

Insights: Publications

Changes to Federal Trademark Law Under the Trademark Modernization Act, its Implementing Regulations, and Beyond: Recent Developments in the Battle Against Bad Actors in Trademark Registration Practice

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Introduction

On December 27, 2020, the Trademark Modernization Act of 2020 (“TMA”) became law after it passed Congress and was signed by the President as part of the year-end Consolidated Appropriations Act for 2021.¹ With the issuance of implementing regulations for the TMA by the U.S. Patent and Trademark Office (“USPTO”) on November 17, 2021,² many—but not all—of the most important aspects of the TMA became effective during December 2021. This alert addresses both the TMA itself and the newly effective implementing regulations and includes the following significant takeaways:

- the amended Lanham Act now authorizes ex parte expungement and ex parte reexamination proceedings to challenge the registration of a mark that either has never been used in commerce or that was not used in commerce as of the date the registrant filed a sworn averment in the application process that the mark was so used, (or prior to the deadline for making such an averment), respectively;
- it similarly is now possible to petition the Trademark Trial and Appeal Board to cancel the registration of a mark that has never been used in commerce, even if such a petition is filed after the registration's fifth anniversary of issuance;
- as of December 1, 2022, certain office action actions from the USPTO will have a shortened (but extendible) three-month response deadline;
- the availability of letters of protest against pending applications also has been codified for the first time;
- the presumption that a plaintiff will suffer irreparable harm upon a violation of the Lanham Act has been codified and given nationwide effect; and
- the TMA and case law interpreting it have confirmed the constitutionality of the appointment of administrative law judges to the Board.

Because these and other changes effected by the TMA are perhaps the most consequential since the landmark Trademark Law Revision Act of 1988,³ trademark professionals and mark owners alike would do well to

familiarize themselves with those changes.

The TMA and its implementing regulations are not the only recent developments to target misconduct in the trademark prosecution and maintenance process. On the contrary, the USPTO has undertaken other significant initiatives aimed at bad actors. Those include an apparent expansion of the Office's administrative sanctions process, as well as its adoption of an identity verification program. Moreover, even the Trademark Trial and Appeal Board has liberalized the test for fraudulent filings in the application and post-registration maintenance contexts in several ways potentially requiring the USPTO's trademark customers to modify their filing practices. These developments also are addressed below.

The TMA and the USPTO's Final Implementing Regulations

A. Ex Parte Challenges to Registrations: Effective December 27, 2021

Many of the substantive provisions of the TMA arise from a July 18, 2019, hearing before the House Subcommittee on Courts, Intellectual Property, and the Internet on the subject of “clutter,” or “deadwood,” on the U.S. Patent and Trademark Office's trademark registers. As most trademark professionals are aware, United States law requires applications for registration not based on foreign filings to be supported by a sworn averment that the applied-for mark is used in commerce for all the goods and services listed in the application; that sworn averment must in turn be supported by a specimen showing the mark's use in connection with at least one good or service in each International Class covered by the application.⁴ In contrast, under Sections 44(e) and Section 66(a) of the Lanham Act,⁵ an applicant with a country of origin other than the United States may claim either a foreign registration or an International Registration covering its marks as the basis of its application, rather than a sworn averment of use in commerce. Regardless of whether a registration is based on use in commerce or a foreign registration, its owner must maintain it with periodic sworn averments of ongoing use in commerce (or excusable nonuse) under Section 8 or Section 71 of the Act.⁶

Because of congressional concern over registrations covering marks not actually used in commerce,⁷ the TMA authorizes two new mechanisms targeting deadwood on the USPTO's trademark registers, both of which became effective on December 27, 2021. The first, ex parte expungement,⁸ allows challenges to registrations covering marks that have never been used in commerce. It primarily targets registrations issued under either Section 44(e) or Section 66(a) of the Act. It generally is available to challengers only between the third and the tenth anniversaries of a registration's issuance,⁹ although for a limited time until December 27, 2023, petitions to initiate expungements may be brought against registrations at any time after their third anniversaries.¹⁰

The second, ex parte reexamination,¹¹ permits challenges to use-based registrations issued under Section 1(a) of the Lanham Act. It therefore targets registrations whose owners averred under oath during the application process that their marks were used in commerce prior to the filing dates of their applications (if the applications originally were originally filed under Section 1(a)) or the expiration of the deadlines for filing statements of use (if the applications were originally filed under Section 1(b)). This mechanism allows the USPTO to reexamine the accuracy of a registrant's averment of use as of those dates, which the TMA collectively defines as the “relevant date.”¹² It is not available once a targeted registration has passed its fifth anniversary.¹³

