



## WHITE PAPER

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### Takeaways from Trademark Law in 2020 and Looking Ahead to 2021

In this *White Paper*, we share observations on 2020's most significant developments in trademark law. This year, the U.S. Supreme Court penned three opinions concerning what constitutes a protectable trademark, available damages for infringement, and defenses available in litigation. This is the first time since the Lanham Act became effective that the Court has authored three trademark opinions in one year. The U.S. Patent and Trademark Office ("USPTO") was also busy, issuing new rules and guidance aimed at improving efficiency and quelling fraud. And, in response to challenges stemming from the COVID-19 pandemic, brand owners looked to various Lanham Act enforcement strategies to safeguard their reputations.

With 2020 coming to an end, we anticipate more changes in trademark law in 2021. The USPTO will be implementing new fee increases and monitoring the efficacy of its fraud-prevention efforts. The new year may also usher in updates to federal trademark law if the Trademark Modernization Act is passed by Congress and is signed into law. As written, the Act is expected to change both the way applications and registrations are handled and the manner in which cases could be litigated.

Shelter-in-place orders did not slow U.S. trademark law in 2020. Amid a memorable year for other reasons, we saw three U.S. Supreme Court decisions involving trademark law and a lot of activity in the USPTO. This *White Paper* provides an overview of some of these recent developments and highlights what to expect in 2021.

### THREE SUPREME COURT CASES IN 2020

Some years go by without a single Supreme Court decision on trademark law. In 2020, the Supreme Court resolved three trademark disputes—something not seen since 1924, 13 years before the Lanham (Trademark) Act came into effect.

#### **Generic.com Terms May Be Eligible for Trademark Protection: *USPTO v. Booking.com B.V.*, 140 S. Ct. 2298 (2020)**

Of the three cases the Court decided in 2020, the holding in *Booking.com* is expected to have the most significant impact. The Court held that generic terms combined with generic top-level domains (“gTLDs”) are capable of trademark protection if consumers perceive the mark, as a whole, to be a source identifier. Writing for the majority, Justice Ginsburg wrote, “[w]hether any given ‘generic.com’ term is generic ... depends on whether consumers in fact perceive that term as the name of a class or, instead, as a term capable of distinguishing among members of the class.”<sup>1</sup> Finding that the whole of BOOKING.COM is greater than the sum of its parts, the Court held that BOOKING.COM was capable of trademark protection.

Since *Booking.com* was decided, applicants have filed more than 800 .COM-formative trademark applications. While applications consisting of generic terms coupled with gTLDs are expected to rise, brand owners should be aware that they will need substantial (and often costly) evidence of consumer perception that the mark, as a whole, is a source identifier to secure trademark protection.

#### **Willfulness Not Required for Disgorgement of Profits: *Romag Fasteners, Inc. v. Fossil Group, Inc.*, 140 S. Ct. 1492 (2020)**

The decision in *Romag* settled a long-standing circuit split concerning whether a plaintiff in a trademark infringement suit is required to show willfulness as a precondition to disgorgement

of a defendant's profits. The Court held that the plain language of the Lanham Act “ha[d] never required a showing of willfulness to win a defendant's profits.”<sup>2</sup> Willfulness is not irrelevant. According to the holding, a defendant's mental state remains a “highly important consideration” in determining whether an award of profits is appropriate.<sup>3</sup> This decision is expected to impact profit disgorgement in false advertising claims since the same language is at issue.

#### **U.S. Supreme Court Rejects Second Circuit's “Defense Preclusion” Test: *Lucky Brand Dungarees, Inc. v. Marcel Fashions Group, Inc.*, 140 S. Ct. 1589 (2020)**

In its third trademark decision of 2020, the Court reviewed the concept of “defense preclusion” in the context of a serial trademark infringement battle.<sup>4</sup> The Court held unanimously that alleged trademark infringement defendant Lucky Brand was not precluded from raising a previously unlitigated defense from a prior infringement action involving the same parties. Although the notion of “raise it or lose it” defense preclusion was rejected under the circumstances because the two suits (at a minimum) did not share the same claim to relief, the case reminds litigants to raise defenses early and consistently when practicable to avoid years of costly court battles. On the plaintiff side, the long-running battle serves as a cautionary note to make sure that verdict forms clearly define the claims and issues, and that injunctions cover the full range of challenged activity, since missteps in both contributed to the plaintiff's inability to prevent the challenged conduct in contempt proceedings.

### THE USPTO UPDATED ITS RULES OF PRACTICE

Effective February 15, 2020, the USPTO implemented new rules of practice to improve administrative efficiency and reduce processing errors. Three requirements are of note:

- Mandating electronic filing with limited exceptions;
- Requiring an email address for the applicant/registrar; and
- Updating requirements for specimens of use.<sup>5</sup>

Following public concern over the potential for misuse of publicly available email addresses, the USPTO masked personal identifiers in these email addresses on the trademark status page.

