



The Secret PTO



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HAVE YOU EVER WONDERED why the trademark examining attorney suddenly, in the second office action, has issued a new refusal based on a pre-existing registration or application, or descriptiveness, or geographical descriptiveness, attaching a raft of new materials? Why the sudden turnaround, when the first office action contained no such material and did not even hint at these possible refusals?

Your client may be the victim of a secret process in the U.S. Patent and Trademark Office (the “PTO”) called “letters of protest.” This process is set forth in Trademark Manual of Examining Procedure Section 1715 and discussed in Examination Guide 4-08, and allows any third party to bring to the attention of the PTO evidence bearing on the registrability of a mark. This is procedure is instituted by writing a letter (the “letter of protest”) to the Deputy Commissioner for Trademark Examination Policy and submitting evidence. If the Deputy Commissioner concludes that the issues and evidence are worthy of consideration, the Deputy Commissioner will instruct the examining attorney to take the evidence

into account in the next round of examination.

Interestingly, the examining attorney need not inform the victim that a Letter of Protest was received or granted unless the examining attorney issues a refusal based upon the evidence provided with the letter of protest. In that case, the record will state that a letter of protest was granted (but the victim cannot obtain a copy) and all relevant evidence will be provided to the victim and become part of the official record. If the examining attorney decides against issuing the refusal, the victim may never know that a letter of protest was filed, because the examining attorney only needs to place a note in the file that the evidence attached to the letter of protest was reviewed.

There are two big problems with this process. First, it is secret. It is not possible to get copies of these letters of protest, and the letters never are disclosed, not even to the victim. For a government office not involved in law enforcement to have a secret process of this kind defies explanation. It is hard to imagine what compelling public interest is involved in keeping letters of protest secret. To the contrary, there should be complete transparency in the examination of trademark applications.

Second, the letter of protest procedure allows competitors to manipulate the trademark examination process to their legal and financial benefit. Why is it likely that most letters of protest are filed by competitors? And how does filing a letter of protest turn the tables?

While there is no way to substantiate this (because these letters of protest are secret), the only obvious candidates filing letters of protest appear to be big brand owners, usually major international corporations, concerned about competition from a similar trademark. The reason that these filers are likely to be big brand owners is because these entities have the legal machinery required to generate letters of protest.

Here is the analysis behind this theory. Letters of protest must be received and acted upon prior to the publication of a trademark application, so they can be written only by someone monitoring trademark applications as they are being filed. Who has the time or resources to monitor trademark applications as they are being filed unless it is the in-house trademark counsel or outside counsel tasked to monitor them? And who has in-house trademark counsel or significant outside trademark counsel? Generally, these are big brand owners of the major corporate variety.

To digress for a moment, it usually is surprising to learn about the legal machinery that big brand owners have in place to support their trademarks. Ever since the U.S. signed the Madrid Protocol and other “modernizations” and “harmonizations” of U.S. trademark law, trademark rights have become almost entirely based on the paperwork. For example, as a practical matter, application filing dates are far more important now than first use dates even if the trademarks have been used for a considerable period of time. That is because the PTO grants “priority” based on application filing dates, and it takes a substantial amount of legal effort and money (such as filing opposition and cancellation proceedings) to overcome the disadvantage of having an earlier first use date but a later application filing date for a similar trademark.

Typically, big brand owners work this system by, as soon as their product development people express interest in a new trademark or the expansion of an existing trademark, filing a slew of trademark applications for every conceivable use. In addition to these early filings of all possible new trademarks, the big brand owners usually ask their in-house or outside counsel to “watch” their most important trademarks. A “watch service” typically



is ordered from a trademark search firm, which at least once a week and sometimes several times a week, forwards the “hits” of similar trademark applications being filed in the U.S. or worldwide. Trademark counsel sifts through this material, forwards close hits to the business people, and if the business people are concerned, the strategizing begins about how to keep this new competitor out of the marketplace. Sometimes a preemptive cease-and-desist letter is sent to the new trademark applicant, stating that the big brand owner will have no choice but to oppose registration of the trademark. Another method of attack is to file a Letter of Protest promptly after the trademark application is filed, attaching all of the “evidence” that the protester wants the Examining Attorney to review. Obviously, all of this legal machinery is costly and not possible for medium- to small-sized business owners, most of whom just want to register their most important trademarks and don’t have the resources to paper the PTO with new trademark filings or monitor new trademark applications filed by others.

