

REPORT

CHANGES IN U.S. TRADEMARK LAW - THE TRADEMARK LAW TREATY IMPLEMENTATION ACT AND OTHER LEGISLATION

September 20, 1999

Significant changes in U.S. trademark law are occurring as a result of recently enacted legislation. These include changes to registration practice to implement the Trademark Law Treaty; and changes regarding functionality of marks and trade dress, the availability of dilution as a basis for oppositions and cancellations, and waiver of U.S. governmental immunity from trademark infringement and dilution lawsuits.

I. REGISTRATION PRACTICE CHANGES

The Trademark Law Treaty was signed by the United States and 35 other countries with the goal of harmonizing trademark procedures around the world. To implement this treaty in the United States, the Trademark Law Treaty Implementation Act (TLTIA) was signed into law on October 30, 1998 and will become effective on October 30, 1999.

On September 8, 1999, the U.S. Patent and Trademark Office (PTO) published final rule changes, effective October 30, 1999, to conform its rules with the new law. The PTO's new rule changes are designed to "simplify and clarify procedures for registering trademarks, and for maintaining and renewing trademark registrations." Their "principal effect . . . is to make it easier for Applicants to obtain a filing date." Some of the rule changes significantly

simplify and relax current requirements. Other changes merely codify or clarify existing practice.

The TLTIA and associated proposed rule changes affect four major aspects of registration practice: A) filing requirements (and, to a lesser extent, application prosecution); B) post-registration submissions; C) fees; and D) functionality as a bar to registration.

A. Filing Requirements and Prosecution

1. Filing Date

The new minimum requirements for an application to receive a filing date are: 1) the name of the Applicant, 2) a name and address for correspondence, 3) a clear drawing of the mark, 4) an identification of goods and/or services, and 5) payment of the filing fee for at least one class of goods or services. Thus, 1) a verification or declaration signed by the Applicant; and 2) a stated basis for filing will no longer be required for grant of a filing date.

The Applicant must still have actual use or a bona fide intent to use the mark in commerce on or in connection with all of the specified goods or services at the time of filing. In addition, any claim of priority must still be filed before the end of the priority period. All of the requirements (i.e., a signed verification, a stated basis or bases

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for filing, any actual use dates and specimens, certified copies of foreign registrations, etc., as applicable) must be provided before a Principal Register mark is published for opposition or a Supplemental Register mark is approved for registration.

2. Filing Basis

If the Applicant claims more than one basis, the goods or services to which each basis applies must be specified.¹

One application may now also claim use in commerce for some goods or services, and at the same time claim an intent to use for other goods or services.

The basis or bases for registration may be added or changed at any time before publication on the Principal Register or registration on the Supplemental Register. The PTO will presume the initial basis to have been valid as of the filing date. Therefore, the Applicant can retain the original filing date in spite of a change in basis unless the facts indicate otherwise. Any change in the basis of the application must state which basis covers which goods or services.

After publication but before registration, it is still possible to delete a basis. However, the substitution or addition of a new filing basis may be made after publication only upon petition to the PTO Commissioner, and requires re-publication of the mark.

¹ Available bases for filing include a) an allegation of a bona fide intent to use the mark in commerce, b) an allegation of use in commerce (including a specimen of use and a date of first use), c) a claim of priority under §44(d) (a certified copy of the priority document is never required), or d) a corresponding foreign registration under §44(e) (a certified copy of the foreign registration must be filed prior to registration, but is not required at filing).

3. Applicant's Signature

The application verification may be signed by any person with legal authority to bind the Applicant or with firsthand knowledge and actual or implied authority to act on behalf of the Applicant. This change recognizes that various individuals associated with an organization (not just persons with formal binding legal authority) may have the requisite authority and knowledge to sign the verification.²

Additionally, a verification may now be signed by an attorney (admitted to a U.S. federal or state court) who "has an actual or implied written or verbal power of attorney from the Applicant." This change will allow us, as Applicants' attorneys, to prepare, sign and file applications promptly upon receipt of your instructions.

The above changes (expanding the scope of signatories to bind the Applicant) are also effective for other forms of declarations that previously had to be signed by a person with binding authority. Thus, Amendments to Allege Use, Statements of Use and extension requests therefor, may now be signed by Applicant's attorney or a person with firsthand knowledge and actual or implied authority. As discussed below, these changes are also effective for filing of post-registration documents.

² The signatory power of a person with firsthand knowledge and actual or implied authority has been previously recognized by the PTO's rules regarding "color of authority" for signing declarations. However, a supplemental declaration signed by a person with binding authority was required if any prior-filed declaration had been signed by a person only having "color of authority." The new rules obviate the need for such a supplemental declaration.

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Recommendations

(i) Obtain earliest available filing date

We propose to file applications immediately upon receipt of your instructions, with any basis or bases specifically and sufficiently identified in your instructions and with any appropriate executed verification that you may provide. If your instructions do not specifically or fully identify a basis for filing, and/or do not include an executed verification, we will consult with you to confirm the information necessary for filing. To obtain the earliest filing date, we can prepare, execute and file the application, most quickly and with a minimum of information, if the application is based on intent to use. If necessary, we can later file to supplement or correct the basis of the application.

