Trademark Act, or affidavits or declarations of use in commerce or excusable nonuse filed pursuant to section 71 of the Act. Specifically, under the regulations enacted herein, the USPTO may require the

submission of information, exhibits, affidavits or declarations, and such additional specimens of use as may be reasonably necessary for the USPTO to ensure that the register accurately reflects marks that are in use in commerce in the United States for all the goods/services identified in the registrations, unless excusable nonuse is claimed in whole or in part. A register that does not accurately reflect marks in use in commerce in the United States for the goods/services identified in registrations imposes costs and burdens on the public. The amended rules will allow the USPTO to require additional proof of use to verify the accuracy of claims that a trademark is in use in commerce in connection with particular goods/services identified in the registration.

DATES: This rule is effective on **[INSERT DATE 30 DAYS FROM DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

FOR FURTHER INFORMATION CONTACT: Catherine Cain, Office of the Deputy Commissioner for Trademark Examination Policy, by e-mail at TMFRNotices@uspto.gov, or by telephone at (571) 272-8946.

SUPPLEMENTARY INFORMATION:

Purpose: The USPTO revises the rules in parts 2 and 7 of title 37 of the Code of Federal Regulations to allow the USPTO, during the examination of affidavits or declarations of continued use or excusable nonuse filed pursuant to section 8 of the Trademark Act, 15 U.S.C. 1058, or affidavits or declarations of use in commerce or excusable nonuse filed pursuant to section 71 of the Trademark Act, 15 U.S.C. 1141k

(section 8 or section 71 affidavits), to require the submission of such information, exhibits, affidavits or declarations, and such additional specimens of use as may be reasonably necessary for the USPTO to verify the accuracy of claims that a trademark is in use in commerce in connection with the goods/services listed in the registration.

This will benefit the public because it will facilitate the USPTO's ability to assess and promote the integrity of the trademark register by encouraging accuracy in the identification of goods/services for which use in commerce or continued use is claimed. The accuracy of the trademark register as a reflection of marks that are actually in use in commerce in the United States for the goods/services identified in the registrations listed therein serves an important purpose for the public. The public relies on the register to determine whether a chosen mark is available for use or registration. Where a party's search of the register discloses a potentially confusingly similar mark, that party may incur a variety of resulting costs and burdens, such as those associated with investigating the actual use of the disclosed mark to assess any conflict, proceedings to cancel the registration or oppose the application of the disclosed mark, civil litigation to resolve a dispute over the mark, or changing plans to avoid use of the party's chosen mark. If a registered mark is not actually in use in commerce in the United States, or is not in use in commerce in connection with all the goods/services identified in the registration, these costs and burdens may be incurred unnecessarily. An accurate and reliable trademark register helps avoid such needless costs and burdens.

The amended rules also facilitate the cancellation of registrations for marks that were never in use in commerce or are no longer in use, and for which acceptable claims of excusable nonuse were not submitted, in connection with the identified goods/services.

The statutory requirements in sections 8 and 71 exist to enable the USPTO to clear the register of deadwood by cancelling, in whole or in part, registrations for marks that are not in use in commerce for all or some of the goods/services identified in the registration. The rules enacted herein further this statutory purpose.

Background

Post Registration Proof-of-Use Pilot Program: A final rule was published in the Federal Register on May 22, 2012 (77 FR 30197), in which the USPTO announced a two-year pilot program to assess and promote the accuracy and integrity of the trademark register. The USPTO randomly selected 500 registrations for which section 8 and section 71 affidavits were filed to participate in the pilot program to determine the actual use in commerce of the marks in connection with the goods/services identified in the registrations. As part of the pilot program, the selected trademark owners were required to submit proof of use of their marks for additional goods/services per class, in addition to the one specimen per class submitted with their affidavits, and to verify use of the additional goods/services during the statutory filing period.

In 51% of the registrations selected for the pilot, the trademark owners failed to supply additional verified proof of use on specific goods/services for which use in commerce was initially claimed. Of this 51%, in 35% of the registrations, the owner requested that some goods/services that were initially claimed to be in use in commerce be deleted, and the remaining 16% of the registrations were cancelled because the trademark owners failed to respond to the requirements for additional proof or to other issues raised during examination of the section 8 or section 71 affidavit. Ultimately, the

section 8 and section 71 affidavits were accepted for 84.4%, or 422 registrations, which included acceptances issued after goods/services queried under the pilot were deleted.

