Insights: Publications

Trademark Modernization Act Becomes Law: Establishes New Procedures to Remove Deadwood Registrations, Restores Presumption of Irreparable Harm, and Protects the Independence of the Trademark Trial and Appeal Board

DECEMBER 28, 2020 Written by Theodore H. Davis Jr.

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] The TMA, which will become effective one year after its signature into law, introduces significant amendments to the Lanham Act[2] designed to modernize trademark examination procedures and combat the increasing numbers of trademark registrations covering marks not used in commerce. Of perhaps equal significance, the TMA clarifies the standard for obtaining injunctive relief in litigation under the Lanham Act, restoring the rebuttable presumption of irreparable harm in those jurisdictions that have dismissed it. Finally, the TMA contains several amendments to the Lanham Act intended to immunize the Administrative Law Judges of the Trademark Trial and Appeal Board against challenges to its independence under the Appointments Clause of the Constitution.[3] As discussed below in greater detail, the changes to U.S. trademark law effected by the TMA are perhaps the most consequential since the landmark Trademark Law Revision Act of 1988.[4] Nevertheless, they do leave open certain issues, some of which may be resolved through administrative rulemaking and others of which may ultimately require judicial action.

Authorization for Office to Shorten Response Times

Section 1 of the Lanham Act requires a trademark applicant to respond to an office action issued during examination within six months.[5] The TMA has amended that section of the Act to grant the USPTO greater flexibility in setting office action response deadlines. Specifically, the amended section authorizes the USPTO to shorten response periods, by regulation, for a time period between 60 days and six months, so long as applicants can receive extensions of time to respond, up to the traditional full six-month period. Applicants availing themselves of extensions will be required to support requests for them with filing fee to be determined through administrative rulemaking.

Codification of Letter of Protest Mechanism

The TMA also codifies the existing letter of protest procedure, which permits the submission of evidence by other parties during the trademark examination process that bears on the registrability of an applied-for mark. The existing procedure is informal, without a timeline for when the evidence must reach an examiner and does not require a filing fee. Under the TMA, the Director of the USPTO will have two months in which to review the evidence submitted with a letter of protest. In addition, the Office must establish by regulation appropriate procedures for the consideration of evidence submitted with a letter of protest, and may choose to institute a filing fee.

Ex Parte Challenges to Registrations

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.[6] In contrast, under Sections 44(e) and Section 66(a) of the Lanham Act,[7] 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.[8]

Commissioner Dennison's testimony at the July 18, 2019, hearing highlights the use-in-commerce-based concerns underlying the most significant provisions of the TMA:

> The USPTO creates and maintains the federal register of trademarks that now includes approximately 2.4 million registrations. The register itself provides notice to applicants, other trademark owners, and our examining attorneys of the registrant's claim of ownership in a mark and allows them to search the register to determine the availability of marks for registration in the United States. The register is a valuable tool in making business decisions, and its accuracy is paramount. When businesses are selecting names for new products, they turn to the register to figure out whether their chosen mark is available for their use and registration. But, for the register to be useful, it must accurately reflect marks that are in use in the United States for the goods and services identified in the registrations. If the register is filled with marks that are not in use, or features registrations obtained by improper means, it makes trademark clearance more difficult, time-consuming and expensive. An inaccurate register also leads to expensive opposition and cancellation proceedings, or federal court litigation, to correct inaccurate registrations and to enforce rights. And, in turn, it may cause companies to alter business decisions, often at significant cost.
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> . . . [I]n recent years, the USPTO has seen a significant increase in the number of applicants who are not fulfilling their legal and ethical obligations to file accurately and in good faith, particularly with respect to claims that the mark is in use in commerce. The USPTO increasingly has been receiving trademark application and registration maintenance filings involving false or inaccurate use claims and submission of fake or digitally altered specimens that do not actually show use of the mark in U.S. commerce in the ordinary course of trade as required by law.[9]

The TMA addresses these issues by authorizing two new mechanisms targeting deadwood on the USPTO's trademark registers, both of which will become effective on December 27, 2021. The first, *ex parte* reexamination, will permit challenges to use-based registrations issued under Section 1(a) of the Lanham Act, or, in other words, registrations whose owners averred under oath during the application process that their marks were used in commerce. Such an averment may have been included in the application itself or, alternatively, as part of a statement of use. This mechanism will allow the USPTO to reexamine the accuracy of the registrant's averment of use as of the filing date of that averment. It will not be available once a targeted registration has passed its fifth anniversary.

