

AN EMPIRICAL EVALUATION OF THE TRADEMARK MODERNIZATION ACT

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INTRODUCTION

The Trademark Modernization Act of 2020¹ made three substantial changes to the trademark system of the United States. The first was to codify a presumption that infringement of a trademark causes irreparable harm²—putting a heavy thumb on the scale of the equitable analysis of injunctive relief set forth by the Supreme Court in *eBay v. MercExchange*.³ The second was to provide a technical fix to the statutory authority of the Director of the United States Patent and Trademark Office (USPTO),⁴ to ensure that the USPTO’s adjudicative processes would not run afoul of innovations in the Supreme Court’s Appointments Clause jurisprudence.⁵ The third, which is the subject of this Essay, was to provide new tools to purge the principal trademark register of “clutter”—registrations for trademarks that are either not used at all by their registrants, or not used on the full array of goods and services claimed in a registration.⁶

It is generally accepted that the registration (and maintenance of registration) of trademarks that are not actually used by their registrants imposes substantial costs on the public.⁷ Such registrations raise trademark

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¹Trademark Modernization Act of 2020, Pub. L. No. 116–260, div. Q, tit. II, subtit. B, 134 Stat. 2200 (Dec. 27, 2020).

²*Id.* at div. Q, tit. II, subtit. B § 226, codified at 15 U.S.C. § 1116(a).

³ *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). This change was consistent with the suggestions of a number of commentators who had argued that *eBay*, while suitable in patent and copyright law, was an ill fit for trademark law. *See generally* Peter J Karol, *Trademark’s eBay Problem*, 26 FORDHAM INTELL. PROP. MEDIA & ENT. LJ 625 (2016); Mark A. Lemley, *Did eBay Irreparably Injure Trademark Law?*, 92 NOTRE DAME L. REV. 1795 (2019).

⁴TMA, Pub. L. No. 116–260, div. Q, tit. II, subtit. B § 228, 134 Stat. 2200.

⁵*United States v. Arthrex, Inc.*, 594 U.S. 1 (2021); *See also* Jennifer Mascott & John Fitzgerald Duffy, *Executive Decisions After Arthrex*, 2021 SUP. CT. REV. (2022).

⁶The statute also codifies the previously informal “letter of protest” practice by which the USPTO will accept evidence from third parties opposing an application for registration during the *ex parte* examination process. TMA, Pub. L. No. 116–260, div. Q, tit. II, subtit. B § 223, 134 Stat. at 2201, codified at 15 U.S.C. § 1051(f).

⁷*See generally* Georg Von Graevenitz, Christine Greenhalgh, Christian Helmers, &

clearance costs, impose chilling effects on competitors, and deprive the marketplace of potentially useful and valuable source identifiers.⁸ And there is substantial evidence of clutter on the federal principal register maintained by the USPTO. Since 2017, the Office has conducted random audits of recently renewed trademark registrations claiming use of the registered mark in connection with four or more types of goods or services.⁹ Roughly half of audited registrations end up deleting at least one listed good or service from the registration because the registrant could not establish that they were using the mark in connection with that good or service.¹⁰

Moreover, this problem of clutter has recently been felt to be increasing due to several factors extrinsic to the register itself. First, certain regional government offices in China had offered bounties to its nationals that obtained intellectual property rights abroad that exceeded the fees necessary to obtain such rights. Indeed, these bounties were apparently sufficiently large to induce large numbers of Chinese applicants to seek registrations of trademarks in the United States that they had no intention of using in the United States, simply to establish a right to the bounty.¹¹ Second, the rise of the Amazon e-commerce marketplace, and Amazon's use of trademark registrations as a means of providing favorable treatment to registrants in listing their products on Amazon and in disputing Amazon product listings posted by their competitors, is argued by some commentators to have substantially increased the volume of applications to register trademarks that do not actually serve as source identifiers.¹² In both contexts, applicants

Philipp Schautschick, *Trade Mark Cluttering: An Exploratory Report* (2012), available at <https://perma.cc/7Y9M-C8C7>.

⁸Indeed, in the aggregate in the United States, concern has been raised that trademarks are becoming scarce due to the registration of nearly all of the most common English words as trademarks in nearly all categories of goods and services. Barton Beebe & Jeanne C Fromer, *Are We Running Out of Trademarks? An Empirical Study of Trademark Depletion and Congestion*, 131 HARV. L. REV. 945 (2017).

