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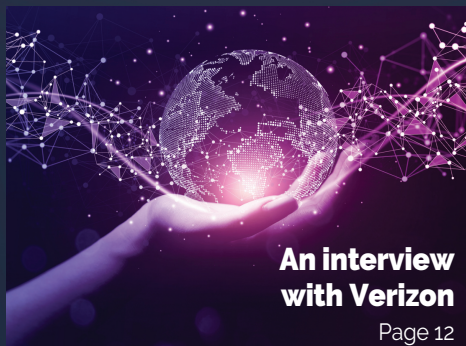
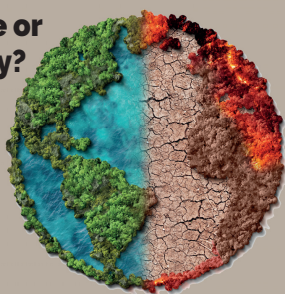
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An update on the Trademark Modernization Act

Raffi Zerounian and Justin Thiele of Hanson Bridgett review the TMA's non-use cancellation procedures and how expungement and reexamination petitions have fared followed by practical tips on how to prepare successful petitions.

The Trademark Modernization Act (TMA) went into effect in December 2021 and, among other changes, created two important new United States Patent and Trademark Office (USPTO) procedures for challenging existing trademark registrations based on non-use: *ex parte* expungement and reexamination. Since the TMA went live, both the USPTO and practitioners have begun ramping up their familiarity with the relevant procedures, with hundreds of petitions filed so far. After almost a year and a half, a number of trends have emerged both in the actions taken by the USPTO Director and in the types and formats of petitions filed by practitioners. This article will provide further background on the TMA's non-use cancellation procedures and how expungement and reexamination petitions have fared followed by practical tips on how to prepare successful petitions.

Background on expungement and reexamination petitions

The two cancellation procedures for non-use under the TMA are in practice very similar. Expungement proceedings, available for registrations between three and 10 years old under any filing basis, allow for *ex parte* cancellation proceedings after either a petitioner or the Director makes out a *prima facie* showing that a registered mark has never been in use in US commerce for some or all of the goods or services in the registration. Reexamination proceedings are the same, but are based on a showing that a registration less than five years old originally



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filed under 15 U.S.C. § 1051 was not in use in commerce on or before the relevant date.

Hundreds of reexamination and expungement petitions have been filed

The USPTO has released an online, real-time database of reexamination and expungement proceedings, which is searchable and sortable by proceeding type and disposition. As of June 19, 2023, the USPTO's public database of reexamination and expungement proceedings reflected the following statistics:

- 162 petitions for expungement have been received. Of these, 82 petition-initiated expungements have been instituted, the USPTO issued 36 notices of incomplete petitions ("30 day letters"), and 49 petitions were ultimately not instituted.
- 162 petitions for reexamination have been received. Of these, 79 petition-initiated reexaminations have been instituted, the USPTO issued 22 30-day letters, and 48 petitions were ultimately not instituted.
- The Director of the USPTO has instituted seven expungement proceedings and 136 reexamination proceedings under its statutory authority in the TMA.

These numbers reflect both proceedings in progress and those that have been terminated.

The Director of the USPTO is using its authority to institute proceedings without a petition

A few trends have been identifiable in Director-instituted proceedings. First, the Director has exercised authority to institute proceedings in conjunction with co-pending petitions. More than once, where a petitioner sought cancellation of only a limited scope of goods or services within a registration, the Director has used its discretion to both grant the petition and institute a parallel proceeding that is broader in scope. For example, Registration 5681148 was registered in connection with six discrete goods in Class 16: "Bookmarkers; Bookmarks; Novels; Series of fiction books; Series of fiction works, namely, novels and books; Story books." A private party petitioned for reexamination as to only four of these items, and the Director found a *prima facie* case for non-use as of the relevant date had been shown and instituted reexamination proceeding 2022-100064R. On the same day, the Director on its own initiative instituted parallel reexamination proceeding 2022-100102R for the remaining two (out of six) goods in the registration. In the latter proceeding, the Director expressly cited the evidence in the private petition and attached additional evidence of non-use gathered by the USPTO. Ultimately, the registration was canceled in full after a voluntary surrender by the registrant.

A practitioner considering filing a TMA petition may often be faced with a choice: whether to focus solely on knocking out goods and services specifically of interest to the client (such as those cited by the USPTO in an *ex parte* likelihood-of-confusion refusal) or to seek full cancellation. The Director's institution of parallel proceedings following petitions seeking to cancel less than all goods or services in the registration that appear to hint at total non-use may be an indication that the USPTO is not taking its role passively and is regularly seeking to clear away "dead wood" registrations in whole at once.

