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Recent Developments in Trademark Law and Its Effect on Franchising

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I. INTRODUCTION

A brand is an essential part of a franchise system, as the promise to provide a trademark or other commercial symbol is one of the three definitional elements of the U.S. Federal Franchise Rule.¹ The past few years have been an eventful time in the world of trademark law, with: (1) continued and historically atypical interest from the U.S. Supreme Court in taking and deciding trademark cases; (2) emerging caselaw from lower courts and administrative bodies as they grapple with the implementation and ramifications of the Trademark Modernization Act of 2020 (“TMA”), trademark considerations arising from continually expanding international commerce, and the continued evolution of technology in the form of non-fungible tokens (“NFTs”) and virtual worlds; (3) significant changes to the Federal Trademark Act of 1946 (the “Lanham Act”)² through the passage of the TMA; and (4) efforts among many international jurisdictions to modernize and streamline local trademark office practices and procedures.

This paper provides a brief overview of many of these recent trademark happenings. Specifically, Section II discusses recent developments in domestic trademark litigation, Section III discusses the implementation of the TMA over the past couple of years, Section IV discusses recent trends related to domestic trademark clearance and prosecution, and Section V provides a broad overview of international trademark considerations relevant to franchisors with an international footprint, or franchisors who have international expansion aspirations.

II. RECENT DEVELOPMENTS IN TRADEMARK LITIGATION

The past few years have been an exciting time to be a trademark litigator, as brand owners, federal courts, and the Trademark Trial and Appeal Board (“TTAB”) all grapple with the implementation and ramifications of the TMA and the Supreme Court’s recent and continued interest in deciding trademark cases, as well as the practical trademark considerations arising from the reality of continually expanding international commerce and the continued evolution of technology in the form of NFTs and virtual worlds. This section briefly summarizes the cases and other litigation-related happenings from the past couple of years that might be of most interest to franchisors and franchisees.

A. The Extraterritorial Reach of the Lanham Act

It is a bedrock principle of trademark law that trademark rights are territorial, “exist[ing] in each country solely according to that country’s statutory scheme.”³ This principle is easier stated than applied, however, and several recent cases have required courts to examine the extent to which the Lanham Act might apply to activity outside of U.S. borders.

¹ See 16 C.F.R. § 436.1(h)

² 15 U.S.C. §§ 1051 et seq.

³ *Persons Co. v. Christman*, 900 F.2d 1565, 1569 (Fed. Cir. 1990).

Most notably, in *Hetronic International, Inc. v. Hetronic Germany GmbH*,⁴ the Tenth Circuit considered whether the Lanham Act extends to (mostly) foreign sales activity by foreign defendants. Specifically, the defendants had been the plaintiff brand owner's European distributors until they decided to sell their own knockoff versions of plaintiff's products outside the United States. A small percentage of those products ended up in the United States, both directly and indirectly, but the plaintiff proved at trial that even the defendants' purely foreign sales adversely affected plaintiff's cash flows in the United States by diverting foreign sales that plaintiff would have made, but for defendants' infringing conduct.⁵

Based on this evidence, the Western District of Oklahoma entered judgment upon a jury verdict awarding plaintiff over \$115 million in damages, and it also entered a permanent and worldwide injunction barring defendants' sale of infringing products.⁶ On appeal, the Tenth Circuit largely affirmed the district court's ruling, finding that the lower court was correct to conclude that the Lanham Act applied to the defendants' foreign conduct. In so finding, the Tenth Circuit had to choose between the various competing and contradictory frameworks adopted by other circuits for evaluating the extraterritorial reach of the Lanham Act, and the court ultimately decided to adopt a variation of the framework adopted by the First Circuit Court of Appeals.⁷ That framework, as modified by the Tenth Circuit, is that when the defendant is not a U.S. citizen, "courts should assess whether the defendant's conduct had a substantial effect on U.S. commerce," and if so, "courts should consider whether extraterritorial application of the Lanham Act would create a conflict with trademark rights established under foreign law."⁸

Applying this new framework, the Tenth Circuit concluded that plaintiff had "presented more than enough evidence to show that Defendants' foreign infringing conduct had a substantial effect on U.S. commerce."⁹ Notably, however, the Tenth Circuit agreed with defendants that the worldwide injunction was too broad, finding that although an extraterritorial injunction was appropriate, it can only apply to those foreign jurisdictions where plaintiff currently sells its products.¹⁰

In November 2022, the U.S. Supreme Court granted *certiorari* to review the Tenth Circuit's decision, which hopefully means that 2023 will bring some much-needed clarity to the question of the extraterritorial reach of the Lanham Act.¹¹

⁴ 10 F.4th 1016 (10th Cir. 2021), *cert. granted sub nom. Abitron Austria GmbH v. Hetronic Int'l, Inc.*, 143 S. Ct. 398 (2022)

⁵ *Id.* at 1046.

⁶ *Id.* at 1027.

⁷ *Id.* at 1037 (adopting a variation of the framework articulated in *McBee v. Delica Co.*, 417 F.3d 107, 111-118 (1st Cir. 2005)).

⁸ *Hetronic*, 10 F.4th at 1038.

⁹ *Id.* at 1045-46.

¹⁰ *Id.* at 1046.

¹¹ *Abitron Austria GmbH v. Hetronic Int'l, Inc.*, 143 S. Ct. 398 (2022).

In another recent case involving issues of extraterritoriality, *Meenaxi Enterprise, Inc. v. Coca-Cola Company*,¹² the Federal Circuit considered whether the TTAB was right to grant Coca-Cola's petition to cancel Meenaxi's U.S. registrations for its "THUMS UP" and "LIMCA" marks, based entirely on Coca-Cola's prior distribution of products with the same names in India, where those products are well known.

On appeal, the Federal Circuit held that Coca-Cola's lack of ownership of trademark rights in the United States did not preclude it from seeking cancellation of Meenaxi's U.S. registrations under the plain language of the relevant statute, Section 14(3) of the Lanham Act.¹³ In so holding, the court rejected Meenaxi's argument that under the aforementioned "territoriality principle" of trademark law, Coca-Cola lacked any cause of action under the Lanham Act. Specifically, although recognizing and discussing that principle at length, the Federal Circuit concluded that the "principle that trademark rights are geographically limited does not govern here," as Coca-Cola "does not claim to have U.S. trademark rights in the THUMS UP or LIMCA brands."¹⁴ Rather, Coca-Cola based its Section 14(3) cancellation claim entirely on "alleged injury occurring in the United States," in the form of reputational injury primarily among Indian-Americans who were aware of Coca-Cola's THUMS UP and LIMCA products in India.¹⁵

The Federal Circuit, however, concluded that the evidence of this reputational injury in the United States was lacking, as the TTAB's findings were "primarily related to Coca-Cola's activity and reputation in India, but that does not establish reputation within the Indian-America community in the United States."¹⁶ Indeed, Coca-Cola did not even allege any "lost U.S. sales as a result of the claimed reputational injury in the Indian-American community."¹⁷

B. Trademarks and the First Amendment

Another area of increased interest recently has been the always complicated interplay between trademark law and the First Amendment, and specifically, what test should courts apply to determine whether a humorous or otherwise expressive use of another's trademark on a commercial product constitutes infringement. As with the issue of extraterritoriality, 2023 will hopefully bring some clarity not only for brand owners, but for artists and others who wish to have a better understanding as to under what circumstances an (arguably) expressive or humorous work could be deemed to be infringing. This hope is based upon the Supreme Court's November 21, 2022 grant of

¹² 38 F.4th 1067 (Fed. Cir. 2022)

¹³ *Id.* at 1069; 15 U.S.C. § 1064(3).

