

UNITED STATES OF AMERICA
TRADEMARK MODERNIZATION ACT OF 2020

DECEMBER 14, 2020. —Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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SECTION-BY-SECTION ANALYSIS

TRADEMARK MODERNIZATION ACT OF 2020

The amendments are as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE. —This Act may be cited as the ‘‘Trademark Modernization Act of 2020’’ or the ‘‘TM Act of 2020’’.

(b) TABLE OF CONTENTS. —The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

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SECTION 2. DEFINITIONS.

In this Act:

(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’’).

SECTION 3. PROVIDING FOR THIRD-PARTY SUBMISSION OF EVIDENCE DURING EXAMINATION.

(a) AMENDMENT. —Section 1 of the Trademark Act of 1946 (15 U.S.C. 1051) is amended by inserting at the end the following new subsection:

“(f) A third party may submit for consideration for inclusion in the record of an application evidence relevant to a ground for refusal of registration. The third-party submission shall identify the ground for refusal and include a concise description of each piece of evidence submitted in support of each identified ground for refusal.

Within two months after the date on which the submission is filed, the Director shall determine whether the evidence should be included in the record of the application. The Director shall establish by regulation appropriate procedures for the consideration of evidence submitted by a third party under this subsection and may prescribe a fee to accompany the submission. If the Director determines that the third-party evidence should be included in the record of the application, only the evidence and the ground for refusal to which the evidence relates may be so included. Any determination by the Director whether or not to include evidence in the record of an application shall be final and non-reviewable, and a determination to include or to not include evidence in the record shall not prejudice any party’s right to raise any issue and rely on any evidence in any other proceeding.’’.

(b) DEADLINE FOR PROCEDURES. —Not later than one year after the date of the enactment of this Act, the Director shall establish the appropriate procedures described in section 1(f) of the Trademark Act of 1946, as added by subsection (a).

(c) EFFECTIVE DATE. —The amendment made by subsection (a) shall take effect one year after the date of the enactment of this Act.

SECTION 4. PROVIDING FOR FLEXIBLE RESPONSE PERIODS.

Section 12(b) of the Trademark Act of 1946 (15 U.S.C. 1062(b)) is amended to read as follows:

"(b) (1) If the applicant is found not entitled to registration, the examiner shall notify the applicant thereof and of the reasons therefor. The applicant may reply or amend the application, which shall then be reexamined. This procedure may be repeated until the examiner finally refuses registration of the mark or the application is abandoned as described in paragraph (2)."

(2) After notification under paragraph (1), the applicant shall have 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. If the applicant fails to reply or amend or appeal within the relevant time period, including any extension under paragraph (3), the application shall be deemed to have been abandoned, unless it can be shown to the satisfaction of the Director that the delay in responding was unintentional, in which case the application may be revived and such time may be extended. The Director may prescribe a fee to accompany any request to revive.

"(3) The Director shall provide, by regulation, for extensions of time to respond to the examiner for any time period under paragraph (2) that is less than six months. The Director must allow the applicant to obtain extensions of time to reply or amend aggregating six months from the date of notification under paragraph (1) when the applicant so requests. However, the Director may set by regulation the time for individual periods of extension, and prescribe a fee, by regulation, for any extension request. Any request for extension must be filed on or before the date on which a reply or amendment is due under paragraph (1)."

SECTION 5. EX PARTE EXPUNGEMENT; EX PARTE REEXAMINATION; NEW GROUNDS FOR CANCELLATION.

(a) EX PARTE EXPUNGEMENT. The Trademark Act of 1946 (15 U.S.C. 1066) is amended by inserting after section 16, the following new section:

"SECTION 16A. EX PARTE EXPUNGEMENT.

"(a) PETITION.—

Notwithstanding sections 7(b) and 22, and subsections (a) and (b) of section 33, any person may file a petition to expunge a registration of a mark on the basis that the mark has never been used in commerce on or in connection with some or all of the goods or services recited in the registration.

"(b) CONTENTS OF PETITION.—

The petition, together with any supporting documents, shall—

"(1) identify the registration that is the subject of the petition;

"(2) identify each good or service recited in the registration for which it is alleged that the mark has never been used in commerce;

"(3) include a verified statement that sets forth the elements of the reasonable investigation the petitioner conducted to determine that the mark has never been used in commerce on or in connection with the goods and services identified in the petition, and any additional facts that support the allegation that the mark has never been used in commerce on or in connection with the identified goods and services;

"(4) include any supporting evidence on which the petitioner relies; and

"(5) be accompanied by the fee prescribed by the Director.

"(c) INITIAL DETERMINATION; INSTITUTION.—

"(1) PRIMA FACIE CASE DETERMINATION, INSTITUTION, AND NOTIFICATION.—The Director shall, for each good or service identified under subsection (b) (2), determine whether the petition sets forth a prima facie case of the mark having never been used in commerce on or in connection with each such good or service, institute an ex parte expungement proceeding for each good or service for which the Director determines that

a prima facie case has been set forth, and provide a notice to the registrant and petitioner of the determination of whether or not the proceeding was instituted. Such notice should include a copy of the petition and any support in documents and evidence that were included with the petition.

“(2) REASONABLE INVESTIGATION GUIDANCE.—The Director shall promulgate regulations regarding what constitutes a reasonable investigation under subsection (b) (3) and the general types of evidence that could support a prima facie case that a mark has never been used in commerce, but the Director shall retain the discretion to determine whether a prima facie case is set out in a particular proceeding.

“(3) DETERMINATION BY DIRECTOR.—Any determination by the Director whether or not to institute a proceeding under this section shall be final and non-reviewable, and shall not prejudice any party’s right to raise any issue and rely on any evidence in any other proceeding, except as provided by subsection (j).

“(d) EX PARTE EXPUNGEMENT PROCEDURES.—
The procedures for ex parte expungement shall be the same as those for examination under section 12(b), except that the Director shall promulgate regulations establishing and governing a proceeding under this section, which may include regulations that set response and extension times particular to this type of proceeding, which, notwithstanding section 12(b) (3) need not be extendable to six months, set limits governing the timing and number of petitions filed for a particular registration or by a particular petitioner or real parties in interest, and defining the relation of a proceeding under this section to other proceedings concerning the mark.

“(e) REGISTRANT’S EVIDENCE OF USE.—
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, but shall not be limited in form to that of specimens as provided in section 1(a).

