

Trademark Infringement and Irreparable Harm: Implications of the Trademark Modernization Act

Proving Harm With and Without Survey Evidence

TUESDAY, MAY 18, 2021

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TRADEMARK INFRINGEMENT AND IRREPARABLE HARM: IMPLICATIONS OF THE TRADEMARK MODERNIZATION ACT

Presented by:

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May 18, 2021

AGENDA

- *eBay v. MercExchange* and Its Impact
- Trademark Modernization Act of 2020
 - Part of larger statutory revision
 - Impact on trademark litigation
- Proving Irreparable Harm
 - Survey considerations
 - Other evidence?
- Post-Trademark Modernization Act Decisions



eBAY V. MERCEXCHANGE AND ITS IMPACT

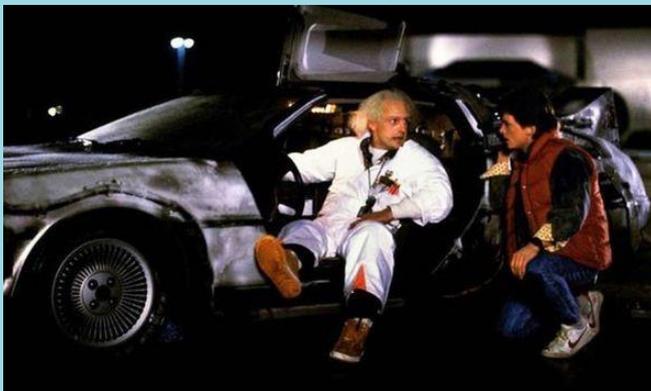
REQUIREMENTS FOR INJUNCTIVE RELIEF



- A plaintiff seeking a preliminary injunction must establish:
 - Likelihood of success on the merits,
 - *likely to suffer irreparable harm in the absence of preliminary relief,*
 - the balance of equities tips in his favor, and
 - that an injunction is in the public interest.

Winter v. Nat. Res. Def. Council, Inc., 555 U.S. 7, 20 (2008)

PRE-eBAY LANDSCAPE ON IRREPARABLE HARM



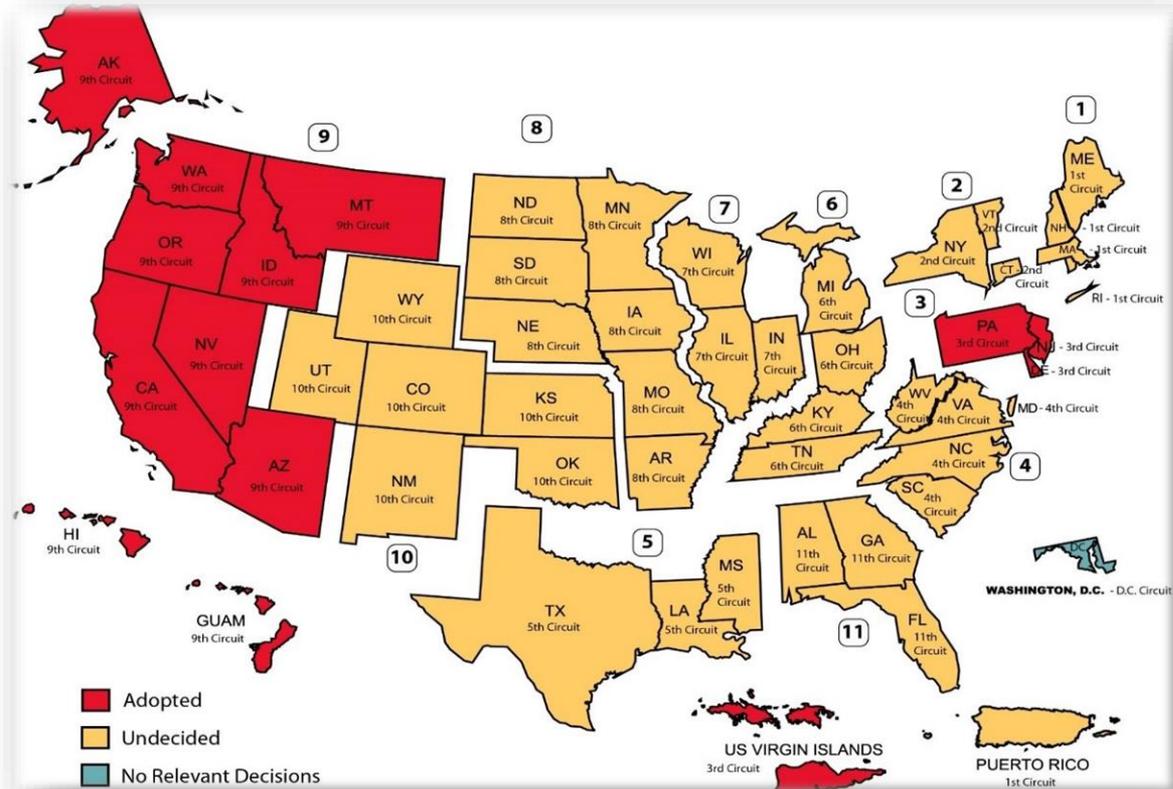
- Traditional rule: irreparable injury ***is to be presumed*** once the trademark owner makes a sufficient showing of a likelihood of success, *i.e.*, a likelihood of confusion
- “By its very nature, trademark infringement results in irreparable harm because the attendant loss of profits, goodwill, and reputation cannot be satisfactorily quantified and, thus, the trademark owner cannot adequately be compensated. Hence, irreparable harm flows from an unlawful trademark infringement as a matter of law.” *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633 (1st Cir. 1992)
- “Once the plaintiff in an infringement action has established a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief does not issue.” *Rodeo Collection, Ltd. v. W. Seventh*, 812 F.2d 1215, 1220 (9th Cir. 1987)