¹⁴ *Id.* at 1069.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

certiorari with respect to the Ninth Circuit’s summary affirmance in *VIP Products LLC v. Jack Daniel’s Properties, Inc.*¹⁸

The *VIP Products* case involved VIP’s sale of rubber dog toys manufactured to resemble a Jack Daniel’s whiskey bottle and bearing various humorous, dog-related alterations, sold under the name “Bad Spaniels.”¹⁹ VIP filed suit for a declaratory judgment of non-infringement, following its receipt of a demand letter from Jack Daniel’s, and Jack Daniel’s counterclaimed for trade dress and trademark infringement and for trademark dilution by tarnishment. The district court found in Jack Daniel’s favor and permanently enjoined VIP from making and selling the Bad Spaniels dog toy. But the Ninth Circuit reversed, finding that the Bad Spaniels dog toy was an expressive work protected by the First Amendment, and as a result, the district court should have applied the test from *Rogers v. Grimaldi*,²⁰ which provides a framework for weighing the likelihood-of-confusion analysis that is standard in trademark infringement cases against competing First Amendment considerations.²¹ Under that test, an expressive work infringes upon another’s mark only if a defendant’s use of the mark in the work either: “(1) [is] not artistically relevant to the underlying work or (2) explicitly misleads consumers as to the source or content of the work.”²² In finding the “Bad Spaniels” product at issue to be an “expressive work,” the Ninth Circuit clarified that an expressive work—for the purpose of analysis under the First Amendment and the *Rogers v. Grimaldi* test—“need not be the expressive equal of *Anna Karenina* or *Citizen Kane*,” nor is a work “rendered non-expressive simply because it is sold commercially.”²³

On remand the district court, applying *Rogers v. Grimaldi*, dismissed Jack Daniel’s trademark-related claims, which dismissal the Ninth Circuit summarily affirmed.²⁴ The question the Supreme Court will now consider is what sort of heightened protection an “expressive” work should receive under the First Amendment, if any, when that work uses another’s trademark in a manner that would otherwise result in a likelihood of consumer confusion.

The Federal Circuit considered a different First Amendment issue in *In re Elster*,²⁵ which involved the TTAB’s refusal to register the mark TRUMP TOO SMALL for t-shirts under Section 2(c) of the Lanham Act, 15 U.S.C. § 1052(c), which prohibits registering a trademark that consists of a name identifying a particular individual without the person’s consent. On appeal, the Federal Circuit reversed, holding that applying Section 2(c) to bar registration of the TRUMP TOO SMALL mark was an unconstitutional restriction on

¹⁸ No. 21-16969, 2022 WL 1654040, at *1 (9th Cir. Mar. 18, 2022), *cert. granted*, 143 S. Ct. 476 (2022); *see also* *VIP Prod. LLC v. Jack Daniel’s Properties, Inc.*, 953 F.3d 1170 (9th Cir. 2020).

¹⁹ *See generally* *VIP Prod.*, 953 F.3d at 1172.

²⁰ 875 F.2d 994 (2d Cir. 1989).

²¹ *VIP Prod.*, 953 F.3d at 1175–76.

²² *Id.* at 1174 (internal quotation omitted).

²³ *Id.* at 1175 (internal quotation and citation omitted).

²⁴ 2022 WL 1654040 at *1.

²⁵ *In re Elster*, 26 F.4th 1328 (Fed. Cir. 2022).

free speech under the First Amendment, as the applicant's First Amendment right to criticize a public official outweighed that public official's right to control how his name is used and exploited commercially.²⁶

The *In re Elster* ruling is relevant as yet another of a series of decisions in which First Amendment rights trump federal trademark restrictions, beginning with the Supreme Court's 2017 decision in *Matal v. Tam*,²⁷ which declared unconstitutional the Lanham Act's prohibition on the registration of ethnically or racially disparaging marks, and followed by the Supreme Court's 2019 decision in *Iancu v. Brunetti*,²⁸ which similarly declared unconstitutional the Lanham Act's prohibition on immoral or scandalous marks.

C. Trademarks in the Metaverse

Not only is the First Amendment relevant in the cases involving arguable expressive works, such as those discussed *supra*, but the interplay between trademarks and the First Amendment is also often at the forefront in situations concerning use of trademarks in the virtual world. Confusion continues for brand owners as to how to both protect and commercially exploit their trademarks and service marks in these virtual worlds, through the offering of NFTs or other "virtual" goods and services. But a handful of recent cases may begin to bring some clarity to this still novel area of trademark law.

First, in *AM General LLC v. Activision Blizzard, Inc.*,²⁹ the Southern District of New York considered a defendant's use of another's mark in the not-so-novel "virtual" world of video gaming. Specifically, the owner of trademark and trade dress rights with respect to the "Humvee" vehicle, AM General, sued the creator of the "Call of Duty" video game (Activision) for trademark infringement and related claims, as the AM General's "Humvee" is prominently displayed in that video game. In granting Activision's summary judgment motion, the district court relied upon the two-part *Rogers v. Grimaldi* test to find that the Lanham Act should be interpreted narrowly with respect to Activision's "expressive work," specifically finding that the use of the Humvee in the Call of Duty video game had "artistic relevance" as its use "surely evokes a sense of realism and lifelikeness to the player who assumes control of a military soldier"³⁰ The court further found that, applying the Second Circuit's *Polaroid* factors,³¹ "Plaintiff has failed to demonstrate that the contested uses explicitly misleads as to the source or the content of the work."³²

The *Rogers v. Grimaldi* test was also at issue in *Hermes International v. Rothschild*,³³ which involved whether NFTs can be expressive works entitled to First Amendment protection for purposes of the trademark infringement analysis. There, luxury

²⁶ *Id.* at 1331.

²⁷ 198 L. Ed. 2d 366, 137 S. Ct. 1744 (2017).

²⁸ 204 L. Ed. 2d 714, 139 S. Ct. 2294 (2019).

²⁹ *AM Gen. LLC v. Activision Blizzard, Inc.*, 450 F. Supp. 3d 467 (S.D.N.Y. 2020).

³⁰ 450 F. Supp. 3d at 479.

³¹ *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961).

³² *AM Gen.*, 450 F. Supp. at 484.

³³ No. 22-CV-384 (JSR), 2022 WL 1564597 (S.D.N.Y. May 18, 2022).

designer Hermes, whose product offerings include the famous “Birkin” handbags, sued the developer (Rothschild) of a collection of NFTs he called “MetaBirkins,” which were digital images depicting Birkin handbags, and which Rothschild sold on NFT marketplaces at prices close to the price of non-virtual Birkin handbags. Rothschild moved to dismiss Hermes’ complaint on First Amendment grounds, and the Southern District of New York had to consider whether Rothschild’s “MetaBirkins” were expressive works entitled to the heightened First Amendment protection provided by the two-part *Rogers v. Grimaldi* test.

The court concluded that Rothschild “is selling digital images of handbags that could constitute a form of artistic expression,” and therefore “balancing the First Amendment concerns with Lanham Act protection requires applying the” *Rogers v. Grimaldi* test.³⁴ Importantly, in reaching its conclusion the court distinguished between a “digital media file that is just an image of a handbag,” like Rothschild’s “MetaBirkins,” and a “different kind of digital media file that is a virtual handbag that can be worn in a virtual world”—i.e., “a virtually wearable Birkin handbag.”³⁵ The court noted that although the *Rogers v. Grimaldi* test could apply to a mere digital image, that test “might not apply . . . if the NFTs were attached to a digital file of a virtually wearable Birkin handbag, in which case the ‘MetaBirkins’ mark would refer to a non-speech commercial product (although not one that is, as yet, considered ordinary or quotidian).”³⁶ Ultimately, however, the court determined that Hermes’ complaint contained sufficient factual allegations that would survive application of the *Rogers v. Grimaldi* test, namely: that the use of “MetaBirkins” was not artistically relevant or was explicitly misleading. And the court therefore denied Rothschild’s motion to dismiss.³⁷

The parties filed cross motions for summary judgment, which the court denied on December 30, 2022, though the court did not issue its opinion explaining the reasons for that denial until February 2, 2023.³⁸ In that opinion the Court reaffirmed its earlier determination (on defendant Rothschild’s motion to dismiss) that Hermes’ trademark claims should be assessed under the two-part *Rogers v. Grimaldi* test (i.e., the “MetaBirkins” could constitute a “form of artistic expression”), but the Court ruled that there remained a genuine issue of material fact as to whether the “MetaBirkins” NFT images infringe or dilute Hermes’ trademarks pertaining to the Birkin handbag.³⁹

Despite the application of this heightened *Rogers v. Grimaldi* test, however, on February 8, 2023 the jury returned a verdict in Hermes’ favor finding defendant Rothschild liable for trademark infringement, trademark dilution, and cybersquatting, and specifically finding that “the First Amendment protection . . . does not bar liability.”⁴⁰ The jury awarded

³⁴ *Id.* at *4.