“(f) EXCUSABLE NONUSE.—

During an ex parte expungement proceeding, for a mark registered under section 44(e) or an extension of protection under section 66, the registrant may offer evidence showing that any nonuse is due to special circumstances that excuse such nonuse. In such a case, the examiner shall determine whether the facts and evidence demonstrate excusable nonuse and shall not find that the registration should be cancelled under subsection (g) for any good or service for which excusable nonuse is demonstrated.

“(g) EXAMINER’S DECISION; ORDER TO CANCEL.—

For each good or service for which it is determined that a mark has never been used in commerce, and for which the provisions of subsection (f) do not apply, the examiner shall find that the registration should be cancelled for each such good or service. A mark may not be found to have never been used in commerce if there is evidence of use in commerce by the registrant that temporally would have supported registration at the time the application was filed or the relevant allegation of use was made, or after registration, but before the petition to expunge was filed under subsection (a), or an ex parte expungement proceeding was instituted by the Director under subsection (h). 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.

“(h) EX PARTE EXPUNGEMENT BY THE DIRECTOR.—

“(1) IN GENERAL.—The Director may, on the Director’s own initiative, institute an ex parte expungement proceeding if the Director discovers information that supports a prima facie case of a mark having never been used in commerce on or in connection with any good or service covered by a registration. The Director shall promptly notify the registrant of such determination, at which time the ex parte expungement proceeding shall proceed according to the same procedures for ex parte expungement established pursuant to subsection (d). If the Director determines, based on the Director’s own initiative, to institute an expungement proceeding, the Director shall transmit or make available the information that formed the basis for that determination as part of the institution notice sent to the

registrant.

“(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to limit any other authority of the Director.

“(i) TIME FOR INSTITUTION.—

“(1) WHEN PETITION MAY BE FILED, EX PARTE EXPUNGEMENT PROCEEDING INSTITUTED.—A petition for ex parte expungement of a registration under subsection (a) may be filed, or the Director may institute on the Director’s own initiative an ex parte expungement proceeding of a registration under subsection (h), at any time following the expiration of three years after the date of registration and before the expiration of ten years following the date of registration.

“(2) EXCEPTION.—Notwithstanding paragraph (1), for a period of three years after the date of enactment of this Act, a petition for expungement of a registration under subsection (a) may be filed, or the Director may institute on the Director’s own initiative an ex parte expungement proceeding of a registration under subsection (h), at any time following the expiration of three years after the date of registration.

“(j) LIMITATION ON LATER EX PARTE EXPUNGEMENT PROCEEDINGS.—

“(1) NO CO-PENDING PROCEEDINGS.—With respect to a particular registration, while an ex parte expungement proceeding is pending, no later ex parte expungement proceeding can be instituted with respect to the same goods or services that are the subject of a pending ex parte expungement proceeding.

“(2) ESTOPPEL.—With respect to a particular registration, for goods or services previously subject to an instituted expungement proceeding for which, in that proceeding, it was determined that the registrant had used the mark for particular goods or services, as relevant, and the registration was not cancelled as to those goods or services, no further ex parte expungement proceedings may be initiated as to those goods or services, regardless of the identity of the petitioner.

“(k) USE IN COMMERCE REQUIREMENT NOT ALTERED.—Nothing in this section shall affect the requirement for use in commerce of a mark registered under section 1(a) or section 23.’’.

(b) NEW GROUNDS FOR CANCELLATION.—Section 14 of the Trademark Act of 1946 (15 U.S.C. 1064) is amended—

(1) by striking the colon at the end of paragraph (5) and inserting a period;

(2) by adding after paragraph (5) the following:

“(6) At 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:”;

(3) in the flush left text, by inserting “Nothing in paragraph (6) shall be construed to limit the timing applicable to any other ground for cancellation. A registration under sections 44(e) or 66 shall not be cancelled pursuant to paragraph (6) if the registrant demonstrates that any nonuse is due to special circumstances that excuse such nonuse.” after “identical certification mark is applied.”.

(c) EX PARTE REEXAMINATION.—The Trademark Act of 1946 (15 U.S.C. 1066), as amended by subsection (a), is further amended by inserting after section 16A, the following new section:

“SECTION 16B. EX PARTE REEXAMINATION.

“(a) PETITION FOR REEXAMINATION.—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.

“(b) RELEVANT DATE.—In this section, the term ‘relevant date’ means, 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 approved extensions thereof.

“(c) REQUIREMENTS FOR THE PETITION.—The petition, together with any supporting documents, shall—

“(1) identify the registration that is the subject of the petition;

“(2) identify each good and service recited in the registration for which it is alleged that the mark was not in use in commerce on or in connection with on or before the relevant date;

“(3) include a verified statement that sets forth the elements of the reasonable investigation the petitioner conducted to determine that the mark was not in use in commerce on or in connection with the goods and services identified in the petition on or before the relevant date, and any additional facts that support the allegation that the mark was not in use in commerce on or before the relevant date on or in connection with the identified goods and services;

“(4) include supporting evidence on which the petitioner relies; and

“(5) be accompanied by the fee prescribed by the Director.

“(d) INITIAL DETERMINATION; INSTITUTION.—

“(1) PRIMA FACIE CASE DETERMINATION, INSTITUTION, AND NOTIFICATION.—The Director shall, for each good or service identified under subsection (c) (2), determine whether the petition sets forth a prima facie case of the mark having not been in use in commerce on or in connection with each such good or service, institute an ex parte reexamination proceeding for each good or service for which the Director determines that the prima facie case has been set forth, and provide a notice to the registrant and petitioner of the determination of whether or not the proceeding was instituted. Such notice should include a copy of the petition and any supporting documents and evidence that were included with the petition.

“(2) REASONABLE INVESTIGATION GUIDANCE.—The Director shall promulgate regulations regarding what constitutes a reasonable investigation under subsection (c) (3) and the general types of evidence that could support a prima facie case that the mark was not in use in commerce on or in connection with a good or service on or before the relevant date, but the Director shall retain discretion to determine whether a prima facie case is

set out in a particular proceeding.

“(3) DETERMINATION BY DIRECTOR.—Any determination by the Director whether or not to institute a reexamination proceeding under this section shall be final and non-reviewable, and shall not prejudice any party’s right to raise any issue and rely on any evidence in any other proceeding, except as provided by subsection (j).

“(e) REEXAMINATION PROCEDURES.—The procedures for reexamination shall be the same as those established under section 12(b) except that the Director shall promulgate regulations establishing and governing a proceeding under this section, which may include regulations that set response and extension times particular to this type of proceeding, which, notwithstanding section 12(b)(3) need not be extendable to six months; set limits governing the timing and number of petitions filed for a particular registration or by a particular petitioner or real parties in interest; and define the relation of a reexamination proceeding under this section to other proceedings concerning the mark.