The two mechanisms are not necessarily exclusive, and it is therefore possible to invoke both when challenging a single registration; likewise, the Director may consolidate expungement and reexamination proceedings

targeting the same mark if they present the same issues.¹⁴ A re-cent USPTO examination guide explains of the relationship between the two that “[a] petition requesting institution of an expungement proceeding may be filed in connection with a mark registered under Trademark Act Section 1, 44, or 66. Nevertheless, a petition requesting institution of a reexamination proceeding may be filed only in connection with a mark registered under Section 1.”¹⁵ In the interests of efficiency and consistency, the Director may consolidate parallel proceedings against the same registration.¹⁶

1. Procedural Aspects of the Two New Ex Parte Mechanisms

Standing is not required to initiate either of the two proceedings. Instead, any party can initiate either type of ex parte proceeding by submitting to the Director of the USPTO verified evidence or testimony establishing a “prima facie case” of the nonuse of a registered mark in commerce with respect to at least some of the goods or services covered by the registration. A petition to initiate either proceeding must be accompanied a sworn averment by the petitioner describing its “reasonable investigation of nonuse,”¹⁷ as well as a filing fee of \$400 per class of goods or services targeted by the petition.¹⁸ Alternatively, the Director of the USPTO may determine on his or her own initiative that a prima facie case of nonuse exists,¹⁹ including through evidence submitted under cover of an unsuccessful petition by a private party.²⁰

a. The Requirements of a Successful Petition

1) Establishing a Prima Facie Case of Nonuse

Although not technically part of the implementing regulations, the USPTO’s notice of final rulemaking sets forth the following guidance on what constitutes a prima facie case of non-use, which suggests that a petitioner need not prove nonuse by a preponderance of the evidence and testimony:

[A] prima facie case requires only that a reasonable predicate concerning nonuse be established. Thus, with respect to these proceedings, a prima facie case includes sufficient notice of the claimed nonuse to allow the registrant to respond to and potentially rebut the claim with competent evidence, which the USPTO must then consider before making a determination as to whether the registration should be cancelled in whole or in part, as appropriate.²¹

The implementing regulations themselves address in great length how a petitioner can establish a prima facie case of nonuse under that standard. They provide that evidence supporting a prima facie case of nonuse may include, but is not limited to:

- verified statements;
- excerpts from USPTO electronic records in applications or registrations;
- screenshots from relevant web pages, including the uniform resource locator (URL) and access or print date;
- excerpts from press releases, news articles, journals, magazines, or other publications, identifying the publication name and date of publication; and

- evidence suggesting that the verification accompanying a relevant allegation of use was improperly signed.²²

This evidence must be clear and legible and be accompanied by an itemized index.²³

Significantly, the USPTO's notice of final rulemaking (but not the regulations themselves) provides that "any party practicing before the USPTO, including those filing petitions to request institution of these ex parte proceedings, is bound by all ethical rules involving candor toward the USPTO as the adjudicating tribunal."²⁴ Consequently, "if [a] petitioner discovers that its petition included false or fraudulent information, the petitioner should seek to correct the petition by filing a petition . . . to invoke the supervisory authority of the Director to correct the sub-mission and specifying the facts to be corrected."²⁵

2) The Petitioner's Investigation

The requirement that a petitioner describe the reasonable investigation it undertook prior to filing its petition is separate and independent of the requirement that it establish a prima facie case of the nonuse of the mark underlying a challenged registration; consequently, it is possible for a petition to fail even if the evidence accompanying it otherwise establishes such a case. The USPTO's notice of final rulemaking recites that "what constitutes a reasonable investigation is a case-by-case determination,"²⁶ but such an investigation should be one "calculated to return information about the underlying inquiry from reasonably accessible sources where evidence concerning use of the mark during the relevant time period on or in connection with the relevant goods and/or services would normally be found."²⁷ Those sources may include, but are not necessarily limited to, the following:

