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Trademark Modernization Act of 2020 and Other Trademark Developments: Impacts on Franchising

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I. INTRODUCTION

Recognizing the importance of the brand within a franchise system, this paper will focus on how a trademark owner can obtain protection for its trademark in the United States, maintain legal protection, and enforce its protection against unauthorized users and uses of the trademark. As part of the obligation (as described below) to maintain protection of its brand by filing all necessary paperwork and fighting off infringers, the trademark owner also has an obligation to stay current with the latest changes in the trademark world, which, most recently, include the implementation of the Trademark Modernization Act of 2020 (“TMA”) and the increase in popularity in international labeling laws affecting the use of trademarks on packaging and labeling of certain products.

As will be discussed in more detail below, the TMA made significant changes to the Trademark Act of 1946, also known as the Lanham Act.¹ Those changes include codifying the established practice of the letter of protest mechanism, creating flexible/shortened response periods, creating new cancellation mechanisms for non-use of a trademark (*ex parte* expungement and *ex parte* re-examination), creating a codified rebuttable presumption of irreparable harm, and making other changes to help reduce attempts to abuse trademark owners with excessive challenges.

II. VALUE OF A FRANCHISE BRAND VIA TRADEMARK PROTECTION

In the franchising context, there is little more important than the trademark owned by the franchisor and licensed to the franchisees. In fact, the trademark is so important that it is one of the only three factors that turns a business system into a franchise – at least as defined by federal law. The Federal Rule on Franchising defines a “franchise” as any continuing commercial relationship or arrangement, in which the terms of the offer or contract specify, or the franchise seller promises or represents, orally or in writing, that:

1. the franchisee will obtain the right to operate a business that is identified or associated with the franchisor’s trademark, or to offer, sell, or distribute goods, services, or commodities that are identified or associated with the franchisor’s trademark;
2. the franchisor will exert or has authority to exert a significant degree of control over the franchisee’s method of operation, or provide significant assistance in the franchisee’s method of operation; and
3. as a condition of obtaining or commencing operation of the franchise, the franchisee makes a required payment or commits to make a required payment to the franchisor or its affiliate.²

¹ 15 U.S.C. §§ 1051 *et seq.*

² 16 C.F.R. §436.1(h).

To go one step further, the FTC Rule defines “trademark” in a broad manner to encompass trademarks, service marks, names, logos, and other commercial symbols.³ Importantly, a trademark need not be registered in order to satisfy the requirements of the franchise rule’s definition of a franchise. However, there are legal benefits to a federal registration of a trademark, which will be discussed below.

Without the license of a trademark, a franchise system does not exist. Also, for the consuming public, the trademark is how the franchise system and each of its franchised businesses are identified. Consumers expect a certain experience, a certain menu, or a certain set of services based on the brand and, therefore, based on the use of the trademark. Due to the importance of the image of the franchise system, franchisors often take the protection of their trademark very seriously.

The next three sections will briefly summarize the procedures for obtaining and maintaining trademark protection with the United States Patent and Trademark Office (“USPTO”) and the obligation and tactics for policing a trademark against unauthorized users and uses of a trademark.

a. Obtaining a Federal Trademark Registration with the USPTO

The owner of a brand, logo, slogan, or other commercial symbol should first determine whether its name can be protected through the mechanism of a trademark registration. Not all names of businesses or slogans or logos qualify for federal protection. Pursuant to the Lanham Act, which governs the protection of trademarks in the United States, a “trademark” can be protected when it is both (a) used in commerce (or filed with an intent to use in commerce) and (b) distinctive.⁴ In addition, “commerce” means all commerce which may lawfully be regulated by Congress and “distinctive” means that the mark is used to identify and distinguish certain goods or services from certain other goods or services sold by others and to indicate the source of the goods, even if that source is unknown.⁵

The owner of a trademark that meets the above qualifications may begin the process to obtain a federal trademark registration with the USPTO⁶ by filing an application online.⁷ Although technically an attorney is not required to make the application if the applicant is domiciled in the United States, it is recommended.⁸ Beginning on January 8, 2022, USPTO account holders who use the online filings system can begin verifying their identity through a secure system online. At some point in the near future, all USPTO

³ 16 CFR § 436.1(v).

⁴ 15 U.S.C. § 1127.

⁵ 15 U.S.C. § 1127.

⁶ 15 U.S.C. § 1051(a).

⁷ <https://www.uspto.gov/trademarks/apply>

⁸ If an applicant is foreign-domiciled, then he or she must be represented by an attorney that is licensed in the United States for purposes of the application process.

account holders will have to verify their identity through this secure system in order to file an online trademark application or file other trademark-related forms.⁹

As a very brief overview of the process, the applicant will identify the trademark that will be filed (either a word mark or a design), include contact information, identify the goods or services associated with the trademark, provide a statement of use (either at the time of application or at the time of use), and pay the prescribed fee.¹⁰ The current fee is either \$350 or \$250 per class, depending on the type of application that is chosen to file.¹¹

In response to the application, the USPTO will assign an examining attorney to the trademark and also assign a serial number to the application. After reviewing the application, the examining attorney may issue an Office Action that questions the validity of the application and/or the trademark and require the applicant to either revise the trademark, the services or goods, or abandon the application.¹² Office Actions may also assert that there are other trademark holders that have a same or similar trademark that is either pending or registered with the USPTO. Depending on the status of those confusingly similar trademarks (if any) the applicant's application may be suspended until those issues may be resolved. Prior to the introduction of the TMA (as discussed in detail below) applicants had six months to respond to Office Actions, but the TMA shortens this timeline to three months.

Assuming any issues identified in the Office Action(s) are resolved, then the trademark will be published for opposition on the Official Gazette, which is a weekly publication made by the USPTO of all pre-approved trademarks.¹³ A trademark is published for a period of 30 days, a period in which third parties may come forward to file an opposition or an extension of time to file an opposition, if applicable.¹⁴ An opposition is similar to the filing of a complaint in court, except it is filed with the Trademark Trial and Appeal Board (TTAB). The TTAB is an administrative court within the USPTO that handles all opposition proceedings. If there are no oppositions or the applicant has overcome any oppositions that have been filed, and assuming a statement of use has been filed, then the trademark will officially register with the USPTO and be granted a registration number.¹⁵ The applicant will also receive a paper certificate of the registration in regular mail.¹⁶ Those who wish to oppose the trademark but failed to do so within the

⁹ <https://www.uspto.gov/trademarks/apply/identity-verification>

¹⁰ 15 U.S.C. § 1051(a), (b).