³⁵ *Id.* at *1, n1; *id.* at *4, n.3.

³⁶ *Id.* at *4, n.3.

³⁷ *Id.* at *6.

³⁸ No. 22-CV-384 (JSR), ECF Nos. 104 (Dec. 30, 2022) and 140 (Feb. 2, 2023).

³⁹ *Id.*, ECF No. 140, at 1-2.

⁴⁰ *Id.*, ECF No. 144, at 1 (Feb. 8, 2023).

Hermes net profits stemming from trademark infringement and dilution in the amount of \$110,000, and statutory damages for cybersquatting in the amount of \$23,000.⁴¹

Other pending NFT-related trademark cases that brand owners and trademark litigators are watching closely are *Yuga Labs, Inc. v. Ripps et al.*⁴² and *Nike, Inc. v. StockX LLC*.⁴³ In the former, a sort of *meta-meta* case, it is the NFT developer (Yuga Labs) that is the plaintiff, owner of the “Bored Ape” collection of NFTs, which is suing another NFT developer (Ripps) for trademark infringement, claiming that he is selling copycat “Bored Ape” NFTs. Interestingly, the defendant claims First Amendment protection by alleging that his “Bored Ape” copies are “satirical commentary” on Yuga Labs’ NFTs and on NFTs more generally.⁴⁴

The latter case, *Nike, Inc. v. StockX LLC*, involves a different kind of commercial use of NFTs, where the NFT is not digital art or a virtual wearable. Specifically, the defendant, StockX, provides a secondary market for the trade of genuine products by Nike and others, and it uses NFTs as a form of claim ticket for those non-virtual products, such that users of StockX’s secondary marketplace can trade products by buying and selling the claim ticket NFTs, as opposed to shipping the underlying products back and forth. Nike claims that this use of its marks in NFTs by StockX constitutes trademark and trade dress infringement.

Both of these cases are currently in discovery but will hopefully provide some clarity with respect to the use of trademarks in virtual world platforms.

D. The Impact of the Supreme Court’s 2020 Decision in *Romag Fasteners, Inc. v. Fossil, Inc.*

Turning from trademark issues for which Supreme Court decisions are forthcoming to trademark issues for which the Supreme Court recently issued opinions, and the downstream impact and application of those opinions, 2020 was as busy a year for trademark-related Supreme Court decisions as it gets, with three such decisions. First, in *United States Patent & Trademark Office v. Booking.com B.V.*, the Supreme Court considered whether a generic.com term—i.e., a generic term followed only by “.com” or a similar top-level domain suffix—can ever be a protectable trademark (answer: yes, but it will cost you).⁴⁵ Next, in *Lucky Brands Dungarees, Inc. v. Marcel Fashions Group*, the Supreme Court considered whether a party’s failure to litigate one of its defenses in an earlier lawsuit might prevent that party from asserting the defense in a subsequent, related lawsuit—i.e., “defense preclusion” (answer: maybe, so plead carefully).⁴⁶ That case, though admittedly not one that principally concerned a trademark specific issue, arose in the context of a trademark infringement dispute and is especially important to

⁴¹ *Id.* at 2.

⁴² No. 2:22-cv-04355-JFW-JEM (C.D. Cal.).

⁴³ No. 1:22-cv-00983-VEC (S.D.N.Y.).

⁴⁴ No. 2:22-cv-04355-JFW-JEM, ECF No. 65, ¶ 48.

⁴⁵ 140 S. Ct. 2298 (2020).

⁴⁶ 140 S. Ct. 1589 (2020).

trademark litigators as issues of claim preclusion and issue preclusion must always be at the forefront of a trademark litigators mind, given the Supreme Court's 2015 decision in *B&B Hardware, Inc. v. Hargis Industries, Inc.*,⁴⁷ which held that claim preclusion could apply if issues litigated before the TTAB were materially the same as issues later litigated in federal litigation.

Likely of most relevance to franchisors and franchisees, however, is the Supreme Court's 2020 decision in *Romag Fasteners, Inc. v. Fossil, Inc.*,⁴⁸ which finally answered the question of whether a finding of "willfulness" on the part of an infringer is a necessary precondition for an accounting of profits award under the Lanham Act (answer: no, but whether a defendant acted in bad faith is an important consideration).⁴⁹ The reason *Romag Fasteners* and its downstream applications are relevant for the franchise industry is because most every lawsuit brought by a franchisor against a "holdover" franchisee, or against a franchisee who has otherwise failed to fully deidentify following termination or expiration of its franchise agreement, involves a Lanham Act claim for an accounting of the franchisee defendant's post-termination or post-expiration holdover profits.

This section collects and summarizes *Romag Fasteners* and some of its relevant downstream applications.

Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a), entitles a meritorious plaintiff, "subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." In *Romag Fasteners* the Supreme Court considered whether the Lanham Act's "principles of equity" language requires a finding of "willfulness" on the part of the defendant as a precondition for awarding to plaintiff the defendant's profits. The court ultimately ruled that no such precondition exists, based on the plain language of the statute, thereby resolving a significant circuit split on the issue.⁵⁰ Nevertheless, although making clear that "willfulness" is not a necessary precondition to a profits award, the court emphasized that "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate."⁵¹

Since the Supreme Court's April 2020 *Romag Fasteners* decision, several lower courts have wrestled with how to apply Section 35(a)'s "principles of equity" standard with the Supreme Court's admonition that although a finding of willfulness is not required, a defendant's mental state is nevertheless highly important. For example, in *RVC Floor Décor, Ltd. v. Floor & Décor Outlets of America, Inc.*, the infringer defendant attempted to convince the district court that *Romag Fasteners* did not apply where a "disgorgement

⁴⁷ 575 U.S. 138 (2015).

⁴⁸ 140 S. Ct. 1492 (2020).

⁴⁹ For a thorough discussion of these three Supreme Court opinions, among other trademark-related developments, the authors recommend Christopher Bussert & Marisa Faunce, *Significant Developments in Trademark Law and Their Impact on Franchising*, ABA 45th ANNUAL FORUM ON FRANCHISING W-12 (2022).

⁵⁰ *Romag*, 140 S. Ct. at 1494.

⁵¹ *Id.* at 1497.

is sought only for deterrence,” and that “by seeking disgorgement solely for deterrence, Plaintiff still must show willfulness.”⁵² The Eastern District of New York found this argument unavailing, reasoning that the Supreme Court “grounded its holding [in *Romag Fasteners*] in the Lanham Act’s ‘language, structure and history,’” which puts no explicit weight on the intended purpose of the disgorgement remedy.⁵³

In *Variety Stores, Inc. v. Walmart*, the Fourth Circuit relied upon *Romag Fasteners* to hand a (temporary) win to the infringer defendant (Walmart). There, the Fourth Circuit vacated the jury’s finding of willful trademark infringement—and its award of \$95.5 million in reasonable royalties and in Walmart’s profits as a result of that infringement—because in light of the Supreme Court’s emphasis on a defendant’s mental state in *Romag Fasteners*, it was reversible error for the district court to have failed to instruct the jury on the definition of “willfulness.”⁵⁴ According to the court, “[w]ithout a sufficient understanding of the legal definition of ‘willfulness’ in the trademark context,” the jury “acted in complete ignorance of fundamentally controlling legal principles.”⁵⁵