Second, the Director appears to have instituted proceedings *en masse* against groups of registrations owned by a single registrant where the USPTO has become aware of evidence of dubious use in commerce by that registrant. For example, on May 3, 2022, the USPTO received petition 2022-100091 for reexamination of Registration 6523829 for the mark WOLFOX owned by Best Tomorrow Store Inc., and ultimately declined to institute a proceeding on July 11, 2022 on the grounds that the petitioner had not submitted sufficient evidence of non-use as of the relevant date. Subsequently, however, on December 14, 2022, the Director initiated reexamination proceedings against 18 of Best Tomorrow Store's live registrations – including WOLFOX. In the

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notices of institution, the Director put forth evidence that the registrant's specimens of use appeared to be “e-commerce storefront[s] created solely for the purpose of submission as specimens of use in trademark applications and to reserve rights in the mark,” containing allegedly digitally-altered product photographs and meaningless product descriptions. Ultimately, the registrant failed to respond to the non-final office actions and all 18 registrations were canceled in whole on March 21, 2023.

Registrations issued on the basis of dubious or concocted specimens of use have been a major concern for the USPTO in recent years. The TMA appears to have provided the Director with an effective tool to take action against such registrations when the USPTO learns of such improper specimens. Before the TMA, the USPTO's authority to cancel these types of registrations was largely limited to examination of 15 U.S.C § 1058 and 15 U.S.C § 1141K declarations of use, unless a private party happened to institute an *inter partes* cancellation proceeding before the Trademark Trial and Appeal Board (TTAB).

Practice tips for petitioners

The TMA cancellation procedures set out a fairly simple standard regarding non-use in commerce for registrations. However, drafting a petition that is likely to be granted can be complicated, time consuming, and requires attention to detail.

Learn and follow all formality requirements

One common ground for non-institution by the USPTO is the petitioner's failure to meet certain formality requirements. Petitioners should be sure to review and include in petitions all the formality elements required in the USPTO's rules,

Résumé

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including basic facts like the basis for the petition (whether expungement or reexamination, which in practice should include the defined relevant date), the name and domicile address of the petitioner, and an index of the evidence attached to the petition, among other things. Fortunately, omissions of this type are usually not fatal to the petition; the USPTO may issue a notice of incomplete petition, commonly called a "30 day letter," offering the petitioner the chance to rectify the formality issues without affecting the filing date of the petition. The USPTO issued over 50 30-day letters to date.

There is currently no official USPTO template or form for the format that a petition must take, beyond the formality requirements and suggested elements of a reasonable investigation provided in the USPTO's rules, so practitioners should be thoughtful and thorough when drafting petitions. One of the most important of the formalities is the verified statement made under penalty of perjury by someone with firsthand knowledge of the petitioner's investigation (usually but not always the petitioner's attorney). Some practitioners may choose to include separate petition and declaration documents to satisfy the requirement for a verified statement; however, this is not a requirement. The Director has accepted numerous TMA petitions that combine all the necessary elements – the elements of reasonable investigation, the concise factual statement of the relevant basis for the petition, all formality requirements, and the itemized index of evidence – in a single document. Doing so may help a practitioner make the most efficient use of time in preparing a petition and simplify the documents the USPTO must review.

Conduct an appropriately comprehensive investigation

Another common ground for rejection of TMA petitions is the petitioner's failure to establish a *prima facie* case for non-use as of the relevant date. Showing non-use is often a matter of negative proof – that is, providing sufficient evidence to show the USPTO that goods or services were not in use. A petitioner's investigation need not be absolutely exhaustive, but should be "appropriately comprehensive" enough to satisfy the USPTO that the petitioner has conducted a "reasonable investigation," as the TMA demands.

However, unlike the formality issues described above, a substantive failure of this nature cannot be cured – rather, an entirely new petition must be filed. Tactically, this might be fatal. Registrants receive automatic notice from the USPTO of all filed TMA petitions, which will naturally alert a registrant that a dispute exists as to its use in commerce of its mark. In an expungement proceeding, for example, in order to avoid

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cancellation a registrant must put forth evidence of use in commerce of the mark *before the filing date of the underlying petition*. Normally this prevents a registrant from manufacturing use only after it has received notice of a use challenge. But if the petitioner's expungement petition is rejected on substantive grounds and the petitioner is compelled to re-file, the registrant will have received such notice of the challenge and may have an opportunity to commence use in commerce before the filing date of the revised petition, defeating the benefits of the expungement proceeding for the petitioner.

Although the TMA statute itself does not define "reasonable investigation," practitioners should familiarize themselves with the guidance that the USPTO has provided, both through its rulemaking procedures and in the Trademark Manual of Examining Procedure (TMPE). For example, the USPTO has codified a list of common "sources for a reasonable investigation," which includes things like websites believed to be controlled by the registrant, state and federal regulatory records, and records of relevant litigation, among other things. A TMA petition that expressly declares and provides evidence of the petitioner's searches of each of these sources of evidence – which means attaching evidence that a particular search had no relevant results – will likely go a long way to establishing a *prima facie* case of non-use.