If the application is filed based on intent to use, the Applicant is not precluded from claiming the priority of a corresponding foreign application or a foreign registration. We urge, however, that any claim for priority be identified as early as possible (preferably with your initial instructions), and in any event well before expiration of the six month priority period. Similarly, an Applicant filing based on intent to use can subsequently claim use in commerce, even if such use is before the filing date of the application. It is advantageous, however, to base an application on use in commerce at the time of filing, if possible, in order to minimize the attorney and PTO fees associated with claiming such use after the filing date (e.g., preparing and filing an Amendment to Allege Use or Statement of Use). We will consult with you to obtain the earliest application filing date based on your instructions and information then available. We can work with you on a case by case basis for each application or in creating standing instructions, or on a mixture of these approaches to ensure that

applications are handled efficiently and professionally.³

(ii) Ensure authority of person to sign

A corporate Applicant's verification, for example, can be signed by any corporate officer (consistent with current practice) or by certain other persons such as in-house counsel, patent/trademark managers, and other managers or department heads. However, these other persons must have 1) firsthand knowledge of the facts regarding the adoption and use or intended use of the mark, and 2) actual or implied authority to act on Applicant's behalf. To ensure that the authority of these other persons is clearly defined, we recommend that business entities issue written memoranda naming person(s) and/or job title(s) of persons with authority to act on Applicant's behalf with respect to all trademark matters, including filing, prosecuting and maintaining applications and registrations for all marks.

Whether a person has "firsthand" knowledge of the facts has been determined by the PTO based on the facts and circumstances of each case. The PTO's comments and case law indicate that firsthand knowledge is usually within the scope of managers who oversee the day-to-day operations; however, this point is not a settled area of law. It remains unclear to what extent a manager, in-house counsel or similar person may rely on the comments of co-workers as a basis for knowledge of the facts. We thus recommend that persons claiming firsthand knowledge verify the facts through personal

³ Consistent with our practice under the old PTO rules, we will continue to strive to file applications on the same day that we receive a completed application, and we continue to recommend that applications based on foreign priority also claim intent to use as a second basis for filing. An application based on both bases increases the options in prosecution and thus better ensures that a registration will ultimately be obtained.

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observation of the products and services and related documents (e.g., shipping and sales documents to confirm use of a mark) since information acquired second-hand from others may not be deemed sufficient.

4. Specimens of Use

Under the TLTIA, a statement of the actual or intended method of use of the mark is no longer required.⁴ Only one specimen of use per class, rather than three, must be filed in a use-based application. The PTO has also stressed its preference that all specimens fold flat and be no larger than 8 1/2 x 11 inches, thereby reducing the filing of "bulky specimens."

5. Material Alterations

The PTO has also changed its policy on amendments to a mark. Previously, an amendment that constituted a material alteration of the mark was allowed only if such amendment corrected an internal inconsistency within the application. The PTO will now prohibit all material alterations to the mark shown in the drawing as filed.⁵

6. Marks With Motion

The amended PTO rules provide for registration of "marks with motion." It will thus be possible to file a drawing containing up to five freeze frames, or a drawing that depicts a single point in movement. The application will also need to include a written description of such a mark.

⁴ The PTO's rules now require that the verification for a use-based application state that the specimen shows the mark as used on or in connection with the goods or services.

⁵ This was the PTO's policy before a 1996 Federal Circuit decision permitted a material alteration under limited circumstances.

7. Drawings

The PTO will no longer require color lining in special form drawings claiming color. Instead, any color in the mark may be claimed in a detailed description of the mark indicating which color appears in which portion of the mark. We recommend careful consideration of such descriptions as the PTO will no longer allow material alterations even if a mark is improperly identified.

The PTO intends a transitional period wherein drawings with color lining will be acceptable, but not required, as the PTO moves towards publishing and issuing marks in color. The PTO proposes to issue further notices and examination guides regarding the description and depiction of a mark in color. In the interim, we recommend that color lining be used (and supplemented with a written description as necessary) to ensure that the mark is adequately protected.

8. Amendment to Allege Use/ Statement of Use

The PTO rules on Amendments to Allege Use and Statements of Use are amended to be consistent with the amended application requirements. Thus, it will no longer be necessary to specify the method of use in these documents, and these documents (as well as an extension request for a Statement of Use) can now be signed by Applicant's attorney or a person with binding authority or firsthand knowledge and actual or implied authority. The PTO has also eliminated its requirement that an extension request for a Statement of Use specifically state that the mark is not in use.

9. Types of Commerce

In claiming use of a mark, it will no longer be necessary to specify the type of commerce in which the mark is in use. This applies to new

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applications and to later-filed Amendments to Allege Use or Statements of Use.

