

Trademark Modernization Act of 2020

A well-functioning trademark system is critical to effective commerce. Consumers rely on trademarks to know the source of the products they are buying. The Trademark Modernization (TM) Act provides new procedures to ensure that the United States maintains a robust trademark system that minimizes barriers to entry and properly protects both consumers and brand owners.

There has been a significant increase in trademark registrations that falsely claim use of a mark that has, in fact, not been used by the registrant.

- In the United States, with some limited exceptions, a trademark must be used to qualify for trademark registration. Increasingly, trademark registrations are issuing and being maintained for marks that have never been used or were not used as required before registration.
- When unused marks remain on the trademark register, those registrations hurt new market entrants—like small businesses—making it harder for them to obtain protection for strong, commercially viable marks.
- This market-entry problem has been exacerbated by the recent flood of fraudulent trademark registrations from China, many of which rely on doctored photos to demonstrate use of a mark to fraudulently obtain a trademark registration.

The TM Act addresses the false-use-claim problem by creating new procedures to improve examination effectiveness and efficiency, and to allow third parties to request ex parte cancellation of trademark registrations for marks that have not been used.

- The TM Act codifies procedures designed to allow third parties to submit evidence during the examination of trademark applications—such as evidence that claims of use in an application are inaccurate.
- It also creates new ex parte procedures at the U.S. Patent and Trademark Office to cancel trademark registrations for marks that have not been used: expungement and reexamination. These new post-registration procedures will provide significant tools to address the flood of fraudulent trademark registrations from China that currently cannot be cleared except through costly, time-consuming cancellation actions before the Trademark Trial and Appeal Board.
- Both better examination practices, and more efficient, timely procedures to challenge lack of use for registered trademarks will ease the burden on new market entrants created by registrations that should not have been registered because the registrants lacked proper use of the marks.

The TM Act promotes remedies designed to protect consumers in trademark cases.

- Historically, if a trademark owner prevailed in an infringement lawsuit, the owner would be entitled to a presumption that the court would award an injunction against the competitor's continuing use of a confusingly similar trademark so that consumers would not be misled about the source of a good or service.
- However, following the Supreme Court's ruling in a patent infringement lawsuit holding that injunctions could not be presumed in that context, *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388 (2006), a circuit split has developed as to whether irreparable harm can be presumed when a trademark violation has been proven.
- The Act clarifies that for trademark violations, a rebuttable presumption of irreparable harm exists given the consumer protection concerns that would occur otherwise.