¹¹ A TEAS Standard form has a fee of \$350 and a TEAS Plus form has a fee of \$250. With the TEAS Plus form, the applicant can only file with goods and services identifications that are listed in the services ID manual, which have already been approved for use by the USPTO. A TEAS Standard application may include a description of services or goods drafted by the applicant.

¹² 15 U.S.C. § 1062(b).

¹³ 15 U.S.C. § 1062(a).

¹⁴ 15 U.S.C. § 1063(a).

¹⁵ 15 U.S.C. § 1063(b).

¹⁶ 15 U.S.C. § 1057(a).

30-day publication period also have the option of filing a petition to cancel with the TTAB within the first five years after registration, which is similar to a petition to oppose.¹⁷

Although federal registration is not necessary to receive some type of protection under the Lanham Act, there are several benefits, which include:

1. The registration certificate is prima facie evidence of the validity of the trademark, the ownership of the trademark, and the owner's exclusive right to the use of the trademark in connection with the goods and services stated in the certificate.¹⁸
2. The trademark is listed in the USPTO database of registered trademarks, which provides public notice to anyone searching for the same or similar trademark.
3. The registration may be used as a basis for filing for trademark protection in foreign countries.
4. The registration provides a private right of action to bring a lawsuit concerning the trademark in federal court.
5. The trademark owner may use the federal trademark registration symbol, ®, with the trademark to show that it is registered with the USPTO. Those that do not have a registered trademark may only use the ™ symbol.
6. The registration may be recorded with U.S. Customs and Border Protection (CBP) so that the CBP has the ability to stop the importation of goods with an infringing trademark.

For more information regarding the online application process, see the USPTO website: <https://www.uspto.gov/trademarks/apply>.

b. Maintenance of Trademarks

Once the registration certificate is issued, there are certain points during the life cycle of a trademark where the trademark owner has to file additional documentation with the USPTO.¹⁹

The first of such maintenance requirements is between the fifth and sixth year after registration.²⁰ At this point, in order to maintain the registration, the trademark owner must file a Section 8 declaration of use or excusable non-use and corresponding

¹⁷ 15 U.S.C. § 1064.

¹⁸ 15 U.S.C. § 1057(b).

¹⁹ 15 U.S.C. § 1058.

²⁰ 15 U.S.C. § 1058(a)(1).

specimen to show that the trademark is still being used in commerce at the time of the filing.²¹

At the same time, the trademark owner may also file a Section 15 declaration of incontestability.²² A trademark owner may only file this declaration if it has continuously used the trademark registered on the Principal (not Supplemental) Register in commerce for five consecutive years after the date of registration.²³

The second of such maintenance requirement is between the ninth and tenth year after registration.²⁴ Again, the trademark owner must file a Sections 8 and 9 declaration of use and/or excusable non-use and an application for renewal and corresponding specimen to show that the trademark is still being used in commerce at the time of the filing.²⁵

The third of such maintenance requirements if every ten years after registration.²⁶ The trademark owner must file another Section 8 declaration of use and/or excusable non-use and a Section 9 application for renewal and corresponding specimen to show that the trademark is still being used in commerce at the time of the filing.

The filing of these declarations also requires payment of a fee, which is currently \$300 per class for a Section 9 filing, \$225 per class for a Section 8 filing, and \$200 per class for a Section 15 filing. There are also additional fees if the trademark holder files these forms late.

For more information regarding the online maintenance process, see the USPTO website: <https://www.uspto.gov/trademarks/maintain>.

c. Policing of Trademarks

Even though not expressly stated in the Lanham Act, it is generally accepted that once a trademark registration is issued, all trademark owners have a duty to police their trademark to ensure there is no unauthorized use. The USPTO itself posts such a requirement on its website:

You are responsible for enforcing your rights if you receive a registration, because the USPTO does not "police" the use of marks. While the USPTO attempts to ensure that no other party receives a federal registration for an identical or similar mark for or as applied to related goods/services, the owner of a registration is

²¹ 15 U.S.C. § 1058(b).

²² 15 U.S.C. § 1065.

²³ 15 U.S.C. § 1065.

²⁴ 15 U.S.C. § 1058(a)(2).

²⁵ 15 U.S.C. § 1058(b).

²⁶ 15 U.S.C. § 1059(a).

*responsible for bringing any legal action to stop a party from using an infringing mark.*²⁷

Further, there have been some courts that have stated that, one way or another, a trademark owner has some duty to police its mark for purposes of preventing infringement. For example, the United States District Court for the Southern District of New York stated in *Tiffany (NJ) Inc. v. eBay, Inc.* that “the fact remains that rights holders bear the principal responsibility to police their trademarks.”²⁸ And, the United States District Court for the Western District of Wisconsin stated in *Wisconsin Cheese Group, Inc. v. V & V Supremo Foods, Inc.*²⁹ that a trademark owner has an affirmative duty to police its trademark.³⁰ Also, the United States District Court for the Southern District of New York stated in *Procter & Gamble Co. v. Quality King Distributors, Inc.*, that a trademark may be cancelled for abandonment when the trademark owner licenses the right to use the trademark and does not police that license.³¹

Regardless of whether the duty to police has been established by the USPTO, the courts, or otherwise, every trademark owner *should* want to take steps to ensure that its trademark is only used in an authorized manner and by authorized people. One part of a trademark’s value is that its use is controlled by its owners so that unauthorized users cannot tarnish the trademark by using it in a manner that the trademark owner does not approve. This concept is especially important in the franchise context because the franchisor (or its affiliate that owns the trademark rights) not only has to ensure that third parties refrain from using the trademark but also that all franchisees in the system are appropriately using the trademark.

