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Applicants Beware: Chinese Trademark Fraud is Rampant, and it is Affecting U.S. Trademarks

By: Lily Barash



If you are looking to file a trademark application with the United States Patent and Trademark Office (USPTO), you should raise your vigilance. When the COVID-19 pandemic sent people in the United States into emergency lockdown, brick and mortar businesses closed their doors and people started opening their minds. People found new, and more, ways to be creative and e-commerce began to boom. With budding ideas, creators and companies recognized the imperativeness of protecting their intellectual property. The USPTO announced that as of June 17, 2021, it had experienced an increase of roughly 63% in trademark applications filed over the last year, as well as an increase of 172% from the period of December 2019 to December 2020.[1] This surge comprised both domestic and foreign applicants seeking protection in the United States. As a result, the timeframe for an initial examination of a trademark application approximately doubled from 5.2 months to 10.5 months.[2] These delays led to long wait times for trademarks to become registered and federally protected. Unfortunately, in a rapidly changing world, this meant that businesses may have changed significantly by the time their trademarks became registered.[3]

Significant delays lead trademark scammers to pounce on what they view as financial opportunity. Throughout these delays, trademark attorneys oftentimes have little to no communication with their clients because they are reliant on examination from the USPTO. Once a trademark application has been filed, certain contact information becomes publicly available on the USPTO website. Within the waiting period after an application has been filed, trademark scammers contact the applicants in

various ways. Scammers use fake USPTO letterhead or send emails from addresses containing “USPTO.”[4] They also issue invoices that appear to be sent by the USPTO or even issue phony registration certificates leading applicants to believe the registration process for their trademark is complete.[5] By conducting these scams, hackers are able to obtain additional information about applicants that they otherwise would have kept private, and can obtain funds from applicants who believe that they are complying with the USPTO.[6] In hopes of remedying this, the USPTO offers resources on scam prevention, and law firms are alerting their clients of growing scams.[7]

The backlog of the USPTO in processing trademark applications is further enhanced by an influx of applications from China. In 2021, nearly 30% of trademark filings made in the United States were from China-based businesses.[8] An increase in trademark filings generally speaks to growing creations and current or intended uses of those creations. Although, in this case, that cannot be said with certainty. Several cities in China began offering subsidies for foreign trademark applications, including those filed in the United States.[9] These subsidies exceeded the cost of registering a trademark in the United States, incentivizing Chinese filers to apply for trademark rights when they never intended to use their trademarks in commerce.[10] Use in commerce is a central requirement of trademark registration in the United States. Many of these trademark filings included fraudulent specimens, that is, a false use demonstrating the trademark’s actual use in commerce. [11] This fraudulent influx of applications filed in bad faith thus contributes to the delay and backlog experienced by United States’ and foreign filings with the USPTO, including those filed in good faith from China. Overall, fraud of this type has not only overwhelmed the USPTO’s ability to process applications, but also has compromised the legitimacy and the integrity of the registry as a whole.[12]

The USPTO is a friend to applicants showing use or intended use of their trademarks, and a foe to those seeking to compromise the integrity of the administration. In 2021, in efforts to protect its organization and intellectual property everywhere, the USPTO issued sanctions against several Chinese trademark attorneys and law firms for their fraudulence.[13] This was a signal sent by the USPTO that it is cracking down on fraudulent applications in hopes of dissuading any like-minded filers.

All to say, those seeking to file a trademark application in the United States should beware of those attempting to compromise the application process and should be strategic with their filings given the extreme delay and wait times in examinations. Delay times can further be mitigated by efforts made by trademark attorneys to do proper trademark searches and to formulate a description for the trademark that is somewhat narrow to avoid trademark citations.[14] It is prudent to select a trademark attorney who is communicative regarding scams and other fraudulent activities within the USPTO. This prudence simultaneously falls on the trademark filer who should have every intention to utilize his trademark in commerce, as is required by United States trademark law. Now, go out and be creative, safely!

