

Trademark Modernization (TM) Act of 2020

SECTION-BY-SECTION

Improper Trademark Use Claims Hurt New Market Entrants: In the United States, with some limited exceptions, a trademark must be used in commerce in order to qualify for federal registration. Recent data indicates that trademark registrations are issuing and being maintained for marks that have never been used or were not used as required before registration. These registrations based on false use claims can block applications from new market entrants—like small businesses—making it harder for them to obtain protection for strong, commercially viable marks. This 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.

Provisions to Address False-Use Claims and Improve Examination: The Act creates new procedures at the U.S. Patent and Trademark Office to address false and inaccurate use claims in trademark applications and registrations by providing expedited procedures to cancel trademark registrations for marks that have not been used: *ex parte* expungement and reexamination. The Act also codifies procedures designed to allow third parties to submit evidence during the examination of trademark applications—such as evidence that claims of use in the application are inaccurate. Both better examination practices, and more efficient, timely procedures to challenge lack of use of registered trademarks will ease the burden on new market entrants created by registrations that improperly clutter the trademark register.

Promoting 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 of irreparable harm supportive of an injunction against the defendant’s continued infringement. However, following the Supreme Court’s ruling in a patent infringement lawsuit holding that irreparable harm 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.

Clarifies the Director’s Authority Over Trademark Trial and Appeal Board Proceedings: Under current law, the Director of the Patent and Trademark Office has implicit authority to reconsider decisions of the Trademark Trial and Appeal Board. The TM Act makes explicit the authority that is currently implicit in the statute.

Sec. 1. Short title.¹ Section 1 sets forth the short title of the bill as the “Trademark Modernization Act of 2020” or the “TM Act of 2020.”

Sec. 2. Definitions. Section 2 provides the following definitions:

¹ Section numbers correspond with H.R. 6196 as voted out of the House Judiciary Committee. Section numbering may change in the final passage of the bill.

(1) Director.—The term “Director” means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

(2) Trademark Act of 1946.—The term “Trademark Act of 1946” means the Act entitled “An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes”, approved July 5, 1946, as amended (15 U.S.C. 1051, et. seq) (commonly referred to as the “Trademark Act of 1946” or the “Lanham Act”).

Sec. 3. Providing for third-party submission of evidence during examination. Section 3 amends section 1 of the Trademark Act (15 U.S.C. 1051) to codify an existing practice of the USPTO to accept evidence offered by third parties during examination.

Subsection (a) adds new subsection (f) to section 1 of the Trademark Act. It provides a time-limited process by which a third party can submit to the USPTO evidence relevant to the examination of a trademark application for consideration in deciding whether a trademark registration should issue. Evidence can relate to any ground on which an examiner could refuse registration, including that the mark has not been used in commerce, and as such, does not qualify for registration.

Subsections (b) and (c) provide a one-year period for implementation.

Sec. 4. Providing for flexible response periods. Section 4 amends section 12(b) of the Trademark Act (15 U.S.C. 1062(b)) to provide the USPTO flexibility in setting times for response to office actions issued during examination. Currently, the statute requires that the USPTO allow six months to respond. The new provision would allow the Office to set response periods, by regulation, for a time period between 60 days and six months, with the option for an applicant to request extensions to a full six-month period.

Sec. 5. Ex parte expungement; ex parte reexamination; new grounds for cancellation. Section 5 adds two new ex parte cancellation procedures to the Trademark Act. Current law provides that a third party can only request cancellation of a trademark registration through an inter partes procedure before the Trademark Trial and Appeal Board (TTAB) or in a lawsuit in district court. The new procedures provide an expedited process by which a third party can request cancellation (or expungement) of a registration when the registrant had not used the trademark in commerce as required for federal registration.

Subsection (a). Ex parte expungement. Subsection (a) creates a new section 16A of the Trademark Act, which provides procedures for ex parte expungement of trademark registrations for marks that have *never* been used in commerce. Because federal registration requires a “mark” to be used in U.S. commerce, the premise of an expungement proceeding is that, if the subject of the registration was never used in commerce for the particular goods or services identified, the subject registration is not actually a “mark” within the meaning of the Trademark Act.

New section 16A provides the following filing requirements and procedures:

- (a) Petition. A petition can be filed by any person and must allege that the mark covered by a registration was never used for some or all of the goods or services recited in the registration certificate.
- (b) Contents of the petition. The Act details the filing requirements for the petition, which include a requirement that an investigation be undertaken to determine whether or not the mark was ever used.
- (c) Initial determination; institution. The Act provides for a final, and non-reviewable institution process before an expungement proceeding is instituted. To institute, the Director must find that a prima facie case of the mark having never been in use in commerce has been demonstrated by the petition.
- (d) Ex parte expungement procedures. Generally, the procedures will follow the same procedures for initial examination. The Act authorizes the Director to establish timing specific to the ex parte expungement proceedings, and to promulgate rules to mitigate efforts to misuse the procedure to harass trademark registrants.
- (e) Registrant's evidence of use. If a proceeding is instituted, a registrant must come forward with evidence demonstrating, effectively, that it has ever used its mark in commerce. For any goods or services for which the registrant demonstrates use, the registration will not be cancelled.
- (f) Excusable nonuse. Registrants who filed their applications under the benefits of a treaty (sections 44(e) and 66 of the Trademark Act) can respond to a petition for expungement with a showing of excusable nonuse. The circumstances that satisfy excusable nonuse are limited and must be due to special circumstance beyond the registrant's control (e.g., trade embargo, fire or other catastrophe).
- (g) Examiner's decision; order to cancel. The examiner will find that a registration should be cancelled if a registrant cannot show use of its mark ever, or cannot demonstrate excusable nonuse (as applicable). The final order to cancel shall not issue until all appeals have been exhausted or the time for appeal has expired.
- (h) Ex parte expungement by the Director. The Director, on his own initiative, may institute an ex parte expungement proceeding. Once instituted, the proceeding procedures are the same as those for proceedings instituted by petition.
- (i) Time for institution. A petition can be filed, or a proceeding can be instituted by the Director on his own initiative, beginning three years after registration through ten years after registration.
- (j) Limitation on later expungement proceedings. The Act includes a prohibition on two co-pending expungement proceedings for the same registration covering the same goods and services. Additionally, if an expungement proceeding is

instituted, but the registrant demonstrates use, no further expungement proceedings can be brought against the same registration for the same goods or services considered but not cancelled.