## THE USPTO ISSUED TRADEMARK EXAMINATION GUIDES

The USPTO issued three Examination Guides in 2020 that update the Trademark Manual of Examining Procedure (“TMEP”) and offer insights on how the USPTO will address trademark decisions or rule changes.<sup>6</sup>

### Examination of Generic.com Marks

Following the *Booking.com* decision, Examination Guide 3-20 affirms that a refusal is appropriate if consumers do not perceive a “generic.com” mark as a source indicator,<sup>7</sup> or if the term fails to function as a trademark.<sup>8</sup> Pursuant to this Guide, Examining Attorneys must explain how the evidence of record demonstrates that both the individual elements and combined whole of a generic.com term support a generic conclusion when issuing a genericness refusal.<sup>9</sup> While a claim of acquired distinctiveness cannot overcome a genericness refusal, applicants receiving a descriptiveness refusal could secure registration upon a showing of acquired distinctiveness.

However, the Guide cautions that generic.com marks carry a high evidentiary burden to establish acquired distinctiveness given their highly descriptive nature. Notably, according to the Guide, “evidence of five years’ use or reliance solely on a prior registration for the same term will usually be insufficient” to show acquired distinctiveness for a generic.com term.<sup>10</sup> While not strictly required, applicants could benefit from accurate and reliable consumer surveys.<sup>11</sup> Finally, when considering whether a prior generic.com registration should be cited under Trademark Act Section 2(d), Examining Attorneys may take into account the Supreme Court’s recognition in *Booking.com* that generic.com terms may be subject to a narrower scope of protection.<sup>12</sup>

### Digitally Altered or Mockup Specimens Guidance Update

In October 2020, the USPTO updated Examination Guide 3-19 regarding digitally altered or contrived (“mockup”) specimens.<sup>13</sup> The Guide instructs Examining Attorneys on features that indicate fraudulent specimens such as pixelization around the mark and the mark appearing either as superimposed over other materials or as floating over the product.<sup>14</sup> The Guide advises Examining Attorneys to evaluate each specimen on a case-by-case basis, taking into account the description of the specimen and any contradicting records.<sup>15</sup> In any refusal, the Examining Attorney must issue a request for information

and explain why the specimen appears digitally altered.<sup>16</sup> While a refusal does not require extrinsic evidence, Examining Attorneys are encouraged to conduct image searches and consider office records (such as specimen copies from files of registered marks associated with an appropriated image) to include as additional support for the refusal.<sup>17</sup> Applicants can respond to a refusal by submitting arguments that the specimen shows actual use in commerce, submitting a verified substitute specimen, or amending the filing basis.<sup>18</sup>

## TRADE DRESS DEVELOPMENTS OCCURRED

The U.S. Supreme Court has consistently held that color cannot be inherently distinctive; proof of acquired distinctiveness is required.<sup>19</sup> However, on April 8, 2020, in *In re Forney Industries, Inc.*, 955 F.3d 940 (Fed. Cir. 2020), the U.S. Court of Appeals for the Federal Circuit held that a *multi-color* mark can be inherently distinctive. Since Federal Circuit decisions are binding on the USPTO, brand owners may want to consider seeking registration for any multi-color schemes used in connection with products or product packaging that serve as trademarks.

## COVID COUNTERFEITS SHAPED ENFORCEMENT STRATEGIES

The huge demand for COVID-19 tests and personal protective equipment (“PPE”) made these goods particularly susceptible to counterfeiting and fraudulent schemes during the pandemic. Under the Lanham Act, manufacturers may seek equitable relief against companies falsely advertising tests as “FDA-authorized” when they are not, as well as to prevent reputational damage resulting from quality issues or price gouging.<sup>20</sup>

Price gouging by resellers of a brand owner’s legitimate product can be complicated by the “first sale” doctrine. The “first sale” doctrine limits a trademark owner’s right to control the distribution of a product bearing its trademark beyond its first sale. However, the first sale doctrine does not apply when the genuine goods or related services are “materially different” from what the brand owner is selling or has authorized for sale. On this basis, some brand owners have argued that price gouging is a type of material difference that allows a brand owner to target the acts of a reseller of legitimately branded

products. As these cases develop, arguments focusing on brand reputation may gain further traction and may be applied to first sale disputes well after the pandemic, or apply with equal measure to cases concerning non-PPE price gouging.

## LOOKING AHEAD TO 2021

### USPTO Fee Increases

For the first time in nearly three years, the USPTO is adjusting its filing, maintenance, and Trademark Trial and Appeal Board (“TTAB”) fees.<sup>21</sup> Noteworthy increases include fees for:

- Online standard applications (increased to \$350 per class from \$275),<sup>22</sup>
- Maintenance filings under Section 8 or Section 71 (increased to \$225 per class from \$125),<sup>23</sup>
- Second 60-day and initial 90-day extension requests for filing a notice of opposition (increased to \$200 per application from \$100),<sup>24</sup> and
- Cancellation and opposition filings (both increased to \$600 per class from \$400).<sup>25</sup>

Additionally, there will be a new fee for requests for oral hearings in TTAB proceedings (\$500)<sup>26</sup> and for filing a letter of protest (\$50).<sup>27</sup> The USPTO [lists the fee changes and further explains certain increases](#) on its website.<sup>28</sup>

### Trademark Modernization Act

Introduced in March 2020, the Trademark Modernization Act of 2020 (“Modernization Act”) may be signed before the end of the 116th Congress.<sup>29</sup> As currently drafted, the bipartisan Modernization Act would amend the Lanham Act in several respects.

