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Trademark Modernization Act of 2020 Establishes New Procedures and Rules

With the passing of the Trademark Modernization Act of 2020 (TMA), trademark stakeholders will need to familiarize themselves with changes to the Lanham Act, as well as upcoming new U.S. Patent and Trademark Office (USPTO) procedures. The TMA was signed into law on December 27, 2020 as part of the COVID-19 Economic Relief Bill and the USPTO has begun preparations for implementation by December 27, 2021 at the latest.

The TMA includes two new post-registration *ex parte* challenge procedures, codified as expungement and reexamination. Regarding application examination, the USPTO may soon require shorter response times for office actions (e.g., 2 months) and examination will formally allow for third-party “Letter of Protest” submissions. The TMA also standardizes at district court the rebuttable presumption of irreparable harm for trademark infringement trials and injunctive relief.

Widely considered pro-trademark in its bi-partisan passing, the TMA may help trademark owners clear a path to registration and/or enforce against improper use of their marks. Ultimately, however, the TMA may also facilitate loss of many owners’ trademark registrations if there is a lack of proper or sufficient use of the marks.

New Grounds for Cancellation

Section 14 of the Lanham Act (15 U.S.C. § 1064) is amended to include a new ground for cancellation of registered marks. Specifically, “[a]t any time after the three year period following the date of registration, if the registered mark has never been used in commerce on or in connection with some or all of the goods or services recited in the registration.” This does not affect the timing of any other ground for cancellation and allows for special circumstances that may excuse nonuse.

***Ex Parte* Expungement**

Ex Parte Expungement is a new tool to petition the Director of the USPTO to expunge or remove a registered mark that was not used in commerce. This new method to cancel a registered mark may be used to eliminate fraudulently filed trademarks or any mark unused after three years of registration. On the other side, registrants will want to avoid being the target of nonuse allegations and should be prepared to demonstrate evidence of use.

Under the new Section 16A of the Lanham Act (15 U.S.C. § 1066), after three years of registration, any person may submit a petition for expungement on the basis that the mark has never been used in commerce or in connection with the goods or services recited in the registration. A petitioner must submit with the petition a verified statement that they conducted a “reasonable investigation” that the mark has never been used. The Director will promulgate regulations regarding what constitutes reasonable investigation, including what types of facts and/or evidence would be sufficient to show alleged nonuse. Once the procedure is implemented, any trademark registration may be challenged after three years has passed since the registration date.

Upon reviewing the petition for expungement, if the Director determines the petition sets forth a *prima facie* case of nonuse, he may institute an expungement proceeding. The TMA also authorizes the Director to initiate an *ex parte* expungement proceeding *sua sponte*, e.g., on his own initiative without a petition, if the Director identifies a *prima facie* case of nonuse. Without USPTO rules yet promulgated, there appears to be no mechanism for a registrant to respond to a petition prior to the Director's decision to institute. The Director's decision to institute is not appealable.

An instituted expungement proceeding may look similar to examination, and a registrant may submit evidence of use as defined in section 45 and/or evidence showing that any nonuse is due to special circumstances that excuse such nonuse. After evaluating the registrant's response and the instant facts, the examiner can decide to cancel the challenged goods and services in the mark. If a determination of cancellation is made, the registrant may appeal to the Trademark Trial and Appeal Board (TTAB) or district court. Unless overturned on review of the examiner's decision, the Director shall issue an order cancelling the registration, in whole or in part, after the time for appeal has expired or any appeal proceeding has terminated.

If the USPTO does determine that the registrant had used the mark for particular goods or services, as relevant, and the registration was not cancelled, estoppel attaches and no further *ex parte* expungement proceedings may be initiated as to those goods or services, regardless of the identity of the petitioner. Likewise, co-pending *ex parte* expungement proceedings seeking cancellation of a registered mark with respect to the same goods or services is not permitted.

***Ex Parte* Reexamination**

Ex Parte Reexamination is a new mechanism to challenge registered marks that were not used in commerce when the registrant submitted its declaration of use.

Under the new Section 16B of the Lanham Act (15 U.S.C. § 1066), any person may file a petition to reexamine a registration of a mark on the basis that the mark was not in use in commerce on or in connection with some or all of the goods or services recited in the registration on or before the relevant date. A petition for *ex parte* reexamination may be filed at any time before the expiration of the five-year anniversary of the statement of use, e.g., (1) five years from the application filing date of use-based applications and (2) five years from the date of filing of the Statement/Allegation of Use in intent-to-use applications.

Similar to expungement proceedings, a petitioner for reexamination must submit with the petition a verified statement that they conducted a "reasonable investigation" that the mark was not used in commerce on or in connection with the goods and services identified in the petition on or before the relevant date. Likewise, the Director is mandated to promulgate regulations regarding what constitutes reasonable investigation. Still, there is no set mechanism for a registrant response after a petition and prior to the Director's decision to institute. The Director's decision to institute is not appealable in reexamination or expungement proceedings but a final decision to cancel a registration is appealable.

In contrast to expungement, reexamination may be initiated against a registration any time before the fifth year following the registration date for any registration based on use in commerce (under Lanham Act Sec. 1(a)), but not against a registration that is based on a foreign registration (under Lanham Act Sec. 44(e)) or that is based on an extension of protection of an International Registration (under Lanham Act Sec. 66(a)).

In each type of new *ex parte* proceeding, the USPTO's final decision to cancel a registration is appealable to the TTAB or district court. These proceedings may be initiated against any trademark registrations that were registered before or after enactment of the TMA.