- (k) Use in commerce showing. The use sufficient to defeat an ex parte expungement proceeding can be use any time up until the date of the petition or the Director's order to institute for Director-ordered proceedings. This temporal showing is relevant only for expungement proceedings, and does not immunize a registration against other challenges when use was not made before registration and such use was required.

Subsection (b). New grounds for cancellation. Amends section 14 (15 U.S.C. 1064) to make a mark having never been used, a ground for cancellation before the TTAB that is available at any time after the three-year period following registration.

Subsection (c). Ex parte reexamination. Creates a new section 16B of the Trademark Act, which provides procedures for ex parte reexamination of trademark registrations covering marks for which improper use claims were made during the examination process before registration. Procedurally, ex parte reexamination operates nearly identically to ex parte expungement. The substantive difference between the two proceedings is the time period for relevant use. For ex parte reexamination, the registrant must show use during the time before the registration issued, with the particulars of timing spelled out in the Act.

New section 16B provides the following filing requirements and procedures:

- (a) Petition. A petition can be filed by any person. It must allege that the mark was not used on or before the relevant date for some or all of the goods or services identified in the registration certificate.
- (b) Relevant date. The Act defines the “relevant date” to mean, with respect to an application for the registration of a mark with an initial filing basis of—
 - (1) section 1(a) and not amended at any point to be filed pursuant to section 1(b), the date on which the application was initially filed; or
 - (2) section 1(b) or amended at any point to be filed pursuant to section 1(b), the date on which—
 - (A) an amendment to allege use under section 1(c) was filed; or
 - (B) the period for filing a statement of use under section 1(d) expired, including all extensions thereof.
- (c) Contents of the petition. The Act details the filing requirements for the petition, which include a requirement that an investigation be undertaken to determine whether or not the mark was in use on or before the relevant date.

- (d) Initial determination; institution. The Act provides for a final, and non-reviewable institution process before an ex parte reexamination proceeding is instituted. To institute, the Director must find that a prima facie case of the mark having not been in use in commerce on or before the relevant date has been demonstrated by the petition.
- (e) Ex parte reexamination procedures. Generally, the procedures will follow the same procedures for initial examination. The Act authorizes the Director to establish timing specific to the ex parte reexamination proceedings, and to promulgate rules to mitigate efforts to use the procedure to harass trademark registrants.
- (f) Registrant's evidence of use. If a proceeding is instituted, a registrant must come forward with evidence demonstrating that it used its mark in commerce on or before the relevant date.
- (g) Examiner's decision; order to cancel. Generally, the examiner will find that a registration should be cancelled if a registrant cannot show use of its mark on or before the relevant date in connection with the goods and/or services covered by the institution order. The final order to cancel shall not issue until all appeals have been exhausted or the time for appeal has expired.
- (h) Reexamination by Director. The Director, on his own initiative, may institute an ex parte reexamination proceeding.
- (i) Time for institution. A petition can be filed, or the Director may institute under subsection (h), within the first five years after the registration date.
- (j) Limitation on later reexamination proceedings. The Act includes a prohibition on two co-pending ex parte reexamination proceedings for the same registration covering the same goods and services. Additionally, if a reexamination proceeding is instituted but the registrant demonstrates use of the mark on or before the relevant date, no further reexamination proceedings can be brought against the same registration for the same goods or services.
- (k) Supplemental register. Ex parte reexamination applies to supplemental register registrations. It also makes clear that the Act does not affect the timing of cancellation actions under section 24 of the Trademark Act.

Subsection (d). Appeal. A registrant subject to an ex parte expungement proceeding or reexamination may appeal the decision to the TTAB and then to the Court of Appeals for the Federal Circuit.

Subsections (e) – (g). Technical and conforming amendments; Deadline for procedures; Effective date. These subsections provide technical and conforming amendments and a one-year post-enactment effective date.

Sec. 6. Rebuttable presumption of irreparable harm. Section 6 codifies the rule that a plaintiff seeking an injunction to remedy a trademark violation is entitled to a rebuttable presumption of irreparable harm.

Sec. 7. Report on decluttering initiatives. Section 7 provides for a GAO study and report on efforts to declutter the trademark register, including the new procedures provided by the bill as well as other efforts undertaken by the USPTO.

Sec. 8. Amendments to confirm authority of the Director. To preempt a potential court challenge and confirm the historical understanding and current practice of the Director's authority, section 8(a) of the bill amends sections 18, 20, and 24 of the Trademark Act, 15 U.S.C. §§ 1068, 1070, 1092, to make explicit that the Director has the authority to reconsider, modify, or set aside TTAB decisions.

Subsection 8(b) provides two rules of construction that cement current practice. The first clarifies that these amendments should not be construed to suggest that the Director previously lacked the authority to reconsider, modify, or set aside TTAB decisions. The second clarifies that the amendments should not be construed to suggest that the Director is required to reconsider, modify, or set aside any particular TTAB decision. Rather, this provision confirms the Director's ability to reconsider a decision *sua sponte*. The USPTO is not expected to promulgate rules that permit third parties to request reconsideration under these provisions.