The status reports issued throughout the course of the pilot all supported the need for ongoing efforts aimed at ensuring the accuracy and integrity of the trademark register as to the actual use in commerce of marks in connection with the goods/services identified in the registrations. To that end, the USPTO held a roundtable discussion on December 12, 2014, for various stakeholder groups, requested written comments from interested parties to further explore the topic, and discussed the topic at several other outreach sessions. During the roundtable discussion and outreach sessions, one suggestion that received widespread support was to establish a permanent program similar to the proof-of-use pilot. The USPTO considered this recommendation in proposing the permanent program set forth in the notice of proposed rulemaking published in the Federal Register on June 22, 2016, at 81 FR 40589. As discussed below, the Office considered all public comments received during the comment period in the development of this final rule.

Proposed Rule: Comments and Responses

The USPTO published a proposed rule on June 22, 2016, soliciting comments on the proposed amendments. In response, the USPTO received comments from six organizations and eight individual commenters representing law firms, corporations, and individuals. The Office received comments both generally supporting and objecting to the proposed requirements. The commenters who supported the goal of promoting the integrity of the register by encouraging accuracy in the listing of goods/services for which use in commerce is claimed agreed that the rules will facilitate the cancellation of

registrations of marks that were never in use in commerce or are no longer in use. In addition, several of those commenters expressed suggestions or concerns regarding the audit program. Similar comments have been grouped together and summarized below, followed by the USPTO's responses. All comments are posted on the USPTO's website at <https://www.uspto.gov/trademark/trademark-updates-and-announcements/comments-changes-requirements-affidavits-or>.

Comment 1: One commenter suggested that costs imposed on trademark owners will likely be minimal because owners will only be randomly selected and not routinely or repeatedly subject to audits and another commenter noted that the information sought is within the knowledge of the trademark owner and should be simple to produce if there is indeed use. Another commenter stated that the proposed procedure would add an additional cost in terms of time and legal expense, but that the cost is generally offset by the public-policy benefit.

Response: The USPTO appreciates the commenters' support of the rule changes and concurs that the rule changes create minimal burdens on trademark owners. The USPTO also notes that as trademark owners are already required to ascertain whether a mark is currently in use in commerce with all the goods/services in connection with the filing of a section 8 or section 71 affidavit, any additional requirement to provide proof of such use with select goods/services should not be unduly burdensome or costly. Although approximately one-third of section 8 and section 71 affidavits are filed pro se, the USPTO assumes that an attorney is representing the registrant, and estimates it will take approximately one hour to comply.

Comment 2: One commenter noted that the proposed rule did not address the issue of the “abuse” encouraged by the Madrid Protocol system where there is no pre-registration use requirement for Madrid Protocol applications. Another commenter suggested that the proposed changes could be a model for changes to the process for affidavits or declarations of incontestability under section 15 of the Trademark Act, 15 U.S.C. § 1065, by expanding the audit procedure to a percentage of section 15 affidavits. The commenter expressed concern that the cost of a faulty section 15 affidavit is high, given the ability of a registrant to use incontestability as leverage in disputes.

Response: The USPTO appreciates the commenters’ concerns, but notes that the Madrid Protocol is an international treaty that became effective in the United States on November 2, 2003. Addressing any concerns related to the Madrid Protocol or its regulations is beyond the scope of this rulemaking, as is any expansion in the audit procedure to a percentage of section 15 affidavits.

Comment 3: One commenter requested that the USPTO consider some form of concession for registrants who are audited and successfully comply with audit requirements, such as an immediate fee reduction in the cost of a section 8 or section 71 affidavit or a future fee offset. Another commenter suggested that the USPTO offer registrants the option to elect out of the random audit by checking a box on the electronic form and voluntarily providing evidence of use for each good/service in a class. A third commenter recommended that the USPTO address abusive practices by: requiring specimens for all goods/services; requiring automatic audits of lengthy identifications of goods and services; allowing applicants whose mark is the subject of a likelihood-of-confusion refusal to petition the Office to audit a registration; providing an item-by-item

checklist of all goods/services claimed and requiring registrants to specifically declare use for each good/service; shortening the initial period for filing a section 8 or section 71 affidavit; implementing a penalty system to incentivize renewal only for goods/services that are actually being used; and making more data available to the public concerning the marks on the register, the number of applications and renewals filed, and the number of refusals and amendments filed.