Third-Party Submission ("Letters of Protest")

Section 1 of the Lanham Act (15 U.S.C. § 1051) has been amended to formally allow a third party to submit evidence relevant to a ground for refusal of registration for consideration for inclusion in the record of a trademark application. Relevant evidence may relate to any ground on which an examiner could refuse registration for a pending application. Like the new *ex parte* petitions, relevant evidence may now include allegations that the mark-at-issue has not been used in commerce. After submission, the Director has two months to determine whether to include submitted evidence in the record of the application. The Director's determination as to whether to include the submitted evidence on the record is final and cannot be appealed, however, the applicant maintains the right to raise any issue and rely on any evidence in any other proceeding.

Also known as “**Letters of Protest**” at the USPTO, the formalization of third-party submission is one TMA procedure with USPTO rules in place. Protestors can currently submit materials via the Trademark Electronic Application System (TEAS) along with a required fee (currently \$50). The USPTO will only consider letters of protests that include a specific, relevant legal ground for an examining attorney to refuse registration or issue a requirement in a pending application, such as the mark-at-issue is likely to be confused with a registered mark or prior pending application, the mark-at-issue is merely descriptive or generic, or that the mark suggests a false connection to the submitter. See, e.g., TMEP § 1715. A letter of protest is not the appropriate way to challenge to ownership, assert common law prior use, or disagree with the examining attorney.

Formalization of this third-party submission process allows trademark owners to police their marks more economically than, e.g., bringing a formal opposition proceeding. For instance, owners, with their counsel, can utilize a trademark watch service as an alert to the filing of potentially conflicting marks and efficiently prepare submissions of evidence.

Ability to Set Flexible (Shorter) Response Periods

The USPTO will have to power to set times for response to office actions issued during examination from 60 days to 6 months. Under amended section 12(b) of the Lanham Act (15 U.S.C. § 1062(b)), after notification of denial of registration, an applicant has “a period of six months in which to reply or amend the application, or such shorter time that is not less than sixty days, as prescribed by the Director by regulation.”

Under the USPTO's current practice, applicants have a standard six months from the issuance date of an Office Action to respond and avoid abandonment. While the USPTO may continue the six-month limit for bigger issues, some response time limits for simpler actions may be shortened to two months (with extensions likely still available).

In the near future, response deadlines will need to be noted and double-checked by applicants, attorneys, and docketing systems.

Presumption of Irreparable Harm

The TMA standardizes a uniform rule of a rebuttable presumption of irreparable harm for plaintiffs seeking injunctive relief at federal court. There has been a circuit-split since, roughly, a 2006 Supreme Court decision, *eBay v. MercExchange*, 547 U.S. 388 (2006). Irreparable harm is a necessary element for injunctions, e.g., preventing an alleged infringer from continuing to use the mark during (or after) infringement trials. Proving irreparable harm for trademark infringement without the presumption can be a long and difficult endeavor, not to mention the looming possibility of appeal due to uncertainty at the appellate level. Inconsistency among district courts creates venue gamesmanship.

Now, Section 34 of the Lanham Act (15 U.S.C. § 1116) defines that a plaintiff seeking an injunction shall be “entitled to a rebuttable presumption of irreparable harm upon a finding” of infringement. Likewise, a plaintiff seeking a preliminary injunction, or a temporary restraining order, is entitled to the same rebuttable presumption “upon a finding of likelihood of success on the merits” for a claim of trademark infringement. Defendants may still rebut or overcome

this presumption of irreparable harm.

With restoration of the presumption of irreparable harm by the TMA, trademark rights are likely stronger. By making it less difficult to obtain injunctive relief, trademark owners may have regained some leverage over alleged infringers. At the very least, uniformity of the presumption as applied by the lower courts should bring further consistency to trademark rights.

Authority of the Director

The TMA amends Sections 18, 20, and 24 of the Lanham Act (15 U.S.C. §§ 1068, 1070, and 1092) to clarify that “the authority of the Director under this section includes the authority to reconsider, and modify or set aside, a decision of the Trademark Trial and Appeal Board.”

This provision aims to firmly establish TTAB administrative law judges as inferior officers with sufficient oversight to avoid allegations of unconstitutional appointment. For instance, the ongoing *Arthrex v. Smith & Nephew* cases have held that Patent Trial and Appeal Board judges were not subject to sufficient oversight and supervision by the USPTO Director, and that their employment status needs to change if their adjudication in *Inter Partes* Review and other PTAB procedures is to be considered constitutionally proper. With the TMA amendments, litigation regarding TTAB procedures could avoid many of the alleged constitutional issues of the PTAB seen in cases like *Arthrex*.

Conclusion

Overall, the TMA may bring forth several changes that can help reduce abuse of the trademark registration system by applicants and registrants who have not demonstrated proper use or otherwise should not be entitled to registration of their mark.

Codifying cancellation for marks unused after three years shows that eliminating clutter is a high priority. The TMA’s two *ex parte* challenge procedures, expungement and reexamination, can be important tools to clear a path to registration. Formally allowing for third-party “Letter of Protest” submissions may save time and resources. Standardization of the rebuttable presumption of irreparable harm for trademark infringement trials and injunctive relief brings.

To top it off, applicants, counsel, and docket managers should prepare to see rules from the USPTO about flexible deadlines to respond to Office Action (e.g., from 2-6 months).

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<https://www.congress.gov/bill/116th-congress/house-bill/6196/text>

<https://www.uspto.gov/trademarks/laws/2020-modernization-act>