

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Dan G. Blair, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Ruth Y. Goldway; and
Tony L. Hammond

Review of Nonpostal Services

Docket No. MC2008-1

ORDER GRANTING, IN PART, PITNEY BOWES INC.
MOTION TO COMPEL

(Issued November 4, 2008)

On October 15, 2008, Pitney Bowes filed a motion to compel the Postal Service to file a complete list and description of all of its existing and new nonpostal services that may be subject to this proceeding.¹ It requests an opportunity for interested parties to comment on “the newly disclosed activities.” *Id.* As discussed below, the Commission grants the motion, in part, directing the Postal Service to file supplemental information and providing an opportunity for interested persons to comment.

Pitney Bowes Motion. Pitney Bowes contends that it just learned that the Postal Service has entered into a new line of business by offering USPS-branded replacement

¹ Pitney Bowes Inc. Motion to Compel United States Postal Service to File a Complete List of Nonpostal Services, October 15, 2008, at 1, 9 (Pitney Bowes Motion). In support, Pitney Bowes filed a declaration of its Vice President of Merchandising. Declaration of Peter Wragg in Support of Pitney Bowes Inc.’s Motion to Compel United States Postal Service to File a Complete List of Nonpostal Services, October 15, 2008 (Wragg Declaration).

postage meter cartridges. *Id.* at 1. It argues that the Postal Service failed to identify this product as required by Commission Order Nos. 50 and 74, and thus is in violation of those orders. *Id.* at 4-5. Further, Pitney Bowes argues that the product is being offered unlawfully because it neither qualifies as a grandfathered nonpostal service nor as a postal service. *Id.* at 5-7.² It seeks an order directing the Postal Service to file a complete list and description of all new existing nonpostal services and that following submission of the list, interested persons be given an “opportunity to comment on the newly disclosed activities.” *Id.* at 1, 9.

Statements in support of the Motion. Pitney Bowes’ Motion is supported by PostCom *et al.*,³ Hasler, Inc. and Neopost, Inc.,⁴ and the Public Representative.⁵ Generally, PostCom *et al.* and Hasler and Neopost reiterate points made by Pitney Bowes, namely, that the product was not previously identified by the Postal Service in response to Order Nos. 50 and 74, and does not qualify as either a nonpostal service or a postal service. PostCom *et al.* Statement 1-4; Hasler/Neopost Statement at 1-3. In addition, each of these parties takes issue with the Postal Service’s contention that its licensing practices are not reviewable. For example, PostCom *et al.* assert:

Section 404(e) plainly contemplates that the Commission must still determine whether the underlying product that bears the Postal Service’s trademark falls within either of the two statutory categories. To read the statute otherwise would allow the Postal Service to evade those statutory

² Pitney Bowes also argues that “this new line of business” cannot be justified under any other provision of the Postal Accountability and Enhancement Act. *Id.* at 7-8.

³ Statement in Support of Pitney Bowes Inc.’s Motion to Compel United States Postal Service to File a Complete List of Nonpostal Services, October 22, 2008, submitted on behalf of the Association of Postal Commerce, Alliance of Nonprofit Mailers, Direct Marketing Association, Magazine Publishers of America, Inc., National Postal Policy Council, and Parcel Shippers Association (PostCom *et al.* Statement).

⁴ Statement in Support of Pitney Bowes Inc.’s Motion to Compel United States Postal Service to File a Complete List of Nonpostal Services, October 23, 2008, submitted on behalf of Hasler, Inc. and Neopost Inc. (Hasler/Neopost Statement).

⁵ Public Representative Response to Pitney Bowes Inc. Motion to Compel United States Postal Service to File a Complete List of Nonpostal Services, October 22, 2008 (Public Representative Response).

limits and to engage in virtually any business activity in direct competition with private firms in the same product market, simply by engaging in the activity through a licensing arrangement.

PostCom *et al.* Statement at 3.

Similarly, the Public Representative argues that, under its statutory interpretation, “[t]he Postal Service could engage in virtually any activity by licensing its brand name to a third party to use in offering that activity.” Public Representative Response at 2; see *also*, Hasler/Neopost Statement at 3.