Response: The USPTO notes that although registrants are required to submit only one specimen of use in commerce per class with a section 8 or section 71 affidavit, they are not prevented from voluntarily providing evidence of use in commerce for each good/service listed in the registration. If a registrant does so, it would diminish the likelihood that additional proof of use would be required if the registration is selected for audit. However, any proposal to reduce the fees for section 8 or section 71 affidavits, to create a tiered fee structure, to implement a monetary penalty, to require specimens for all goods/services, or to allow a third party to petition the Office to audit a registration would require separate rulemakings. Moreover, shortening the initial filing period for a section 8 or section 71 affidavit would require Congressional action to amend the Trademark Act. Even if the statute was amended, such proposals would also require substantial changes to the Trademark electronic filing system, as would modifying the forms to require, or allow the owner to elect to provide, proof of use for each good/service listed on the registration. Regarding the request to make data available to the public, the USPTO notes that information about application filings, active registrations, and new registrations by fiscal year is available on the USPTO website at

<https://www.uspto.gov/dashboards/trademarks/main.dashxml>. The USPTO will consider making the other requested data available at a future date.

Comment 4: One commenter stated that cancelling the entire registration for failure to respond to an Office action is overly harsh if the specimen(s) originally submitted with the section 8 or section 71 affidavit are acceptable. In such cases, the commenter recommends that the USPTO cancel only those goods/services that are not supported by the specimen(s) submitted with the relevant affidavit.

Response: As in the pilot program, owners of the registrations selected will be afforded the usual post-registration response period to the Office action requiring additional information and are subject to the same consequences for failure to respond. In general, Office actions issued in relation to section 8 and section 71 affidavits are governed by the Trademark Act and rules. 15 U.S.C. 1058(c), (e), 1141k(c), (e); 37 CFR 2.163, 7.39. A response to a post-registration Office action must be filed within six months of the date of issuance of the Office action, or before the end of the filing period set forth in section 8(a) or section 71(a) of the Act, whichever is later. 37 CFR 2.163(b), 7.39(a). Failure to respond within the prescribed time periods results in cancellation of the registration, unless time remains in the grace period for filing a new affidavit. 37 CFR 2.163(c), 7.39(b). If no time remains in the grace period, trademark owners may file a petition to the Director under 37 CFR 2.146(a)(5) and 2.148 to waive 37 CFR 2.163(b) so that a late response to the Office action may be accepted. However, the Director will waive a rule only in an extraordinary situation, where justice requires, and no other party is injured. 37 CFR 2.146(a)(5), 2.148.

Comment 5: One commenter expressed concern that the proposed amendments were vague, unnecessarily open ended, and insufficiently described to properly assess the likely impact and effectiveness of the audit program. Another commenter requested that the USPTO have further discussions with stakeholder groups prior to implementation of the program.

Response: The USPTO appreciates the commenters' concerns and notes that the expected impact and effectiveness of the audit program can be initially assessed in relation to the results of the pilot program, which supported the need for ongoing efforts aimed at ensuring the accuracy and integrity of the trademark register as to the actual use in commerce of marks in connection with the goods/services identified in the registrations. In addition, the widespread support among stakeholders to establish a permanent program is attributable to the results of the pilot program. An overview of the audit program enacted herein, which is similar to the pilot, is described in the section entitled Overview of the Audit Program of this final rule. As noted in that section, section 8 and section 71 affidavits in which the mark is registered for more than one good or service per class are subject to audit. The additional information or specimens required will be reviewed according to the generally accepted standards for use in commerce. The USPTO notes that there is a uniform standard for determining what constitutes an acceptable specimen both prior to and post registration and finds no basis to establish a different standard for use of the mark in commerce in the context of the audit program. The USPTO believes such a distinction would be a disservice to the public. Not only would a new standard for determining what constitutes acceptable use in commerce increase public confusion, but it would also call into question whether a

mark is actually used with particular goods or services. The USPTO also intends to discuss with stakeholder groups the procedures that it will employ to carry out the program to obtain feedback regarding the procedures. These procedures will ultimately be available to the public and internal and external customers in the Trademark Manual of Examining Procedure.