First, the Modernization Act would amend Section 34 of the Lanham Act to reinstate the presumption of irreparable harm in requests for permanent injunctive relief upon a finding of a violation (or a showing of likelihood of success on the merits for preliminary injunctions).<sup>30</sup> This amendment would resolve a Circuit split that emerged in the wake of the Supreme Court decisions in *eBay v. MercExchange* and *Winter v. Natural Resources Defense Council*.<sup>31</sup> Second, the Modernization Act would grant

trademark examiners more flexibility to adjust deadlines and to review evidence submitted into the record of an application by third parties.<sup>32</sup> Finally, the Modernization Act would permit third-party challenges to so-called “dead wood” registrations via expungement or reexamination, provided that the challenger can establish a *prima facie* case for cancellation.<sup>33</sup>

While the bill has received bipartisan support, both the House of Representatives and Senate versions of the bill are currently stagnant. It is unknown at this time whether any supporters plan to reintroduce the bill in 2021 when the 117th Congress begins. The issues that the Modernization Act seeks to address would impact Lanham Act practice both in prosecution and enforcement.

## CONCLUSION

The cases and administrative changes discussed in this *White Paper* have shaped trademark law over the year and will undoubtedly have an impact on trademark rights, brand development, and enforcement strategies in 2021 and beyond.

## LAWYER CONTACTS

### Meredith M. Wilkes

Cleveland  
+1.216.586.7231  
[mwilkes@jonesday.com](mailto:mwilkes@jonesday.com)

### Anna E. Raimer

Houston  
+1.832.239.3786  
[aeraimer@jonesday.com](mailto:aeraimer@jonesday.com)

### Jessica D. Bradley

Washington  
+1.202.879.7695  
[jbradley@jonesday.com](mailto:jbradley@jonesday.com)

*Michael P. Atkins, Kerry A. Barrett, Spencer K. Beall, Nikola V. Malcolm, Olivia Pedersen, Bobby Karl, and Sabrina Tomlinson assisted in the preparation of this White Paper.*

## ENDNOTES

- 1 *USPTO v. Booking.com B.V.*, 140 S.Ct. 2298, 2307 (2020).
- 2 *Romag Fasteners, Inc. v. Fossil Group, Inc.*, 140 S. Ct. 1492, 1495 (2020).
- 3 *Id.* at 1497.
- 4 *Lucky Brand Dungarees, Inc. v. Marcel Fashions Grp., Inc.*, 140 S. Ct. 1589 (2020).
- 5 U.S. Patent and Trademark Office, [Examination Guide 1-20 \(Revised\) Mandatory Electronic Filing and Specimen Requirements 10](#) (Feb. 2020).
- 6 [Guides, Manuals, and Resources](#), U.S. Patent and Trademark Office (last visited Dec. 9, 2020).
- 7 U.S. Patent and Trademark Office, [Examination Guide 3-20: Generic.com Terms after USPTO v. Booking.com 4](#) (Oct. 2020).
- 8 *Id.* at 5.
- 9 *Id.* at 3.
- 10 *Id.* at 4.
- 11 *Id.*
- 12 *Id.* at 5.
- 13 U.S. Patent and Trademark Office, [Examination Guide 3-19: Examination of Specimens for Use in Commerce: Digitally Created/ Altered or Mockup Specimens 1](#) (Oct. 2020).
- 14 *Id.* at 2.
- 15 *Id.*
- 16 *Id.* at 3 and 4.
- 17 *Id.* at 4.
- 18 *Id.* at 3.
- 19 See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159,162-63 (1995); see also *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 212 (2000).
- 20 15 U.S.C. §§ 1051, et seq.
- 21 Trademark Fee Adjustment, 85 Fed. Reg. 73,197 (Nov. 17, 2020).
- 22 *Id.* at 73,210.
- 23 *Id.*
- 24 *Id.*
- 25 *Id.*
- 26 *Id.*
- 27 *Id.*
- 28 [Summary of FY 2021 Final Trademark Fee Rule](#), USPTO (Dec. 9, 2020).
- 29 Trademark Modernization Act of 2020, H.R. 6196, 116th Cong. (2020); see also Trademark Modernization Act of 2020, S. 3449, 116th Cong. (2020).
- 30 H.R. 6196 § 6.
- 31 547 U.S. 388 (2006); 555 U.S. 7 (2008).
- 32 H.R. 6196 §§ 3, 4.
- 33 *Id.* at § 5.

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