



## Amendment of the Lanham Act to Include a Rebuttable Presumption of Irreparable Harm

May 20, 2017

**Sponsoring Committee: U.S. Subcommittee of the Legislation and Regulation Committee**

### **RESOLUTION:**

**WHEREAS**, historically, U.S. federal courts, when considering a claim under the Lanham Act, almost uniformly applied a rebuttable presumption of irreparable harm upon a finding of liability, or in the case of a motion for a preliminary injunction, a probability of success on the merits of a claim (while still requiring claimants to satisfy the remaining requirements of the traditional four-factor test for injunctive relief, namely that the balance of the hardships favors the claimant and that the public interest would be served by the injunction's issuance);

**WHEREAS**, this presumption was appropriate and necessary considering the unique type of harm resulting from violations of the Lanham Act, and that such harm is, by its nature, essentially irreparable;

**WHEREAS**, following the U.S. Supreme Court's decision in *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388 (2006), many federal courts, including the 3d and 9<sup>th</sup> Circuit Courts of Appeals, no longer presume irreparable harm when liability is found, or is found to be probable, in Lanham Act cases, while other courts, including the 5<sup>th</sup> and 8<sup>th</sup> Circuit Courts of Appeals, have continued to apply the presumption;

**WHEREAS**, it is unclear, and the courts have not clearly spelled out, how a claimant could establish irreparable harm if not by showing liability or a probability of success in establishing liability;

**WHEREAS**, INTA has submitted *amicus curiae* briefs supporting the rebuttable presumption of irreparable harm in post-*eBay* cases before the Third Circuit and in support of a petition for certiorari to the U.S. Supreme Court;

**WHEREAS**, to date, the U.S. Supreme Court has declined to grant certiorari to clarify the law in this regard;

**WHEREAS**, absent the presumption, a subset of Lanham Act claimants are likely to be denied meaningful relief despite prevailing on the merits of their claims; and

**WHEREAS**, amending Section 34 of the Lanham Act, which addresses injunctive relief, would provide clarity for the courts and litigants alike, while also providing claimants who prevail on the

merits of their claim, or who demonstrate that they have a probability of success on the merits, injunctive relief to prevent further injury;

**BE IT RESOLVED**, that the International Trademark Association favors amending the Lanham Act to provide that, when a claimant seeks injunctive relief under Section 34 of the Act, a rebuttable presumption of irreparable harm shall apply where there has been a finding of liability, or in the case of a motion for a preliminary injunction, a finding of probable success on the merits of the claim.

## **BACKGROUND:**

### **The Historical Presumption of Irreparable Harm**

In an *amicus curiae* brief submitted to the Supreme Court in 2014, INTA summarized the historical presumption of irreparable harm as follows:

For decades, courts have applied a rebuttable presumption of irreparable harm once trademark infringement has been proven. This presumption is not a “categorical rule”; rather, it is merely an evidentiary doctrine that shifts the burden to the infringer to adduce at least some evidence that the harm is not irreparable (which may, for example, be proven if the defendant shows that the infringement has permanently ceased or that they are of a nature that can readily be calculated and compensated). This long-established rebuttable presumption of irreparable harm appropriately shifts the burden of proof on the difficult-to-quantify question of injury in Lanham Act cases and promotes the public interest in reducing consumer search costs.

Brief of the International Trademark Association as *Amicus Curiae* in Support of Petitioner, *Herb Reed Enters. LLC v. Florida Entm’t Mgmt.*, No. 13-1271, at 25 (May 21, 2014). As INTA commented, the rebuttable evidentiary presumption of irreparable harm in Lanham Act cases “developed over many years through careful judicial analysis based on equitable principles, logic, and the commercial realities at play in the context of trademark law” and was recognized throughout the federal judicial circuits. *Id.*, at 12. Indeed, as INTA noted in another *amicus curiae* brief, filed in a Third Circuit appeal, the presumption of irreparable harm was a “basic tenet” of Lanham Act jurisprudence. Brief of *Amicus Curiae* International Trademark Association in Support of Appellant, *Ferring Pharm., Inc. v. Watson Pharm., Inc.*, Case No. 13-2290, at 7 (3rd Cir. Sep. 20, 2013).

### **The Supreme Court’s eBay Decision and Its Ramifications**

In *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388 (2006), the Supreme Court held that disputes arising under the Patent Act are subject to the traditional four-factor test for permanent injunctive relief, namely: (1) success on the merits; (2) a likelihood of irreparable harm; (3) that the balance of the hardships favors the plaintiff; and (4) that the public interest would be served by the injunction’s issuance. The Court thus did away with the presumption of irreparable harm that lower courts had long applied upon a finding of patent infringement. The Court reasoned that nothing in the Patent Act dictated a departure from the well-established framework used in other

disputes. In reaching its conclusion, the Court analogized to copyright law but did not touch upon the Lanham Act. Two years later in *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7 (2008), regarding the Navy’s use of sonar in military exercises, the Supreme Court considered preliminary injunctive relief and concluded that a plaintiff is required to “demonstrate that irreparable injury is likely in the absence of an injunction” rather than merely possible.

In response to *eBay* (and to a lesser extent, *Winter*), federal district courts and circuit courts of appeal have grappled with whether they can continue to apply the presumption of irreparable harm, which previously had been largely uncontroversial. In the copyright context, the decision was simpler and came more swiftly, in part because the *eBay* Court explicitly analogized to copyright law. For example, in *Salinger v. Colting*, 607 F.3d 68, 77-78 (2d Cir. 2010) and *Flexible Lifeline Sys., Inc. v. Precision Lift, Inc.*, 654 F.3d 989, 998 (9th Cir. 2011), the Second and Ninth Circuits, respectively, held that to presume irreparable harm in a copyright infringement case is inconsistent with the *eBay* decision.

For Lanham Act cases, the decision has proven more difficult. The Ninth Circuit was the first appellate court to expressly reject the presumption of irreparable harm in light of *eBay* in *Herb Reed Enters. LLC v. Florida Entm’t Mgmt.*, 736 F.3d 1239, 1249 (9th Cir. 2013), *cert. denied*, 135 S.Ct. 57 (U.S. 2014). The Third Circuit and, it appears, the Eleventh Circuit have joined the Ninth in rejecting the presumption. *Ferring Pharm., Inc. v. Watson Pharm., