

Use Those Marks or Lose Those Marks: Overview of the Trademark Modernization Act of 2020*

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As the infamous 2020 came to a close, Congress shuffled in changes to the Trademark Act of 1946 by passing the Trademark Modernization Act of 2020 (“TMA”) on December 27, 2020. The TMA becomes effective on December 27, 2021 and makes several changes to federal trademark law that businesses should be aware of going into 2021. This Article is intended to give a brief historical background of trademark law in the United States, and changes to the law in light of the TMA.

A. Historical Overview of Trademarks.

Trademarks are a creature of common law and were originally recognized as the “distinctive symbol of the party using it” after a “considerable period of use.”^[1] As Justice Miller observed in the *Trade-Mark Cases*, 100 U.S. 82, 92 (1879): “At common law the exclusive right [to a trademark] grows out of its use, and not its mere adoption.” This exclusive right remains the overarching purpose for protecting trademarks that are used in commerce.

Despite a robust history and roots in common law, the first trademark legislation in the United States was struck down by the Supreme Court. In 1870, Congress enacted legislation to “revise, consolidate, and amend the statutes relating to patents and copyrights” by introducing guidelines for registration of trademarks.^[2] In 1876, the law was amended to punish individuals for using, selling, and counterfeiting trademarks either by fine or imprisonment.^[3] However, in the *Trade-Mark Cases* of 1879, the Supreme Court struck down these statutes, holding that the statutes were invalid and unconstitutional.^[4] The *Trade-Mark Cases* involved three criminal convictions of men accused of counterfeiting G.H. Mumm & Co. and Piper Heidsieck, two French champagnes, and a whiskey that had been registered by another individual. The defendants contended that the statute was unconstitutional because the purpose of the statute was to govern the commerce between citizens of the same state, and not interstate commerce as authorized by the Commerce Clause of the United States Constitution, therefore the legislation was unconstitutional.^[5] The Supreme Court agreed but suggested that the legislation may be constitutional if it was confined to regulating the use of trademarks in foreign or interstate commerce.^[6]

Taking the Supreme Court’s hint, Congress enacted the Trademark Act of 1881 to “authorize the registration of trade-marks and protect the same.”^[7] This landmark legislation outlined how to register a trademark with the Patent Office, restrictions upon infringement, and authorizing the Commissioner of Patents to make rules and regulations for the use of trademarks.^[8] Once approved, the law allowed the trademark to remain in force for thirty (30) years and the registration of the trademark was considered “prima facie evidence of ownership.”^[9]

In 1905, Congress revised the Trademark Act to provide for an examination procedure, publication of the trademark to allow for third parties to oppose the trademark registration, and denial of trademarks on the basis of: (1) the application is “substantially identical” to a registered trademark; or (2) the application “nearly resembles” an existing trademark that it is likely to be mistaken for the registered mark by the public.^[10] Certificates of registration of a trademark remained in effect for twenty (20) years, and allowed for original jurisdiction in the federal courts and U.S. Supreme Court for actions relating to trademarks.^[11] Following the 1905 legislation, Congress enacted several amendments to the Trademark Act in 1906, 1907, 1911, 1924, 1925, 1930, and 1938.^[12]

B. The Lanham Act & Recent Amendments.

1. *The Lanham Act.*

In 1946, Congress enacted the Lanham Act, which created a comprehensive statutory scheme defining federal trademark protection, trademark registration rules, and repealed the previous statutes regarding federal trademark law.^[13] Integrating aspects of the previous laws and providing additional clarity regarding registration guidelines, the Lanham Act provided grounds for cancellation of a trademark by a third party, remedies for infringement of trademarks, and abandonment of a trademark.^[14]

The Lanham Act set forth two basic requirements for federal trademark protection: the mark must be in “use in commerce” and it must be distinctive.^[15] Under the Lanham Act, trademarks may be registered under the Principal Register, which confers significant benefits to the holder of the mark, or the Supplemental Register, which affords limited protection to the holder of the mark including the ability to sue for trademark infringement.^[16] Since its enactment, the Lanham Act has been amended several times since its enactment to provide additional protections to trademark holders, including criminalization for counterfeiting trademarks, enforcement remedies, and the award of potential treble damages.