Next, *Monster Energy Co. v. Integrated Supply Network, LLC*⁵⁶ provides an example of how a brand owner plaintiff can use *Romag Fasteners* to its advantage, especially the Supreme Court’s emphasis on the importance of a defendant infringer’s mental state. Specifically, because willfulness is a “highly important” factor in determining whether to grant such a profits award, the court found that the evidence in that case demonstrating the defendant’s “bad motive for its infringement” weighed in favor of disgorgement, which it awarded.⁵⁷

Finally, in *Vitamins Online, Inc. v. Heartwise, Inc.*,⁵⁸ the court noted that before *Romag Fasteners*, the standard in the Tenth Circuit for awarding a profits award under the Lanham Act required that the plaintiff show either actual damages or willfulness. But in light of *Romag Fasteners*, willfulness could no longer be a precondition, and so the district court concluded that it would instead consider willfulness as but one of several equitable considerations, along with, among others: (1) the degree to which the defendant benefited from the unlawful conduct; (2) the availability and adequacy of other remedies; (3) the role of a particular defendant in the infringement; (4) plaintiff’s laches; and (5) plaintiff’s unclean hands.⁵⁹ Applying those equitable considerations the court found a profits award appropriate, as the defendant had “willfully made false representations” and “artificially altered reviews.”⁶⁰

⁵² 527 F. Supp. 3d 305, 331 (E.D.N.Y. 2021).

⁵³ *Id.* at 331 (*Romag*, 140 S. Ct. at 1497).

⁵⁴ 852 F. App’x 711, 724 (4th Cir. 2021).

⁵⁵ *Id.* at 724.

⁵⁶ 533 F. Supp. 3d 928 (C.D. Cal. 2021), *appeal dismissed*, No. 21-55361, 2021 WL 3028034 (9th Cir. June 28, 2021).

⁵⁷ *Id.* at 933.

⁵⁸ No. 2:13-CV-00982-DAK, 2020 WL 6581050, at *1 (D. Utah Nov. 10, 2020).

⁵⁹ *Id.* at *21.

⁶⁰ *Id.* at *22.

E. A Trademark Prosecution Grab Bag

To finish this review of recent developments in trademark litigation, collected and summarized below are a handful of cases that do not necessarily fit into a trend category above, but that the authors believe may nevertheless be of significance to the franchise industry.

First, in *In re Larian, LLC* the TTAB affirmed the refusal to register the design of the applicant's popular "Ark" bamboo handbag on the ground that the design was generic or, alternatively, that it had not acquired distinctiveness.⁶¹ Pivotal to the TTAB's decision was the fact that, early in the product launch history, the applicant's principal was quoted on several occasions stating that the handbag design was a reproduction of a common Japanese bag design.⁶² The TTAB found these statements to be "quite probative on the issue of genericness,"⁶³ serving as a reminder that a brand owner's own statements, in whatever context, can adversely affect the scope of the brand owner's trademark rights.

Next, another case in the "be careful what you say" category, in *Social Technologies LLC v. Apple Inc.*, the plaintiff Social Technologies sued Apple for trademark infringement based on claimed senior rights to the trademark MEMOJI, for which Social Technologies had obtained a federal registration.⁶⁴ However, although Social Technologies certainly had a bona fide *intent* to use the MEMOJI mark before Apple commenced use of that same mark, the district court held on summary judgment that no reasonable jury could find that Social Technologies had made bona fide *use* of the MEMOJI mark prior to Apple. The alleged commercial use of that mark that Social Technologies relied upon included a rushed release of a defective software application, but internal Social Technologies emails made clear that this "use of the MEMOJI mark was merely to reserve its rights for a lawsuit against Apple."⁶⁵ As a result, the district court granted summary judgment in Apple's favor and ordered cancellation of Social Technologies' registration; that ruling was subsequently affirmed by the Ninth Circuit.

Finally, *Chutter Inc. v. Great Management Group LLC*⁶⁶ serves as another indicator that the TTAB is becoming more amenable to considering claims for fraud on the United States Patent and Trademark Office ("USPTO"), in which a party claims that an applicant or registration pursued or maintained a trademark registration through fraudulent filings submitted to the USPTO. In that case Chutter moved to cancel Great Management Group's registration for its DANTANNA'S mark on the ground that Great Management Group's counsel filed a renewal declaration for that registration that falsely represented that there were no pending actions against that registration. Great

⁶¹ TTAB No. 87522459, 2022 WL 374410, at *1 (Trademark Trial & App. Bd. Jan. 19, 2022) (precedential).

⁶² *Id.* at *5.

⁶³ *Id.* at *9.

⁶⁴ 4 F.4th 811 (9th Cir. 2021).

⁶⁵ *Id.* at 820.

⁶⁶ TTAB No. 91223018, 2021 WL 4494251 (Trademark Trial & App. Bd. Sept. 30, 2021) (precedential).

Management Group’s counsel argued that there had been no fraudulent intent on his part, as he simply had failed to read the relevant documents close enough to be aware of the false statement. In another era that argument might have proven successful, but the TTAB in *Chutter* held “as a matter of law that reckless disregard satisfies the requisite intent for fraud on the USPTO in trademark matters.” And the TTAB found that the actions of Great Management Group’s counsel “at a minimum demonstrate reckless disregard,” and it therefore granted Chutter’s petition for cancellation.⁶⁷

III. TRADEMARK MODERNIZATION ACT IMPLEMENTATION

Turning next to the Trademark Modernization Act (“TMA”), and the implementation of that act over the past couple of years, the United States Congress passed the TMA⁶⁸ (which made key changes to the Lanham Act) on December 21, 2020, with regulations implementing the act going into effect on December 18, 2021. The key changes of the TMA include a shortened three month deadline for most office action responses (down from six months) with the option to file an extension for an additional three months with an additional fee, a new *ex parte* reexamination proceeding targeting Section 1(a) registrations of marks not used in commerce at the time the registrants claimed they were or by the deadline for such a claim, a new *ex parte* expungement proceeding primarily targeting Section 44 and Section 66 registrations of marks that have never been in used in commerce, a new cause of action for the cancellation of registrations in Trademark Trial and Appeal Board (“TTAB”) proceedings of registrations covering marks that have never been used in commerce (effective Dec. 18, 2021), and the codification of the letter of protest procedure. This section of the paper will discuss several of the key features of the TMA and their implementation since the TMA’s passage over the past couple of years and their impact on trademark owners.

A. New Office Action Response Times

Once an Applicant files a trademark application with the USPTO, the Office will assign the application a serial number and forward the application to the trademark examining attorney for review. The examining attorney will review the trademark application and if the attorney does not identify any issues that need to be resolved, the mark will be published for opposition on the official Gazette, a publication made available to the public to give notice of recently approved trademark applications so that third parties can oppose the mark if they do not believe it should be granted federal trademark registration.⁶⁹ However, if the examining attorney identifies any issue with the application that must be resolved prior to registration, the examining attorney will issue an office action and the applicant must respond and resolve all issues before the application can proceed to registration. Before the passage of the TMA, trademark applicants had six months to respond to office actions issued by the USPTO,⁷⁰ but the TMA granted the

⁶⁷ *Id.* at *6.

⁶⁸ H.R.133 — 116th Congress (2019-2020).

⁶⁹ 15 U.S.C. § 1062(a).

⁷⁰ 15 U.S.C. § 1062(b).

USPTO the authority to reduce the response time for responding to office actions⁷¹. The USPTO now requires that applicants respond within three months⁷² to office actions issued during the examination of a trademark application (excluding Madrid 66(a) applicants⁷³). The USPTO will also implement a three-month response period for post registration office actions which will go into effect on October 07, 2023⁷⁴. These response times can be extended for an additional three months for a \$125.00 fee. *Id.*

These shorter response times will allow the USPTO to process trademark applications much quicker and allow applicants to achieve registration at a faster pace. This will be a welcome change for many trademark applicants who may need the benefits of a federal trademark registration for business or legal purposes. However, the shortened response time can present challenges for applicants where an office action contains complex and difficult to solve problems that may require more than three months to determine the best response strategy. While a three-month extension is available, the \$125 extension fee may prove costly for large portfolios with many marks.