In order to adequately protect a trademark against unauthorized use by a third party, a trademark owner should first determine the territory of protection. For those that have federal registrations with the USPTO, then the territory is the United States and its territories. Federal trademark rights do not extend to other countries. For the most part, each country in the world has its own trademark office that manages trademark registrations. Without getting into too much detail, for international trademark portfolio management is a topic for another paper, a trademark owner would have to make filings in each country that it wanted protection and establish use of the trademark in that territory. Back in the United States, a trademark owner that does not have a federal registration has a more limited geographic scope of protection, which would only include the locale of the owner’s use of the trademark. State registrations are also an option, but (obviously) provide protection only in the state where the registration is effective.

Once the territory is established, the next step is to conduct the search for unauthorized uses or unauthorized users of the trademark. General web-based searches are a good start, but it may also be helpful to set up alerts (such as through Google) to

²⁷ <https://www.uspto.gov/trademarks/basics/trademark-process#step6>

²⁸ 576 F.Supp.2d 463, 518 (S.D. N.Y 2008).

²⁹ 537 F. Supp. 2d 994, 1001 (W.D. Wis. 2008).

³⁰ *Id.*

³¹ 123 F.Supp.2d 108, 116 (S.D.N.Y. 2000) (citing 724 F.2d 327, 334 (2d Cir.1983)).

pick up on uses of the trademark on the Internet. There are also companies that provide monitoring services for both domestic and international trademarks.³² These companies generate weekly or monthly reports that trademark owners can use to determine if further legal action must be taken in response to the results in the reports. In addition, trademark owners should educate their employees on what types of uses would be unauthorized and what types of other names and insignia would be considered similar enough to warrant legal action.

In addition to searching for outside threats, franchisors also should look within the system for issues with the use of the trademarks. And, to help prevent unauthorized uses of a trademark in the franchise system, a franchisor should include certain standards and specifications in the franchise agreement and also implement those standards and specifications in practice. For example, a franchise agreement should include trademark provisions that cover the following topics:

1. The owner of the trademark is the franchisor/an affiliate;
2. Franchisee has no right, title or interest in the trademark;
3. Franchisee may not contest the validity of the trademark;
4. Trademarks must be used in the manner prescribed by franchisor;
5. Default and cause for termination based on the misuse of the trademark;
6. Restrictive covenants regarding the use of the trademarks (and any similar trademarks) in connection with the goods or services provided by the franchised business;
7. Transfer provisions excluding the value of the trademark from the sale of the franchised business; and
8. Post-term obligations to cease using the trademarks (and any similar trademarks).

Franchisors should also include extensive provisions in their operations manuals to cover the uses of the trademark in the proper manner, such as with uniforms, signage, menu depictions, business cards, image of the premises, social media, advertising, etc.

After conducting and reviewing the results of the search (which is a constant endeavor) the next step is to determine if a use by a third party is such that it constitutes trademark infringement and therefore poses a threat to the trademark's value.

³² For example, Corsearch provides "ExperWatch" (<https://corsearch.com/solution/brand-content-protection/expertwatch/>) and Clarivate provides watching services (<https://clarivate.com/compumark/solutions/trademark-watching/>).

For a trademark owner to establish a claim for trademark infringement³³ under the Lanham Act, the trademark owner must show:

1. the trademark owner a valid and legally protectable trademark;
2. the trademark owner actually owns the trademark; and
3. the alleged infringer's use of the mark to identify goods or services causes a likelihood of confusion³⁴.

As stated above, if the trademark owner has a federal registration, then its case for infringement is much easier to make. Specifically, the registration certificate is prima facie evidence of the validity of the trademark, the ownership of the trademark, and the owner's exclusive right to the use of the trademark in connection with the goods and services stated in the certificate. In other words, steps 1 and 2 are already covered.

To make the determination of whether there is a "likelihood of confusion," courts typically look to a number of factors, including: (1) the strength of the mark; (2) the proximity of the goods; (3) the similarity of the marks; (4) evidence of actual confusion; (5) the similarity of marketing channels used; (6) the degree of caution exercised by the typical purchaser; (7) the defendant's intent.³⁵ The exact list of factors varies slightly by circuit, but generally involve the above-listed factors. The trademark holder, with the assistance of their attorney, will then compare the trademarks at issue to determine the level and extent that each of the above factors are met, if at all.

If the trademark holder determines that there is a likelihood of confusion, then the first legal step is to send a cease and desist letter to the infringer that demands that they cease using the trademark altogether or cease using it in an infringing manner, whichever is applicable. If the infringement occurs within the United States and is based on another trademark owner attempting to obtain a registration for a trademark that is confusingly similar to the trademark at issue, then the trademark owner may file either an opposition or cancellation, depending on the timing of the alleged infringer's trademark application and the status of its registration.

If, despite the cease and desist letter, the infringing activity continues, then formal legal action may be necessary, which would include filing a lawsuit for infringement in federal court. Filing official litigation will be time consuming and expensive, so the decision to move forward in that line of action should not be taken lightly. However, as described above, the importance of the trademark and the brand to the franchise system is paramount, particularly if the brand has been in business for many years and has several franchises operating under the brand. Allowing an infringer to continue to infringe may

³³ Infringement under the Lanham Act is found under 15 U.S.C. § 1114 for registered trademarks and under 15 U.S.C. § 1125(a) for unregistered trademarks.

³⁴ 237 F.3d 198 (3rd Cir. 2000).

³⁵ 237 F.3d 198 (3rd Cir. 2000).

cause serious damage to the brand image, the value of the brand, and the faith in the franchisees in the brand itself.

All of the above information was provided to show that a trademark owner has to be vigilant and meticulous to obtain and maintain the value of its trademark through various legal channels and other practical measures. Part of this practice should also include staying up to date on relevant changes in the trademark world. Two such changes, the implementation of the TMA and an increase in the restrictions imposed on trademarks used in product labeling and packaging, are discussed below.

III. TRADEMARK MODERNIZATION ACT

As discussed above, the application, registration and protection of trademarks is governed by the Trademark Act of 1946,³⁶ referred to as the Lanham Act. Since 1946, there have been many developments in the world that have led the USPTO to consider revising the Lanham Act. Most recently, one such time of change resulted in the Trademark Modernization Act of 2020 (“TMA”). The TMA was enacted as part of the Consolidated Appropriations Act of 2021,³⁷ which aimed to revise several federal laws, including those involving copyright and trademark protections, in an effort to provide emergency relief in the wake of the COVID-19 health crisis.