- state and federal trademark records;
- internet websites and other media likely to or believed to be owned or controlled by the registrant;
- internet websites, other online media, and publications where the relevant goods and/or services likely would be advertised or offered for sale;
- print sources and web pages likely to contain reviews or discussion of the relevant goods and/or services;
- records of filings made with or of actions taken by any state or federal business registration or regulatory agency;
- the registrant's marketplace activities, including, for example, any attempts to contact the registrant or purchase the relevant goods and/or services;
- records of litigation or administrative proceedings reasonably likely to contain evidence bearing on the registrant's use or nonuse of the registered mark; and
- any other reasonably accessible source with information establishing the registered mark's nonuse.²⁸

"A petitioner need not check all possible appropriate sources for its investigation to be considered reasonable";²⁹ nevertheless, "[a]s a general matter, a single search using an

internet search engine likely would not be considered a reasonable investigation.”³⁰

b. Action by the Director on a Petition Averting a Prima Facie Case of Nonuse

After a petition for expungement or reexamination is filed, it will be uploaded to the online registration record and be viewable through the TSDR database on the USPTO website.³¹ The USPTO will send a courtesy email notification of the filing to the registrant and/or the registrant's attorney, if their email address is of record.³² The registrant may not respond to the courtesy notice and the USPTO will not accept any response from the registrant unless and until the Director of the USPTO institutes a proceeding.³³

In response to a petition averring a prima facie case of nonuse, the Director of the USPTO may take one of three actions. First, if the Director determines that a submission is not complete, the Office will issue a letter identifying the deficiencies in the petition and giving the petitioner thirty days in which to address them.³⁴ Such a letter will not include a determination of whether or not the petition establishes a prima facie case of nonuse, and the petitioner generally may not respond by submitting additional evidence; an exception exists if the deficiency in question is that petitioner's evidence is not clear and legible, in which case the petitioner will have the opportunity to resubmit that showing.³⁵ Once a petition is complete, the petitioner may not amend it.³⁶

Second, the Director may determine that the petitioner has failed to establish a prima facie case of nonuse, in which case the petition will be dismissed.³⁷ A determination that a prima facie case has not been established is not subject to review.³⁸

Finally, the Director may determine that a prima facie case of nonuse has been established. In that case, the Director “will” initiate an ex parte reexamination or an ex parte expungement proceeding, as appropriate.³⁹ Once again, the determination of whether to initiate a proceeding is not subject to review.⁴⁰

c. Responding to a Prima Facie Case of Nonuse

Regardless of how a prima facie case of nonuse as of the relevant date is established, the Director shall initiate the appropriate proceeding and require a registrant to come forward with documentary evidence to the contrary. (The owners of Sections 44(e) and 66(a) registrations have the option of demonstrating excusable nonuse.) Assuming it does not voluntarily delete the “problem” goods or services for its registration, a registrant must respond with use evidence within three months, though a one-month extension is available for a \$125 fee.⁴¹ On the one hand, if the Director deems the registrant's responsive showing inadequate, the goods or services in connection with which use in commerce did not exist as of the relevant date will be stricken from the registration, subject to the applicant's right to appeal to the Trademark Trial and Appeal Board. On the other hand, however, if the Director finds the responsive showing adequate, that determination will have preclusive effect barring all further ex parte challenges to the registration, at least with respect to the goods or services targeted by the original challenge.⁴²

One issue not resolved by the TMA itself is the nature of the burden imposed on a registrant attempting to rebut a prima facie case of nonuse. Nevertheless, the USPTO's notice of final rulemaking suggests that, rather than proving use as of the relevant date, a registrant need only produce evidence of that use. For example, the notice recites that:

While institution [of a reexamination or expungement proceeding] necessitates a response from the registrant that includes evidence rebutting the prima facie case, the ultimate burden of proving nonuse by a preponderance of the evidence re-mains with the Office.

The registrant must rebut a prima facie case of nonuse by providing competent evidence of use of the mark on the challenged goods and/or services. If the USPTO determines that the registrant's evidence is not sufficient to rebut the evidence of non-use, i.e., that the preponderance of evidence shows nonuse, the registration will be cancelled, in whole or in part, as appropriate. If the registrant in either a petition-based or Director-instituted proceeding elects to appeal the decision to cancel the relevant goods and/or services, the ultimate determination of whether the USPTO has met its burden of establishing nonuse by a preponderance of the evidence would be made by the TTAB or subsequently by a court.⁴³

The TMA itself and the notice of final rulemaking provide the following additional guidance for registrants:

