Proving a Negative:

Best Practices for Prosecuting and Defending Abandonment Proceedings Around the World

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Abandonment in U.S. Law

- What is Abandonment?
- What do you need to prove abandonment? What do you need to prove use if abandonment is claimed?
- How much use is not “token use”?
- If the brand is discontinued, can you maintain trademark rights?
- Streamlined cancellation proceedings in abandonment cases?
Abandonment Defined

- The Lanham Act defines abandonment as when a mark owner discontinues use “with intent not to resume such use.” 15 U.S.C. § 1127.
- Nonuse for three consecutive years is considered *prima facie* evidence that the mark has been abandoned. *Id.*
- Use must be *bona fide* use in the “ordinary course of trade” and not merely to “reserve a right in a mark” *Id.*
Abandonment Defined

- If the challenger to the validity of the trademark proves that the mark has not been in use for three consecutive years, a **rebuttable presumption of intent not to resume use** is created. *Cerveceria Centroamericana S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 1025 (Fed. Cir. 1989)

- Burden then shifts to the mark owner to either prove use during the 3 year period or to demonstrate its intent to resume use. *Id.* at 1026.
Abandonment Defined

- Two particular turns of phrase in Section 45 on abandonment:
  1. If the elements of abandonment are met, the mark is “deemed” abandoned.
  2. Second element is defined as “with intent not to resume such use” rather than “with intent to abandon”
Abandonment Defined

- Second element of abandonment test is NOT a subjective inquiry, but an objective one where length of non-use is the critical factor.
  *Silverman v. CBS Inc.*, 870 F.2d 40, 46 (2d Cir. 1989)

- Any mark owner can have a subjective but indefinite intent to resume use of the mark sometime in the future.

- Intent to resume use must be in the reasonably foreseeable future.
Types of Abandonment

Main types of abandonment:

1. Cessation of use of the mark as a whole; discontinuation of the brand
2. Naked licensing
3. Assignments in gross
4. Failure to enforce exclusive rights to the mark / Genericide
5. Use of the mark in a materially different form
The Challenger’s Burden to Prove Abandonment—Tools

- Litigation Tools to Make a Prima Facie Case for Abandonment:
  - 1. Internet research to see if there is online presence for the mark
    - If there is a presence, for which goods/services?
  - 2. Investigation, Trademark Search Services
  - 3. Interrogatories, Requests for Production and Depositions
The Challenger’s Burden to Prove Abandonment—Tools

- Litigation Tools to Make a Prima Facie Case for Abandonment, cont’d:

  4. Keep an eye on a mark owner’s licensees and attempt to compare mark owner’s current and prior use to that of licensee

  5. Examine number and nature of third party uses of similar or identical marks
Evidence of Use by Mark Owner

- Use evidence must consist of *bona fide* use of the mark “in the ordinary course of trade” and “not merely to reserve rights in the mark”
  - Use must be for the purpose of maintaining goodwill and viability of the mark as a brand, not merely to reserve rights

- Amount of use evidence needed depends on the particular circumstances of the mark owner’s business and the industry in which the mark owner operates
Evidence of Intent to Resume Use

- Evidence that can rebut the presumption of nonuse can include:
  1. An extensive promotional campaign for the brand that does not necessarily involve selling the product, so long as intent is to resume sale and maintain promotion until such time
  2. Reasons for excusable nonuse such as bankruptcy, force majeure, lack of sales opportunities (for more expensive goods or services)
Some signs that a mark owner’s use is merely to maintain rights rather than *bona fide* use in the ordinary course of trade include:

1. Small, sporadic or infrequent shipments of goods where the goods are usually sold in large quantities in that industry
2. “Small time” sales to family, friends and acquaintances
3. No promotional activities for the goods covered under the mark for an extended of time...
Signs A Mark Owner’s Use May Be Insufficient to Maintain Rights

- Signs of insufficient use cont’d:
  - 4. Mark owner is simply relabeling its products or those of other proprietors
  - 5. First use is made of the mark and then use is discontinued for an extended period under three years, then restarted—without sufficient reason for the same
  - 6. Vague representations by mark owner on how the mark would be used in terms of product development
  - 7. Intent of the mark owner merely to exclude competitors from the marketplace
Can You Maintain “Trademark Rights” Once Mark is Abandoned?

- Short answer: Usually, no. Nevertheless...

- Successful Proof of Intent to Resume: If you can successfully demonstrate an intent to resume use in the reasonably foreseeable future, then exclusivity can be maintained.

- Residual Goodwill: The extensive use of a mark over a considerably long period prior to cessation of use leaves a trail of consumer goodwill attached to the mark that keeps mark out of public domain for a time.
Even though use of a mark has been discontinued, it still can remain the badge of origin for a mark owner. This is known as residual goodwill.

Residual goodwill decreases over time, but is only lost when it can be shown that the mark ceases to be a source identifier for the former mark owner.
1. Owner Plan for Length and Breadth of Use: Prior to use or prior to registration, mark owner needs to:

(a) clearly delineate what goods/services the mark will be used on;

(b) reasonably estimate the length of use of the brand according to present and future market conditions; and

(c) decide, if abandonment as to one class of goods or services, what will be maintained?
Best Practices for Mark Owners to Maintain Rights

- 2. Have a trademark maintenance program
- 3. Maintain clear and enforceable quality control procedures for licensees
- 4. If applicable, keep track of consumer goodwill in the mark (customer and market surveys, number of competitors attempting to take mark owner’s goodwill)
- 5. Have use evidence ready to go when challenge appears, even if long time away from renewal.
Where we are now: Under existing TTAB procedure, instituting and prosecuting a cancellation action on grounds of abandonment is largely the same as instituting an action for any other ground for cancellation

- Fee is $400/class for online, $500/class for paper filing
- Cancellation Complaint lists grounds for abandonment just like any other opposition
- Defendant answers and then discovery, then trial, just like any other cancellation action
TTAB’s Proposed Streamlined Cancellation Procedure

TTAB Proposal: “Streamlined” Cancellation Proceeding for Abandonment

Under a proposal of the TTAB published in May 2017, the PTO wishes to institute a parallel cancellation scheme just for abandonment cases.

Under the proposal, the cancellation complaint would be filed by a Petitioner and then the Registrant would have 40 days to respond.
TTAB’s Proposed Streamlined Cancellation Procedure

- Petitioner may “prove” nonuse by a declaration outlining the search for use of the mark and/or any other evidence of nonuse or abandonment
- In Registrant’s response, Registrant would be required—in addition to asserting legal or equitable defenses such as *res judicata* or estoppel:
  - To provide proof of use of the mark in commerce or “other evidence on which [Registrant] seeks to rely to counter the abandonment or nonuse grounds…”
TTAB’s Proposed Streamlined Cancellation Procedure

- Petitioner would then have an additional **40 days** in which to
  - 1. Submit rebuttal evidence in Reply;
  - 2. Convert the action to a “normal” cancellation proceeding; or
  - 3. Withdraw the cancellation action entirely
- In Registrant’s reply, **Registrant cannot assert any counterclaims**; further, the only discovery contemplated would be on Petitioner’s standing, and only upon a showing of good cause
Pros: Promotes efficiency in deciding cancellation procedures based solely on abandonment; efficiently clears the Register of dead marks

Cons: Some have argued that this type of procedure seeks to flip the burden of persuasion from the challenger, where it must be, *Cold War Museum, Inc. v. Cold War Air Museum, Inc.*, 586 F.3d 1352 1357 (Fed. Cir. 2009), to the Registrant
Thank you for listening to, and viewing, my presentation.