

## EXPERT ANALYSIS

### Trademark Scams: It's Time for PTO Action

By Peter S. Sloane, Esq.  
Leason Ellis LLP

Trademark lawyers and their clients are routinely bombarded with solicitations for legal services from businesses that have no authority to practice law before the U.S. Patent and Trademark Office.

Some may see the notices as merely annoying and throw them in the trash as soon as they arrive. But the toll in time lost dealing with all the paperwork, client inquiries and confusion adds up.

The "broken windows" theory of crime prevention posits that reducing conduct like vandalism, public drinking and toll jumping helps create an orderly and lawful environment that prevents more serious crimes.

In much the same way, eliminating seemingly small abuses of the trademark system like scam renewal notices, false watching services and meaningless catalog solicitations helps maintain the public trust in trademarks and may prevent more serious economic crime and criminal activity.

It is undisputed that trademarks are important for the orderly functioning of the economy. They have been around almost as long as humans have traded in goods and services. It is said that "potters marks" appeared on pottery from the Greek and Roman periods and were used to identify the vessels' makers.

During the Middle Ages, as the marketplace became more crowded, craftsmen imprinted their brands on goods to designate their origin and to distinguish their products from those of others. For consumers, trademarks provided an assurance of quality that helped them avoid purchasing inferior products.

Without trademarks, there would be chaos in the marketplace. Sellers would lose their incentive to invest in manufacturing quality products, and buyers would not know whom to trust with their hard-earned dollars.

Government has also long played a role in protecting consumers and enforcing trademark rights. The English Parliament passed the first trademark legislation in 1266, requiring all bakers to use a distinctive mark for the bread they sold. In 1881 the U.S. Congress passed the U.S. Trademark Act — since amended times several times — under its Commerce Clause powers.

Today, the U.S. Patent and Trademark Office, an agency in the U.S. Department of Commerce, is charged with registering trademarks in the United States. The PTO's mission is to promote "industrial and technological progress in the United States and strengthen the national economy."

Over the years, the PTO has earned an enviable track record for registering trademarks. Unique among federal agencies, it operates solely on fees and not on taxpayer dollars.

Despite the lack of outside funding, the PTO issued more than 200,000 trademark registrations in 2014, examining applications in as little as three months after filing.

The PTO is considered one of the most efficiently run government agencies in the United States. While one cannot say for certain the performance of the PTO has driven economic growth in the United States, it is safe to say one benefits the other.

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The trademark certificates of registration the PTO issues are quite valuable. Registration provides a *prima facie* presumption of exclusive trademark rights on a nationwide basis and entitles the registration owner to enhanced damages in the event of infringement.

More superficially, but no less importantly, trademark registration certificates look imposing and credible when enclosed with a cease-and-desist letter. Trademark owners routinely declare in those letters that the registrations are “active, subsisting and in full force and effect.”

The opportunity to file a declaration under the trademark law after a mark has been used in commerce on a continuous basis for at least five consecutive years also enables a trademark owner to threaten a perceived infringer with “incontestable” trademark rights.

Given the value of trademarks, it is not surprising that some have sought to take advantage. Private companies not associated with the PTO often use trademark application and registration information from the PTO’s databases to mail trademark-related solicitations for legal services. They frequently use names that resemble the PTO name and attempt to make their solicitations mimic the look of official government documents. Most require “fees.”

The scams dupe not only unsophisticated people confused into thinking they are dealing with the government or a law firm, but large corporations with accounting departments that automatically pay the “invoices” these companies issue without investigating the facts.

There is big money to be made trademark scams. Trademark scammers often charge more than reputable practitioners for trademark-related services. Many of the scammers operate out of Eastern Europe, where they presumably pay no taxes and it is hard to track them down.

It seems reasonable to speculate that, in the same the same way the illegal ivory trade is said to fund terrorism, trademark-scam proceeds could fund other illegal.

So the seemingly innocuous activity of sending solicitations to trademark owners may have implications well beyond the trademark community. This is an issue that law school students with an interest in trademark law, trademark law professors and news reporters may wish to investigate.

The PTO’s own efficiency has played into the hands of the trademark scammers. The PTO makes its ever-growing patent and trademark public data available in bulk form that can be loaded into databases or other analytical tools for research and analysis.

All trademark bulk data products and many patent bulk data products are available online from the PTO at no charge. The PTO website terms and conditions say there are no restrictions on the use of the data unless otherwise prohibited by law or specific agreement.

While sharing as much data and information as possible with the public is admirable, there is a downside to the transparency. Trademark scammers are mining the data and sending unsolicited notices to trademark owners. With the ubiquity of inexpensive computing power and storage and the ease of developing official-looking websites, the scams have thrived over the past decade.

In one of the more common scenarios, companies masquerading as law firms offer trademark registration renewal service under Section 9 of the U.S. Trademark Act even though they are not lawyers authorized to practice law in the United States, for which the PTO could pursue them.