Finally, each of these parties seeks additional relief. Hasler and Neopost suggest that “this matter” be reopened “for additional comment[.]” Hasler/Neopost Statement at 4. The Public Representative suggests that the Commission should provide for submission of witness statements and briefs “on the newly identified nonpostal services.” Public Representative Response at 3. PostCom *et al.* also advocate that the record be reopened, suggesting that the Postal Service be directed to show cause why its marketing of replacement ink cartridges is not unlawful and affording interested persons an opportunity to respond. PostCom *et al.* Statement at 4.

Opposition to the Motion. The Postal Service opposes the Motion.⁶ It argues, among other things, that it did respond to Order No. 74 in good faith, noting that it discussed its “Licensing Program,” including its commercial trademark licenses.⁷ The Postal Service indicates that the licensing agreement for the Postal Service-branded meter ink cartridges falls with the “Mailing & Shipping” category of consumer goods it identified in response to Order No. 74. *Id.* at 4. While acknowledging that it did not specifically list each of the 40 commercial trademark licensing agreements in its response, the Postal Service states that it did not interpret Order No. 74 as requiring it

⁶ Response of the United States Postal Service to Pitney Bowes Motion to Compel United States Postal Service to File a Complete List of Nonpostal Services, October 22, 2008 (Postal Service Response).

⁷ *Id.* at 3-4, citing Initial Response of the United States Postal Service to Order No. 74, June 9, 2008, at 20-23.

to do so. *Id.* Rather, it chose to discuss its “property programs as a whole, including a description of its Licensing Program that made it abundantly clear that the Postal Service has licensed its intellectual property to third parties for use on consumer goods (including five agreements relating to ‘Mailing & Shipping’ goods), while also offering to provide additional information if it was deemed necessary.” *Id.* at 5. The Postal Service also addresses legal arguments raised by Pitney Bowes concerning the lawfulness of the Postal Service-branded meter ink cartridges. *Id.* at 6-10. Lastly, the Postal Service argues that Pitney Bowes fails to demonstrate that it did not comply with Order No. 74. Thus, it asserts that there is no need for it “to once again provide a comprehensive listing of its revenue-generating activities that are not ‘postal services.’” *Id.* at 10.

On October 29, 2008, Pinpoint LLC filed a reply to Pitney Bowes’ Motion consisting of a declaration by its president, Randall E. Hooker.⁸ The Hooker Declaration is offered as a counterpoint to the Wragg Declaration submitted by Pitney Bowes.⁹

Discussion. Pitney Bowes’ motion raises important questions regarding the Postal Service’s licensing practices generally and, more specifically, its commercial trademark licensing practices. These questions are relevant to the issues before the Commission in this proceeding regarding the appropriate interpretation of 39 U.S.C. 404(e), particularly the meaning of the term “services” and the proper application of the tests provided for in that section.

In response to Order No. 74, the Postal Service discussed, among other things, its licensing programs, identifying three categories of intellectual property licenses to

⁸ Reply and Motion for Late Acceptance, October 29, 2008. Declaration of Randall E. Hooker in Response to Pitney Bowes, Inc.’s Motion to Compel United States Postal Service to File a Complete List of Nonpostal Services, October 29, 2008, (Hooker Declaration). In its motion for late acceptance, Pinpoint indicates that it only recently learned of Pitney Bowes’ Motion. The Motion is granted.

⁹ On October 31, 2008 Pitney Bowes filed a response to Pinpoint’s motion which, while not opposing the motion, takes issue with several statements in the Hooker Declaration. Pitney Bowes Inc. Response to Pinpoint LLC’s Motion for Late Acceptance, October 31, 2008. The Wragg Declaration, the Hooker Declaration, and Pitney Bowes’ response to Pinpoint’s motion will be included in the record.

third parties as follows: (1) USPS inventions, (2) USPS trademarks used on third-party consumer goods, and (3) USPS trademarks or copyrighted materials used by third parties for noncommercial purposes or limited commercial purposes.¹⁰ As an example, the Postal Service noted that it licenses its corporate signature, the Sonic Eagle (a trademark), for use by third parties in connection with the sale of products or services. *Id.* at 20. With respect to the use of its trademarks on third-party consumer goods (category 2, above), the Postal Service indicated that it has commercial trademark licenses with 40 third-party vendors which it categorized broadly by type of good, e.g., Apparel, Cards & Stationery, Gifts & Collectibles, and Mailing & Shipping.¹¹

The Postal Service characterized its response to Order No. 74 as intending “to provide a comprehensive listing and description of other-than-postal sources of revenue in FY06 and FY07.” *Id.* at 2. On review, the Commission considers it to be a good faith effort by the Postal Service to be responsive to that Order. Thus, as a preliminary matter, the Commission rejects Pitney Bowes’ contention (Motion at 4) that the Postal Service’s response failed to comply with Order No. 74.