The Consolidated Appropriations Act is one of the largest spending measures ever enacted, aimed to spend more than the \$2.2 trillion CARES Act, enacted in March 2020.³⁸

Below is a summary of the main provisions of the TMA, which includes several significant changes to the Lanham Act, an update on the USPTO’s work to implement these changes, and a summary of the effect of these changes to the world of franchising.

a. Codification of the Letter of Protest Mechanism

As an existing practice prior to the TMA, third parties were permitted to submit evidence relevant to a ground for refusal during the trademark examination process. With the implementation of the TMA, this practice is now codified and further defined.

Specifically, a new subsection (f) was added to Section 1 of the Lanham Act, which allows a third party to submit for consideration for inclusion in the record of an application evidence relevant to a ground for refusal of registration. Not later than two months after the date on which the submission is filed, the USPTO must determine whether the 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 included. A determination by the Director of the USPTO whether to include or not include evidence in the record of an application is final and non-reviewable.

³⁶ 15 U.S.C. § 1051.

³⁷ H.R.133 — 116th Congress (2019-2020).

³⁸ S.3548 — 116th Congress (2019-2020)

Appropriate reasons for a letter of protest include³⁹:

1. The trademark in the protested application is likely to be confused with a trademark in a U.S. registration or prior pending application.
2. The trademark in the protested application is merely descriptive of or generic for the identified goods or services.
3. The trademark in the protested application suggests a false connection with the protestor or some other party.
4. The trademark in the protested application is a widely used or commonplace message and does not function as a trademark.
5. A registered trademark appears in the identification of the goods or services in the protested application.
6. The specimens of use in the protested application feature an image that is used by third parties without the mark in question or an image that appears in multiple prior registrations or applications all bearing different marks.

On the other hand, inappropriate reasons for a letter of protest include⁴⁰:

1. The protestor claims common law prior use of the trademark in the protested application.
2. The protestor claims that the applicant is not the owner of the trademark in the protested application.
3. The protestor disagrees with the examining attorney's examination of the protested application.

Depending on when filed, the level of evidence that is needed will need vary. If filed before the trademark at issue has published for opposition, then evidence must be relevant to the reasons to refuse the registration. But, if filed after the trademark has published for opposition, then the bar is higher, and then the evidence must show a *prima facie* case for refusing the registration. And, lastly, a petition may not be filed after the 30-day publication period has ended.

When providing evidence in support of the letter of protest, consider providing other registered trademarks that are likely to be confusing, a comparison of the goods or services showing that they are similar and/or related, proof that the trademark is generic or descriptive, evidence that the trademark is a common phrase or otherwise widely used

³⁹ <https://www.uspto.gov/trademarks/trademark-updates-and-announcements/letter-protest-practice-tip>

⁴⁰ <https://www.uspto.gov/trademarks/trademark-updates-and-announcements/letter-protest-practice-tip>

or evidence that the trademark is not being used in commerce. And, information that will not be helpful includes the trademark's prosecution history, redundant information, evidence of actual confusion, or evidence of the protester's prior use of the trademark.

For more information about the letter of protest process, see 37 C.F.R. section 2.149 and TMEP section 1715.

b. Flexible Response Periods

One major change for those involved in the trademark application process is the decrease in the amount of time to respond to an Office Action issued by the USPTO. Prior to the TMA, this response time was six months. But, the TMA has reduced this response time to three months.

By way of background (as described above), the USPTO examining attorneys issue "Office Actions" if and when a trademark application contains legal issues that must be resolved prior to registration. Applicants must timely respond to issues in Office Actions within the provided response time and the examining attorney may issue an additional Office Action in response. An applicant must resolve all legal issues with the examining attorney before the USPTO will issue a registration. If an applicant fails to respond on time or fails to resolve all legal issues, then the trademark will be abandoned and the USPTO will not refund any filings fees. Examples of issues in Office Actions include other similar trademarks, vague or broad descriptions of goods or services, issues with the specimen provided to prove use in commerce, and required disclaimers.

As a general overarching matter, the TMA granted the USPTO the authority to reduce time periods for required responses to USPTO Office Actions. Specifically, Section 12(b) of the Trademark Act (153 U.S.C. 1062(b)) was amended to allow the USPTO to reduce the time period for trademark applicants to respond to Office Actions in which the USPTO notifies the applicant that its application does not meet the statutory requirements for registration. The shortened time period does not apply to Madrid 66(a) applications.

Pursuant to the new statutory provision, the USPTO may shorten that response time period, but may not shorten it to less than 60 days. In addition, the TMA requires the USPTO to grant extensions of time to respond, upon request from the applicant and the payment of a fee, for a total of up to six months from the date of the Office Action. The TMA also grants the USPTO authority to set specific time periods and prescribe fees for such extensions. Currently, when the new time limit will be imposed, there will be a fee of \$125 for a three-month extension. This extension may only be requested once.

The shorter response periods may help move the application process more quickly but may also become a serious burden for those involved in responding to Office Actions in order to meet the shorter deadline because such responses often require hours of research and preparation of responses to complicated legal issues.

As per the USPTO website, this new shortened deadline will come into effect on December 1, 2022.⁴¹

c. New Cancellation Mechanisms for Non-Use

In addition to the existing ways that a trademark can be challenged, the TMA established two new mechanisms by which third parties may challenge trademark registrations, but specifically when those marks have not been used in commerce, namely: (i) an *ex parte* expungement proceeding and (ii) an *ex parte* re-examination proceeding. Both of these petitions are filed with the USPTO's Trademark Electronic Application System (TEAS), which is the same mechanism for filing applications and responses to Office Actions. These new proceedings are discussed in detail below.

A petitioner making either of the new petitions described below is not necessarily required to expose its real identity, but the Director has the authority to require such information in certain cases. The only limitation on the petitioner is that, in the case of a foreign-domiciled petitioner, he or she must obtain counsel in the United States to file the petition.

Ex Parte Expungement Proceeding.

The first of these new mechanisms is a proceeding that allows any party to challenge a trademark based on evidence showing that the trademark has never been used in commerce. This new proceeding is introduced in a new section added to the Lanham Act by the TMA, entitled: "Section 16A. *Ex Parte* Expungement" (15 U.S.C. 1066a). As stated above, this new section allows third parties to file a petition to expunge a trademark registration on the basis that it has never been used in commerce on or in connection with some or all of the goods or services recited in the registration. Unchanged by the TMA is the requirement that all trademarks, at the time of registration, must be associated with goods and/or services that the applicant uses in commerce.