10. Assignment/Name Change

Marks may now be assigned after an Amendment to Allege Use has been filed. Due to a previous oversight in the Trademark Act, such assignments were seemingly prohibited so that, for an application based on intent to use, an assignment could be granted only after the Statement of Use was filed. A mark that is not yet in use, under both the new rules and current practice, can be assigned only if it is assigned to the successor of an on-going business.

The PTO has also relaxed the requirements for recording name changes. It will no longer be necessary to submit documentation of a name change, such as government filings or corporate minutes evidencing the change. Instead, filing of a PTO cover sheet with accurate information reflecting the name change will be sufficient. The cover sheet (for name changes and assignments) should now also specify the mark(s) against which the change is to be recorded.

11. Petitions to Revive Abandoned Applications

The PTO has also revised the requirements for filing a petition to revive an abandoned application. Under the TLTIA, a petition to revive is evaluated based on an "unintentional delay" standard, rather than the more stringent "unavoidable delay" standard that was previously applied. The petition must be filed within two months of either i) the mailing date of the notice of abandonment or ii) actual knowledge of the abandonment, whichever is earlier. The petition need be accompanied merely by a statement, signed by a person with firsthand knowledge of the facts, that the delay was unintentional.

B. Post-Registration

1. Affidavits of Use in Renewal Applications

Registrants still must file a Section 8 Affidavit of Use between the fifth and sixth year after registration. They will now also have to file a combined Section 8 Affidavit and Section 9 Renewal Application every tenth year. A Section 15 declaration of incontestability may be filed with a Section 8 affidavit, or Section 9 renewal application, or separately, whenever the mark has been in continuous use for five consecutive years from the date of registration and the other statutory requirements regarding contestability of the mark are otherwise fulfilled.

2. Types of Commerce

Post-registration filings, like applications, will no longer need to specify the type of commerce (e.g., foreign or interstate) in which the mark is in use.

3. Signature

Such filings, like applications, may be signed by a person with legal authority to bind the Applicant, by a person with firsthand knowledge and actual or implied authority, or by Applicant's attorney.

4. Excusable Non-Use

Excusable non-use of a mark may still be claimed in a Section 8 Affidavit. However, the PTO will now require identification of the applicable goods/services for this claim, a statement of the date when use of the mark stopped, and a statement of the approximate date use will resume for the identified goods/services.

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5. Renewal Application Filing Window

An application for renewal can now be filed up to one year prior to, or within a six-month grace period following, the tenth year anniversary of the registration. There is a surcharge for filing within the grace period.

6. Deficiency Correction Period

Beyond the grace period, an additional six-month period is provided to permit correction of most deficiencies in renewal application documents upon payment of a deficiency surcharge. The PTO will allow deficiencies to be cured without charging the deficiency surcharge, if the corrections are accomplished during the one-year window for the Section 8 and Section 9 filings.

C. Fees

The PTO has added new fees for post-registration filings. The surcharge for filing during the grace period is \$100 per class. The surcharge for correcting a deficiency during the deficiency period is \$100 per registration.

The PTO had originally proposed to increase the fees for Section 8 and 15 Affidavits from \$100 to \$200 per class and to decrease the renewal fee from \$300 to \$200 per class. Increasing the fee for a Request to Divide an application had also been proposed. However, these proposals were withdrawn when the finalized rules were published on September 8, 1999. Based on published reports and the PTO's comments, we expect these fees to be adjusted, and the application filing fee to be increased, by additional legislation or rule making in the near future.

D. Functionality

The TLTIA also amended the Trademark Act to add new §2(e)(5). This section clarifies that a mark that, as a whole, is functional may now be refused registration on the Principal or Supplemental Register. This refusal cannot be overcome by evidence of acquired distinctiveness under §2(f). Similarly, the functionality of a mark is now always a basis for cancellation of a registration and a defense to an infringement action, even for an incontestable registration.⁶

II. OTHER LEGISLATIVE CHANGES

A. Functionality of Trade Dress

On August 5, 1999, President Clinton signed legislation requiring that, in an infringement action, the owner of purported trade dress that is not registered on the Principal Register has the burden of proving that the trade dress is non-functional. Trade dress usually refers to (i) the product packaging and the display materials associated with the sale of a product, or (ii) the configuration of the product itself. As a practical matter, the first type of trade dress is generally considered non-functional, while product configuration trade dress can raise close questions regarding functionality issues. Thus, in product configuration cases, the new burden of proof may be quite significant.

B. Dilution

In the same legislation, the Trademark Act was amended to permit opposition and cancellation actions at the PTO to be based on trademark dilution. The PTO had previously denied that it had the authority to determine dilution. PTO Examiners still are not permitted

⁶ These changes were not related to the Trademark Law Treaty, although they were included in the same legislation. They have already become effective.

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to use dilution as a basis to refuse registration in application prosecution.

C. U.S. Government Immunity

The August 5 legislation also waived the U.S. Government's immunity from trademark infringement and dilution lawsuits.

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