Based on this analysis, there is good reason to believe that most of these letters of protest are being submitted by competitors who are big brand owners. By submitting a letter of protest, the competitor is basically doing ahead of time what it would do if filing a notice of opposition after the trademark application has been published. Thus, the letter of protest is used in lieu of an opposition as a first line of attack. However, by submitting a letter of protest so much earlier in the process, the competitor may kill off the competing application and thereby avoid an opposition proceeding altogether. Usually, oppositions cost \$2,500 to \$5,000 to file, and \$30,000 to \$80,000 to prosecute, but if difficult and contested, the cost can exceed \$300,000. Meanwhile, the victim of the letter of protest will have to spend considerable time and resources to argue against the new refusals generated by the letter of protest. These legal fees range from at least \$1,500 to \$2,500 for a response arguing against the refusal, and possibly another \$5,000 to \$30,000 to file and argue an appeal. Then, if the victim can overcome the refusals generated by the letter of protest and finally get its trademark application published, the same competitor who filed the letter of protest has an opportunity to file an opposition, resulting in the victim having to pay the cost of defending the opposition as well. Therefore, allowing letters of protest to be filed makes the process much more difficult and expensive for the victim. As a result, many small- to medium-sized businesses, which simply cannot bear the expense, end up abandoning the trademark applications at issue.

So why is this secret process allowed at the PTO? Why can’t the examining attorneys just do the research on their own and, if a third party wants to present “evidence” about a particular trademark application, require that third party to file an opposition?

Interestingly, based upon the “Performance and Accountability Reports” issued each year by the U.S. Patent and Trademark Office, there do not appear to be an enormous number of these letters of protest. The PTO only first reported the number of “actions” on letters of protest in 2004, and it is unclear whether these “actions” are the total number of letters of protest filed, or only the ones that were granted by the Deputy Commissioner and passed on to the examining attorney. In 2004, there were 765 actions on letters of protest, and in 2009 there were 1,011 actions, showing the number has grown by a whopping 32% in the last 5 years.¹ But 1,011 actions on letters of protest are very few in number, in light of the 352,051 new trademark applications filed in 2009. So it appears that it would not be terribly burdensome for the PTO to analyze who is filing these letters of protest, on what grounds, and what ultimate action was taken.

Further, since our government resources are being used to review these letters of protest, shouldn’t we be entitled to see who is filing them? Shouldn’t we be entitled to know the grounds set forth, which evidence actually ends up being cited against the victim,

which ones are granted, and whether the victim was able to overcome the refusal? If this analysis showed that virtually everyone submitting a letter of protest is a competitor with a similar mark, then what is the purpose of this process? On the contrary, shouldn’t these competitors be required to file oppositions instead? And above all, doesn’t it seem perverse and morally offensive that there is a secret process for filing objections to trademark applications? Shouldn’t our government, particularly that part of the government that grants monopolies, be completely transparent in its prosecution and display of documents in the USPTO trademark database records? ◀◀

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Endnotes

1. The number of trademark applications filed in FY1989-FY2009 are set forth in Table 16 “Trademark Applications Filed For Registration and Renewal and Trademark Affidavits Filed” at http://www.uspto.gov/web/offices/com/annual/2009/oai_05_wlt_16.html, the number of letters of protest for FY2001-FY2005 are set forth in Table 24 “Actions On Petitions to the Commissioner of Patents and Trademarks” at http://www.uspto.gov/about/stratplan/ar/2005/060424_table24.jsp, and the number of letters of protest for FY2005-FY2009 are set forth in Table 24 “Actions On Petitions to the Director of the U.S. Patent and Trademark Office” at http://www.uspto.gov/web/offices/com/annual/2009/oai_05_wlt_24.html.