As explained earlier, the Lanham Act defines "use in commerce" as bona fide use of a trademark in the trade of goods or services, which means that the trademark for goods must be used on the goods themselves or the packaging, labels, tags, or displays where the goods are sold or transported in commerce, or the trademark for services must be used to sell or advertise the applicable services in commerce.⁴² Further, this "use" must be within more than one state or territory in the United States or in the United States plus one other country.⁴³

Those wishing to file an *ex parte* expungement proceeding must file a petition and that petition must include the following:

1. Identification of the trademark registration at issue;

⁴¹ <https://www.uspto.gov/trademarks/laws/2020-modernization-act>

⁴² 15 U.S.C. § 1127.

⁴³ 15 U.S.C. §1127.

2. Identification of each good or service in the registration the party seeks to challenge;
3. A verified statement that sets forth the elements of the investigation the petitioner conducted to determine that the mark has never been used in commerce with respect to the identified goods or services;
4. Relevant supporting evidence showing the trademark has never been used in commerce; and
5. Include a payment of the prescribed fee (currently \$400).

A petition for *ex parte* expungement may challenge all goods and services listed in a trademark registration or a subset of those goods and services. For example, if a trademark is registered with “legal services and business consulting services” then the petitioner may file the petition for “legal services” or “business consulting services” or both. But, the petition must meet the requirements listed above for each good or service that is being challenged.

A petition may be filed at any time after the third anniversary of the registration and before the expiration of ten years following the date of registration. However, for a limited period of time (during the three years following the date of enactment of the TMA, i.e. prior to December 27, 2023), a petition for an *ex parte* expungement proceeding may be filed at any time after the third anniversary of the registration. The filing of a petition of this kind is similar to instigating litigation and is considered adversarial. The petitioner will have to stay involved in the process until the point where the Director decides whether or not to institute a proceeding that may or may not result in the cancellation of the trademark (either in whole or in part).

Upon receipt of a petition, the USPTO must determine whether the petition meets the statutory requirements, including whether it establishes a *prima facie* case that the mark has never been used in commerce on the goods or services specified in the petition. If the USPTO determines that the petition has not met the requirements, then it may issue a letter that provides the petitioner with an additional 30 days to complete the petition.

If the Director determines that the petition meets all the requirements, then the USPTO must institute an *ex parte* expungement proceeding for each good or service for which it determines that a *prima facie* case has been set forth and must provide notice to the petitioner and registrant regarding any institution decision. Determinations by the USPTO regarding whether or not to institute proceedings are final and non-reviewable. Then, an examining attorney from the USPTO will send an Office Action to the registrant of the trademark at issue. Such Office Action will require the registrant to show use of the trademark in commerce or excusable non-use, when applicable. The registrant will then have three months to respond to the Office Action or, for an additional fee of \$125, may extend this deadline by an additional month.

A response from the registrant should include either (a) evidence supporting that the trademark has, in fact, been used in commerce at the appropriate time or (b) revise the description of goods or services to match the use in commerce.

If the USPTO finds that the mark was not used in commerce on or before the relevant date with respect to any goods and services challenged in the re-examination proceeding, then the Director must cancel the registration, in whole or in part as appropriate, after the time for any appeals of the decision has terminated.

Ex Parte Re-Examination Proceeding.

The second of these new mechanisms is a proceeding that allows any party to challenge a trademark based on evidence showing that the trademark was not used in commerce on or before a certain date. This new proceeding is introduced in a new section added to the Lanham Act by the TMA, entitled: “16B. *Ex Parte* Re-examination” (15 U.S.C. 1066b). This section allows any person to file a petition to re-examine 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.”

The term “relevant date” means either:

1. The application date, with respect to a use-based application that is not amended to an intent-to-use basis, or
2. The date an amendment alleging use is filed or the date on which the period for filing a statement of use has expired (including extensions), with respect to an intent-to-use application, or an application that is amended to an intent-to-use application.

Similar to a petition for an *ex parte* expungement proceeding, those wishing to file an *ex parte* re-examination proceeding must file a petition and that petition must include the following:

1. Identification of the trademark registration at issue;
2. Identification of each good or service in the registration the party seeks to challenge;
3. A verified statement that sets forth the elements of the investigation the petitioner conducted to determine that the mark was not in use in commerce with respect to the identified goods or services before the relevant date;

4. Relevant supporting evidence showing the trademark has never been used in commerce; and
5. Payment of the prescribed fee (currently, \$400).

Again, similar to a petition for an *ex parte* expungement proceeding, a petition for *ex parte* re-examination may challenge all goods and services listed in a trademark registration or a subset of those goods and services. For example, if a trademark is registered with “legal services and business consulting services” then the petitioner may file the petition for “legal services” or “business consulting services” or both. But, the petition must meet the requirements listed above for each good or service that is being challenged.

Such a petition may be filed at any time before the expiration of five years after the date of registration of a mark registered based on use in commerce. Unlike a petition for an *ex parte* expungement proceeding, there are no exceptions to this deadline for a limited period of time. The filing of a petition of this kind is similar to instigating litigation and is considered adversarial. The petitioner will have to stay involved in the process until the point where the Director decides whether or not to institute a proceeding that may or may not result in the cancellation of the trademark (either in whole or in part).

Upon receipt of a petition, the USPTO must determine whether the petition meets the statutory requirements, including whether it establishes a prima facie case that the mark was not used on or before the relevant date on the goods or services specified in the petition. If the USPTO determines that the petition has not met the requirements, then it may issue a letter that provides the petitioner with an additional 30 days to complete the petition.

If the Director determines that the petition meets all the requirements, the USPTO must institute an *ex parte* re-examination proceeding for each good or service for which it determines that a prima facie case has been set forth and must provide notice to the petitioner and registrant regarding any institution decision. Determinations by the USPTO whether or not to institute proceedings are final and non-reviewable. Then, an examining attorney from the USPTO will send an Office Action to the registrant of the trademark at issue. Such Office Action will require the registration to show use of the trademark in commerce or excusable non-use, when applicable. The registrant will then have three months to respond to the Office Action or, for an additional fee of \$125, may extend this deadline by an additional month.