Comment 6: Two commenters objected to any changes, as they believed the current rule is clear and the present practice is appropriate. One suggested that the existing rule is less susceptible to discriminatory application and that the proposed rule is not capable of being applied equally to all “applicants.” The other commenter stated that it is not the role of the Office to police registrations and if a registrant is not using a mark in connection with all goods/services in the registration, the registration may be challenged in a cancellation proceeding before the Trademark Trial and Appeal Board (TTAB).

Response: The USPTO appreciates the commenters’ concerns regarding equal application of the rules, and notes that registrants, rather than applicants, would be subject to any requirements under the rules. The USPTO does not anticipate that the final rule will have a disproportionate impact upon any particular class of registrant and has determined that its objective of ensuring the accuracy and integrity of the register can be fairly reached by randomly selecting the registrations subject to audit based on the procedures discussed below. Any entity that has a registered trademark in which the mark is registered for more than one good or service per class could potentially be impacted by the rules.

The USPTO agrees that cancellation proceedings before the TTAB provide an avenue for third parties to seek removal of registrations for marks that are not in use in commerce for some or all of the goods/services identified in the registration. However, as discussed above, the accuracy of the trademark register as a reflection of marks that are actually in use in commerce in the United States for the goods/services identified in the registrations listed therein serves an important purpose for the public, which relies on the register to determine whether a chosen mark is available for use or registration. For example, when a party's search of the register discloses a potentially confusingly similar mark, that party may incur a variety of resulting costs and burdens, such as those associated with proceedings to cancel the registration. If a registered mark is not actually in use in commerce in the United States, or is not in use in commerce in connection with all the goods/services identified in the registration, the cost of undertaking a cancellation proceeding may be incurred unnecessarily. In addition, the results of the pilot audit program supported the need for ongoing efforts aimed at ensuring the accuracy and integrity of the trademark register as to the actual use in commerce of marks in connection with the goods/services identified in live registrations. Further, outreach to stakeholder groups and interested parties in the aftermath of the pilot yielded widespread support for establishing a permanent proof-of-use program similar to the pilot. Therefore, the USPTO believes that establishing a permanent program for auditing registrations that include multiple goods/services furthers the public policy of ensuring the accuracy of the trademark register.

Overview of the Audit Program

The USPTO herein enacts a permanent audit program whereby it will conduct random audits of the combined total of section 8 and section 71 affidavits filed each year in which the mark is registered for more than one good or service per class. The USPTO anticipates that upon initial implementation it would conduct random audits of up to approximately 10% of such affidavits and may increase the percentage going forward, depending on results and as resources allow. As part of the review of the selected affidavits, in addition to the one specimen of use per class currently required, owners will be required to provide additional proof of use in the nature of information, exhibits, affidavits or declarations, and specimens showing use in commerce.

In a selected case, the USPTO will issue an Office action specifying the goods/services for which additional proof of use is required. Upon implementation, the USPTO anticipates requesting proof of use for two additional goods/services per class in the initial Office action. Thereafter, the owner may be required to submit proof of use in commerce for additional goods/services. If there is only one good/service in a class, additional proof of use will be required if the specimen submitted with the section 8 or section 71 affidavit would not also be acceptable to show actual use in commerce. The Office action will also advise trademark owners to delete those goods/services for which they are unable to provide the requested proof of use. It will further advise owners to delete all goods/services not in use in commerce because the Office may issue subsequent actions requiring proof of use on some, or all, remaining goods/services.

As in the pilot program, trademark owners will be afforded the usual response period to the Office action, that is, a response would be due within six months of the issuance date of the Office action, or before the end of the statutory filing period for the