- because the registration file, has already been considered in instituting the proceeding, merely resubmitting the same specimen of use previously submitted in support of registration or maintenance thereof, or a verified statement alone, without additional supporting evidence, will likely be insufficient to rebut a prima facie case of nonuse;⁴⁴ but
- although a registrant's documentary evidence of use must be consistent with when 'a mark shall be deemed to be in use in commerce' as defined in section 45, it shall not be limited in form to that of specimens;⁴⁵ and
- if specimens for particular goods and/or services are no longer available, even if they were when the registrant filed an allegation of use, the registrant may provide additional evidence and explanations supported by declaration testimony demonstrating how the mark was used in commerce at the relevant time.⁴⁶

2. The Relationship Between the Ex Parte Mechanisms and Other Proceedings

Termination of an ex parte expungement or an ex parte reexamination proceeding in favor of a registrant will not preclude the petitioner or any other party from pursuing a cancellation action against that registration before the Board using the same theory of nonuse asserted in the petition.⁴⁷ Nevertheless, neither the TMA itself nor its implementing regulations address the question of whether an unsuccessful petition for cancellation before the Trademark Trial and Appeal Board (or a failed request for cancellation in a federal district court action) will have preclusive or estoppel effect in a later ex parte proceeding.

The implementing regulations do, however, provide that "[w]hensoever it shall come to the attention of the Trademark Trial and Appeal Board that . . . an expungement or reexamination proceeding may have a bearing on a pending case, proceedings before the Board may be suspended until termination of the civil

action, the other Board proceeding, or the expungement or reexamination proceeding.”⁴⁸ According to the USPTO’s notice of final rulemaking on the subject, “the Board has suspended its proceedings in favor of many types of other proceedings, including arbitration proceedings, state court cases, and foreign actions”;⁴⁹ thus, “[t]he USPTO considers suspending Board proceedings in favor of expungement and reexamination proceedings under the same conditions to be a continuation of longstanding TTAB practice”⁵⁰

B. New Nonuse-Based Ground for Cancellation: Effective December 27, 2021

The TMA has amended Section 14 of the Lanham Act to recognize a cause of action for cancellation “[a]t any time after the 3-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.”⁵¹ This new ground for cancellation corresponds to the “never used” basis for ex parte expungement proceedings. Unlike the ex parte procedure, the new ground for cancellation before the TTAB is not limited to proceedings brought before the tenth anniversary of a registration’s issuance. Like the ex parte procedure, the new ground is available for cancellation any time after the registration’s issuance. Although neither the TMA nor the implementing regulations address the issue, a petitioner for cancellation pursuing this ground for cancellation presumably must prove nonuse by a preponderance of the evidence and testimony and not merely establish a prima facie case of nonuse as in the ex parte expungement context. The owner of a registration with a Section 44(e) or a Section 66 basis may respond to a petition for cancellation by “demonstrat[ing] that any nonuse is due to special circumstances that excuse such nonuse,”⁵² although neither the amended Section 14 nor its legislative history indicates whether excusable nonuse is a classic affirmative defense as to which the registrant has the bur-den of proof or, alternatively, whether a lesser showing by the registrant will suffice.

C. Shortened Office Action Response Deadlines: Effective December 1, 2022

One of the more commented-on subjects during the rulemaking process was the TMA’s authorization of the USPTO to shorten the standard six-month deadline for responses to office actions. Although the implementing regulations for this change will not be effective until December 1, 2022, they take the following approaches:

- applicants for registration under Section 1 or Section 44 of the Act will have three months in which to respond to office actions, subject to a three-month extension upon payment of a \$125 filing fee;⁵³ and
- the same rules will apply to deadlines to respond to post-registration office actions;⁵⁴ but
- applicants for registration under Section 66(a) will continue to have six-month re-sponse deadlines.⁵⁵

To qualify as timely, a request for an extension must be received on or before the response dead-line.⁵⁶

D. Codification of Letter of Protest Mechanism: Effective December 27, 2021

The TMA codifies the existing letter of protest procedure,⁵⁷ which permits the submission by other parties during the trademark examination process of evidence bearing on the registrability of an applied-for mark. The previous procedure was informal, without a timeline for when the evidence must reach an examiner, sometimes resulting in occurring only after the initial approval of an application. The TMA improves the efficiency and certainty of the application process by giving the Director of the USPTO two months in which to review the

evidence submitted with a letter of protest and to determine whether that evidence should be included in the record of the application;⁵⁸ neither the TMA nor the implementing regulations⁵⁹ set forth the potential consequences of the Director's failure to meet that deadline, however. The current \$50 filing fee for each letter of protest remains unchanged under the implementing regulations.