A response from the registrant should include either (a) evidence supporting that the trademark has, in fact, been used in commerce at the appropriate time or (b) revise the description of goods or services to match the use in commerce.

If the USPTO finds that the mark was not used in commerce on or before the relevant date with respect to any goods and services challenged in the re-examination

proceeding, the Director must cancel the registration, in whole or in part as appropriate, after the time for any appeals of the decision has terminated.

Director-Initiated Proceedings.

In addition to third party petitions to institute an *ex parte* expungement or *ex parte* re-examination proceeding, the Director may, on his or her own initiative, institute such proceedings if the Director discovers information supporting a prima facie case that a trademark has never been used in commerce (*ex parte* expungement) or was not used by the relevant date (*ex parte* re-examination) with respect to any goods or services covered by a trademark registration. The procedures and time limitations for Director-instituted proceedings are consistent with the third party-initiated proceedings described above.

Prohibition on Co-Pending Proceedings.

The TMA establishes that during the time when an *ex parte* expungement proceeding is pending with respect to a particular registration, no additional *ex parte* expungement proceeding may be instituted with respect to the same goods or services challenged in the pending proceeding. Likewise, during the time when an *ex parte* re-examination proceeding is pending with respect to a particular registration, no additional *ex parte* re-examination proceeding may be instituted with respect to the same goods or services challenged in the pending proceeding.

Estoppel – Limitations on Repeated Petitions.

In an effort to limit repeated and possibly excessive challenges to a single trademark, the TMA instituted certain limitations on these two new proceedings. For example, the TMA provides that for any goods or services in a trademark registration that were previously subject to an instituted *ex parte* expungement proceeding, if the USPTO determined in that proceeding that the trademark had been used with respect to particular goods or services, and the USPTO did not cancel the registration with respect to those goods or services, then no further *ex parte* expungement proceeding may be initiated with respect to those particular goods or services by any petitioner.

Likewise, for any goods or services in a registration that were previously subject to an instituted *ex parte* re-examination proceeding, if the USPTO determined in that proceeding that the mark had been used with respect to particular goods or services by the relevant date, and the USPTO did not cancel the registration with respect to those goods or services, then no further *ex parte* re-examination proceeding may be initiated with respect to those particular goods or services by any petitioner.

Appeals of Decisions.

For the registrant, the decision to cancel goods and or services associated with its trademark – or worse, the decision to cancel the entire registration – can be devastating.

Thankfully, the TMA allows for the registration to appeal the decisions based on the two new proceedings at two different times.

The TMA amended Section 20 of the Trademark Act (15 U.S.C. 1070) to allow a party to appeal, to the TTAB, final decisions in *ex parte* expungement and *ex parte* re-examination proceedings. In addition, the TMA amended Section 21(a) of the Trademark Act (15 U.S.C. 1071(a)) to allow a party to appeal, to the U.S. Court of Appeals for the Federal Circuit, final TTAB decisions regarding *ex parte* expungement and *ex parte* re-examination proceedings.

d. New Ground for Cancellation Actions before the TTAB

Prior to the TMA, the grounds for cancellation actions with the TTAB included non-use and abandonment⁴⁴. With the TMA now comes the introduction of a third ground for cancellation, which is in addition to the petitions described above, and that can be filed in TEAS. Specifically, the TMA amended Section 14 of the Trademark Act (15 U.S.C. 1064) to insert a new paragraph (6) that allows petitions that otherwise meet relevant requirements to cancel a registered mark:

"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."

The TMA also clarified that a registration under Section 44(e) or Section 66(a) shall not be cancelled pursuant to this new ground if the registrant demonstrates that any non-use is due to special circumstances that excuse such non-use.

e. Rebuttable Presumption of Irreparable Harm

In an effort to resolve a long-standing question regarding irreparable harm, the TMA provides that a plaintiff seeking (a) a permanent injunction shall be entitled to a rebuttable presumption of irreparable harm upon a finding of trademark infringement and (b) a preliminary injunction or temporary restraining order shall be entitled to a finding of a likelihood of success on the merits for trademark infringement.⁴⁵

More specifically, the TMA amended Section 34(a) of the Lanham Act (15 U.S.C. 1116(a)) to clarify that, in federal district court, when a trademark owner demonstrates trademark infringement, a rebuttable presumption of irreparable harm applies when a court performs its analysis of whether to issue an injunction to stop infringing activity. In making this change, a plaintiff's attempt to established the need for injunctive relief to cease infringing activity just became easier.

⁴⁴ 15 U.S.C. § 1064.

⁴⁵ 15 U.S.C. § 1116(a).

Prior to 2006, trademark owners that were bringing claims for infringement and sought injunctive relief were entitled to a presumption of irreparable harm if they could show a likelihood of confusion between their mark and the alleged infringing trademark. However, in 2006, the Supreme Court held in *eBay Inc. v. MercExchange, LLC* that a plaintiff in a patent infringement case must *prove* irreparable harm, even if there is infringement, in order to be entitled to injunctive relief.⁴⁶ After *eBay*, the federal circuit courts were split as to whether there was a presumption of irreparable harm in trademark cases.

Thankfully, the revisions to the Lanham Act made by the TMA put an end to this circuit split and clearly state that there is a presumption of irreparable harm, as described above. This provision became effective immediately upon passage of the TMA and was a top priority for trademark owners when the legislation was being considered by Congress.

f. Government Accountability Office Study

As part of the TMA, the Government Accountability Office⁴⁷ (“GAO”) is required to conduct a study that will review the USPTO’s efforts to implement the new provisions of the TMA. Generally, GAO is responsible for providing Congress, the heads of executive agencies, and the public with un-biased information that can be used to make governmental efforts more efficient or otherwise improve them.