section 8 or section 71 affidavit, whichever is later. 37 CFR 2.163(b), 7.39(a). If the trademark owner responds, but is ultimately unable to provide the requested information, exhibits, affidavits or declarations, and specimens, the USPTO would deem the section 8 or section 71 affidavit unacceptable as to the goods/services to which the requirement pertained and will cancel such goods/services from the registration. If no response to the Office action is filed within six months of the issuance date of the Office action, or before the end of the statutory filing period for the section 8 or section 71 affidavit, whichever is later, the USPTO will cancel the entire registration, unless time remains in the grace period under section 8(a)(3) or section 71(a)(3) of the Act. 15 U.S.C. 1058(a)(3), 1141k(a)(3); 37 CFR 2.163, 7.39. If time remains in the grace period, the owner may file a complete new section 8 or section 71 affidavit, with a new fee and grace-period surcharge. 37 CFR 2.161(d)(2), 7.36(b)(3). The USPTO further clarifies that trademark owners may also file a petition to the Director under 37 CFR 2.146(a)(5) and 2.148 to waive 37 CFR 2.163(b) so that a late response to an Office action may be accepted. However, the Director will waive a rule only in an extraordinary situation, where justice requires, and no other party is injured. 37 CFR 2.146(a)(5), 2.148.

Costs and Benefits: This rulemaking is not considered to be economically significant under Executive Order 12866 (Sept. 30, 1993).

Discussion of Proposed Regulatory Changes

The USPTO amends 37 CFR 2.161 and 7.37 to provide that the USPTO may require such information, exhibits, affidavits or declarations, and such additional specimens of use as may be reasonably necessary for the USPTO to assess and promote the accuracy and integrity of the register. The current rules mandate the submission of

only one specimen per class in connection with a section 8 or section 71 affidavit unless additional information, exhibits, affidavits or declarations, or specimens are necessary for proper examination of the affidavit itself. 37 CFR 2.161(g), (h), 7.37(g), (h). This final rule will allow the USPTO to require additional proof of use of a mark not only to facilitate proper examination of a section 8 or section 71 affidavit, but also to verify the accuracy of claims that a trademark is in use on or in connection with the goods/services identified in the registration

The USPTO revises § 2.161(h) to add the phrase “or for the Office to assess and promote the accuracy and integrity of the register” at the end of the paragraph.

The USPTO revises § 7.37(h) to add the phrase “or for the Office to assess and promote the accuracy and integrity of the register” at the end of the paragraph.

Rulemaking Requirements

Administrative Procedure Act: The changes in this rulemaking involve rules of agency practice and procedure, and/or interpretive rules. See Perez v. Mortg. Bankers Ass’n, 135 S. Ct. 1199, 1204 (2015) (interpretive rules “advise the public of the agency’s construction of the statutes and rules which it administers”) (citation and internal quotation marks omitted); Nat’l Org. of Veterans’ Advocates v. Sec’y of Veterans Affairs, 260 F.3d 1365, 1375 (Fed. Cir. 2001) (rule that clarifies interpretation of a statute is interpretive); Bachow Commc’ns Inc. v. FCC, 237 F.3d 683, 690 (D.C. Cir. 2001) (rules governing an application process are procedural under the Administrative Procedure Act); Inova Alexandria Hosp. v. Shalala, 244 F.3d 342, 350 (4th Cir. 2001) (rules for handling appeals were procedural where they did not change the substantive standard for reviewing claims).

Accordingly, prior notice and opportunity for public comment for the changes in this rulemaking are not required pursuant to 5 U.S.C. 553(b) or (c), or any other law. See Perez, 135 S. Ct. at 1206 (notice-and-comment procedures are required neither when an agency “issue[s] an initial interpretive rule” nor “when it amends or repeals that interpretive rule”); Cooper Techs. Co. v. Dudas, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008) (stating that 5 U.S.C. 553, and thus 35 U.S.C. 2(b)(2)(B), does not require notice and comment rulemaking for “interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice,” quoting 5 U.S.C. 553(b)(A)). However, the USPTO has chosen to seek public comment before implementing the rule.

Final Regulatory Flexibility Analysis:

The USPTO publishes this Final Regulatory Flexibility Analysis (FRFA) as required by the Regulatory Flexibility Act (RFA) (5 U.S.C. 601 et seq.) to examine the impact of the Office’s post-registration audit program on small entities. Under the RFA, whenever an agency is required by 5 U.S.C. 553 (or any other law) to publish a notice of proposed rulemaking (NPRM), the agency must prepare and make available for public comment a FRFA, unless the agency certifies under 5 U.S.C. 605(b) that the proposed rule, if implemented, will not have a significant economic impact on a substantial number of small entities. 5 U.S.C. 603, 605. The USPTO published an Initial Flexibility Analysis (IRFA), along with the NPRM, on June 22, 2016 (81 FR 40589). The USPTO received no comments from the public directly applicable to the IFRA, as stated below in Item 2.