It is important that trademark owners and applicants make note of the new response periods and consider how their portfolios may be affected by these new rules. New deadlines should be docketed to make sure that responses are timely filed to avoid the abandonment of applications or costly extension fees.

B. *Ex Parte* Proceedings to Cancel Unused Registered Trademarks

To achieve or maintain a federal trademark registration, the Lanham Act requires that a trademark is “used in commerce.”⁷⁵ Section 45 of the Trademark Act defines “use in commerce” as follows⁷⁶:

Use in commerce means the bona fide use of a trademark in the ordinary course of trade, and not merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

⁷¹ *Id.*

⁷² 37 C.F.R. §2.62(a)(1)(i).

⁷³ The Madrid system is discussed generally in Section V.

⁷⁴ <https://www.uspto.gov/trademarks/laws/2020-modernization-act/new-response-deadline-applications>.

⁷⁵ 15 U.S.C. §1051(a).

⁷⁶ 15 U.S.C. §1127.

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

These use requirements for federal trademark registrations are important as the USPTO has experienced a rise in fraudulent trademark filings for marks that are not used in commerce and whose owners have no bona fide intention of using in commerce. This fraud is costly for legitimate trademark owners and applicants, as these fraudulent registrations can act as a barrier and prevent them from securing a trademark registration for mark they are using in the marketplace.

To help address this issue, the TMA establishes two new *ex parte* proceedings for third parties or the Director of the USPTO to challenge registrations of marks: (1) An *ex parte* reexamination proceeding targeting Section 1(a) registrations of marks not used in commerce at the time the registrants claimed they were using the marks; and (2) an *ex parte* expungement proceeding primarily targeting Section 44 and Section 66 registrations of marks that have never been used in commerce.

The new *ex parte* expungement proceeding allows any party or the Director of the USPTO to request cancellation of some or all of the goods and services in a trademark registration on the basis that the registrant has never used the mark in commerce⁷⁷. This proceeding applies to marks based on use in commerce under Section 1(A), a foreign registration under Trademark Action Section 44(e) and trademarks based on Trademark Act Section 66(A)⁷⁸. The new *ex parte* reexamination proceeding allows any third party or the Director of the USPTO to request cancellation of some or all of the goods or services in a trademark registration on the basis that the trademark was not in use in commerce with the goods and services before a specific relevant date⁷⁹. For applications filed based on use in commerce and not amended during examination to an intent-to-use basis, the relevant date will be the filing date of the application⁸⁰. For applications filed or amended to an intent-to-use basis, the relevant date will be the date that an amendment to allege use was filed or the end date of the statement of use period for a statement of use that has been accepted⁸¹.

Third parties who believe they have a case that a trademark registration has not been used in commerce as discussed above can submit a petition for Expungement or Reexamination requesting that the USPTO institute proceedings to cancel some or all of

⁷⁷ 37 C.F.R. §§ 2.91-2.94.

⁷⁸ 37 C.F.R. § 2.91(a)(1).

⁷⁹ 37 C.F.R. § 2.91(a)(2).

⁸⁰ 37 C.F.R. § 2.91(a)(2)(i).

⁸¹ 37 C.F.R. § 2.91(a)(2)(ii).

the goods in a particular registration⁸². The request must contain⁸³: (1) a verified statement that petitioner conducted a reasonable investigation regarding the use of the trademark; (2) evidence supporting a prima facie case of nonuse of the trademark in commerce; and (3) a \$400 fee per class of goods and services.

Relevant evidence to support the prima facie case of nonuse include negative internet search results showing that the mark is not in use, the process that the petitioner undertook to find evidence of use, and an explanation of the specific actions that petitioner took to document any evidence of use.

The Director will review the petition and evidence submitted and decide whether a prima facie case is established that a trademark was never used in commerce (in an expungement proceeding)⁸⁴ or was not in use in commerce as of the relevant date for some or all of the specified goods or services (in a reexamination proceeding)⁸⁵. The petitioner will receive notice from the USPTO regarding the Director's decision whether or not to institute the proceedings⁸⁶. The proceedings, if any, will continue between the USPTO and the Registrant and the petitioner's involvement ends at this point.

Once a proceeding is instituted by the Director, the USPTO will issue an office action to the registrant which will require a response with evidence that the mark is in use in commerce⁸⁷. The Registrant will have three months to respond, although the response period can be extended for an additional \$125 fee⁸⁸. If the Registrant does not respond to the Office Action, the registration will be cancelled in whole or in part⁸⁹. The registrant may respond with evidence of use or by deleting the goods and services which are no longer in use⁹⁰. The USPTO will review the registrant's response and if the USPTO determines that the registrant established use of the mark in commerce, or can establish that nonuse of the mark is due to a special circumstance beyond the registrant's control, then the registration will not be cancelled⁹¹. If the registrant does not establish use, then the registration will be cancelled in whole or in part⁹².

C. Benefits of New *Ex Parte* Proceedings

Before the Trademark Modernization Act created the above referenced *ex parte* proceedings, parties who had suspicion that a registered mark was not in use in commerce had to initiate a cancellation or opposition proceeding before the Trademark

⁸² 37 C.F.R. §§ 2.91(a).

⁸³ 37 C.F.R. §§ 2.91(c).

⁸⁴ 37 C.F.R. § 2.92(f).

⁸⁵ *Id.*

⁸⁶ 37 C.F.R. § 2.92(f)(2).

⁸⁷ 37 C.F.R. § 2.93(a).

⁸⁸ 37 C.F.R. § 2.93(b)(1).

⁸⁹ *Id.*

⁹⁰ 37 C.F.R. § 2.93(b)(5)(i).

⁹¹ 37 C.F.R. § 2.93(c)(3)(i).

⁹² 37 C.F.R. § 2.93(c)(3)(i).

Trial and Appeal and Board (“TTAB”) to challenge the validity of a trademark registration. Because TTAB proceedings can be expensive and time consuming, these new *ex parte* proceedings offer a faster and cheaper alternative for third parties to challenge registrations that may not be in use in commerce. Importantly, the new law also gives the Director of the USPTO the right to initiate *ex parte* proceedings, which will allow the USPTO to dedicate resources towards removing registrations that may not be in use and maintain the integrity of the Federal Trademark Register. Trademark owners should make sure to keep their addresses and emails current with the USPTO to receive adequate notice of any proceeding initiated against their trademarks to avoid the inadvertent cancellation of their trademark registrations.

IV. RECENT TRENDS RELATED TO DOMESTIC TRADEMARK CLEARANCE

In addition to the new changes implemented by the TMA, the domestic trademark clearance landscape is constantly evolving, as the USPTO often changes its trademark examining procedure which can have an effect on the trademark clearance and application process. This section of the paper will focus on two areas that have taken on increasing importance in recent years, specimens of use and descriptive marks.

A. Specimens of Use

As part of the USPTO’s efforts to fight fraud related to registered marks that may have never been used in commerce, trademark examining attorneys have increased specimen refusals during the trademark clearance process, which can be a cause of concern for legitimate trademark owners as responding to these refusals can be costly and time consuming. By way of background, to register or renew a trademark in the United States Patent and Trademark Office, trademark owners must submit specimens of use demonstrating that the mark is being used in commerce⁹³. For service marks, the specimen must show use of the mark in conjunction with promoting or offering the services. For trademarks, the specimen must show the mark used in conjunction with the product, such as on the product itself, on the product packaging, or on a point-of sale display. Before applying for trademark registration of a particular mark, trademark applicants and owners should consider the relevant evidence of use that is required to maintain a trademark registration, which may save time and money related to maintaining trademarks. Typical examples of acceptable specimens for trademarks include⁹⁴:

- Image of the mark affixed to the product
- Product labels
- Packaging
- Shipping Labels
- Point of Sale Displays

⁹³ 37 C.F.R. § 2.56(a).

⁹⁴ TMEP § 904.03.