The second, *ex parte* expungement, will allow challenges to marks that have never been used in commerce. It will primarily target registrations issued under either Section 44(e) or Section 66(a) of the Act. It generally will be available to challengers only between the third and the tenth anniversaries of a registration's issuance, although for a limited period of three years after the TMA's effective date, petitions to initiate expungements may be brought against registrations at any time after their third anniversaries.

Standing will not be required to initiate either of the two proceedings. Instead, any other party could initiate them by submitting to the Director of the USPTO evidence or testimony establishing a "prima facie case" of nonuse of a mark in commerce as of the "relevant date," which the TMA defines as:

- the date on which an averment of use is filed in support of an application with a Section 1(a) basis; and
- the third anniversary of a registration issued under either Section 44(e) or Section 66(a).

Alternatively, the Director of the USPTO may determine on his or her own initiative that a prima facie case of nonuse exists.

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 the 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.) 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.[10] 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.

A significant point of uncertainty in either type of proceeding is the showing a registrant must make in response to a prima facie case of nonuse. In a cancellation action, the burden of proof always rests on the petitioner to prove invalidity either by a preponderance of the evidence and testimony (in cases not presenting allegations of fraud) or by clear and convincing evidence (in cases that do present them). In drafting the TMA, however, Congress has left open the question of whether a prima facie case of nonuse obligates the registrant to prove use (a scenario that would turn the current burden of proof on its head), or, alternatively, merely to produce evidence of use.

Restoration/Confirmation of the Presumption of Irreparable Harm

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 Lanham Act case to establish its entitlement to an injunction. Before the Supreme Court's decisions in *eBay Inc. v. MercExchange LLC*,[11] and *Winter v. Natural Resources Defense Council, Inc.*,[12] courts almost uniformly 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 have held it does not.[13] The First and Second Circuits have questioned the on-going viability of the presumption without expressly resulting on the issue.[14] To add to the confusion, at least the Fifth and the Eighth Circuits, as well as numerous district courts, have recognized irreparable harm in trademark cases after *eBay* without clearly addressing *eBay* or the presumption.[15] Practically speaking, the circuit split has meant that a trademark owner's chances of success in obtaining injunctive relief has varied significantly depending on whether the circuit maintained or dispensed with the presumption of irreparable harm, and accordingly has encouraged forum shopping.

The TMA has now resolved the inconsistencies by codifying in the Lanham Act 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.

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. 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.[16] 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 a showing of cognizable evidence to the contrary, even if that showing is insufficient to satisfy a preponderance-of-the-evidence standard of proof.[17]

Protection of the Independence of Administrative Law Judges Serving on the Trademark Trial and Appeal Board

In *Arthrex, Inc. v. Smith & Nephew, Inc.*,[18] 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, those judges qualified as “Officers of the United States” under the Constitution's Appointments Clause and therefore were unlawfully appointed because they had not been nominated by the President and confirmed by the Senate.[19] To address that perceived constitutional defect, the court invalidated the portion of the Patent Act preventing the Secretary of Commerce from removing APJs from service without cause.[20] On October 13, 2020, the Supreme Court granted cert. to review both of those holdings.[21]

Emboldened by the Federal Circuit's opinion in *Arthrex*, two unsuccessful litigants before the Trademark Trial and Appeal Board have asserted in pending appeals before the Federal Circuit that the ALJs of that tribunal also are unconstitutionally because they are appointed by the Director of the USPTO (rather than the President) and not subject to Senate confirmation.[22] Although the government has intervened in each appeal with arguments distinguishing the Trademark Trial and Appeal Board from its patent counterpart, and although it is not apparent in

any case whether the Federal Circuit's opinion will survive scrutiny by the Supreme Court, the TMA contains provisions aimed at confirming that the ALJs of the Trademark Trial and Appeal Board are inferior officers of the United States and that they therefore fall outside the scope of *Arthrex*.

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 a number of reforms that better protect trademark owners, and, by extension, consumers. The new post-registration reexamination and expungement procedures provide faster and more cost-effective means to challenge trademark claims grounded in merely false (and not necessarily fraudulent) averments of use than the existing opposition and cancellation mechanisms. 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 reduces potential threats to the independence of the administrative law judges sitting on the former tribunal. Although certain issues remain to be clarified under the TMA, *e.g.*, the nature of the responsive showing required of a registrant targeted by either of the two new *ex parte* procedures, its enactment marks significant changes in trademark prosecution and litigation practice alike.