eBAY INC. V. MERCEXCHANGE, LLC, 547 U.S. 388 (2006)

- Rejected the Federal Circuit’s “general rule,” for patent cases “that a permanent injunction will issue once infringement and validity have been adjudged.”
- Held: “[T]he decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.”
- In its decision, the Court noted that it similarly “has consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed.”



AFTERMATH: SOME CIRCUITS APPLIED eBAY





Evidence of actual confusion—past harm “simply underscores
customer confusion, not irreparable harm”

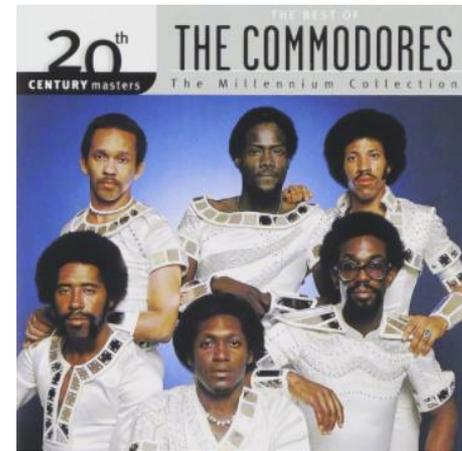
Herb Reed Enters., LLC v. Florida Entm't Mgmt., Inc., 736 F.3d 1239, 1249 (9th Cir. 2013)



AFTERMATH: SOME CIRCUITS APPLIED *eBAY*

“[A] party bringing a claim under the Lanham Act is not entitled to a presumption of irreparable harm when seeking a preliminary injunction and must demonstrate that irreparable harm is likely.” *Ferring Pharm., Inc. v. Watson Pharm., Inc.*, 765 F.3d 205, 206 (3d. Cir. 2014)

- “eBay’s holding ‘extends to the grant of preliminary injunctions under the Lanham Act’ [and] [i]n light of the Supreme Court’s holding in *eBay*, a presumption of irreparable harm cannot survive.” *Commodores Entm’t Corp. v. McClary*, 648 Fed. Appx. 771, 777 (11th Cir. 2016) (*per curiam*)



AFTERMATH: SOME CIRCUITS INDICATED A WILLINGNESS TO APPLY *eBAY*

- “[T]here is no principled reason why [*eBay*] should not apply to a request for a preliminary injunction to halt trademark infringement,” but declining “to address whether *eBay*’s bar on ‘general’ or ‘categorical’ rules includes the presumption of irreparable harm in trademark disputes.” *Swarovski Aktiengesellschaft v. Bldg. No. 19, Inc.*, 704 F.3d 44, 54 (1st Cir. 2013)
- “[A]lthough today we are not called upon to extend *eBay* beyond the context of copyright cases, we see no reason that *eBay* would not apply with equal force to an injunction in any type of case.” *Salinger v. Colting*, 607 F.3d 68, 78 n.7 (2d Cir. 2010)



AFTERMATH: OTHER CIRCUITS CONTINUED TO APPLY A PRESUMPTION 5, 6, 8th

- ***Lucky's Detroit, LLC v. Double L, Inc.***, 533 F. App'x 553, 555 (6th Cir. 2013) (unpublished) (“In trademark infringement cases, a likelihood of confusion or possible risk to the requesting party’s reputation satisfies the irreparable injury requirement.”)
- ***Warner Bros. Entm’t, Inc. v. X One X Prods.***, 840 F.3d 971, 982 (8th Cir. 2016) (affirming permanent injunction and holding without reference to *eBay* that “a finding that likelihood of confusion exists results in a presumption that a threat of irreparable harm exists”)
- ***Abraham v. Alpha Chi Omega***, 708 F.3d 614, 627 (5th Cir. 2013) (affirming permanent injunction and noting that “a leading treatise states, ‘All that must be proven to establish liability and the need for an injunction against infringement is the likelihood of confusion—injury is presumed.’”)