Typical examples of acceptable specimens for service marks include⁹⁵:

- Brochures
- Billboards
- Newspaper and magazine advertisements
- Promotional leaflets, information sheets
- Internet website advertising the services
- Direct mail leaflets
- Images of the mark in the performance, sale or rendering of the services

Typical examples of unacceptable specimens include:

- Publicity releases to news media
- Trade show displays
- Promotional literature used to support use of a trademark for goods
- Mockup advertising
- Photocopy of the drawing or drawing page
- The mark appearing by itself or without referencing any specific goods or services
- Mutilated or illegible specimen

Furthermore, trademarks should be displayed prominently on the specimen. This generally means separating the mark from surrounding text and displaying it in a large, distinctive font, or in color, or in capital letters or italics. For webpage specimens, be sure to include the URL for the web page and the date the page was accessed or printed. Finally, specimens must show the mark used in a manner that creates in the minds of potential consumers a direct association between the mark and the services. This does not mean that the services need to be explicitly referenced in the specimen, but there should be a general reference to the trade, industry or field of use of the services.

The above list is not exhaustive and there may be additional issues that arise related to specimens of use during the examination process. However, understanding the type of specimens that are acceptable to the USPTO will save costly fees responding to additional office actions or on fees for extending the time to file a statement of use.

B. Descriptive Marks

Section 2(e)(1) of the Lanham Act prohibits registration of an applied-for mark when the primary significance of the words making up the mark is to describe the applicant's goods or services or their features or characteristics⁹⁶. From a legal and trademark clearance perspective, the easiest course of action is to choose a trademark that is not descriptive for trademark registration to avoid a descriptiveness refusal from the USPTO. However, marketing teams or other internal stakeholders often choose

⁹⁵ TMEP § 1301.04.

⁹⁶ 15 U.S.C. §1052.

trademarks that lean descriptive for their products or services, if they believe that is the best term to use for the product in the marketplace. This section will explore several ways that trademark applicants may overcome descriptive refusals and still achieve federal trademark registration.

1. Supplemental Register

When an applied-for mark has been refused registration on the Principal Register on grounds of descriptiveness, Applicants may seek registration on the Supplemental Register,⁹⁷ which is a special register for descriptive marks. While marks on the Supplemental Register are not afforded the same benefits of registration on the Principal Register, there are many benefits, including the following:⁹⁸

- Use of the registration symbol with the registered mark in connection with the registered goods or services.
- The registered mark will be included in the USPTO's database of registered and pending marks, which will allow trademark examining attorneys to use the registration as a bar to confusingly similar marks in applications filed by third parties.
- The registered mark can be used as the filing basis for trademark applications in many foreign countries.
- The registered mark can provide public notice of registration which will make it easier for third parties to find the marks in trademark search reports.

2. Section 2(F) Acquired Distinctiveness

In addition to seeking registration on the Supplemental Register, Applicants may also respond to a descriptiveness refusal by asserting a claim that the applied-for mark has acquired distinctiveness under Trademark Act Section 2(f).⁹⁹ A claim of acquired distinctiveness can be supported by either of the following options:

- If the mark has been used in commerce for at least five years, a verified statement that the "mark has become distinctive of the goods and/or services through the applicant's substantially exclusive and continuous use of the mark in commerce that the U.S. Congress may lawfully regulate for at least the five years immediately before the date of this statement."¹⁰⁰

⁹⁷ 15 U.S.C. § 1091.

⁹⁸ 15 U.S.C. §§ 1052 (d), 1091, 1094.

⁹⁹ 15 U.S.C. § 1052(f).

¹⁰⁰ 37 C.F.R. §2.41(b)(2).

- Distinctiveness can be based on an active prior registration on the Principal Register of the same mark for goods and services that are sufficiently similar to those identified in the Application.¹⁰¹
- Distinctiveness can also be based on evidence that the mark has acquired distinctiveness in the marketplace and the evidence must demonstrate that the relevant public understands the primary significance of the mark as identifying the source of applicant's product, as opposed to identifying the product or service itself.¹⁰² For example, an applicant that applies for the mark "Bed & Breakfast registry" for lodging reservation services will likely be issued a descriptiveness refusal, but the mark can be registered under Trademark Act Section 2(f) if the applicant can demonstrate that consumers recognize the mark as identifying the source of applicant's product.¹⁰³

To qualify for registration on the Supplemental Register or under Trademark Act Section 2(f), applicants must use the mark in commerce so applications based on intent-to-use will not qualify for either option. Nevertheless, trademark applicants should consider both options if they receive a descriptiveness refusal during the trademark application process.

V. INTERNATIONAL TRADEMARK CLEARANCE, PROSECUTION, AND PORTFOLIO MANAGEMENT ISSUES

A. Risks and Benefits of International Trademark Filing Strategies

For franchisors with an international footprint, there are many factors to consider when expanding trademark protection outside of the U.S. The next few sections briefly summarize the methods to apply for and obtain trademark protection in international jurisdictions.

1. Pre-Filing Considerations

Before applying to register a trademark outside of the U.S., franchisors should first determine the target jurisdictions. Many franchisors already target those territories where there are sales or business offices (past, current, or imminent). It is also worthwhile to look at the supply chain and consider if trademark protection is needed in non-sales countries where goods are being manufactured or exported/imported. Defensive filings may be used to target areas with high numbers of infringers, to carve out unrelated or indirectly related goods or services to prevent brand dilution and reputational damage, or to hold space on a registry in a country that is projected for franchise expansion on a longer timeline.

¹⁰¹ 37 C.F.R. §2.41(b)(1).

¹⁰² *In re Steelbuilding.com*, 415 F.3d 1293, 1297, 75 USPQ2d 1420, 1422 (Fed. Cir. 2005).

¹⁰³ 37 C.F.R. §2.41(b)(3), (c)(3), (d)(3).

Next, franchisors must assess registrability of the mark in the target jurisdictions. Just because a mark has been registered in the U.S. for many years does not mean that it will receive protection in other countries. For example, descriptive marks on the U.S. Supplemental Register or that have been registered with a claim of “acquired distinctiveness” under § 2(f) are often very difficult to register in foreign jurisdictions without additional distinctive features. Separate from descriptiveness, some foreign jurisdictions also require that a mark meet a threshold of distinctiveness. For example, a single letter or two-letter combination may not be sufficiently distinctive even if it is not otherwise descriptive of the goods or services.

Another consideration for registrability of a mark outside of the U.S. is availability based on prior-filed applications and registrations. A search of a target foreign registry may reveal existing marks, whether in English or the local language, that could block or create a challenge for the franchisor’s application. Awareness of these risks in advance can help shape a filing strategy that minimizes surprises down the road.

Last, franchisors should determine what entity will be owner of the trademark filings. Franchise companies have many options to structure their IP ownership for various tax, liability, and business reasons. For example, one common structure is maintaining all IP in a single holding company that then licenses the rights in exchange for royalties.

Once these pre-filing considerations have been addressed, it is time to move on to the filing stage. For this, there are two main filing strategies: direct applications or Madrid applications, each addressed in turn below.

2. Direct Applications

When most people think of filing a foreign application to register a trademark, they often first think of a “direct” or national application. This is when application materials are filed directly with the IP office for a chosen jurisdiction and prosecuted from there. Direct filings will require the support of local counsel.

Pros of Direct Applications:

- Local expert will be the most tuned in to that IP office’s examination guidelines and can prevent problems before they occur, such as with translation of goods and services identifications, and identifying possible blocks to registration on descriptiveness, distinctiveness, or likelihood of confusion grounds.
- In some instances, local counsel can assist with moving an application along during the prosecution stage. A physical visit to the local IP office can often accelerate a stuck application.
- A local practitioner, especially one that is very experienced, is likely to have creative solutions to overcome obstacles. For example, blocked

applications in the Republic of Korea can overcome refusal through an assignment/reassignment strategy, assuming the owner of the cited registration is cooperative.

- Direct applications allow for local variations in marks.