⁹United States Patent & Trademark Office, Post Registration Audit Program, <https://www.uspto.gov/trademarks/maintain/post-registration-audit-program> [<https://perma.cc/VS3P-LJYU>]. The USPTO claims authority for this audit program under regulations that charge the agency "to assess and promote the accuracy and integrity of the register." 37 C.F.R. §§2.161(b), 7.37(b).

¹⁰United States Patent & Trademark Office, Post Registration Audit Program Statistics, <https://www.uspto.gov/trademarks/maintain/post-registration-audit-program-statistics> [<https://perma.cc/R7MR-JHYU>].

¹¹Barton Beebe & Jeanne C. Fromer, Fake Trademark Specimens: An Empirical Analysis, 120 Columbia Law Review Forum 217 (2020); Josh Gerben, Massive Wave of Fraudulent US Trademark Filings Likely Caused by Chinese Government Payments, <https://www.gerbenlaw.com/blog/chinese-business-subsidies-linked-to-fraudulent-trademark-filings> [<https://perma.cc/H5EG-GKZD>].

¹²Jeanne Fromer & Mark McKenna, *Amazon's Quiet Overhaul of the Trademark System* (Colum. L. Rev. forthcoming).

for registration appear to be falsifying their evidence of use in commerce—a prerequisite for trademark registration—at alarming rates.

As a means of addressing this problem, the TMA has created two new forms of administrative proceeding designed to clear unused marks from the register. The new expungement proceeding, codified in the new Section 16a of the Lanham Act, allows for the total expungement of a registration “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.”¹³ The new reexamination proceeding, codified in the new Section 16b of the Lanham Act, allows for the total or partial cancellation of a registration “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,” that date being the date on which the applicant submitted a sworn statement of use in commerce.¹⁴ Both expungement and reexamination proceedings may be instituted upon petition (subject to the USPTO’s decision to institute a proceeding upon the petition), or by initiative of the Director of the USPTO; after the registrant is given an opportunity to respond in writing the proceedings are resolved by the USPTO *ex parte*.¹⁵

Congress’s hope for these new proceedings was that they would “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” by “allow[ing] for more efficient, and less costly and time consuming alternatives to inter partes cancellation.”¹⁶ Cancellation proceedings, “in many respects . . . resemble district court litigation [in that] they are often expensive and time consuming[, and therefore f]or small- and medium-sized businesses, the cost of filing and the uncertainty of the result is often a deterrent in filing.”¹⁷ By giving interested third parties a cheaper, faster process to identify clutter on the register and prompt the USPTO to clear it through *ex parte* processes, the new expungement and reexamination proceedings were expected to help address the deluge of spurious unused registrations that threatened the reliability and usefulness of the trademark registration system.

As I will explain in this Essay, empirical evidence from the first roughly two years of TMA proceedings suggest that they are not up to the task Congress has set for them. Expungement and reexamination petitions are seldom filed, proceedings on those petitions are seldom instituted, and the time it takes to proceed from a petition to a cancellation order is substantial.

¹³15 U.S.C. § 1116a.

¹⁴15 U.S.C. § 1116b.

¹⁵15 U.S.C. §§ 1116a, 1116b.

¹⁶H.R. Rep. No. 116-645, at 13 (2020).

¹⁷*Id.* at 11.

In a system where random audits of registrations suggest a 50% non-use rate, the machinery of third-party petitions and ex parte review appear to be a far less efficient means of clearing clutter than others. Indeed, as I will show, other recent changes to USPTO practice—changes without any explicit statutory authorization—seem to have had far greater success at stemming the deluge of spurious applications—particularly foreign applications—than after-the-fact ex parte review of registrations that may have erroneously issued. In light of this evidence, the primary benefit of the TMA’s new proceedings may simply be that they provide an explicit vehicle for registrations that are *already known* to be vulnerable for lack of use to be flagged for USPTO review. While providing such a mechanism for clearing clutter that has already been identified by interested third parties is useful, it does not appear to help avoid the cost of clutter to those third parties, or to the trademark system as a whole.