E. Restoration/Confirmation of the Presumption of Irreparable Harm: Effective December 27, 2020

A prerequisite for the entry of injunctive relief in trademark and unfair competition litigation is a demonstration that the plaintiff will suffer irreparable harm without that relief. Significantly, Section 6 of the TMA creates a uniform rule to be applied nationally with respect to what a plaintiff must show in a Lanham Act case to establish its entitlement to an injunction. Before the Supreme Court's decisions in *eBay Inc. v. MercExchange L.L.C.*,⁶⁰ and *Winter v. Natural Resources Defense Council, Inc.*,⁶¹ most courts recognized a presumption that a prevailing plaintiff under the Lanham Act would be irreparably harmed by continuing violations of the Act.

This changed in 2006, when eBay and Winter eliminated similar presumptions in litigation brought under patent and environmental law. Thereafter, courts struggled to determine whether the presumption still applied in litigation under the Lanham Act. The Third, Ninth, and Eleventh Circuits held it did not.⁶² The First and Second Circuits questioned the ongoing viability of the presumption without expressly resolving the issue.⁶³ To add to the confusion, at least the Fifth and the Eighth Circuits, as well as numerous district courts, affirmed findings of irreparable harm in trademark cases after eBay without clearly addressing eBay or the presumption.⁶⁴ Practically speaking, the circuit split meant that a trademark owner's chances of success in obtaining injunctive relief varied significantly depending on whether the circuit maintained or dispensed with the presumption of irreparable harm, and accordingly encouraged forum shopping.

The TMA has now resolved the inconsistencies by codifying in Section 34(a) of the Lanham Act⁶⁵ that a trademark owner seeking an injunction in an infringement case is entitled to a rebuttable presumption of irreparable harm upon establishing infringement at the proof stage, or showing a likelihood of liability in the context of motions for temporary restraining orders or for preliminary injunctions. This abrogates court decisions that have applied eBay to trademark cases and eliminated the presumption of irreparable harm. Although some courts entertaining requests for injunctive relief since December 27, 2020, have seemingly been oblivious to this change,⁶⁶ others have begun giving the amended Section 34(a) the effect intended by the amendment.⁶⁷

On this issue as well, however, the TMA and its legislative history leave open a potentially significant issue, namely, whether the restored (or confirmed) presumption shifts the burden of proof to a defendant against which it is asserted, or, alternatively, whether it merely shifts the burden of production.⁶⁸ Based on Congress's failure to address the issue, it may well be that Federal Rule of Evidence 301 provides the default rule and that the shift is merely one of the burden of production. If so, the presumption may ultimately prove a very weak one, as such a presumption can vanish like a bubble bursting in the face of cognizable evidence to the contrary, even if that showing cannot satisfy a preponderance-of-the-evidence standard of proof.⁶⁹

F. Protection of Trademark Trial and Appeal Board Administrative Law Judges from Challenges Under the Constitution's Appointments Clause: Effective December 27, 2020

In *Arthrex, Inc. v. Smith & Nephew, Inc.*,⁷⁰ the Federal Circuit concluded that, because of the perceived lack of control by the Director of the USPTO over the administrative law judges of the Patent Trial and Appeal Board,

they qualified as “Officers of the United States” and therefore were unconstitutionally installed under the Constitution's Appointments Clause.⁷¹ To address that constitutional defect, the court invalidated the portion of the Patent Act preventing the Secretary of Commerce from removing APJs from service without cause.⁷² Having accepted the case for review, the Supreme Court agreed with the Federal Circuit that the unreviewable authority enjoyed by the judges of the PTAB was incompatible with their appointment by the Secretary of Commerce to an inferior office; nevertheless, the Court held that the proper remedy was to allow dissatisfied patentees before the PTAB to seek discretionary reviews from a Director of the USPTO who has been confirmed by the Senate.⁷³

In doing so, the Court noted with apparent approval certain amendments worked by the TMA revising Sections 18, 20, and 24 of the Lanham Act,⁷⁴ to make clear the Director's ability “to reconsider, and modify or set aside, a decision of the Trademark Trial and Appeal Board” and also providing that the amendments “shall not be construed to mean that the Director lacked the authority to reconsider, and modify or set aside, a decision of the Trademark Trial and Appeal Board before the date of enactment of this Act.”⁷⁵ Those amendments, the Court held, confirmed that “review by the Director would follow the almost-universal model of adjudication in the Executive Branch and aligns the PTAB with the other adjudicative body in the PTO, the Trademark Trial and Appeal Board.”⁷⁶