Cons of Direct Applications:

- Local counsel costs can accumulate quickly.
- Direct applications require the need to maintain contact over many years with various foreign associates for renewals. If the franchisor is handling trademarks in-house, be sure to use a general email address that is not tied to a specific employee.

3. Madrid Applications

Although not as well-known as direct applications, Madrid applications have several advantages, notably reducing the administrative burden of filing in multiple jurisdictions and potential cost savings.¹⁰⁴ Although the International Registration itself provides no protection, the Madrid system is a bit of a hub-and-spoke system.

Pros of Madrid Applications:

- One application, 130 countries, covering more than 80% of world trade.¹⁰⁵
- 18-month timeline. For some countries where a national application may be delayed for many years, the 18-month timeline offered by the Madrid system provides welcome speed and certainty of resolution.¹⁰⁶
- The Madrid system is often touted for its cost savings at the time of application and prosecution. However, for many applicants this cost savings is often more of a theoretical than practical reality. In practice, many Madrid applications are comparable in cost to a direct filing for the application and prosecution stages. This is because each application is examined by its respective IP Office. During examination a refusal is not uncommon, even for highly vetted marks. If local counsel is retained to contest the refusal, any

¹⁰⁴ For more information about the Madrid system, see Guide to the Madrid System: International Registration of Marks under the Madrid Protocol (updated 2020), available at <https://www.wipo.int/edocs/pubdocs/en/wipo-pub-455-2022-en-guide-to-the-international-registration-of-marks-under-the-madrid-protocol.pdf>

¹⁰⁵ <https://www.wipo.int/madrid/en/members/>

¹⁰⁶ https://www.wipo.int/madrid/en/how_to/file/basics.html

cost savings from the Madrid application are then swallowed by the foreign agent fees.

- However, the cost savings at renewal can be quite substantial. For example, the renewal fees for a set of filings in the U.S., Canada, China, EUTM, India, Japan, Norway, Switzerland, and the U.K. For direct filings, the renewal filing fees would be around \$8,400, *plus* foreign agent fees would accumulate for each of the nine jurisdictions.¹⁰⁷ In comparison, the renewal fees for a Madrid filing would be approximately \$5,250, and the filing could be completed by only one agent.¹⁰⁸
- Madrid applications allow a trademark owner to add more “spokes” of protection later (although not with priority foreign filing date).

Cons of Madrid Applications:

- Prosecution can be just as expensive because each national office still completes its standard examination.
 - Most issues are due to differences in goods identification requirements. For example, countries with pre-determined identifications (e.g., Japan, China) will need to convert a U.S.-based goods and services description into their approved identifications.¹⁰⁹
 - An applicant may also need to separately order a registration certificate, such as for evidence to support enforcement matters. This usually requires contact with local counsel and can further eat into the cost savings.
- Unlike many countries, the USPTO requires narrowly and specifically defined goods and services in its trademark applications. Madrid applications filed in other countries based on a U.S. filing will therefore also contain the same narrow scope of products even though a designated foreign country may allow broadly defined products. It is sometimes advisable not to utilize the Madrid Protocol for certain countries and instead file national applications in order to secure more advantageous, broad trademark protection.
- There can be lags in prosecution as any changes in the “home” application filter down to the designated extensions of protection at the national IP offices.

¹⁰⁷ <https://www.inta.org/fact-sheets/trademark-fees-global/>

¹⁰⁸ <https://madrid.wipo.int/feecalcap/>

¹⁰⁹ <https://www.managingip.com/article/2a5c3few8ara54xy1n7r4/trade-mark-applicants-in-asia-must-consider-variety-of-factors>

- All renewal fees hit in the same fiscal year. The first set of renewal fees for a Madrid filing with many extensions of protection can be quite the surprise if accounting is not prepared. This issue is less common with national filings; differences in the length of prosecution from country-to-country result in renewal fees staggered across several years.
- Madrid applicants are not able to select specific subclasses in China. Subclasses are assigned based on the description of goods and services.¹¹⁰
- Madrid filings are vulnerable to “central attack” for the first five years. This is when the “home” application never matures to registration or is cancelled. Although the brand owner may still re-file in any of the designated countries via local counsel within the designated grace period and retain the Madrid application priority filing date, a successful “central attack” has the effect of substantially increasing overall prosecution costs.¹¹¹

4. Paris Convention and Priority Foreign Filing Deadlines

The Paris Convention for the Protection of Industrial Property was signed on March 20, 1883 as one of the first intellectual property treaties. The Paris Convention concerns the protection of patents, trademarks, industrial designs, utility models, service marks, trade names, geographical indications, and unfair competition. This international agreement has been adopted by 177 countries. The Paris Convention establishes that a member country’s own persons and the nationals of all other member countries must enjoy a similar level of intellectual property protection. Additionally, the Convention establishes a right of priority, meaning that trademark owners can file applications up to six months after the first filing in a Paris Convention jurisdiction for the same mark and for the same goods and services, and still claim the first filing date as the effective filing date.¹¹²

When launching a new brand strongly consider using the Paris Convention to launch the brand in many targeted jurisdictions at once. There is only one chance to launch a new brand, and many infringers all over the globe looking for new brands to copy. The Paris Convention gives an opportunity to cut off sophisticated would-be copycats at the IP office, by providing a six-month window to file all new applications and tie the priority date back to the first-filed application. Any applications filed after the six-

¹¹⁰ <https://www.managingip.com/article/2a5c3few8ara54xy1n7r4/trade-mark-applicants-in-asia-must-consider-variety-of-factors>

¹¹¹

[https://www.wipo.int/edocs/mdocs/madrid/en/mm_ld_wg_16/mm_ld_wg_16_3.docx#:~:text=Transformation%20was%20introduced%20in%20Article,as%20%E2%80%9Cthe%20Protocol%E2%80%9D\).](https://www.wipo.int/edocs/mdocs/madrid/en/mm_ld_wg_16/mm_ld_wg_16_3.docx#:~:text=Transformation%20was%20introduced%20in%20Article,as%20%E2%80%9Cthe%20Protocol%E2%80%9D).)

¹¹² <https://www.wipo.int/treaties/en/ip/paris/>

month window will not be able to benefit from the earlier filing date, so planning and budgeting ahead can be important.

B. Trends and Recent Developments in International Trademark Practice

1. Madrid Protocol Updates

Amendments to Rules 3, 5, and 30 of the Regulations under the Madrid Protocol came into force on November 1, 2022.¹¹³ Under the amendments, it is possible to renew international trademark registrations as early as six months before their expiry date, up from three months. In addition, the International Bureau of WIPO will record the renewal, issue the renewal certificate and notify all designated contracting parties as soon as it confirms that the holder has paid the required fees, instead of waiting until the expiry date to record the renewal. Moreover, users will no longer be able to appoint a representative through a signed letter, instead the user will have to use the eMadrid online service to manage a representative.

In addition, the following territories joined the Madrid Union in recent years:¹¹⁴

- 2023: Belize;
- 2022: Jamaica, Chile, Cape Verde;
- 2021: Pakistan, Trinidad and Tobago, United Arab Emirates, Gibraltar and Bailiwick of Guernsey (through UK); and
- 2019: Brazil, Canada, Malaysia, Samoa.