However, petitioners should not limit themselves only to the suggested elements of reasonable investigation in the USPTO's rules, which are not limiting. There are a variety of other facts that may come to bear on a registrant's genuine use in commerce, as defined in the Lanham Act. The Director has instituted a number of TMA proceedings on such grounds.

Scrutinize and spend time investigating specimens

Specimen issues are a common source of evidence of non-use. Even if the USPTO examination division in the course of prosecution accepted a specimen as complying with the USPTO's specimen rules, this does not mean that a petitioner cannot identify irregularities or raise other issues about the specimens that were used to secure a registration. A careful review of specimens may identify obvious facial issues, such as visual clues that a photograph has been digitally altered to superimpose a mark on a good. Website specimens should be cross-referenced with archived copies of a website found on resources like the Internet Archive Wayback Machine to uncover cases of digital mock-ups. Reverse-image searching on the web may reveal that a single photograph of a particular product has been repurposed and re-used many times for many different marks.



Even if a specimen consists of nothing more than a photograph of a mark affixed to a physical good, the petitioner should specifically note whether that specimen contains any objective indication that the good was sold or transported in US commerce – such as if the good is photographed against a blank background or in a context that makes it evident that the photograph was not taken in the United States.

Research the registrant

Background information on a registrant can also provide facts tending to create an inference of non-use. For example, evidence that a registrant has filed an unusually large number of applications may be relevant, as can evidence that the registrant is domiciled outside the United States in contradiction of a domicile address provided to the USPTO.

Evidence that a registrant originally filed or declared use in bad faith may also establish a *prima facie* case. In February 2023, the *World Trademark Review* published an article discussing the online trafficking of trademarks, including US registrations, through websites such as “TrademarkSea.” Naturally, as indicators of source designed to protect against consumer confusion that must be transferred in connection with a business’s underlying goodwill, trademarks are generally not amenable to resale on the open market. Therefore, evidence that a mark in a particular registration has been advertised for sale or sold on an online registration marketplace may be very persuasive evidence to show that a particular mark was not in use in commerce in the ordinary course of trade.

“**Petitioners should be sure to review and include in petitions all the formality elements required in the USPTO’s rules, including basic facts like the basis for the petition.**”

Consider creative ways of establishing non-use

Practitioners should think expansively when considering sources of evidence for reasonable investigations of non-use in support of TMA petitions. For alcoholic beverages, for example, records of the federal Alcohol and Tobacco Tax and Trade Bureau’s (TTB) Certificates of Label Approval (COLA) can be a useful source of evidence on whether a label bearing a particular mark has ever been sold. In the same vein, commercial databases of import and export records for US ports may also be fruitful, especially in cases of foreign-domiciled registrants.

Broader strategy considerations may bear on the decision to file a TMA petition

Although TMA petition procedures are a very useful tool for clearing away “dead wood” registrations, they do have limitations. Under the statutory language of the TMA in the Lanham Act, the grounds for an expungement or reexamination petition are strictly limited to non-use of a mark in commerce, either before a relevant date or at any point in time. This means that a TMA petition cannot be brought on the grounds of abandonment, or on the basis that a post-registration affidavit of use under 15 U.S.C. § 1058 was insufficient or fraudulent.

Although *ex parte* in nature, a TMA petition does require a significant amount of effort on behalf of petitioners and practitioners in the pre-filing stage. Appropriately comprehensive, reasonable investigations and the compiling and indexing of evidence into a petition can take a significant

amount of time. A petition for cancellation before the TTAB, in comparison, may be completed with no more than reasonably-grounded factual allegations that comply with Fed. R. Civ. P. 8 and 12, perhaps using a practitioner's template and without the need to gather and produce all relevant evidence up front. In the event of respondent default, therefore, a TTAB proceeding can be resolved with less effort – but this must be balanced against the risk of contested and expensive *inter partes* proceeding should the registrant respond.

The *ex parte* nature of TMA proceedings means that petitioners' involvement is cut off upon institution. Once instituted, the USPTO will issue an office action to which the registrant must respond, and the USPTO alone will determine the sufficiency of the registrant's evidence of use in commerce, if any. The TTAB may review the Director's decision to cancel a registration in a TMA proceeding, but there appears to be no provision for the intervention of the petitioner in these appeals. Further, there is also no procedure for a petitioner to withdraw a reexamination or expungement proceeding once instituted – so in the event of a dispute and settlement negotiations between a petitioner and a registrant, the parties generally cannot contract in a settlement agreement to "dismiss" TMA proceedings.

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Conclusion

Now that the USPTO has had about a year and a half to flesh out its rules on expungement and reexamination proceedings and has had occasion to review hundreds of these petitions, it is clear that the TMA's non-use cancellation procedures are powerful tools to help maintain the integrity of the trademark register. Moreover, practitioners can use reexamination petitions to cost-effectively and efficiently cancel certain types of fraudulent registrations and expungement petitions to remove registrations that were not necessarily fraudulently filed but never used in the US.

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