Taken together with the TMA's amendments, the Court's holding likely dooms any challenges to the appointments process for TTAB judges, and, in fact, the Federal Circuit has rejected just such a challenge in *Piano Factory Group v. Schiedmayer Celesta GmbH*.⁷⁷ In particular, the court in that case held that “the Trademark Modernization Act of 2020 made the Director's authority vis-à-vis the decisions of the TTAB indisputably clear”;⁷⁸ indeed, “[i]f there were any doubt as to the status of [TTAB judges] as inferior officers prior to 2020, the 2020 legislation removed that doubt.”⁷⁹ “Thus,” the court concluded, “considering the Supreme Court's favorable reference to the constitutional status of [TTAB judges] as inferior officers of the United States, we reject [the appellant's] Appointments Clause challenge to the legitimacy of the TTAB panel that decided this case.”⁸⁰

Other Recent Developments Related to Misconduct in Trademark Prosecution and Maintenance Practice

A. Liberalization of the Test for Fraud on the USPTO

Even after the Federal Circuit's adoption of a strict test for fraud in *In re Bose Corp.*,⁸¹ both the Trademark Trial and Appeal Board and courts alike have been called upon to address claims that applicants have pursued or maintained registrations of their marks through fraudulent filings. For the most part, the Board has been generally hostile to claims of fraud since Bose, and that general tendency is reflected in at least some recent case law.⁸² At the same time, however, other recent opinions from the Board suggest that, like Congress, it has lost patience with those abusing the registration process.

For example, the Board reached only its second finding of fraudulent procurement since Bose in *Fuji Medical Instruments Mfg. Co., Ltd. v. American Crocodile International Group*.⁸³ The respondent in that case owned a federal registration of the FUJIYOKI mark for massage chairs. The respondent did not itself manufacture the chairs, however; instead, they were manufactured in Japan by the petitioner, for which the respondent was the

exclusive United States distributor. The original registrant of the disputed mark was the respondent's president, who eventually assigned it to the respondent. The petitioner's fraud-based challenge to the registration sounded in the theory that the respondent's president had falsely represented to the USPTO under Section 1(a) of the Act,⁸⁴ that he owned the mark covered by the application he had filed.

As a threshold matter, the Board disposed of the respondent's argument that the petitioner did not own the mark. It did so by applying a presumption that, as the manufacturer of the goods covered by the registration, the petitioner was the presumptive owner of the marks under which those goods were sold. Although acknowledging that the presumption could be rebutted, the Board then found the respondent had failed to do so under an application of the following factors: (1) which party created and first affixed the mark to the product; (2) which party's name appeared with the trademark on packaging and promotional materials; (3) which party maintained the quality and uniformity of the product, including technical changes; (4) which party the consuming public believed stood behind the product, e.g., to whom customers direct complaints and turn to for correction of defective products; (5) which party paid for advertising; and (6) what either party represented to others about the source or origin of the product.⁸⁵ The Board also rejected the respondent's arguments that the petitioner had granted the respondent's president permission to register the mark,⁸⁶ and that the respondent had abandoned its rights in the United States by allowing its own registration of the mark to lapse.⁸⁷ The sworn claim of the respondent's president to own the mark therefore was false.

The Board next addressed the materiality of that representation. Not surprisingly, the Board found the representation was a material consideration in the registration's issuance, but, in the process, it at least initially abandoned the but-for test for materiality typically applied in fraudulent-procurement inquiries.⁸⁸ Instead, it invoked the long-since-discredited rule from patent-law's inequitable conduct doctrine to hold that "information is material when a reasonable examiner would consider it important in deciding whether to allow the application to issue."⁸⁹ Equally unusually, it found materiality based on the submission by the respondent of a specimen prominently (if falsely) reciting that the respondent manufactured the chair shown in the specimen.⁹⁰