RATIONALE FOR APPLYING *eBAY*



- Language of the Lanham Act does not create a presumption.
- Categorical rules are inconsistent with equitable principles.
- Traditional principles of equity apply when granting injunctive relief.

RATIONALE FOR REJECTING *eBAY*



- Different harms result from trademark infringement and patent infringement.
- Trademark harm inappropriately remedied via monetary relief.
- Once likelihood of confusion is shown, goodwill and reputation are at risk which is irreparable harm.
- Confusion in the marketplace results in harm to consumers.

TRADEMARK MODERNIZATION ACT OF 2020

THE TRADEMARK MODERNIZATION ACT OF 2020

TITLE II—INTELLECTUAL PROPERTY

Subtitle B—Trademarks

SEC. 221. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This subtitle may be cited as the “Trademark Modernization Act of 2020” or the “TM Act of 2020”.

- Passed as part of the Consolidated Appropriations Act, 2021, Pub. L. 116-260 on December 27, 2020
- Passage motivated by the diverging application of *eBay* in the various federal Circuits
- Provides a uniform rule that will help trademark owners enforce their rights against infringers in federal court and discourage forum shopping

RESTORES REBUTTABLE PRESUMPTION OF HARM

3 **SEC. 226. REBUTTABLE PRESUMPTION OF IRREPARABLE**
4 **HARM.**

5 (a) **AMENDMENT.**—Section 34(a) of the Trademark
6 Act of 1946 (15 U.S.C. 1116(a)) is amended by inserting
7 after the first sentence the following: “A plaintiff seeking
8 any such injunction shall be entitled to a rebuttable pre-
9 sumption of irreparable harm upon a finding of a violation
10 identified in this subsection in the case of a motion for
11 a permanent injunction or upon a finding of likelihood of
12 success on the merits for a violation identified in this sub-
13 section in the case of a motion for a preliminary injunction
14 or temporary restraining order.”.



RULES OF CONSTRUCTION

15 (b) RULE OF CONSTRUCTION.—The amendment
16 made by subsection (a) shall not be construed to mean
17 that a plaintiff seeking an injunction was not entitled to
18 a presumption of irreparable harm before the date of en-
19 actment of this Act.

RULES OF CONSTRUCTION



- Unlike other sections of the TMA, the rebuttable presumption becomes effective immediately
- The rule of construction in the TMA also provides for **retroactive** application
- Taken together this would allow trademark owners in current cases to take advantage of the presumption
- Depending on the procedural status of the case, consider alerting the court to the new statutory language

WHAT DOES THIS MEAN GOING FORWARD?



- Resets standard for injunctive relief back to pre-eBay application
- Makes it easier for trademark owners to obtain injunctive relief
- Injunctive relief is not automatic and the presumption is still rebuttable
- TMA does not specify what kinds of evidence will suffice to prove or disprove irreparable harm if the presumption is challenged
- Trademark owners should still present evidence of irreparable harm to increase likelihood of obtaining injunctive relief

PROVING IRREPARABLE HARM

SURVEY CONSIDERATIONS

- Not required, but usually increases likelihood of obtaining an injunction if properly conducted
 - Surveys showing confusion generally above 25%
 - Levels under 10% insufficient
- Weak, methodologically flawed surveys are counterproductive
- Consider expert testimony on other topics such as the buying habits and psychology of consumers of the products



EVIDENCE OF DAMAGE TO BRAND AND REPUTATION

- Poor or inferior quality of defendant's goods and/or negative reputation of defendant
- Risk of genericide – *e.g.*, evidence showing identical products marketed under the same mark, but different packaging and brands, consumers may be more likely to associate the trademark as naming the product rather than identifying the source/brand
- In the case of materially altered and/or counterfeit goods - interference with quality control measures such as tampering with anti-counterfeiting product codes or other modifications to packaging



WHAT DEMONSTRATES LOSS OF CONTROL

- “[A] direct competitor used a near-identical word mark to market a near-identical product is sufficient to show that ITW has lost at least a degree of control over MUFFLER WELD’s reputation in the marketplace.”