Items 1–6 below discuss the six items specified in 5 U.S.C. 604(a)(1)–(6) to be addressed in a FRFA. Item 6 below discusses alternatives considered by the Office.

1. Succinct statement of the need for, and objectives of, the rule:

The USPTO amends its rules to require any information, exhibits, affidavits or declarations, and such additional specimens deemed reasonably necessary to assess and promote the accuracy and integrity of the trademark register in connection with the examination of a section 8 or section 71 affidavit. Post registration affidavits under section 8 or section 71, and their accompanying specimens of use, demonstrate a registration owner's continued use of its mark in commerce for the goods/services identified in the registration. The revisions enacted herein will facilitate the USPTO's ability to ensure that the register accurately reflects marks that are in use in commerce that may be regulated by the U.S. Congress for the goods/services identified therein.

The objective of the rulemaking is to allow the USPTO to assess and promote the integrity of the trademark register. The Trademark Act gives the Director discretion regarding the number of specimens to require. 15 U.S.C. 1051(a)(1), (d)(1), 1058(b)(1)(C), 1141k(b)(1)(C). The current rules mandate the submission of only one specimen per class in connection with a section 8 or section 71 affidavit unless additional information, exhibits, affidavits or declarations, or specimens are necessary for proper examination of the affidavit itself. 37 CFR 2.161(g), (h), 7.37(g), (h). However, these rules do not currently allow the Office to require additional specimens or other information or exhibits in order to verify that the mark is in use on additional goods/services listed in the registration. The final rule will allow the USPTO to properly examine the nature and veracity of allegations of use made in connection with the submission of a section 8 or section 71 affidavit, and thereby assess and promote the

integrity of the register by verifying that the register accurately reflects the goods/services for which use is claimed for a given registered mark.

2. A statement of the significant issues raised by the public comments in response to the initial regulatory flexibility analysis, a statement of the assessment of the agency of such issues, and a statement of any changes made in the proposed rule as a result of such comments:

The USPTO did not receive any public comments in response to the IRFA. However, the Office received comments about the audit program in general, which are further discussed in the preamble.

3. The response of the agency to any comments filed by the Chief Counsel for Advocacy of the Small Business Administration in response to the proposed rule, and a detailed statement of any change made to the proposed rule in the final rule as a result of the comments:

The USPTO did not receive any comments filed by the Chief Counsel for Advocacy of the Small Business Administration in response to the proposed rule.

4. Description of and an estimate of the number of small entities to which the rule will apply or an explanation of why no such estimate is available:

The USPTO does not collect or maintain statistics in trademark cases on small-versus large-entity registrants, and this information would be required in order to estimate the number of small entities that would be affected by the final rule. However, the USPTO believes that the overall impact of the regulations enacted herein on registrants will be relatively minimal.

After registration, trademark owners must make periodic filings with the USPTO to maintain their registrations. A section 8 or section 71 affidavit is a sworn statement in which the registrant specifies the goods/services/collective membership organization for which the mark is in use in commerce and/or the goods/services/collective membership organization for which excusable nonuse is claimed. 15 U.S.C. 1058, 1141k. The purpose of the section 8 and section 71 affidavits is to facilitate the cancellation, by the Director, of registrations of marks no longer in use in connection with the goods/services/collective membership organization identified in the registrations. The final rule applies to any entity filing a section 8 or section 71 affidavit, but only a subset of trademark owners would be required to provide more than one specimen or additional information, exhibits, or specimens in connection with the audit. The USPTO is unable to estimate the subset of trademark owners who are small entities that are impacted by the proposed rules. In Fiscal Year 2016, approximately 150,000 section 8 affidavits and 9,100 section 71 affidavits were filed.

5. Description of the reporting, recordkeeping, and other compliance requirements of the final rule, including an estimate of the classes of small entities which will be subject to the requirement and the type of professional skills necessary for preparation of the report or record:

The final rule imposes no new recordkeeping requirements on trademark registrants.

Regarding compliance with this final rule, as an initial matter, the USPTO does not anticipate the rules to have a disproportionate impact upon any particular class of small or large entities. Any entity that has a registered trademark in which the mark is

registered for more than one good or service per class could potentially be impacted by the final rule.