The TMA required GAO to study and report on the USPTO’s efforts to implement the TMA and combat inaccurate trademark registrations. This report is required to be issued by December of 2023. Anyone in the public can order printed copies of reports issued by GAO.

g. Confirmation of USPTO Director Authority

One of the TMA’s revisions makes it clear that the Director of the USPTO has authority over the TTAB. Specifically, the TMA amended Section 18 of the Trademark Act (15 U.S.C. 1068) to include language to clarify that the Director has the authority to “reconsider, modify or set aside” decisions of the TTAB. As a result, the hierarchy of authority within the USPTO is clearly such that the Director has overarching power above the judges at the TTAB.

h. USPTO Rule Implementing TMA Provisions

In 2021, the USPTO followed the federal rulemaking procedure by issuing notices of proposed rulemaking, holding public roundtables, and gathering for formal and informal comments from the general public.

⁴⁶ 547 U.S. 388 (2006).

⁴⁷ <https://www.gao.gov/>

More specifically, the USPTO conducted a rulemaking process to establish rules to implement the new procedures created by the TMA. The USPTO published a Notice of Proposed Rulemaking in May 2021,⁴⁸ received comments from the public and stakeholders, and then published its Final Rule on November 17, 2021.⁴⁹

Officially, the provisions of the Final Rule implementing and establishing fees for the letter of protest procedure, *ex parte* expungement and re-examination proceedings, and new ground for cancellation actions before the TTAB became effective on December 18, 2021. The provisions of the Final Rule implementing and establishing fees regarding shortened response times for Office Actions will become effective on December 1, 2022. In its Final Rule, the USPTO shortened response times for USPTO Office Actions to three months (as explained above), while allowing applicants to request a three-month extension with the payment of a fee of \$125.

For additional information and guidance on the new procedures created by the TMA, and the USPTO's implementation of these procedures, please visit the Trademark Modernization Act information portal on the USPTO's website at: <https://www.uspto.gov/trademarks/laws/2020-modernization-act>.

IV. INTERNATIONAL LABELING LAWS AFFECTING THE USE OF TRADEMARKS

a. History of International Labeling and Packaging Restrictions.

In addition to changes made in the trademark application and maintenance process within the United States via the TMA, there have also been changes in the restrictions on the use of trademarks in other countries, specifically in health-related scenarios. Over the past several years, there has been an increase in the number of countries that have prohibited, for the sake of promoting better health and wellness, the use of certain types of trademarks or trade dress on product packaging and in advertising. This recent trend is a continuation of the movement started in the 1970s that restricted the use of certain characters or other advertising techniques to promote cigarettes or other tobacco products.

Specifically, in 1971 the Centers for Disease Control began prohibiting advertisements for tobacco products on television and radio.⁵⁰ For decades anti-smoking activists worked on campaigns to prevent advertising of tobacco products and some with the focus of preventing the appeal of cigarettes to children. Perhaps the most famous (or

⁴⁸ Federal Register/Vol. 86, No. 94/Tuesday 18 May 2021/Proposed Rules. <https://www.govinfo.gov/content/pkg/FR-2021-05-18/pdf/2021-10116.pdf>.

⁴⁹ United States Patent and Trademark Office, Changes to Implement Provisions of the Trademark Modernization Act of 2020. Final rule. Federal Register/Vol. 86, No. 219/Wednesday 17 November 2021/Rules and Regulations. Viewed at: <https://www.govinfo.gov/content/pkg/FR-2021-11-17/pdf/2021-24926.pdf>.

⁵⁰ https://www.cdc.gov/tobacco/data_statistics/by_topic/policy/regulation/

infamous) example of the result of these types of campaigns and restrictions is the “retirement” of Joe Camel as the face of Camel Cigarettes in 1997.⁵¹ After a years-long battle led by those seeking to prevent the use of the camel-cartoon-figure to allegedly make smoking appeal to children, R.J. Reynolds Tobacco Company, the owner of the Joe Camel character, decided to shift its branding from the well-known cartoon to a stylized text instead. Officially, R.J. Reynolds Tobacco Company owned several camel-cartoon trademarks, some of which were registered in connection with cigarettes, one of which can be found at Registration Number 1,987,955, which was registered on July 23, 1996 and then cancelled on April 26, 2003. R.J. Reynolds Tobacco Company also owned trademarks for Joe Camel that were registered in connection with merchandise, such as shirts and other apparel. As a result of the retirement of Joe Camel, Camel Cigarettes had to shift its entire brand image.

Joe Camel is certainly not the only target of the anti-smoking campaign, which also required health warnings for tobacco products that have increased in size over the years and, in some jurisdictions, cover the entire package. Further, some jurisdictions have adopted World Health Organization (WHO) recommendations regarding “plain packaging” consisting of “measures to restrict or prohibit the use of logos, colors, brand images or promotional information on packaging other than the brand name” for products that have been deemed unhealthy.⁵²

Now, a few decades after the anti-smoking campaign began, the variety of products subject to health-focused intellectual-property restrictive laws and regulations has grown significantly from covering only tobacco to now covering food and drinks with a high sugar content. For example, laws containing trademark-related restrictions have been enacted in many countries, covering food and beverage products such as alcohol, breast milk substitutes, foods for infants and young children, soft drinks and processed foods that are high in fat, calories, sodium or sugar.

As with the anti-smoking campaign, the expressed rationale for these restrictions is to promote public health by raising awareness of health risks and reducing consumer demand for these goods. Whether the public and lawmakers can agree on the rationale or not, the effect of these campaigns is inherently damaging to the businesses that offer and sell these products. To go a step further, some countries implementing these intellectual-property-restrictive provisions have also advocated that the WHO issue resolutions and guidance that encourage the adoption of similar laws and regulations in other WHO member states. The result of these actions may be that certain companies cease offering their products in these countries altogether, to avoid re-branding or re-developing goods that would fall outside the restrictions. Further details of the effects of these restrictions are discussed below.

⁵¹ <https://www.nytimes.com/1997/07/11/business/joe-camel-a-giant-in-tobacco-marketing-is-dead-at-23.html>

⁵² https://apps.who.int/iris/bitstream/handle/10665/207478/9789241565226_eng.pdf?sequence=1&msclid=0f3b093fc26e11ec86ab6246e392623c

b. Effects of Labeling and Packaging Restrictions

The health-related restrictions on the use of certain types of intellectual property impose significant costs on local businesses as well as businesses in the United States exporting to countries that have enacted them, including costs associated with rebranding, relabeling, and potentially reformulating their products for local markets. These restrictions also raise concerns about the loss and devaluation of businesses' intellectual property rights.

