

New Law Creates Procedural Tools to Challenge Fraudulent Trademark Filings and Formalizes Presumption of Irreparable Injury for Trademark Violations

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On December 22, 2020, Congress passed the content of a pending bill, H.R. 6196, the “Trademark Modernization Act of 2020,” as part of its year-end virus relief and spending package.^[1] The Act includes various revisions to the Lanham Act, 15 U.S.C. §§ 1051 *et seq.*, intended to respond to a recent rise in fraudulent trademark applications. Among other things, the Act seeks to create more efficient processes to challenge registrations that are not being used in commerce, including by establishing new *ex parte* proceedings. The Act also seeks to unify the standard for irreparable harm with respect to injunctions in trademark cases, in light of inconsistencies that have emerged across federal courts after the Supreme Court’s decision in *eBay v. MercExchange, LLC*, 547 U.S. 388 (2006). We briefly summarize these key features of the Act below.

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- **Presumption of Irreparable Harm.** Section 6 of the Act provides that a “plaintiff seeking an injunction shall be entitled to a rebuttable presumption of irreparable harm” upon a finding of a violation or a likelihood of success on the merits, depending on the type of injunction sought.^[2] That language effectively reinstates the standard that most courts applied in trademark cases until the Supreme Court’s decision in the patent case, *eBay v. MercExchange, LLC*, 547 U.S. 388 (2006). Before *eBay*, courts generally treated proof of likelihood of confusion as sufficient to establish both a likelihood of success on the merits and irreparable harm. In *eBay*, however, the Supreme Court concluded that courts deciding whether an injunction should issue must consider only “traditional equitable principles,” which do not permit “broad classifications.” *Id.* at 393. In light of that decision, some courts determined that liability for trademark infringement no longer presumptively supported injunctive relief and that irreparable injury had to be shown independently.^[3] This Act resolves the division among the courts following *eBay* and clarifies that a rebuttable presumption of irreparable harm applies for trademark violations.
- **New Ex Parte Processes.** Section 5 of the Act creates two new *ex parte* cancellation proceedings, designed to address concerns that the trademark register is becoming overcrowded with marks that have not been used in commerce properly, as the Lanham Act requires.^[4] The first creates a new Section 16A to the Lanham Act, that allows for *ex parte* expungement of a registration that has *never* been used before in commerce.^[5] The second creates a new Section 16B to the Lanham Act that allows for *ex parte* reexamination of a registration where the mark was not in use in commerce at the time of either *the first claimed use*, or when *the application was filed*.^[6] The Act further authorizes

the Director to promulgate regulations regarding the conduct of these proceedings.^[7]

- **Changes to the Examination Process.** The Act establishes two notable updates to the trademark examination process: first, it formalizes the process by which third parties can submit evidence to the United States Patent and Trademark Office concerning a given application; second, it provides the Office with greater authority and flexibility to set the deadlines by which trademark applicants must respond to actions taken by the examiner.
 - **Third-Party Evidence:** The Act effectively codifies the longstanding informal practice by which third parties submit evidence to the Office regarding the registrability of a mark during the examination process. Section 3 expressly permits the submission of this evidence and also establishes new formalities concerning the process to do so—including by requiring that the submitted evidence include a description identifying the ground of refusal to which it relates, and by providing the Office with the authority to charge a fee for the submission.^[8] The Act also imposes a two-month deadline for the Office to act on a third-party submission,^[9] which should incentivize third-parties to submit relevant evidence to the examiner before he or she makes any decision on an initial application.
 - **Response Times:** Section 4 of the Act amends the Lanham Act's provision that imposes a six month deadline for an applicant to respond to an examiner's actions during the application process.^[10] Specifically, Section 4 grants the Office the authority to determine, by regulation, response periods for different categories of applications, so long as the period is between 60 days and six months.^[11]

It remains to be seen how the Office will interpret the Act and what procedures it will promulgate. It is also an open question whether the new *ex parte* and examination procedures created by the Act will address Congress' underlying concerns that the register has become overcrowded with fraudulent registrations obtained by foreign entities, especially from China.^[12] But it is clear that the Act will open up new fronts for administrative proceedings to challenge registered trademarks, and create new weapons for those who believe they are or would be affected by a pending application or registration. At the same time, the restoration of a formal presumption of irreparable harm in trademark infringement cases will make it procedurally easier for trademark owners to enjoin uses of confusingly similar marks and avoid consumer confusion about the source of a good or service.

^[1] See Office of Congressman Hank Johnson, Congressman Johnson's Bipartisan, Bicameral Trademark Modernization Act Becomes Law, *available at* <https://hankjohnson.house.gov/media-center/press-releases/congressman-johnson-s-bipartisan-bicameral-trademark-modernization-act> (Dec. 22, 2020).

^[2] The Act also clarifies that this amendment “shall not be construed to mean that a plaintiff seeking an injunction was not entitled to a presumption of irreparable harm before the date of the enactment of this Act.” H.R. 6196 § 6(a).

^[3] See, e.g., *Herb Reed Enters., LLC v. Fla. Entm't Mgmt., Inc.*, 736 F.3d 1239, 1249 (9th Cir. 2013) (reading eBay as signaling “a shift away from the presumption of irreparable harm” and holding that a plaintiff must separately establish irreparable harm for a preliminary injunction to issue in a trademark infringement case); *Salinger v. Colting*, 607 F.3d 68, 78 n.7 (2d Cir. 2010) (suggesting that eBay's “central lesson” that courts should not “presume that a party has met an element of the injunction standard” applies to all injunctions); see also *Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.*, 645

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F.3d 26, 31 (1st Cir. 2011) (questioning whether, after eBay, irreparable harm can be presumed upon a finding of likelihood of success on the merits of an infringement claim).

[4] See H.R. 6196 § 5(a); House Report Section C.1 (explaining the intent behind the new proceedings).

[5] H.R. 6196 § 5(a).

[6] *Id.* § 5(c).

[7] *Id.* § 5(d) (providing that the Director “shall issue regulations to carry out” the new “sections 16A and 16B” “[n]ot later than one year after the date of the enactment of this Act.”).

[8] See H.R. 6196 § 3(a) (“A third party may submit for consideration for inclusion in the record of an application evidence relevant to a ground for refusal of registration. The third-party submission shall identify the ground for refusal and include a concise description of each piece of evidence submitted in support of each identified ground for refusal. Within two months after the date on which the submission is filed, the Director shall determine whether the evidence should be included in the record of the application. The Director shall establish by regulation appropriate procedures for the consideration of evidence submitted by a third party under this subsection and may prescribe a fee to accompany the submission.”).

[9] *Id.*

[10] See 15 U.S.C. § 1062(b).

[11] See H.R. 6196 § 4.

[12] See, e.g., Tim Lince, Fraudulent Specimens at the USPTO: Five Takeaways from Our Investigation – Share Your Experience, World Trademark Rev. (June 19, 2019), <https://www.worldtrademarkreview.com/brand-management/fraudulent-specimens-uspto-five-takeaways-our-investigation-share-your> (reporting on investigation of nearly 10,000 US trademark applications filed in May 2019 with many seemingly fraudulent specimens originating from China).

Gibson Dunn’s lawyers are available to assist in addressing any questions you may have regarding these developments. Please feel free to contact the Gibson Dunn lawyer with whom you usually work in the firm’s Intellectual Property, Fashion, Retail, and Consumer Products, or Media, Entertainment and Technology practice groups, or the following authors:

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