The USPTO enacts herein a permanent program where it would conduct random audits of section 8 and section 71 affidavits that are filed in which the mark is registered for more than one good or service per class. The USPTO anticipates that upon initial implementation it would conduct random audits of up to approximately 10% of such affidavits and may increase the percentage going forward, depending on results and as resources allow. In those post registration cases where an initial requirement for additional information, exhibits, affidavits or declarations, and specimens is issued in an Office action, although approximately one-third of section 8 and section 71 affidavits are filed pro se, the USPTO assumes that an attorney is representing the registrant, and estimates it will take approximately one hour to comply. To that end, the USPTO provides an online electronic form for responding to Office actions.

Similar to the submission necessary for the statutorily required section 8 and section 71 affidavits, a response to an Office action issued in connection with these affidavits will generally necessitate gathering and submitting one or more specimens of use and an accompanying declaration. Therefore, under the final rule, the type of fact gathering and review of the nature and extent of the use of the mark that underlies a section 8 or section 71 affidavit will already have occurred. Compliance with the requirements enacted herein will only necessitate gathering and submitting the additional evidence to demonstrate and support what has previously been assessed.

Assuming the mark is in use as claimed, the compliance time involves the length of time to secure additional information, exhibits, affidavits or declarations, or specimens

and accompanying declaration, plus any time it takes an attorney to communicate with the client in order to obtain what is required and make the necessary filing with the USPTO. As noted above, approximately one-third of section 8 and section 71 affidavits are filed pro se. Trademark owners selected for review are likely to have a shorter compliance time than what the USPTO has estimated, which assumes the involvement of an attorney. The final rule does not mandate the use of legal counsel.

6. Description of the steps the agency has taken to minimize the significant economic impact on small entities consistent with the stated objectives of applicable statutes, including a statement of the factual, policy, and legal reasons for selecting the alternative adopted in the final rule and why each one of the other significant alternatives to the rule considered by the agency which affect the impact on small entities was rejected:

The USPTO has considered whether and how it is appropriate to reduce any burden on small businesses through increased flexibility. The following alternatives were considered, but rejected, by the USPTO.

The USPTO considered an alternative where it would not require additional information, exhibits, affidavits or declarations, and specimens in connection with section 8 or section 71 affidavits, or where it would exempt small entities from such requirements. This alternative would have a lesser economic impact on small entities, but was rejected because it would not accomplish the stated objective of assessing and promoting the integrity of the trademark register by verifying that marks are in use for the goods/services identified in the registration. As noted above, the results of the post registration proof-of-use pilot supported the need for ongoing efforts aimed at assessing

and promoting the accuracy and integrity of the register as to the actual use of marks in connection with the goods/services identified in the registrations. Subsequent outreach efforts revealed widespread support for continuing the pilot program on a permanent basis. Exempting small entities would prevent consideration of all section 8 and section 71 affidavits and not achieve the stated objective of assessing and promoting the accuracy and integrity of the register.

The stated objective of the final rule also facilitates the cancellation of registrations for marks that are no longer in use or that were never used, and for which acceptable claims of excusable nonuse were not submitted, in connection with the identified goods/services. The statutory requirements in sections 8 and 71 exist to enable the USPTO to clear the register of deadwood by cancelling, in whole or in part, registrations for marks that are not in use for all or some of the goods/services identified in the registration. The final rule furthers this statutory purpose. Exempting small entities from possible scrutiny regarding use allegations would fail to address marks not used by them, thereby not achieving the objective.

The USPTO considered a second alternative that would extend the time period for compliance by small entities. However, this was rejected because there appears to be no reason that meeting the requirements of the final rule would be more time consuming for small entities. The USPTO's standard six-month time period for responding to Office actions allows sufficient time regardless of small-entity status.

Finally, the USPTO considered an alternative that would streamline or simplify the compliance mechanism for small entities, but it was deemed unnecessary given the ease of responding electronically to Office actions using the Trademark Electronic

Application System Response to Post Registration Office Action form. Thus, under the final rule, compliance will be as streamlined and simplified as possible for all affected entities. Moreover, where the objective is to verify the accuracy of a claim of use in a section 8 or section 71 affidavit, the requirements for additional information, exhibits, affidavits or declarations, and specimens demonstrating the manner of use of the mark in connection with the specified goods/services are the least burdensome and most efficient means of achieving the objective of assessing and promoting the accuracy and integrity of the register by verifying allegations of use.