In response to Pitney Bowes’ motion, the Postal Service states that the meter ink cartridges fall within the Mailing & Shipping agreements. Postal Service Response at 4. It has commercial trademark licenses with 40 third-party vendors, five of which entail Mailing & Shipping agreements. The issues raised by Pitney Bowes are central to this proceeding. The record is not sufficiently developed concerning the scope and nature of the Postal Service’s licensing program.¹² Thus, the Commission finds merit in Pitney Bowes’ Motion and grants it, in part, as set forth below.

For purposes of this Order, the Commission need not address the legal arguments raised by the parties in their pleadings. To do so, prior to the development

¹⁰ Initial Response of the United States Postal Service to Order No. 74, June 9, 2008, at 20-22.

¹¹ *Id.* at 22. In addition, under the heading “Premium Trademark Licenses,” the Postal Service stated that it licenses its trademarks to 18 third-party vendors for sale of consumer goods to its employees. *Id.*

¹² The Postal Service offered to elaborate on items in its response if deemed desirable by the Commission. See Postal Service Response at 5.

of a more complete record, would be premature. While this Order directs the Postal Service to file supplemental materials regarding its licensing program, the Commission has made no determination on the jurisdictional status concerning any licensing agreement (or other arrangement) included in the information to be reported.

To develop a more complete record in this area, the Postal Service shall provide the following information with respect to its commercial trademark license agreements:¹³ (1) a detailed, comprehensive listing of each consumer good currently offered for sale pursuant to each license agreement it has with third-party vendors, and (2) whether each of the products (or services) was offered for sale on January 1, 2006.¹⁴ In addition, for each third-party licensing agreement, the Postal Service shall provide: (3) the date of the agreement, (4) its term and termination date, (5) a precise description of the intellectual property being licensed, (6) the products (or services) permitted to display or to include the intellectual property licensed under each agreement, (7) the method of calculating payment to the Postal Service, (8) the Postal Service's responsibilities pursuant to each agreement, and (9) the revenue received from each agreement in FY06 and FY07. In its response, the Postal Service may provide whatever additional information it deems appropriate, including addressing these licensed products (or services) to meet the standards of section 404(e)(3). The Postal Service's response is due November 14, 2008.

Interested persons will be afforded an opportunity to comment on the Postal Service's supplemental filing. Parties may comment on any or all aspects of the Postal

¹³ To be clear, this identification should include, among other things, all instances in which the Sonic Eagle is licensed for use by third parties in connection with the sale of products or services. To the extent not specifically included in its response to the foregoing, the Postal Service should provide the same information with respect to companies authorized to use Postal Service licensed technology, intellectual property, and patents in connection with its Electronic Postmark program.

¹⁴ The Postal Service may if it wishes identify products or services offered as of January 1, 2006 that are no longer offered.

Service's supplemental filing and may address, if applicable, the standards of section 404(e)(3). Such comments are due November 21, 2008.¹⁵

In all other respects, Pitney Bowes' Motion is denied. Nonetheless, the Postal Service may, if it believes it will help clarify issues in this docket, submit additional information on specific "nonpostal" services provided to the public that it may have only described generally in its previous filings in this proceeding.

It is Ordered:

1. Pitney Bowes Inc. Motion to Compel United States Postal Service to File a Complete List of Nonpostal Services, filed October 15, 2008, is granted, in part, as set forth in the body of this Order.
2. The supplemental information to be provided by the Postal Service as set forth in the body of this Order is due November 14, 2008.
3. Interested persons may comment, as set forth in the body of this Order, on the supplemental information filed by the Postal Service. Such comments are due November 21, 2008.
4. The Pinpoint LLC motion for late acceptance, filed October 29, 2008, is granted.

By the Commission.

Steven W. Williams
Secretary

¹⁵ The relatively short periods provided are necessitated by the requirement that the Commission issue an order in this proceeding by December 20, 2008.