“(f) REGISTRANT’S EVIDENCE OF USE.—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, but shall not be limited in form to that of specimens as provided in section 1(a).

“(g) EXAMINER’S DECISION; ORDER TO CANCEL.—For each good or service for which it is determined that the registration should not have issued because the mark was not in use in commerce on or before the relevant date, the examiner shall find that the registration should be cancelled for each such good or service. 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.

“(h) REEXAMINATION BY DIRECTOR.—

“(1) IN GENERAL.—The Director may, on the Director’s own initiative, institute an ex parte reexamination proceeding if the Director discovers information that supports a prima facie

case of the mark having not been used in commerce on or in connection with some or all of the goods or services covered by the registration on or before the relevant date. The Director shall promptly notify the registrant of such determination, at which time reexamination shall proceed according to the same procedures established pursuant to subsection (e). If the Director determines, based on the Director's own initiative, to institute an ex parte reexamination proceeding, the Director shall transmit or make available the information that formed the basis for that determination as part of the institution notice.

“(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to limit any other authority of the Director.

“(i) TIME FOR INSTITUTION.—A petition for ex parte reexamination may be filed, or the Director may institute on the Director's own initiative an ex parte reexamination proceeding, at any time not later than five years after the date of registration of a mark registered based on use in commerce.

“(j) LIMITATION ON LATER EX PARTE REEXAMINATION PROCEEDINGS.—

“(1) NO CO-PENDING PROCEEDINGS.—With respect to a particular registration, while an ex parte reexamination proceeding is pending, no later ex parte reexamination proceeding can be instituted with respect to the same goods or services that are the subject of a pending ex parte reexamination proceeding.

“(2) ESTOPPEL.—With respect to a particular registration, for any goods or services previously subject to an instituted ex parte reexamination proceeding for which, in that proceeding, it was determined that the registrant had used the mark for particular goods or services before the relevant date, and the registration was not cancelled as to those goods or services, no further ex parte reexamination proceedings may be initiated as to those goods or services, regardless of the identity of the petitioner.

“(k) SUPPLEMENTAL REGISTER.—The provisions of subsection (b) apply, as appropriate, to registrations under section 23. Nothing in this section shall be construed to limit the timing of a cancellation action under section 24 of the Act.’’.

(d) APPEAL.—

(1) APPEAL TO TRADEMARK TRIAL AND APPEAL BOARD.—Section 20 of the Trademark Act of 1946 (15 U.S.C. 1070) is amended by inserting ``or a final decision by an examiner in an ex parte expungement proceeding or ex parte reexamination proceeding'' after ``registration of marks''.

(2) APPEAL TO COURTS.—

(A) EXPUNGEMENT OR EX PARTE REEXAMINATION.—Section 21(a)(1) of the Trademark Act of 1946 (15 U.S.C. 1071(a)(1)) is amended by striking ``or an applicant for renewal'' and inserting the following: ``an applicant for renewal, or a registrant subject to an ex parte expungement proceeding or an ex parte reexamination proceeding''.

(B) EXCEPTION.—Section 21(b)(1) of the Trademark Act of 1946 (15 U.S.C. 1071(b)(1)) is amended by inserting ``except for a registrant subject to an ex parte expungement proceeding or an ex parte reexamination proceeding'' before ``is dissatisfied''.

(e) TECHNICAL AND CONFORMING AMENDMENTS.—The Trademark Act of 1946 (15 U.S.C. 1051 et seq.) is amended—

(1) in section 15, by striking ``paragraphs (3) and (5)'' and inserting ``paragraphs (3), (5) and (6)''; and

(2) in section 26, by adding at the end the following:

``Registrations on the supplemental register are subject to ex parte expungement and ex parte reexamination under sections 16A and 16B, respectively.''

(f) DEADLINE FOR PROCEDURES.—Not later than one year after the date of the enactment of this Act, the Director shall issue regulations to carry out sections 16A and 16B of the Trademark Act of 1946, as added by subsections (a) and (c).

(g) EFFECTIVE DATE.—The amendments made by this section shall take effect upon the expiration of the one year period beginning on the date of enactment of this Act, and shall apply to any mark registered before, on, or after that effective date.

SECTION 6. REBUTTABLE PRESUMPTION OF IRREPARABLE HARM.

(a) AMENDMENT.—Section 34 of the Trademark Act of 1946 (15 U.S.C. 1116) is amended in subsection (a) by inserting after the first sentence the following new sentence: ``A plaintiff seeking any such injunction shall be entitled to a rebuttable presumption of irreparable harm upon a finding of a violation identified in this subsection in the case of a motion for a permanent injunction or upon a finding of likelihood of success on the merits for a violation identified in this subsection in the case of a motion for a preliminary injunction or temporary restraining order.'`.

(b) RULE OF CONSTRUCTION.—The amendment made by subsection (a) shall not be construed to mean that a plaintiff seeking an injunction was not entitled to a presumption of irreparable harm before the date of the enactment of this Act.

SECTION 7. REPORT ON DECLUTTERING INITIATIVES.

(a) STUDY.—The Comptroller General of the United States shall consult with the Director to conduct a study on the efforts of the Director during the period beginning 12 months after the date of the enactment of this Act and ending 30 months after the date of the enactment of this Act to address inaccurate and false claims of use in trademark applications and registrations. Inaccurate and false claims of use include any declaration of use by a trademark applicant or registrant that cannot be supported by use in commerce as defined in section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) or the regulations relevant to the definition of specimens under section 1 of the Trademark Act of 1946 (15 U.S.C. 1051), as applicable.

(b) CONTENTS OF STUDY.—In conducting the study under subsection (a), the Comptroller General shall assess the following:

(1) With respect to sections 16A and 16B of the Trademark Act of 1946, as added by section 5—

(A) the number of petitions filed under each such section for which a decision not to institute was issued;

(B) the number of petitions filed under each such section for which a decision to institute was issued;

(C) the number of in-process and completed proceedings instituted under each such section, including any proceedings instituted by the Director's own initiative;

(D) the average time taken to resolve proceedings instituted under each such section, including the average time between—

(i) the filing of a petition under each such section and an examiner's final decision under section 16A(g) and 16B(g), or the last decision issued by the examiner if the registrant failed to respond to the latest-in-time decision by the examiner; and

(ii) the institution of a proceeding under each such section, including any proceedings instituted by the Director's own initiative, and an examiner's final decision under section 16A(g) and 16B(g), or the last decision issued by the examiner if the registrant fails to respond to the latest-in-time decision by the examiner;

(E) the number of appeals of decisions of examiners to the Trademark Trial and Appeal Board and to the courts for each

such proceeding; and

(F) an accounting of the final outcome of each such proceeding instituted by identifying the number of goods or services for which such proceedings were instituted, and the number of goods or services for each involved registration that were cancelled pursuant to such proceedings.

(2) With respect to section 1(f) of the Trademark Act of 1946, as added by section 3—

(A) the number of third-party submissions filed under such section for which the third-party asserts in the submission that the mark has not been used in commerce; and

(B) of those applications identified in paragraph (A) above, the number of applications in which the third-party submission evidence is included in the application; and

(C) of those applications identified in paragraph (B) above, the number of applications—

(i) refused registration based on an assertion by the examiner that the mark has not been used in commerce; and

(ii) for which the examiner requested additional information from the applicant related to claims of use.

(3) The effectiveness of—

(A) the proceedings under sections 16A and 16B of the Trademark Act of 1946, as added by section 5, in addressing inaccurate and false claims of use in trademark registrations; and

(B) any additional programs conducted by the Director designed to address inaccurate and false claims of use in trademark applications and registrations, including the post-registration use audit, as implemented at the date of enactment of this Act under sections 2.161(h) and 7.37(h) of title 37, Code of Federal Regulations.

(c) REPORT TO CONGRESS.—Not later than three years after the date of enactment of this Act, the Comptroller General of the United States shall submit to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate a report—

(1) on the results of the study conducted under this section; and

(2) that includes any recommendations, based on the results of the study, for any changes to laws or regulations that will improve the integrity of the trademark register or reduce inaccurate or false claims of use.

SECTION 8. AMENDMENTS TO CONFIRM AUTHORITY OF THE DIRECTOR.

(a) AMENDMENTS.—

(1) Section 18 of the Trademark Act of 1946 (15 U.S.C. 1068) is amended by inserting after ``established in the proceedings'' the following: ``. 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''.

(2) Section 20 of the Trademark Act of 1946 (15 U.S.C. 1070) is amended by inserting at the end the following: ``The Director may reconsider, and modify or set aside, a decision of the Trademark Trial and Appeal Board under this section.''.

(3) Section 24 of the Trademark Act of 1946 (15 U.S.C. 1092) is amended by inserting after ``shall be canceled by the Director'' the following: ``, unless the Director reconsiders the decision of the Board, and modifies or sets aside, such decision''.

(b) RULES OF CONSTRUCTION.—

(1) AUTHORITY BEFORE DATE OF ENACTMENT.—The amendments made by subsection (a) may 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 the enactment of this Act.

(2) AUTHORITY WITH RESPECT TO PARTICULAR DECISIONS.—The amendments made by subsection (a) may not be construed to require the Director to reconsider, modify, or set aside any particular decision of the Trademark Trial and Appeal Board.

Amend the title so as to read:

A bill to amend the Trademark Act of 1946 to provide for third party submission of evidence relating to a trademark application, to establish expungement and ex parte proceedings relating to the validity of marks, to provide for a rebuttable presumption of irreparable harm in certain proceedings, and for other purposes.

PURPOSE AND SUMMARY

H.R. 6196, the ``Trademark Modernization Act of 2020`` or the ``TM Act of 2020,`` updates the Trademark Act of 1946 1 by modernizing trademark examination procedures, establishing new, more efficient proceedings to clear registrations from the trademark register for marks for which proper use in commerce was not made, clarifying the standard for injunctive review in trademark infringement cases, and confirming the authority of the Director of the U.S. Patent and Trademark Office (USPTO) to reconsider decisions of the Trademark Trial and Appeal Board (TTAB).

BACKGROUND AND NEED FOR THE LEGISLATION

A. TRADEMARK LAW AND REGISTRATION GENERALLY

Trademarks are at the foundation of a successful commercial marketplace. Trademarks allow companies to identify their goods and services, and they ensure that consumers know whose product they are buying. ``The theory underlying trademark law is that producers will invest in product quality only if they can benefit from the reputation-related rewards of that investment. Trademarks enable producers to build goodwill, and trademark protection prevents others from trading on that goodwill.'' By guarding against deception in the marketplace, trademarks also serve an important consumer protection role.

A trademark is any word, symbol, or device that identifies the source of a product or service. Trademarks serve two principal roles: to facilitate legitimate businesses and to protect consumers. Trademark rights are based upon common law; such rights begin to exist when a mark starts to be used in commerce for particular goods or services. Trademark protection enables consumers to rely on the presence of a trademark as an indicator of the quality of the products or services to which the mark is attached or with which the mark is used.

In addition to rights that exist at common law, the Lanham Act provides important federal protections for trademarks, including a registration system that helps to ensure that trademarks are fully protected, supporting the free flow of commerce. Federal registration ``confers important legal rights and benefits on trademark owners who register their marks.'' Registration on the ``principal register'' of the USPTO serves as ``constructive notice of the registrant's claim of ownership'' of the mark. Once a trademark is registered, the trademark owner can claim nationwide rights in the mark, even if it is not yet being used throughout the country.

B. THREATS TO THE PROPER FUNCTIONING OF THE REGISTRATION SYSTEM

To have a well-functioning trademark system, the federal trademark register needs to accurately reflect the trademarks currently in use. Having marks that are not currently in use on the U.S. register makes it more difficult for legitimate businesses to clear and register their own marks. In recent years, it has become clear that whether purposeful or not, registrations are being maintained for marks that are not properly in use in commerce.

This so-called ``cluttering'' has real-world consequences, which become particularly acute as the availability of marks is depleted. Testimony before the Subcommittee on Courts, Intellectual Property, and the Internet highlighted the problem of depletion of effective trademarks. Professors Barton Beebe and Jeanne Fromer explained:

Trademark depletion is a problem because it undermines trademark law's goals of promoting efficient and fair competition and minimizing consumer search costs. In particular, as depletion worsens, entrants face higher costs than incumbents had faced earlier in locating or devising a mark that is not confusingly similar with already registered marks and that is competitively effective. Moreover, entrants are generally constrained to settle for less effective marks, such as longer and more complex marks, that minimize the advertising power of these marks.

Their research found that in 2016, 23.5% of the most frequently used words in American English, which also account for 74% of all word usage, had already been claimed as single-word marks. They further estimated that 97.1% of the most frequently used words in American English, which account for 89.1% of all word usage in the language, are confusingly similar with a mark already registered. Trademark law is meant to encourage competition. But that competition is ``difficult to achieve if people are having to settle for something other than their preferred ways to mark their brands. The problem is only made worse if people end up having to spend money creating new trademarks over and over again and go through the process of rebranding, since these efforts may end up just confusing consumers and hurting the brand even further.''

A recent rise in fraudulent trademark applications has put further strain on the accuracy of the federal register. As Stephen Lee, the Chief Intellectual Property Counsel for Target explained in testimony before the Senate Subcommittee on Intellectual Property: "When the United States Patent and Trademark Office (USPTO) approves a fraudulent trademark application, it can effectively block our legitimate efforts to trademark our owned brand products that we develop within our teams at Target. It is imperative to maintain the integrity of our U.S. trademark system and not allow bad actors to gain valid trademarks in the largest, most developed market in the world."

One apparent source of fraudulent applications has been China. Although there has been an increase in foreign filings more generally, as of September 2018, there had been more than an 1,100 percent increase in trademark applications originating from China over the previous six years, far outpacing growth from any other country. Through various investigations, it has become clear that a significant number have fraudulent claims of use with suspicious and/or fake specimens. One investigation reviewed 10,000 trademark applications filed with the USPTO the first week of May 2019 and found "a significant number of suspicious specimens from applications originating from China," and an "evolution in tactics being used when submitting such illegitimate specimens."

Although trademark applications go through an examination process, some of these forms of fraud are difficult to detect in individual applications (even if patterns of fraud can be seen across multiple applications), leading to illegitimate registrations. Although the USPTO can try to develop better systems to detect fraud during the examination process, its authority to reconsider applications after registration is currently limited. Under existing law, there is no mechanism by which the USPTO can cancel a registration through a formal ex parte process (i.e., a process resembling the initial examination process, which is solely between the Office and the trademark holder after the proceeding begins, instead of a process between two parties as in district court or in the TTAB's inter partes cancellation proceedings). The only avenue for agency review is through an inter partes cancellation process in which interested third parties can petition to cancel a registration before the TTAB. However,

because in many respects cancellation proceedings resemble district court litigation, they are often expensive and time consuming. For small- and medium-sized businesses, the cost of filing and the uncertainty of the result is often a deterrent in filing a cancellation action.

H.R. 6196 creates two new ex parte processes that allow the Director or a third party to initiate a challenge to the propriety of trademark's use that can allow the Office to cancel a registration when the covered trademark was not properly used.

H.R. 6196 also includes two sections that provide improvements to the trademark examination process. These improvements will make examination more efficient, and more effective at clearing applications that may block later-filed applications from proceeding to registration.

C. OPERATION OF NEW EXAMINATION AND CANCELLATION PROVISIONS

1. Providing for third-party submission of evidence during examination (Section 3)

Current USPTO practice permits the informal submission of evidence by third parties during the examination process. This informal process allows third parties to bring to the attention of the Office evidence bearing on the registrability of the mark. Because this process is informal, and is not currently codified, the Office's practices regarding it are similarly informal. Under the current informal practice, there is no time limit for when the evidence must reach an examiner, and it is possible that evidence reaches an examiner after an application has been initially approved to proceed to registration. The delay in evidence reaching an examiner makes for an inefficient and uncertain examination process that H.R. 6196 seeks to solve. Historically, the USPTO also has not charged a fee for the submission despite there being a cost to process the informal submissions of evidence.

Section 3 of the bill amends section 1 of the Lanham Act by adding a new subsection (f), which expressly allows third parties to submit evidence that may be relevant to the examination of an application for trademark registration, consistent with the current USPTO informal practice. Evidence submitted must relate to a relevant ground for refusal. Submissions are to be accompanied by a concise description of the evidence and should identify the ground of refusal to which the evidence relates. Extensive legal argument should not be provided with the submission. A party that submits evidence under this new provision does not have a right to review of a decision not to accept evidence submitted.

To improve the functioning and efficiency of the third-party submission process, section 3 of the bill provides express statutory authority for the USPTO to charge a fee for the submission. It also provides a two-month time limit by which the Office must act on a third-party submission. The time limit helps ensure that relevant evidence is put before a trademark examiner before he or she takes initial action on an application.

2. Providing for flexible response periods (Section 4)

Currently, section 12(b) of the Lanham Act, requires that the USPTO provide an applicant six months to respond to actions issued during examination, a vestige of the original 1946 Act. The six-month period reflects a time when all correspondence was done by mail. Today, the USPTO mandates electronic filing for most trademark papers. In most cases, applicants are notified instantly when an examiner issues an action requesting a response.

H.R. 6196 amends section 12(b) of the Trademark Act to 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. The flexibility in setting response times will promote efficiency in examination, and allow applications that would otherwise be abandoned, to be abandoned earlier. This earlier abandonment can be important for other trademark applicants, because an earlier-filed application can delay examination of a later-filed application if the marks are similar.

It is expected that the Director will consider input of stakeholders in any process to set response times at less than six months and will, in setting any particular response times, assess the need for longer or shorter periods based on information provided by stakeholders in the rulemaking process. Additionally, it is intended that response time periods should be set categorically (e.g., substantive office action responses, administrative revisions, designation of counsel) by regulation such that different response times will not be set on an application-by-application basis for the same type or category of response.

3. Creating new ex parte cancellation proceedings and new non-use ground for cancellation before the TTAB (Section 5)

Section 5 of H.R. 6196 adds two ex parte cancellation proceeding options to allow third parties to request, or the Director to initiate at the Director's own initiative, ex parte cancellation of a registration when proper use of a mark in commerce has not been made. It also adds a new non-use ground for cancellation that allows a petitioner to allege that a mark has never been used in commerce as a basis for cancellation before the TTAB.

Section 5's additions to the Lanham Act respond to concerns that registrations persist on the trademark register despite a registrant not having made proper use of the mark covered by the registration. In particular, the new ex parte proceedings allow for more efficient, and less costly and time consuming alternatives to inter partes cancellation. New section 16A of the Lanham Act provides for ex parte expungement of a registration of a mark that has never been used in commerce. New section 16B of the Lanham Act provides for ex parte reexamination of registration of a mark that was not in use in commerce at the time the application or the allegation of use was filed before registration.