*Click here to view the updated Federal Trademark Law Under the Trademark Modernization Act as of March 2022.

Footnotes

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[1] Bills to enact the TMA were introduced in March by Representatives Jerrold Nadler (D-NY), Doug Collins (R-GA), Hank Johnson (D-NY), and Martha Roby (R-AL), as well as Senators Chris Coons (D-DE) and Thom Tillis (R-NC). See H.R. 6196; S. 3449. Ultimately, however, the TMA was not passed and signed into law as a standalone piece of legislation but instead as part of the Consolidated Appropriations Act of 2021, Pub. L. No. 116-260 (2020).

[2] 15 U.S.C. §§ 1051 *et seq*.

[3] U.S. Const. Art. II, § 2, Cl. 2.

[4] Pub. L. No. 100-667, 102 Stat. 3935 (1988).

[5] 15 U.S.C. § 1062(b).

[6] *See generally id*. § 1051.

[7] *Id*. §§ 1126(e), 1141f.

[8] *See id*. §§ 1058, 1141k.

[9] This testimony is accessible at https://www.uspto.gov/about-us/news-updates/statement-commissioner-trademarks-mary-boney-denison-united-states-house.

[10] The Director's decision to initiate or not to initiate one of the new *ex parte* proceedings is not appealable, however.

[11] 547 U.S. 388 (2006).

[12] 555 U.S. 7 (2008).

[13] *See* Ferring Pharmaceuticals, Inc. v. Watson Pharmaceuticals,, Inc., 765 F.3d 205 (3d Cir. 2014); Herb Reed Enters. v. Fla. Entm't Mgmt., Inc., 736 F.3d 1239, 1249-50 (9th Cir. 2013); Commodores Entm't Corp.

v. McLary, 648 F. App'x 771 (11th Cir. 2016) (per curiam).

[14] *See* Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc., 645 F.3d 26, 33 (1st Cir. 2011); U.S. Polo Ass'n v. PRL USA Holdings, Inc., 511 F. App'x 81, 85 (2d Cir. 2013).

[15] *See*, *e.g.*, Warner Bros. Entm't, Inc. v. X One X Prods., 840 F.3d 971, 982 (8th Cir. 2016); Abraham v. Alpha Chi Omega, 708 F.3d 614, 627 (5th Cir. 2013); Entm't One UK Ltd. v. 2012Shiliang, 384 F. Supp. 3d 941, 955 (N.D. Ill. 2019).

[16] Rule 301 provides:

> In all civil actions and proceedings not otherwise provided for by Act of Congress or by these rules, a presumption imposes on the party against whom it is directed the burden of going forward with evidence to rebut or meet the presumption, but does not shift to such party the burden of proof in the sense of the risk of non-persuasion, which remains throughout the trial upon the party on whom it was originally cast.

FED. R. EVID. 301.

[17] *See*, e.g., A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1037 (Fed. Cir. 1992) (noting that "presumption is not merely rebuttable but completely vanishes upon the introduction of evidence sufficient to support a finding of the nonexistence of the presumed fact"); Saratoga Vichy Spring Co. v. Lehman, 625 F.2d 1037, 1043 (2d Cir. 1980) ("[A] rebuttable presumption . . . disappears in the face of contrary evidence or permits the trier to infer intent to abandon, despite contrary evidence.").

[18] 941 F.3d 1320 (Fed. Cir. 2019), *cert. granted*, 141 S. Ct. 551 (2020).

[19] *Arthrex*, 941 F.3d at 1335.

[20] *Id.* at 1338-40.

[21] *See* Arthrex, Inc. v. Smith & Nephew, Inc., 141 S. Ct. 551 (2020).

[22] *See* Schiedmayer Celesta GmbH v. Piano Factory Grp., No. 92061215, slip op. (T.T.A.B. Sept. 11, 2019) (nonprecedential), *appeal docketed*, No. 2020-1196 (Fed. Cir. Nov. 8, 2019); Coca-Cola Co. v. Somohano-Soler, No. 91232090, slip op. (T.T.A.B. Oct. 19, 2019) (nonprecedential), *appeal docketed*, No. 2020-1245 (Fed. Cir. Nov. 27, 2019).

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