2. *Trademark Counterfeiting Act of 1984.*

In 1984, Congress enacted the Trademark Counterfeiting Act as part of the Continuing Appropriations, 1985 – Comprehensive Crime Act of 1984 to: (1) establish federal criminal penalties for trafficking or attempting to traffic counterfeit goods; (2) permit a private cause of action for the owner of a registered trademark to sue for treble damages – i.e. up to three times the injured owner’s damages or the counterfeiter’s profits, whichever is greater; (3) authorize the Court to issue appropriate injunctive relief; (4) establish procedures for *ex parte* seizure; (5) provide for destruction of counterfeit goods; and (6) allow punitive damages against a defendant in a civil action that is brought in bad faith.^[17] One of the most powerful provisions of the Trademark Counterfeiting Act was to provide for *ex parte* seizures of counterfeit goods, business documents, machines, and other items used to produce counterfeit goods.

3. *Trademark Dilution Act of 1995 & Trademark Dilution Revisionist Act of 2006.*

Next, Congress enacted the Federal Trademark Dilution Act of 1995 (“FTDA”), which amended Section 43 of the Lanham Act to protect owners of a “famous mark” from dilution of the trademark by: (1) competition of the trademark between the owner and other parties, and (2) the likelihood of confusion.[18] Owners of a “famous mark” are entitled to an injunction against another person’s use of the trademark if such use “begins after the mark has become famous and causes dilution of the distinctive quality of the mark.”[19] Courts immediately began to grapple with determining what constituted a “famous mark” and the actions that dilute the mark.

In 2003, the Supreme Court held in *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) that the FTDA requires evidence of actual dilution of a trademark and not simply a “likelihood of dilution,” in order to establish a trademark dilution claim.”[20] In *Moseley*, the defendants owned a small store named “Victor’s Little Secret” in a strip mall in Elizabethtown, Kentucky and took out an add in a local paper to advertise their new store – previously named “Victor’s Secret” – that was distributed to an army colonel. The colonel was “offended by what he perceived to be an attempt to use a reputable company’s trademark to promote the sale of ‘unwholesome, tawdry merchandise,’ [and] sent a copy to [Victoria’s Secret].” Following correspondence from Victoria’s Secret requesting the immediate discontinuance of the use of the name “and any variations thereof,” the store’s name was changed to “Victor’s Little Secret.”[21] Unsatisfied with this name change, Victoria’s Secret sued the owners of “Victor’s Little Secret” for violations of the FTDA received an injunction barring the defendants from using the mark “Victor’s Little Secret” on the basis that it caused dilution of the Victoria’s Secret trademark. The Sixth Circuit affirmed the order, and the Supreme Court reversed the prior court’s orders concluding that the evidence provided by Victoria’s Secret did not demonstrate that dilution of the trademark occurred.

The *Moseley* decision was immediately criticized as requiring owners of famous marks to “ ‘wait until the harm has advanced so far that . . . the recognition of the mark . . . is permanently impaired’ in order to sue.”[22] Shortly thereafter, in 2006, Congress enacted the Trademark Dilution Revisionist Act of 2006 to specifically overturn the Supreme Court’s decision in *Moseley* and set forth six factors that a court should consider when confronted with a trademark dilution case.[23]

4. *Anticybersquatting Consumer Protection Act.*

Following the FTDA, Congress passed the Anticybersquatting Consumer Protection Act in 1999 (ACPA) to specifically address the issue of “cybersquatters” or individuals that use domain names that are “confusingly similar to, or dilutive of, a trademark.”[24] The law was created to thwart “cybersquatters” who register internet domain names containing trademarks with no intention of creating a legitimate web site, but planning to sell the domain name to a trademark owner or another third party.[25] The ACPA did not require “commercial use of a domain name involving a protected mark,” and required proof of “bad faith” under a nine-factor test set forth in the ACPA.[26]

C. Use Your Marks or Lose Your Marks: Congress Allows for *Ex Parte* Reexamination & Expungement of Registered Marks.

On December 27, 2020, Congress enacted the Trademark Modernization Act (“TMA”) to amend the Lanham Act.[27] The TMA was introduced to make “several changes to trademark law, such as by providing new mechanisms for opposing and canceling trademark registrations at the Patent and Trademark Office (“PTO”) and by making it easier to secure an injunction.”[28] The TMA’s amendments to the Lanham Act go into effect on December 27, 2021, and represent a significant shift from current trademark laws.[29] The following changes are anticipated to impact registrations and disputes in the USPTO, TTAB, and litigation.

1. *Rebuttable Presumption of Irreparable Harm.*

One of the most significant changes to the Lanham Act under the TMA will be a rebuttable presumption for plaintiffs that have prevailed in prior court proceedings. In particular, a plaintiff that has prevailed in a court proceeding in asserting certain trademark rights will be entitled to a rebuttable presumption that “the plaintiff will suffer irreparable harm for purposes of determining whether the plaintiff is entitled to a permanent injunction.”[30] This provision of the TMA codifies a presumption of irreparable harm that was historically afforded in federal courts following the Supreme Court’s decision in *eBay, Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), which held irreparable harm could not be presumed and a plaintiff must affirmatively demonstrate irreparable harm to secure injunctive relief. Although the Supreme Court’s decision in *eBay* was for a patent infringement case, federal courts throughout the country began departing from the presumption of irreparable harm in trademark infringement cases causing a Circuit split as to the applicability of the presumption of irreparable harm.[31] The TMA’s amendment expressly resolves the Circuit split, making injunctive relief for irreparable harm more for litigants that present a case that is likely to succeed on the merits.

2. *Ex Parte Challenges to Registration by Third Parties and the PTO.*

Another important shift from the Lanham Act under the TMA authorizes a third party to “submit evidence to the PTO to oppose an application for a federal trademark registration,” and established a procedure to re-examine or expunge a registration of trademark that has not been used in commerce.[32] Expungement involves a request to remove “some or all of the goods or services because the registrant never used the trademark in commerce with those goods or services,” and must be brought between three to ten years after the registration date.[33] Re-examination involves a request to remove some or all goods or services in a registration “on the basis that the trademark was not in use in commerce with those goods or services on or before a particular relevant date.”[34] Reexamination actions must be initiated within the first five years after the trademark is registered and is generally directed at registrations where a questionable specimen demonstrating use in commerce was submitted during the underlying application.[35] Under the TMA, an *ex parte* reexamination or expungement petition must include a “verified statement that sets forth the elements of the reasonable investigation the petition 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.”[36]

The TMA also establishes a procedure that allows the PTO to initiate an expungement or reexamination of a trademark that is not being used in commerce.[37] This groundbreaking procedure allows the Director to initiate either an expungement or reexamination registrations if he or she discovers information that supports a “prima facie case that the trademark has never been used in commerce or has not been used in commerce as of a particular relevant date with certain goods or services covered by the registration.”[38] The TMA also extended the authority of the PTO director by allowing the director to “reconsider, modify, or set aside” certain decisions made by the Trademark Trial and Appeal Board (TTAB).[39]

These procedures are intended to effectuate the underlying purpose of trademark law: to afford protection to marks being used in commerce. However, unlike prior iterations and amendments to the Lanham Act, under the TMA trademarks not being used in commerce will be subject to possible reexamination and expungement by third parties and the PTO. As a result, any owners of trademarks are encouraged to continually use their marks in commerce or face potential cancellation, reexamination, and expungement. Clients that have any questions or concerns about the recent changes to trademark law and the potential impact upon their registrations, renewal applications, or litigation are encouraged to reach out to TALG to discuss their concerns.

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[1] *See Trade-Mark Cases*, 100 U.S. 82, 94 (1879).

[2] *Id.* at 91.

[3] *Id.*

[4] *Id.* at 99.

[5] *Id.* at 95–99.

[6] *Id.*

[7] Trademark Act of 1881, 46th Congress, Chap. 138 (1881).

[8] *Id.* at §§ 1–12.

[9] *Id.* at § 7.

[10] Trademark Act of 1905, H.R. 16560, 58th Congress, §§ 1–7 (1905).

[11] *Id.* at §§ 12, 17.

[12] Lanham Act, H.R. 1654, 79th Congress, § 46 (1946); 15 U.S.C. § 1501, *et seq.*

[13] *Id.*

[14] *See generally id.*

[15] *See* 15 U.S.C. § 1127. If a trademark is not currently used in commerce, the registration of the mark may be permitted if the applicant demonstrates a good faith intention to use the mark in commerce at a future date. *See* 15 U.S.C. § 1051. The second requirement regarding the distinctiveness of the mark relates to whether the trademark identifies and distinguishes particular goods as emanating from a single source. *See* 15 U.S.C. § 1052(d). Trademarks are typically divided into four categories of distinctiveness: arbitrary/fanciful, suggestive, descriptive, and generic. *See* 15 U.S.C. § 1052(e)(1).

[16] *Compare* 15 U.S.C. §§ 1051–1072 (discussing Subchapter 1 that established the Principal Register) *with* 15 U.S.C. §§ 1091–1906 (discussing Subchapter 2 that established the Supplemental Register).

[17] *See* Summary: S.875 – 98th Congress (1983-1984), Congress.gov, *available at*: <https://www.congress.gov/bill/98th-congress/senate-bill/875>; *see also* *Louis Vuitton S.A. v. Spencer Handbags Corp.*, 765 F.2d 966, 970 (2d Cir. 1985).

[18] Federal Trademark Dilution Act of 1995, H.R. 1295, 104th Congress (1996); 15 U.S.C. § 1125, *et seq.*

[19] *See id.* at § 3(c)(1). As discussed further below, this language was subsequently amended in the Trademark Dilution Revision Act of 2006.

[20] *Id.* at 433; *see also Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 736 F.3d 198, 206 (2d Cir. 2013).

[21] *Id.*

[22] *Starbucks Corp.*, 736 F.3d at 206 (citing Committee Print to Amend the Federal Trademark Dilution Act: Hearing Before the H. Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary, 108th Cong. 10 (2004) (discussing statement of Jacqueline A. Leimer); McCarthy § 24:96); *see also* Barton Beebe, A Defense of the New Federal Trademark Antidilution Law, 16 Fordham Intel. Prop. Media & Ent. L. J., 1153-55 (2006) (discussing how the Supreme Court’s decision in *Moseley v. V Secret Catalogue, Inc.* made the law ripe for change).

[23] Trademark Dilution Revision Act of 2006, H.R. 683 (2006), 15 U.S.C. § 1125, *et seq.*

[24] Anticybersquatting Consumer Protection Act, H.R. 3194 (1999), 15 U.S.C. §§ 1114, 1125(d), *et seq.*; *Petroliaam Nasional Berhad v. GoDaddy.com, Inc.*, 737 F.3d 546, 552 (9th Cir. 2013) (“the ACPA created a new statutory cause of action to address a new problem: cybersquatting”) (quoting S. Rep. 106-140 at 7 (“[c]urrent law does not expressly prohibit the act of cybersquatting”).

[25] See Gilson on Trademarks §7A.06, *Trademark Cyberpiracy and Cybersquatting* (Matthew Bender & Co. 2009).

[26] *Petroliaam Nasional Berhad*, 737 F.3d at 552; see also 15 U.S.C. §§ 1125(d)(1)(A)(i), 1125(d)(1)(B), 1125(d)(1)(D).

[27] United States Patent and Trademark Office, *Trademark Modernization Act Establishes New Procedures*, available at: <https://www.uspto.gov/trademarks/laws/2020-modernization-act#:~:text=The%20Trademark%20Modernization%20Act%20of%202020%20%28TMA%29%20contains%2C,applications%20and%20registrati>

[28] Congress.gov, *H.R. 6196 – TM Act of 2020*, available at: <https://www.congress.gov/bill/116th-congress/house-bill/6196>.

[29] United States Patent and Trademark Office, *Trademark Modernization Act Establishes New Procedures*, *supra*.

[30] Congress.gov, *H.R. 6196 – TM Act of 2020*, *supra*.

[31] See *United States SEC v. Citigroup Glob. Mkts., Inc.*, 673 F.3d 158 (2d Cir. 2012); *United States CFTC v. Monex Credit Co.*, 2021 U.S. App. LEXIS 1451 (9th Cir. 2021); *CBS Broad., Inc. v. EchoStar Communs. Corp.*, 450 F.3d 505 (11th Cir. 2006); *Nationwide Payment Sols., LLC v. Plunkett*, 697 F. Supp. 2d 165, 172 (D. Me. 2010); *PPG Indus. v. Jiangsu Tie Mao Glass Co.*, 2020 U.S. Dist. LEXIS 55687 (W.D. Pa. 2020); *Turn & Bank Holdings, LLC v. AVCO Corp.*, 2019 U.S. Dist. LEXIS 168350 (M.D.N.C. 2019).

[32] Congress.gov, *H.R. 6196 – TM Act of 2020*, *supra*.

[33] United States Patent and Trademark Office, *Trademark Modernization Act Establishes New Procedures*, *supra*.

[34] *Id.*

[35] *Id.*

[36] *Id.*

[37] *Id.*

[38] *Id.*

[39] Congress.gov, *H.R. 6196 – TM Act of 2020*, *supra*.

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