Ill. Tool Works Inc. v. J-B Weld Co., LLC, 419 F. Supp. 3d 382, 404 (D. Conn. 2019)

- Evidence that a distributor or retailer decided to stock defendant’s product instead of plaintiff’s product
- Instances of actual confusion
- Other evidence considered under the likelihood of confusion factors that highlights the risk of loss of control such as the low cost of the products, side-by-side placement of the products on store shelves



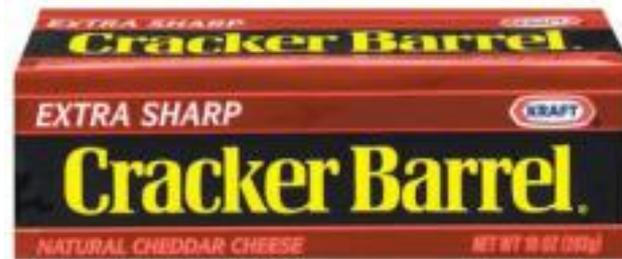
OTHER POTENTIAL EVIDENCE OF IRREPARABLE HARM

- Complete loss of a business
- Loss of a unique product
- Loss of a business expansion opportunity or of entry into a new market



CASE STUDY: KRAFT FOODS GRP. BRANDS LLC v. CRACKER BARREL OLD COUNTRY STORE, INC., 735 F.3D 735 (7th CIR. 2013)

Affirmed grant of preliminary injunction against the sale by Cracker Barrel Old Country Store of food products to grocery stores under the name Cracker Barrel



POST-TRADEMARK MODERNIZATION ACT DECISIONS

KINSLEY TECH. CO. V. YA YA CREATIONS, INC., 2021 U.S. DIST. LEXIS 84397 (C.D. CAL. MAY 3, 2021)



- Granting preliminary injunction
- Likelihood of success on the merits = rebuttable presumption of irreparable harm under the TMA
- Court rejected Amazon’s attempt to rebut the presumption by pointing to measures it took to ensure that its sales listing under the ASIN would not appear again
- The Court found this argument “not convincing because Amazon has demonstrated a proclivity for breaking its promise to Kinsley”

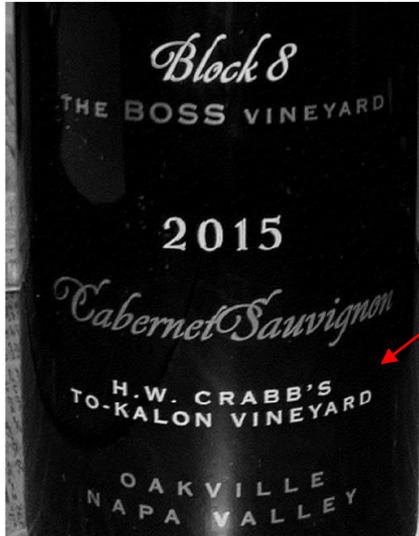
SUZIE'S BREWERY CO. V. ANHEUSER-BUSCH COS., 2021 U.S. DIST. LEXIS 24650 (D. ORE. FEB. 9, 2021)



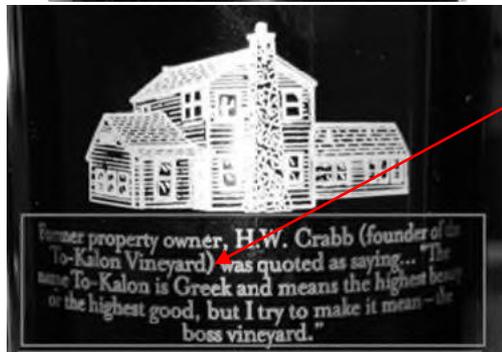
Voiceover: "...And is the only national USDA Certified Organic Hard Seltzer."

- Granting temporary restraining order against challenged advertising claims relating to being the “first” or “only” “national USDA certified organic hard seltzer”
- Declarations from three customers that they contacted Suzie’s after the commercial aired and questioned whether Suzie’s Organic Hard Seltzer was in fact certified organic
- Received similar inquiry from one of Suzie’s beverage distributors
- *USA Today* article reported that Michelob Ultra was the “first USDA-certified organic hard seltzer”
- Even without rebuttable presumption, Plaintiff’s evidence sufficient to show a likelihood of irreparable harm.
- “Court is unaware of any case law requiring that survey evidence be submitted, especially in support of a TRO, where time often is of the essence.”

VINEYARD HOUSE, LLC V. CONSTELLATION BRANDS UNITED STATES OPERATIONS, INC., 2021 U.S. DIST. LEXIS 15702 (N.D. CAL. JAN. 26, 2021)



Front of Defendant Vineyard House's wine bottle



Back of wine bottle

- Granting permanent injunction for trademark infringement after a bench trial
- The loss of control over one's trademarks, reputation, and goodwill is "a quintessentially irreparable injury."
- Trial evidence showed Constellation's "To Kalon has become a fixture in Northern California's wine industry. Attempting to quantify the goodwill which would be lost, especially amongst the narrow luxury wine market, is incredibly difficult."
- Passage of the TMA "reinforces the appropriateness of a permanent injunction requested by Constellation"

QUESTIONS?



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