Sections 16A and 16B complement each other. For technical clarity, ex parte expungement and ex parte reexamination are separated into two sections of the Lanham Act. The statutory separation should not be interpreted to prohibit the combination of particular proceedings under 16A and 16B if such combination could create administrative efficiencies, e.g., when facts and evidence support petitions both for ex parte expungement and ex parte reexamination, and the timing permits both types of proceedings to be initiated.

a. Ex parte expungement

Ex parte expungement under new section 16A of the Lanham Act provides for proceedings that examine a mark that is alleged to have never been used in commerce. ``It is not federal registration, but use of a designation as a mark that creates trademark rights in a designation.'' Ex parte expungement provides a mechanism to cancel a registration for a mark that never had the

necessary underlying use to confer trademark rights.

The timing provisions for an ex parte expungement permit a proceeding to be initiated, by petition or by the Director's own initiative, three years following the date of registration. The three-year period provides post-registration repose for all registrations, including those filed pursuant to an international agreement that permits registration in the United States without demonstrating use at the time of application or registration. With a limited exception for the three years following enactment, an expungement proceeding must be initiated before the expiration of ten years following the date of registration.

b. Ex parte reexamination

Ex parte reexamination under new section 16B of the Lanham Act provides for review of whether a mark covered by a registration for which use was claimed at the time of registration was, in fact, in use in commerce at the time the application or the allegation of use was filed before registration.

The timing provisions for ex parte reexamination permit a proceeding to be initiated, by petition or by the Director's own initiative, in the first five years following the date of registration.

c. Shared procedures for ex parte expungement and ex parte reexamination

Both sections 16A and 16B set out procedural requirements for the new proceedings, and give the Director authority to promulgate regulations consistent with the requirements set forth in the bill. The procedures for both proceedings are identical in many respects.

Both ex parte expungement and reexamination evaluate "use in commerce." "Use in commerce" has a single definition in the Lanham Act. Thus, "use in commerce" in the bill follows that definition, and a registrant's evidence of use must be consistent with that definition, including the case law interpreting the term. Sections 16A and 16B do not refer to "specimens." Thus, if the documentary evidence of use presented by the registrant is consistent with the definition of "use in commerce" in section 45 of the Lanham Act, the form of evidence need not follow the

rules or practices of the USPTO for specimens under section 1(a) of the Lanham Act.

A proceeding under section 16A or 16B may be initiated by third party request under the petition process detailed in section 16A(b)-(c) and section 16B(c)-(d). A petition must include a verified statement setting forth the reasonable investigation undertaken by the petitioner to determine that the mark was and/or is not in proper use as relevant for the proceeding under 16A or 16B. Additional facts, if any, on which the petitioner relies must also be verified.

The Director is authorized to promulgate rules that establish procedures for the new proceedings. As a general matter, the conduct of these new proceedings follows the procedures for examination under subsection (b) of section 12 of the Lanham Act. In establishing procedures for the new proceedings, the Director may consider the need for efficiency, the need to allow sufficient process for a trademark registrant to respond, and the need to guard against abuse of the new proceedings. In considering how long to set the time for response to an initial institution, the Director should take into account the need for a registrant to research and collect evidence sufficient to show use of the mark in commerce. Any timing consideration should take into account that in some proceedings the number of goods or services at issue may be numerous, and that the collection of evidence may take some time. This concern should be balanced against an expectation that the proceedings be expeditious, and that undue delay could prejudice a petitioner who legitimately seeks to clear unused marks from the register.

In addition to requiring the Director to promulgate general procedures for the new proceedings, H.R. 6196 also requires the Director to promulgate rules that provide guidance on what constitutes a reasonable investigation under 16A(b)(3) and 16B(c)(3). It is understood that what constitutes a reasonable investigation may vary across industry and by types of goods and services. For example, evidence of sales of a large, specialized commercial product may not be returned by the results of internet searches, and may require additional efforts to satisfy the showing needed to support a prima facie case. Without foreclosing

the possibility that there may be some exceptions, it is not expected that the results of a single internet search-engine search would be sufficient to support a prima facie case in either ex parte expungement or ex parte reexamination.

Whether initiated by petition, or on the Director's own initiative, institution of an ex parte expungement proceeding or ex parte reexamination proceeding requires that a prima facie case be set forth. The meaning of ``prima facie case'' in the context of the bill is intended to have the same ``reasonable predicate'' meaning that that term has been given in the context of trademark examination. If a prima facie case is set out, rebuttal evidence and argument are the registrant's province. If a registrant offers rebuttal evidence or argument, the examiner must consider all evidence and arguments for and against cancellation before making a final determination.

The filing of a petition under section 16A or 16B should be understood to fall within the meaning of ``proceeding'' under 37 C.F.R. § § 2.11 and 2.17(a). It is expected, therefore, that a petitioner that is not domiciled within the United States or its territories would be represented by an attorney in the filing of a petition for ex parte expungement or ex parte reexamination consistent with those provisions.

Finally, consistent with examination practice, the Director may permit the suspension of ex parte expungement and ex parte reexamination procedures under terms similar to those currently set forth in 37 C.F.R. § 2.67, which provides that action by the USPTO may be suspended for a reasonable time for good and sufficient cause, including when a proceeding is pending before the Office or a court.

d. New non-use ground for cancellation

Subsection (b) of section 5 of the bill creates a new ground for cancellation under section 14 of the Lanham Act. This ground for cancellation follows substantively the ``never used'' construct that applies in ex parte expungement. Unlike the ex parte procedure, the new ground for cancellation before the TTAB is not limited to proceedings brought within the first ten years post-registration. The ground is available for cancellation any time after the first three years post-registration.

D. PRESUMPTION OF IRREPARABLE HARM IN TRADEMARK CASES

1. Restoring the presumption

The Lanham Act serves the dual purpose of both protecting rights holders from damage to their goodwill and reputation and protecting consumers from confusion or deception when those rights are violated. One of the hallmarks of the Lanham Act's protections is the consideration of whether one party's use of a trademark is likely to cause confusion with another party's trademark. Because harm based on confusion is unique and not easily quantifiable, rights holders often seek remedy through injunctive relief.

Generally, to obtain an injunction, a plaintiff must establish liability, or in the case of a preliminary injunction, a likelihood of success on the merits, and demonstrate that (1) absent relief, the plaintiff will suffer irreparable harm, (2) remedies available at law, such as monetary damages, are inadequate to compensate for that injury, (3) the balance of equities tips in the plaintiff's favor, and (4) an injunction is in the public interest. The issuance of an injunction means, for example, that two products with confusingly similar marks do not both remain on the market, providing forward-looking relief to the prevailing party's brand and goodwill and ensuring that consumers cease to be confused or misled about whose products they are purchasing.