Since filing a trademark application at the PTO starts a legal proceeding, only an attorney can represent a registrant. The law that governs who may practice before the PTO in trademark and other non-patent matters, 37 C.F.R. § 11.14, states “[i]ndividuals who are not attorneys are not recognized to practice before the office in trademark and other non-patent matters.”

More specifically, it states under 37 C.F.R. § 11.5(b)(2) that “[a]n individual who is not authorized under Section 11.14 to practice before the [PTO] in trademark cases is not permitted to represent a party ... in the maintenance of a registration.” So, combatting the unauthorized practice of law before the office would not require any change to law or regulations, only enforcement of the law.

The PTO is willing and able to take action against attorney misconduct. For example, in one case, an attorney was disbarred from practicing before the PTO for backdating a certificate of mailing. *In re Klein*, 6 U.S.P.Q.2d 1528 (Dep’t Comm. 1986), *adopted and modified* 6 U.S.P.Q.2d

1547 (Comm'r Pat. 1987), *aff'd sub nom Klein v. Peterson*, 696 F. Supp. 695 (D.D.C. 1988), *aff'd* 866 F.2d 412 (Fed. Cir. 1989).

But when it comes to the unauthorized practice of law rather than misconduct, it appears, unfortunately, the PTO believes its hands are tied.

No federal statute provides for sanctions, according to an undated statement to the Trademark Public Advisory Committee regarding the unauthorized practice of law issued by the Office of Enrollment and Discipline of the PTO.

And no other statute empowers the PTO/OED to discipline non-attorneys engaged in the unauthorized practice of law in trademark cases. See [www.uspto.gov/about/advisory/tpac/unauthorized\\_practice\\_of-Law\\_before\\_the\\_uspto.pdf](http://www.uspto.gov/about/advisory/tpac/unauthorized_practice_of-Law_before_the_uspto.pdf).

OED's authority to take disciplinary action is limited to a "practitioner." See 37 C.F.R. §§ 11.19(a) and (b). Therefore, the statement pessimistically concludes that OED has no jurisdiction to proceed against non-attorneys.

Despite the caution of the statement, the possibility remains that the PTO can sue those entities that damage its operations with claims including unfair competition. If the U.S. House of Representatives can file a lawsuit against President Barack Obama, alleging illegal enforcement of the Affordable Care Act, perhaps more creativity is required of the PTO when it comes to fashioning a lawsuit that provides it with standing against the scammers who take advantage of its services.

Even if the PTO does not sue, other avenues of recourse are available. According to the statement, if the non-attorney does not agree to cease and desist, OED reports the non-attorney's conduct to the authority responsible for addressing the unauthorized practice of law in the state where the non-attorney practices.

It is not clear, though, whether OED actively follows up to make sure action is taken against the individual or whether the complaint just disappears into the ether. To the extent permissible under law, it would be fruitful for OED to post on the PTO website its efforts to combat the unauthorized practice of law or to at least explain why it can't.

According to the statement, once notified, OED understands that trademark operations at the PTO have procedures in place to cease communication with non-attorneys representing the applicant, to communicate only with the applicant, to not accept the non-attorney's signature on documents representing the applicant and to not conduct interviews with the non-attorney.

OED further understands that the PTO has procedures for handling papers a non-attorney has signed. What is entirely unclear, at least to those outside the PTO, is what those procedures are and how they are implemented.

The procedures do not appear in the Trademark Manual of Examining Procedure or on the PTO website. If publishing the procedures and activities would undermine actions to combat trademark scammers, the PTO should at least inform the trademark community that it is actively taking steps to tackle the problem. The office may also wish to consider holding a public forum to educate the public about its efforts.

In the absence of vigorous PTO enforcement, and with an ever-increasing number of scams, Leason Ellis LLP took one trademark renewal service to task in 2013. A company named Patent & Trademark Agency LLC was sending invoices to trademark owners and offering to renew their registrations. The company had a professional-looking website set up at [www.patenttrademarkagency.org](http://www.patenttrademarkagency.org) with official-sounding jargon and photographs of professional offices in Manhattan.

A notice on the website said "[w]e are not lawyers and do not provide legal advice" but still advised registrants that, after registering a trademark, "you have the legal right to use, license and sell it within the USA for the goods and services for which it is registered." According to the site, "the Patent & Trademark Agency provides the expertise that modern business need to navigate the Patent Office's registration and renewal process."

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The terms and conditions on the website purported to authorize the company to do just that. They stated that “[b]y accepting these terms you specifically and irrevocably authorize [PTA] to conduct negotiations and act on your behalf with any party needed in order to renew or register your trademark.” PTA’s solicitation notice further said that “[b]y signing this document you automatically and irrevocably ... empower Patent & Trademark Agency LLC to renew the trademark stated above on your behalf.”

The damage PTA and others of its kind cause trademark registrants is often latent. A line on the back of the solicitation notice PTA sent said in small letters: “[your] trademark will be renewed as it was originally filed.”

Submitting a declaration of use including goods or services no longer provided under the mark in commerce may subject the registration to attack by third parties in a cancellation action on the ground of fraud before the PTO. *Medinol Ltd. v. Neuro Vasx Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003). Many trademark owners do not understand this, and they lose the chance to get proper advice about the risk when represented by a trademark renewal service.