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[1] David Gooder, *What a Huge Surge in Trademark Filings Means for Applicants*, USPTO: Director’s Blog (June 23, 2021), <https://www.uspto.gov/blog/director/entry/what-a-huge-surge-in> [https://perma.cc/U8QZ-EB SX].

[2] Steve Brachmann, *USPTO Says Trademark Filings Are Up More Than 60% Through First Six Months of 2021 Due to E-Commerce Growth*, IP Watchdog (June 21, 2021, 7:15 AM), <https://ipwatchdog.com/2021/06/29/uspto-says-trademark-filings-60-first-six-months-2021-due-e-commerce-growth/id=135041/#> [https://perma.cc/3BXZ-KV X3].

[3] Sienna Bentley, *How to Turn Unprecedented USPTO Pendency Times into a Win*, World Trademark Rev. (June 19, 2023), <https://www.worldtrademarkreview.com/article/how-turn-unprecedented-uspto-pendency-times-win> [https://perma.cc/QV25-].

S93C].

[4] Sarah Franz, Dustin Bednarz & David Mayer, *Trademark Scams: How to Avoid Them and What to Do if You Get Fooled*, USPTO (Apr. 27, 2023), https://www.uspto.gov/sites/default/files/documents/tm-trademarks-scamprevention_20230427.pdf [<https://perma.cc/U7VH-QGLS>].

[5] *Id.*

[6] *Id.*

[7] Riddhi Setty, *Surge in Trademark Fraud Scams Overwhelms Regulators, Applicants*, Bloomberg Law (Apr. 19, 2023, 5:10 AM), <https://news.bloomberglaw.com/ip-law/surge-in-trademark-fraud-scams-overwhelms-regulators-applicants> [<https://perma.cc/Q9H5-48EM>].

[8] Brachmann, *supra* note 2.

[9] Muireann Bolger, *'Suspect' China Filings Driven by Govt Subsidies and Targets, Says USPTO*, World Intell. Prop. Rev. (Jan. 14, 2021), <https://www.worldipreview.com/news/suspect-china-filings-driven-by-govt-subsidies-and-targets-says-uspto-20585> [<https://perma.cc/A89X-EZEZ>].

[10] *Chinese Filers at the USPTO: A Timeline*, World Trademark Rev. (Apr. 8, 2021), <https://www.worldtrademarkreview.com/report/special-reports/q1-2021/article/chinese-filers-the-uspto-timeline> [<https://perma.cc/4REL-9RBD>].

[11] Barton Beebe & Jeanne Fromer, *Fraudulent Trademarks: How They Undermine the Trademark System and Harm American Consumers and Businesses* (Dec. 3, 2019), <https://www.judiciary.senate.gov/imo/media/doc/Beebe%20Testimony.pdf> [<https://perma.cc/R9G7-C2DN>].

[12] Michael Mangelson, Elaine T.L. Wu, Michael Diehl, Lubing (Larry) Lian, Qian (Kelly) Sheng & Duncan Wilson, *Trademarks and Patents in China: The Impact of Non-Market Factors on Filing Trends and IP Systems*, USPTO (Jan. 2021), <https://www.uspto.gov/sites/default/files/documents/USPTO-TrademarkPatentsInChina.pdf> [<https://perma.cc/P3QQ-BULX>].

[13] Lisa Bollinger Gehman, *USPTO Sanctions Chinese Law Firm for Fraud and Terminates More Than 15,000 US Trademark Applications*, JDSUPRA (Dec. 23, 2021), <https://www.jdsupra.com/legalnews/uspto-sanctions-chinese-law-firm-for-5857642/> [<https://perma.cc/3RVG-Y9TR>].

[14] *Why Do I Need to Conduct a Trademark Search?*, LegalZoom (updated Sept. 27, 2023), <https://www.legalzoom.com/articles/why-do-i-need-to-conduct-a-trademark-search> [<https://perma.cc/5UK8-AGA3>].