Trademark-related prohibitions in labeling and advertising laws and regulations can undermine the benefits of trademarks in several ways. First, they have the effect of impairing the consumer protection function of trademarks because consumers are unable to make informed purchasing choices when the information conveyed by trademarks or trade dress is limited or eliminated. Second, trademark restrictions can impair the function of the anti-counterfeiting features included on products and packaging. Relatedly, prohibiting trademark use diminishes trademark owners' ability to distinguish their products from counterfeits and consumers' ability to identify genuine goods.

In addition, some have raised concerns that if this trend of using trademark-restrictions as components of food health laws and regulations continues, societal respect for intellectual property could erode, leading countries to enact additional limitations on and exceptions to intellectual property rights as a routine component of laws regulatory regimes for a multitude of products and services.

c. Examples of Branding Restrictions

Below are examples of countries, other than the United States, that have enacted food health and nutrition laws and regulations that incorporate trademark and/or branding restrictions.

In June 2016, Chile enacted a law that phased in progressively stricter requirements on food product labeling and advertising. Chile's Food Labeling Act prohibits advertising of food products aimed at children under 14 years of age for foods that contain high levels of fat, saturated fat, sugar, sodium or "other ingredients the health authority finds harmful."⁵³ Under the law, advertising is considered to be aimed at children under the age of 14 if it contains children's characters or figures, animations, cartoons, toys, children's music, or children's voices, among other content. In addition, promotional "hooks," such as gifts, contests, games, stickers, and toys, are prohibited.

In October 2021, Argentina enacted the Front-of-Pack Labeling of Food Law⁵⁴, which is a law that prohibits the use of certain types of trademarks on products that have high levels of sodium, sugar, saturated fat, or calories. Specifically, trademarks or advertising containing children's characters, cartoons, animations, celebrities, athletes or

⁵³ Servicio de Salud Metropolitano Sur webpage on Chile's "Food Labeling Act": [Food Labeling Act 20.060 - SSMS](#).

⁵⁴ The Argentine Law No. 27,642.

pets are prohibited. In addition, these laws ban packaging that contains interactive elements, as well as the delivery or promised delivery of prizes, stickers, games, or contests.

The same law also requires that food containing the prohibited levels include a black octagon on the front of the package. The alleged intent is to allow consumers to use the black octagon label as a way to decrease the amount of “unhealthy” foods that are purchased all at the same time. The idea being that if a consumer fills his or her shopping cart with only food that has black octagon label, then that same consumer would change its decision-making regarding its grocery purchases.

Peru’s Warning Label Manual issued by the Ministry of Health in June 2018⁵⁵ prohibits toys, gifts or prizes in the advertising of products with high sugar, sodium, saturated fat or trans-fat aimed at children under 16 years of age. The law also prohibits the use of real or fictitious characters admired by children on products or advertising for those products.

Currently, Mexico has more than ten laws that govern labeling requirements on food packaging, with the most recent update made in October 2020, including the Commercial Information Labeling of General Products.⁵⁶ Like Argentina, Mexico requires the use of the black octagon on the front of the packaging for certain foods that are high in calories, sugar and other “unhealthy” ingredients. These laws extend beyond food and also cover textiles, clothing, toys, household cleaners, cosmetics, materials used for making shoes as well as certain household appliances. Mexico prohibits the use of characters, cartoons, animations, drawings, celebrities, athletes, pets, gifts, toys, contests, and interactive QR codes on packaging for foods and non-alcoholic beverages that contain high levels of sugar, saturated fat, calories, and/or sodium.

As a high-level summary, characters like Tony the Tiger would not be permitted on a box of Frosted Flakes in any of the above countries and the box would be covered in black octagons warning of the high sugar content and the high calorie content of the cereal. By removing these characters, requiring the health warning labels on the packaging and limiting the types of advertising strategies aimed at children, the laws attempt to decrease the appeal of these “unhealthy” foods to the younger population and otherwise inform the public of their potentially “unhealthy” purchases.

d. Impact on Franchising

Without attempting to decide whether the classic American fast-food menu or any other food provided by a franchise system consists of products that are deemed “unhealthy” by the lawmakers described above – and without passing judgment on those who enjoy these menu items – there are many franchised restaurants that use cartoon characters or otherwise use some of their marketing efforts to attract children to the food offered by the brand. For example, KFC’s Colonel Sanders, Burger King’s King, Little

⁵⁵ Supreme Decree 012-2018-SA.

⁵⁶ NOM-050-SCFI-2004.

Caesar's Caesar and, of course, Chuck E. Cheese. The cartoon representation of Colonel Sanders was registered on July 5, 1966 with the USPTO at Registration Number 0,810,835, Caesar was registered on January 16, 1968 with the USPTO at Registration Number 0842595, and Chuck E. Cheese was registered on March 7, 2006 with the USPTO at Registration Number 3,065,500. Based on these registrations, among the many others filed by each of these franchisors, the cartoon and image associated with their brand was worth the time, effort and money to obtain trademark protection.

If we are to assume that the food sold by fast-food companies or other franchised restaurants would fall under the protection of one or more of these laws, then a franchisor operating in these countries would have to (a) make changes to their menu, (b) make changes to the image of the franchise system or (c) close their restaurants in these countries. However, choices (a) and (b) could be a non-starter for most franchises because the brand image and the menu are the forces behind the entire business. By changing the menu or changing the look of the brand, the consumers would be less likely to link all of the restaurants as the same franchised concept, which would defeat one of the main purposes of buying into the system in the first place. Whether the rationale is warranted, the effect of these laws on franchise concepts that sell food under brands that may fall into the above categories could, in the extreme case, lead to entire systems leaving these countries for good – for the sake of the brand.

V. CONCLUSION

Whether legally required by law or not, all brand owners (particularly those in franchise context) recognize the importance of maintaining the ownership and protection of their name, slogan, mascot, or other trademark symbol that distinguishes their brand from another. The goal of this paper has been to outline the critical steps necessary to obtain protection for a trademark in the United States, maintain that legal protection, and to enforce that protection against unauthorized users and uses. As part of that overall process, this paper also provided updates to critical changes to the trademark world, including summarizing the changes to the Lanham Act that resulted from the implementation of the TMA and the increase in popularity in international labeling laws affecting the use of trademarks on packaging and labeling of certain products.