The Board then turned to the issue of whether the respondent's president had deliberately intended to deceive the USPTO in claiming to own the disputed mark. Although claims of fraud often fail for want of a fraudulent intent, the Board found such an intent to exist based on such considerations as (1) the general lack of credibility of the respondent's president;⁹¹ (2) a pre-application e-mail from the respondent's counsel to the petitioner requesting permission to use the disputed mark, which the Board found "an admission that neither Respondent nor [its president] were the owners of the FUJIIRYOKI mark or were entitled to register the mark in the U.S.";⁹² (3) an e-mail from an agent of the petitioner to the respondent placing limits on the respondent's use of the mark;⁹³ (4) another e-mail, sent "a mere two months before [the respondent's president] filed the application" again requesting permission to use the mark;⁹⁴ and (5) the failure of the respondent and its president to notify the petitioner of the president's application or the resulting registration, which the Board found evidenced "an intent to conceal."⁹⁵ "Accordingly," the Board found, "[the president's] statement in the application—that he believed himself to be the owner of the mark sought to be registered and that no one else had the right to use the mark in commerce—was a knowingly false statement made with the intent to deceive the USPTO."⁹⁶ That intent rendered the registration invalid, even if the application had been signed by an attorney and not the respondent's president himself.⁹⁷

The Board then took things one step beyond in *Chutter, Inc. v. Great Mgmt. Grp.*,⁹⁸ in which it found that a registrant had filed a fraudulent declaration of incontestability under Section 15 of the Act.⁹⁹ The petitioner's fraud-based challenge rested on the respondent's filing of the declaration during the pendency of both the cancellation action itself and a separate and a counterclaim for cancellation before a district court in an infringement action between the parties; moreover, the petitioner alleged, the respondent failed to take remedial action after the matter was called to its attention.

As a threshold matter, the Board resolved an issue that case law from both it and the Federal Circuit had long left open, namely, whether reckless disregard of the truth can constitute the required intent to deceive the USPTO. The Board concluded it can:

A declarant is charged with knowing what is in the declaration being signed, and by failing to make an appropriate inquiry into the accuracy of the statements the declarant acts with a reckless disregard for the truth. . . .

To find otherwise could encourage declarants to conclude that such disregard carries no consequence and they can fail to read documents they are signing without penalty.¹⁰⁰

It then determined that the conduct of the respondent's signatory satisfied the relevant standard:

Here, [the signatory] disregarded the contents of the Combined Declaration he at-tested to under 18 U.S.C. Section 1001, notwithstanding that at that time he did so he was not aware of the legal requirements for a Section 15 Declaration. He filed with the USPTO a Combined Declaration of Use and Incontestability, which included both the contents required for such and a supporting sworn declaration under 18 U.S.C. Section 1001, each of which contained a statement he knew was false; but he claimed he did not read the contents or supporting declaration closely enough to be aware the false statement was in the declaration. In other words, [the signatory] paid little, or no, attention to the document he was signing under oath and thereby disregarded the significance of the benefits he was obtaining for his client. By failing to ascertain and understand the import of the document he was signing, far from conscientiously fulfilling his duties as counsel, [the signatory] acted in reckless disregard for the truth; nor did he take any action to remedy the error once it was brought to his attention. [The signatory] was especially reckless because he was admittedly unfamiliar with the requirements for filing a Section 15 Declaration.¹⁰¹

The Board also faulted the registrant for failing to take steps to correct its flawed Section 15 declaration once the flaw was called to its attention.¹⁰² Finally, as it had in *Nationstar Mortgage LLC v. Ahmad*,¹⁰³ the Board held the signatory responsible under 37 C.F.R. § 11.18(b)(2)(iii) for investigating the accuracy of his averments before signing the declaration: As it explained, “[d]ocuments submitted to the USPTO must be investigated and read thoroughly before filing”¹⁰⁴ Taken together, Fuji Medical Instruments and Chutter therefore may represent a brave new worked when it comes to allegations of the fraudulent procurement and maintenance of registrations.

B. Expansion and Memorialization of the USPTO's Administrative Sanctions Process

The USPTO is cracking down on dubious filings and scammers independent of the Trademark Modernization Act, and that initiative has manifested itself in two ways. First, the USPTO has exercised its inherent power to

sanction increasing numbers of applicants, registrants, and attorneys alike.¹⁰⁵ Second, it has proposed new rulemaking to authorize the sanctions it already has issued on a going-forward basis.¹⁰⁶

The administrative sanctions process begins “when the USPTO identifies or otherwise learns of a suspicious submission in connection with a trademark application or registration, based on information communicated by internal sources, such as examining attorneys and data analytics personnel, or through external sources, such as Letters of Protest, the TMScams@uspto.gov mail-box, law enforcement, or media,”¹⁰⁷ The Office will investigate suspicious submissions, “and any related submissions,” to determine whether they “appear to violate the USPTO rules and/or the USPTO website’s Terms of Use” or “are part of an improper filing scheme.”¹⁰⁸