2. Brexit Clones

Any European Union Trade Mark (“EUTM”) registration as of December 31, 2020 was automatically converted into a cloned UK registration. All details are identical, including the registration number, except the UK clone will start with prefix UK009 for direct EUTM registrations and UK008 for Madrid EUTM registrations. The renewal deadlines are the same for the clone as the EUTM. Many brand owners have not yet updated their trademark docket trackers to reflect any UK clones created as a result of Brexit. Without tracking, it is very likely that those UK clones will lapse at renewal.¹¹⁵

3. Updates for Specific Jurisdictions

a. Canada

¹¹³ https://www.wipo.int/edocs/madrdocs/en/2022/madrid_2022_30.pdf

¹¹⁴ https://www.wipo.int/export/sites/www/treaties/en/docs/pdf/madrid_marks.pdf

¹¹⁵ <https://www.lexology.com/commentary/intellectual-property/united-kingdom/pinsent-masons/trademark-owners-could-you-lose-your-post-brexit-cloned-uk-rights>

Due in large part to Canada's adoption of the international classification system, the wait times at the Canada IP office ballooned after 2019.¹¹⁶ Current times for an application to registration are hovering around three years. One strategy is to work with local counsel to pre-approve the ID, which can be faster, and then apply using the pre-approved ID. This can limit the ability to claim priority, however, if the ID varies too much from the home application.

b. EUTM

The EUIPO now categorizes virtual goods under Class 9 as digital content or images. However, the specifics of the virtual goods need to be mentioned, for example, downloadable virtual goods, virtual clothing, etc. The Office does not accept the term "non-fungible token" on its own. The type of digital item that is authenticated by the NFTs must be specified.¹¹⁷ Along those lines, the 12th Edition of the Nice Classification, entered into force on January 1, 2023, added the term "downloadable digital files authenticated by non-fungible tokens [NFTs]" in Class 9.¹¹⁸

c. Gulf Cooperation Council

As Gulf Cooperation Council countries transition to online records, local practitioners report that some data is incomplete in the new systems, particularly for Saudi Arabia, Kuwait and UAE.¹¹⁹ Missing or incomplete information must first be corrected through IT support before a renewal can be initiated. Because such corrections can be time consuming, it is recommended to start the correction and renewal process well in advance of the renewal deadline.

d. Taiwan

In September 2022 the Taiwan Intellectual Property Office (TIPO) revised examination guidelines on the distinctiveness of trademarks. The new guidelines adjust the composition patterns of foreign alphabets and provide examples for the usage of alphanumeric combinations and numbers in different industries. The guidelines also explain how different types of graphics will be examined. New criteria and examples have been added for the use of country name and geographical names and images in product

¹¹⁶ <https://ised-isde.canada.ca/site/canadian-intellectual-property-office/en/corporate-information/performance-targets#tm>

¹¹⁷ https://euipo.europa.eu/ohimportal/en/news-newsflash/-/asset_publisher/JLOyNNwVxGDF/content/pt-virtual-goods-non-fungible-tokens-and-the-metaverse

¹¹⁸

https://www.wipo.int/classifications/nice/nclpub/en/fr/?basic_numbers=show&class_number=9&explanatory_notes=show&lang=en&menulang=en&mode=flat¬ion=&pagination=no&version=20230101

¹¹⁹ <https://www.jahcoip.com/news/jah-jurisdictional-update-ksa-kuwait-uae-turkey-iraq-mauritius-and-ghana/>

origin descriptions, name and likeness of recently deceased public figures, religious images and terms, idioms, slogans, common words and trademark graphics.¹²⁰

e. Quebec

Québec National Assembly adopted Bill 96 in May 2022. Among other provisions of this bill, Bill 96 will bring changes to the French language laws that will restrict the use of trademarks that contain text in a language other than French. Non-French language trademarks will only be permitted on products and signage advertising if registered in Canada. As there is a lack of clarity on the exact requirements of Bill 96, the International Trademark Association has formed a coalition to seek clarification.¹²¹ These changes are currently set to come into effect on June 1, 2025.

C. Additional Practical Tips and Strategies

1. Always Update the Chain of Title

When buying or selling businesses, or internally restructuring, it is always a good idea to update the chain of title for trademark filings at the time of the transfer. Cost of the assignment process can be rolled into the deal, and it saves a significant headache five or ten years down the road when the proper signatories or entities are no longer available – especially for jurisdictions that have onerous filing requirements for assignments. Failure to update the chain of title can result in loss of a registration due to inability to renew in the name of the outdated entity. In these circumstances, brand owners may choose to start fresh with a new application in the name of the new entity. However, this will result in a loss of priority date for any re-filed trademarks.

2. Consolidation of National and EUTM Filings

One way to save on renewal fees, especially with a large, older portfolio of national European registrations, is to consolidate the national trademark registrations into an EUTM registration. Many companies have older national registrations with priority that pre-dates the EUTM system. To consolidate those filings into a single EUTM registration, the trademark owner must show “triple identity”:¹²² (1) identity of the marks, (2) identity of the goods and services, and (3) identity of the owner. However, do not wait to consolidate national European filings into EUTM registrations. Depending on how close it is to renewal time for one or more of the older filings, it is not recommend to allow an older national registration to lapse until the availability of an EUTM registration is confirmed. This is because, if a mark is blocked in one EU member state, the entire EUTM application will be disallowed (“good to all or good to none”). In that case, it will be better to retain the older, national registration than to lose protection altogether.

¹²⁰ <https://www.tipo.gov.tw/en/cp-282-913018-e7566-2.html>

¹²¹ <https://www.inta.org/news-and-press/inta-news/inta-builds-coalition-in-response-to-quebecs-bill-96/>

¹²² <https://guidelines.euipo.europa.eu/1803468/1786151/trade-mark-guidelines/11-2-2-triple-identity>

3. Clearance Searches for EUTM Applications

A single national filing can block a full EUTM application. For this reason, in addition to searching the EUTM registry, clearance searches for EUTM applications ideally search national registries for member states as well. Up front clearance of that many jurisdictions is more expensive, but it can result in cost savings over time by reducing potential oppositions. If budget is limited, there are some ways to hedge, such as by only searching registries for countries that tend to have the most objectors (Spain and Germany, for example).¹²³

4. Be Aware of Declarations of Use

5. In addition to the U.S., some foreign jurisdictions require declarations or further proof of use of the mark at renewal or an interim deadline. Some examples are Algeria, Argentina, Belize, Cambodia, Indonesia, the Philippines, and Swaziland. Mexico added a declaration of use requirement in 2018.¹²⁴**Be Aware of Vulnerabilities for Non-Use**

If you have defensive filings in jurisdictions where there is no use, be aware that each country typically has a time after which the registration becomes vulnerable to cancellation for nonuse. For example, non-use cancellation is available three years after registration in China¹²⁵ and five years after registration in the EU¹²⁶ and UK.¹²⁷ Chile recently added an action allowing for revocation for lack of use after five years.¹²⁸ If a filing is approaching the end of its non-use period, consider whether it would be worthwhile to file a fresh application or, if applicable, whether business launch timelines can be accelerated in that jurisdiction.

6. Monitor Your Marks

For any house mark or “crown jewel” brand, it is worthwhile to setup surveillance services that monitor for new trademark filings around the globe that are confusingly similar to your brand. It is easier to oppose a problematic mark at the application stage than after it registers. Be aware that domain name monitoring is often a separate service.

¹²³ https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/news/EUIPO_TM_Focus_Report_2010-2019_Evolution_en.pdf

¹²⁴ <https://www.inta.org/resources/inta-practice-guides/>

¹²⁵ <https://www.worldipreview.com/contributed-article/china-trademarks-how-to-use-non-use>

¹²⁶ <https://euipo.europa.eu/ohimportal/en/invalidity-and-revocation>

¹²⁷ <https://www.gov.uk/government/publications/trade-marks-revocation/revocation-non-use-proceedings#:~:text=Revocation%20on%20grounds%20of%20non,proper%20reasons%20for%20non%2Duse.>

¹²⁸ <https://www.ojambf.com/en/chile-non-use-trademark-cancellation/>

The years 2023 and 2024 are likely to continue to be exciting and eventful times for brand owners and trademark attorneys, as the specific provisions of the TMA are fully implemented and as the USPTO continues to exercise both new and old tools to combat fraudulent filings and “deadwood,” and to alleviate pre- and post-registration examination backlogs. Further, as lower courts, the TTAB, brand owners, and trademark litigators are still making sense of the many recent trademark-related Supreme Court opinions, we can expect at least two more such opinions, in addition to increased clarity (hopefully) as courts issue more opinions concerning trademarks and the First Amendment and trademarks in the virtual world, as well as the extraterritorial reach of the Lanham Act in a world where commerce is less and less restricted by national borders.