Use of performance rather than design standards is not applicable to the final rulemaking because the USPTO is not issuing any sort of standard. This final rule will require registrants to furnish evidence of use, rather than comply with a performance or design standard.

Executive Order 12866 (Regulatory Planning and Review): This rulemaking has been determined to be not significant for purposes of Executive Order 12866 (Sept. 30, 1993).

Executive Order 13563 (Improving Regulation and Regulatory Review): The USPTO has complied with Executive Order 13563 (Jan. 18, 2011). Specifically, the USPTO has, to the extent feasible and applicable: (1) made a reasoned determination that the benefits justify the costs of the rule changes; (2) tailored the rules to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) provided the public with a meaningful opportunity to participate in the regulatory process, including soliciting the

views of those likely affected prior to issuing a notice of proposed rulemaking, and provided on-line access to the rulemaking docket; (7) attempted to promote coordination, simplification, and harmonization across government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes, to the extent applicable.

Executive Order 13132 (Federalism): This rulemaking does not contain policies with federalism implications sufficient to warrant preparation of a Federalism Assessment under Executive Order 13132 (Aug. 4, 1999).

Congressional Review Act: Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801 et seq.), prior to issuing any final rule, the USPTO will submit a report containing the final rule and other required information to the United States Senate, the United States House of Representatives, and the Comptroller General of the Government Accountability Office. The changes in this notice are not expected to result in an annual effect on the economy of 100 million dollars or more, a major increase in costs or prices, or significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets. Therefore, this notice is not expected to result in a “major rule” as defined in 5 U.S.C. 804(2).

Unfunded Mandates Reform Act of 1995: The changes set forth in this rulemaking do not involve a Federal intergovernmental mandate that will result in the expenditure by State, local, and tribal governments, in the aggregate, of 100 million

dollars (as adjusted) or more in any one year, or a Federal private sector mandate that will result in the expenditure by the private sector of 100 million dollars (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments.

Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. See 2 U.S.C. 1501 et seq.

Paperwork Reduction Act: This rulemaking involves information collection requirements that are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.). The collection of information involved in this rulemaking has been reviewed and previously approved by OMB under control numbers 0651-0051 and 0651-0055.

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

List of Subjects

37 CFR Part 2

Administrative practice and procedure, Trademarks.

37 CFR Part 7

Administrative practice and procedure, Trademarks, International registration.

For the reasons stated in the preamble and under the authority contained in 15 U.S.C. 1123 and 35 U.S.C. 2, as amended, the USPTO amends parts 2 and 7 of title 37 as follows:

PART 2 - RULES OF PRACTICE IN TRADEMARK CASES

1. The authority citation for 37 CFR part 2 continues to read as follows:

Authority: 15 U.S.C. 1113, 15 U.S.C. 1123, 35 U.S.C. 2, Section 10 of Pub. L. 112–29, unless otherwise noted.

2. Amend § 2.161 by revising paragraph (h) to read as follows:

§ 2.161 Requirements for a complete affidavit or declaration of continued use or excusable nonuse.

* * * * *

(h) The Office may require the owner to furnish such information, exhibits, affidavits or declarations, and such additional specimens as may be reasonably necessary to the proper examination of the affidavit or declaration under section 8 of the Act or for the Office to assess and promote the accuracy and integrity of the register.

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PART 7 – RULES OF PRACTICE IN FILINGS PURSUANT TO THE PROTOCOL RELATING TO THE MADRID AGREEMENT CONCERNING THE INTERNATIONAL REGISTRATION OF MARKS

3. The authority citation for 37 CFR part 7 continues to read as follows:

Authority: 15 U.S.C. 1123, 35 U.S.C. 2, unless otherwise noted.

4. Amend § 7.37 by revising paragraph (h) to read as follows:

§ 7.37 Requirements for a complete affidavit or declaration of use in commerce or excusable nonuse.

* * * * *

(h) The Office may require the holder to furnish such information, exhibits, affidavits or declarations, and such additional specimens as may be reasonably necessary to the proper examination of the affidavit or declaration under section 71 of the Act or for the Office to assess and promote the accuracy and integrity of the register.

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Dated: January 5, 2017.

Russell Slifer
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office
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