If the USPTO initially concludes that a pending application may be part of an improper filing scheme, it will suspend the application (and any outstanding deadlines) during the pendency of its investigation and issue a show-cause order to the applicant—which will appear in the file-wrapper history of the application to explain why sanctions should not be imposed.¹⁰⁹ If they are indeed imposed, sanctions can include the abandonment of the application:

For orders that include the sanction of termination and involve pending applications, the USPTO will terminate the involved applications and will update the USPTO’s electronic records to include an appropriate entry in the application prosecution history in TSDR to indicate that the application was terminated upon the entry of sanctions. Generally, applicants may not revive a terminated application unless the applicant can demonstrate that the USPTO erred in including the application in the order for sanctions. The applicant should file a new application to seek registration of the mark that was the subject of a terminated application.¹¹⁰

Things are different if the USPTO concludes that an existing registration was procured through an improper filing scheme:

For orders that include the sanction of termination and involve registrations that issued before the administrative sanctions process was initiated, the USPTO does not intend to terminate the registrations, but will update the USPTO’s electronic records to include an appropriate entry in the prosecution history indicating that the registration was subject to an order for sanctions. Affected registrants should note that findings made in the sanctions order may affect the underlying validity of the registration. In addition, the USPTO will consider a sanctions order that includes the sanction of termination to be a final decision adverse to the owner’s right to keep a mark on the register under section 15 of the Trademark Act of 1946, 15 U.S.C. 1065. Therefore, owners of such registrations may wish to file a new application for the mark.¹¹¹

The USPTO’s notice of its proposed rules does not explain how, if the agency itself does not cancel a registration found to have been procured through an improper filing scheme, that finding “may affect the underlying validity of the registration.”

C. Attorney and Paralegal Registration

Beginning on an as-of-undetermined date, the USPTO will require identity verification for all USPTO.gov account holders, either through a paper identity verification process or electronic verification through an outside

vendor.¹¹² According to the USPTO's explanation of this program:

You must verify your identity if you're a:

- Trademark owner or corporate officer not represented by an attorney
- U.S.-licensed attorney, including in-house counsel
- Canadian attorney or agent¹¹³

Significantly, according to the USPTO, trademark professionals other than attorneys are ineligible for the program unless sponsored by a verified attorney:

You must be sponsored by a verified attorney if you're:

- A paralegal
- Other support staff working for an attorney

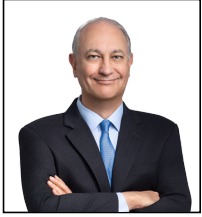
Paralegals or support staff can't use the online or paper verification processes. In-stead, your sponsoring attorney will verify your identity. You must have a USPTO.gov account before you can be sponsored.¹¹⁴

Conclusion

As perhaps befits its enactment as part of a much larger omnibus bill, the TMA addresses a variety of otherwise unrelated trademark issues. Taken as a whole, however, it adopts numerous reforms protecting the integrity of the USPTO's registers. The new post-registration reexamination and expungement procedures provide faster and more cost-effective means than opposition and cancellation actions to challenge trademark claims grounded in merely false (and not necessarily fraudulent) averments of use. In addition, the TMA provides courts and litigants with much-needed clarity concerning the showing of irreparable harm necessary to support a request for injunctive relief in litigation under the Lanham Act, thereby removing a significant incentive for forum-shopping under current law. Finally, by further distinguishing between the Trademark Trial and Appeal Board and the Patent Trial and Appeal Board, the TMA apparently already has eliminated potential threats to the method of appointing administrative law judges to the former tribunal. Although certain issues remain to be clarified through case law arising from the two new ex parte procedures, the TMA's enactment marks significant changes in trademark prosecution and litigation practice alike.

The TMA and its implementing regulations are not the only new or revised mechanisms for targeting bad actors in the trademark registration world, however. On the contrary, the Trademark Trial and Appeal Board's recent opinions suggest that tribunal has suddenly become more receptive to claims of the fraudulent procurement and maintenance of federal registrations than it had been for the preceding decade. And, finally, the USPTO's recent expansion of its administrative sanctions program, as well as its proposed memorialization of that program through regulations governing the program and its verification of the identity of trademark attorneys (and staff sponsored by them) is further evidence of the agency's determination to combat misconduct in the filing process.

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