Historically, federal courts considering injunctive relief for trademark infringement claims had nearly uniformly held that success on the merits of a trademark claim in the context of a permanent injunction—or a showing of likely success on the merits in the context of a preliminary injunction—created a rebuttable presumption of irreparable harm that was sufficient to satisfy that prerequisite for relief. In the courts' view, "the damages occasioned by trademark infringement are by their very nature irreparable and not susceptible of adequate measurement for remedy at law." For the trademark system to function properly, appropriate relief must be available when a company's trademark is infringed.

Another justification for the issuance of injunctions is that it

is typically difficult to obtain monetary relief in Lanham Act cases— “[a] plaintiff that can prove identifiable lost sales from trademark infringement can generally recover the losses occasioned by those sales, though a significant majority of successful trademark cases nonetheless deny an award of damages,” and an award of profits “is traditionally limited to cases in which the defendant is adjudged a willful infringer.” Indeed, “it is not only possible but common to win your case and still not be awarded money,” leaving injunctive relief as some plaintiffs’ only recourse. This is different than in the patent law context, where damages in the form of a “reasonable royalty” or “lost profits” have a long history of being awarded to compensate a patent owner for infringement.

In 2006, the Supreme Court decided *eBay, Inc. v. MercExchange LLC*, a patent infringement case in which it held irreparable harm could not be presumed upon a showing of patent infringement, requiring a plaintiff to affirmatively demonstrate the elements of the Court’s four-factor test for injunctive relief, including the irreparable harm factor.⁴⁴ Although the Court did not mention trademark claims or the Lanham Act in its opinion, some courts have since extended *eBay* to trademark disputes, departing from the long-standing presumption of irreparable harm. Other courts continue to apply the presumption in trademark disputes, creating a circuit split. The Supreme Court has not clarified whether *eBay* is intended to apply to trademark disputes and has twice denied certiorari on the issue.

The Third, Ninth, and Eleventh Circuits have extended *eBay* to trademark cases and rejected the rebuttable presumption of irreparable harm, pointing to the similarities between the Lanham Act’s and the Patent Act’s injunctive relief statutory provisions and their premise on the same “principles of equity.” These courts overlook the differences between these areas of intellectual property and base their rationale on a broad application of the Supreme Court’s statement in *eBay* that “[equitable] discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.” Other courts, including the Fifth and Eighth Circuits, acknowledge the *eBay* standard but continue to apply the presumption of irreparable harm

upon a successful showing of liability in trademark disputes. The emerging confusion is further evidenced by decisions like those of the Sixth Circuit that have applied the principles of eBay while still applying some form of the presumption.

Since eBay, a number of courts have denied plaintiffs injunctive relief despite compelling cases on the merits. For example, in *Adidas Am., Inc. v. Skechers USA, Inc.*, the Ninth Circuit reversed the district court's preliminary injunction on both trademark infringement and dilution claims, notwithstanding that the district court found—and the appellate court agreed—that plaintiff adidas had shown a likelihood of success on the merits, namely that there was both customer confusion and harm to its brand. The dissent disputed that there was not sufficient evidence of irreparable harm, but also called into question discarding the presumption that irreparable harm should flow from the finding of a likelihood of success on the merits:

It is not hard to understand how the presumption arose. If a plaintiff can demonstrate a likelihood that it will succeed on the merits of its trademark claim—as adidas succeeded in establishing that Skechers's Cross Court shoe infringed and diluted adidas's famous Three-Stripe mark, a conclusion we affirm—it is not a big leap to conclude that adidas would be injured by that action.

In Adidas and similar cases, it is unclear what additional evidence could or should be provided to establish irreparable harm given the evidence of record already demonstrating consumer confusion or loss of control over the brand. Thus, while the Ninth Circuit, for instance, states that "[e]vidence of loss of control over business reputation and damage to goodwill could constitute irreparable harm," when presented with evidence of actual consumer confusion, a district court nonetheless concluded that it "simply underscores customer confusion, not irreparable harm"—demonstrating an unwillingness to conclude that such confusion is the sort of irreparable harm typically addressed by equitable relief. In sum, trademark litigants in courts adopting eBay are faced with uncertainty over what constitutes sufficient evidence of irreparable injury.

Compounding the evidentiary issue, some courts have declined to even assess all the factors relevant to granting an injunction if they do not find an initial showing of irreparable harm, which means that in these cases, courts may not be fully considering the merits of plaintiffs' infringement claims and discounting or ignoring evidence of consumer harm or confusion as a result.

The inconsistent and unpredictable approaches courts have taken in the post-eBay landscape have led to inequitable outcomes for trademark owners, created uncertainty, and increased the burden on trademark owners who seek injunctive relief, making enforcement against infringement a greater and more burdensome task. To rectify this circuit split and resulting confusion, H.R. 6196 confirms that the historical practice of applying a rebuttable presumption of irreparable harm is the appropriate course for claims under the Lanham Act (while still requiring plaintiffs to meet the burden of production on other elements necessary to establish entitlement to an injunction).

2. Balancing First Amendment concerns

In providing that a plaintiff is entitled to a rebuttable presumption of irreparable harm following a court's finding of trademark infringement, or upon a finding of likelihood of success on the merits in the case of a motion for preliminary injunction or temporary restraining order, the Committee acknowledges the need to take special care to ensure that the interests protected by the Lanham Act do not encroach on the rights to free speech and expression enshrined in the First Amendment. Courts have long been appropriately circumspect in applying the Lanham Act so as not to interfere with the First Amendment rights of creators and distributors of ``artistic works'' (sometimes called ``expressive works''), including without limitation movies, television programs, songs, books, plays, video games, and the like, which may depict or reference third party marks within such artistic works or in such artistic works' titles. It is the intent of the Committee that this legislation will not in any way affect that jurisprudence.