Leason Ellis’ lawsuit against PTA included claims of false advertising and unfair competition. PTA clearly thought the business it had built up was worth defending; the company hired attorneys in Texas and local counsel in New York to fight the case.

It even filed a motion to dismiss for lack of standing. After the court denied the motion and heard a full briefing of the issues, PTA signed a consent judgment that put it out of the trademark business.

Along the way, we learned a number of interesting things that should aid the PTO and others in fighting trademark scammers. In 2013, the Vermont attorney general’s office reached a settlement with PTA for mailing solicitations to Vermont businesses that contained misrepresentations about the company and its services.

The settlement required PTA to comply strictly with the Vermont Consumer Protection Act, give full refunds to the businesses that sent it money and pay the state \$10,000 in civil penalties and costs.

Apparently, though, the settlement did not go far enough because PTA continued with its deceptive ways.

This just goes to show that it would be a mistake for the PTO to rely on criminal enforcement as the primary means to address trademark scammers who seek to practice before the office. Federal and state attorneys general plainly do not have the resources to address problem and are not nuanced in the language and logistics of trademark practice.

In August of 2012, the PTO deputy general counsel sent a cease-and-desist letter to PTA. The letter cited not the unauthorized practice of law, but the confusion stemming from the company name and the design of its solicitation notices and website.

There was further correspondence between an attorney for PTA and the office of the solicitor of the PTO about changes purportedly made by PTA, which the PTO ultimately concluded fell far short of satisfactory.

It is unclear why the PTO did not raise the issue of the unauthorized practice of law. As with the Vermont attorney general, the PTO enforcement efforts fell short of eradicating the problem.

Unlike attorneys who represent trademark owners before the PTO and are designated as the correspondent of record in filings, scammers use ruses to avoid easy detection of their unauthorized practice. In the case of PTA, Armens Organesjans, the principal of the company, filed papers with the PTO falsely representing that he was the “manager” or “representative” of the trademark owner.

To learn more, Leason Ellis filed a Freedom of Information Act request to obtain correspondence between the PTO and consumers involving PTA, as well as correspondence between the PTO and PTA. In response, the PTO produced about 300 pages of correspondence.

The correspondence included several instances where PTA, though Organesjans, filed declarations of use on behalf of registrants. In each case, PTA left the original correspondent of record, whether it was the registrant or outside counsel for the registrant, unchanged.

What it did change was the email address of record, which it listed as tm.renewals@gmail.com, making it extremely difficult to find anything amiss when searching the correspondent of record because the e-mail address is not a searchable field. The email address is then tantamount to the broken window that allows trademark scammers to sneak into the PTO.

At the very least, the PTO should make the technical changes necessary to permit searching of the email address of the attorney of record. This should allow the office and others to more easily find those broken windows and fix them up.

Indeed, email addresses are becoming ever more important at the PTO. In late January, the PTO began sending courtesy email reminders of upcoming post-registration maintenance filing deadlines for Sections 8 and 71 declarations and Section 9 renewals to registration owners who have “live” registrations on the date of sending, provided the PTO a valid email address and authorized email communication.

The PTO can use outgoing email addresses in its operations, and so should be able to take steps to deal with the validity of incoming email addresses.

At least one attorney whose correspondence was included with the Freedom of Information Act documents suggested to the PTO that it should consider taking steps to restrict access to the trademark filing system similar to those taken in connection with patents through the electronic filing. Examples include requiring security certificates and registered access to the filing system for appointed attorneys and *pro se* filers. These steps seem worth consideration.

Putting trademark scammers out of business is sure to take time, and their tactics will undoubtedly evolve in response. PTA is just one of many suspect entities the PTO identified on its website. Others include the Trademark and Patent Office, United States Trademark Registration Office, Patent & Trademark Agency, United States Trademark Maintenance Service, and Trademark Renewal Service. See [www.uspto.gov/trademarks/solicitation\\_warnings.jsp](http://www.uspto.gov/trademarks/solicitation_warnings.jsp).

As the federal agency entrusted with safeguarding registration of our nation’s trademarks, the PTO owes it to itself, to the attorneys who practice before it and, most importantly, to trademark owners to do everything it can to prevent the unauthorized practice of law and make known its efforts in doing so.

Eliminating the email loophole that allows non-attorneys to evade detection and represent registrants in submitting trademark filings seems like an easy fix for now. By repairing its broken windows, the PTO will help to maintain trust in trademarks and avoid the possibility of scammers using their funds for even more shady activities.

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**Peter S. Sloane**, chair of the trademark and copyright practice at **Leason Ellis LLP** in White Plains, N.Y., since 2010, handles all aspects of trademark and copyright counseling, prosecution and litigation. He is a well-recognized intellectual property attorney who has been listed in the World Trademark Review 1000, Who’s Who Legal – The World’s Leading Trademark Professionals, and Super Lawyers. He also writes and speaks on a wide variety of trademark and copyright issues.

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