The standard for accommodating First Amendment interests in the Lanham Act context for infringement and unfair competition claims was first articulated in *Rogers v. Grimaldi*, which has been widely adopted by courts across the nation in the subsequent three decades. As a threshold matter under the *Rogers* test, a plaintiff cannot state a viable trademark claim in the context of an artistic work (1) unless the defendant's use of the mark ``has no artistic relevance to the underlying work whatsoever,'' or (2) ``if it has some artistic relevance, unless the [use of the mark] explicitly misleads as to the source or the content of the work.'' The ``no artistic relevance . . . whatsoever'' standard sets an extremely low bar, requiring only that ``the level of relevance must merely be above zero.'' ``This black-and-white rule has the benefit of limiting [the court's] need to engage in artistic analysis in this context.'' When that bar is met and any level of artistic relevance to the underlying work is present, the use may be actionable only where the creator explicitly misleads consumers. This test appropriately recognizes the primacy of constitutional protections for free expression, while respecting a trademark owner's right to prevent unauthorized use of its mark and the public's interest in avoiding confusion.

In enacting this legislation, the Committee intends and expects that courts will continue to apply the Rogers standard to cabin the reach of the Lanham Act in cases involving expressive works. The Committee believes that the adoption by a court of a test that departs from Rogers, including any that might require a court to engage in fact-intensive inquiries and pass judgment on a creator's "artistic motives" in order to evaluate Lanham Act claims in the expressive-works context would be contrary to the Congressional understanding of how the Lanham Act should properly operate to protect important First Amendment considerations, and upon which the Committee is relying in clarifying the standard for assessing irreparable harm when considering injunctive relief.

E. CONFIRMING THE AUTHORITY OF THE DIRECTOR OVER TTAB DECISIONS

The TTAB is an administrative tribunal within the USPTO that hears *ex parte* appeals of final decisions by examining attorneys and conducts *inter partes* trial proceedings. The TTAB is composed of statutory members—the Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks—and administrative trademark judges appointed by the Secretary of Commerce in consultation with the Director.⁶⁵ The USPTO also houses an administrative body that handles patent matters, the Patent Trial and Appeal Board (PTAB), which is likewise composed of the same statutory members, as well as administrative patent judges appointed by the Secretary in consultation with the Director.

A recent decision of the Federal Circuit, *Arthrex, Inc. v. Smith & Nephew, Inc.*,⁶⁷ found that the administrative patent judges comprising the PTAB were operating as “principal officers,” which require Senate confirmation, and were thus appointed in violation of the Appointments Clause of the Constitution. In *Arthrex*, the appellant appealed a PTAB *inter partes* review decision, and in doing so contended that the administrative patent judges that presided over the proceeding were unconstitutionally appointed because they “were principal officers who must be, but were not, appointed by the President with the advice and consent of the Senate.” The court concluded that as currently constituted, administrative patent judges were principal officers, and that “[a]s such, they must be appointed by the President and confirmed by the Senate; because they are not, the current structure of the Board violates the Appointments Clause.” To correct this perceived defect, the court stripped PTAB judges of their civil service protections. It also remanded the case, and subsequent cases that have raised an Appointments Clause challenge, for rehearing by a new PTAB panel. The Supreme Court recently granted certiorari in the case.

No similar finding has been made with respect to the TTAB’s administrative trademark judges, and the issue is being actively litigated. Structural differences between the PTAB and the TTAB, as well as greater existing statutory authority for the Director over the conduct of trademark proceedings, suggest that the

outcome on the trademark side may well be different. Notably, section 18 of the Lanham Act provides that ultimate relief in inter partes trademark proceedings rests in the Director's discretion:

In such proceedings the Director may refuse to register the opposed mark, may cancel the registration, in whole or in part, may modify the application or registration by limiting the goods or services specified therein, may otherwise restrict or rectify with respect to the register the registration of a registered mark, may refuse to register any or all of several interfering marks, or may register the mark or marks for the person or persons entitled thereto, as the rights of the parties under this chapter may be established in the proceedings

To clarify the historical understanding of the Director's role and preempt additional challenges, H.R. 6196 includes language expressly confirming the authority of the Director to reconsider TTAB decisions. The purpose of the new language is to state even more explicitly the existing authority of the Director. Because it is understood that this authority already exists in the trademark context, the statutory additions should be understood to be confirmatory only.

HEARINGS

The Committee on the Judiciary held no hearings on H.R. 6196, but the Subcommittee on Courts, Intellectual Property, and the Internet held a hearing on July 18, 2019 on ``Counterfeits and Cluttering: Emerging Threats to the Integrity of the Trademark System and the Impact on American Consumers and Businesses,`` which helped develop this legislation. The Committee also held an oversight hearing with the Director of the U.S. Patent and Trademark Office, Andrei Iancu, on May 9, 2019, at which issues relevant to this legislation were discussed.

COMMITTEE CONSIDERATION

On September 9, 2020, the Committee met in open session and ordered the bill, H.R. 6196, favorably reported as amended, by a voice vote, a quorum being present.

VOTE OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the Committee advises that no rollcall votes occurred during the Committee's consideration of H.R. 6196.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee advises that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES AND CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 and with respect to requirements of clause (3)(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has requested but not received a cost estimate for this bill from the Director of Congressional Budget Office (CBO). The Committee has requested but not received from the Director of the CBO a statement as to whether this bill contains any new budget authority, spending authority, credit

authority, or an increase or decrease in revenues or tax expenditures.

DUPLICATION OF FEDERAL PROGRAMS

No provision of H.R. 6196 establishes or reauthorizes a program of the Federal government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that H.R. 6196 is designed to update the nation's trademark laws by modernizing trademark examination procedures, establishing new, more efficient proceedings to clear registrations from the trademark register for marks for which proper use in commerce was not made, clarifying the standard for injunctive review in trademark infringement cases, and confirming the authority of the Director of the U.S. Patent and Trademark Office (USPTO) to reconsider decisions of the Trademark Trial and Appeal Board (TTAB).

ADVISORY ON EARMARKS

In accordance with clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 6196 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI.

SECTION-BY-SECTION ANALYSIS

The following discussion describes the bill as reported by the Committee:

Sec. 1. Short title. 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) 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 Lanham 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 Lanham 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 Lanham 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 Lanham 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 or in a lawsuit in district court. The new procedures provide an expedited process by which a third party can request cancellation 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 Lanham 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 Lanham 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 Lanham 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 of the Lanham Act (15 U.S.C. 1064) to make a mark having never been used a ground for cancellation before the Trademark Trial and Appeal Board 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 Lanham 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 the 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 Lanham Act.

Subsection (d). Appeal. A registrant subject to an ex parte expungement proceeding or reexamination may appeal the decision to the Trademark Trial and Appeal Board 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 Act 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, subsection 8(a) of H.R. 6196 amends sections 18, 20, and 24 of the Lanham Act 74 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 to 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.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

Omitted below (Revised Parts)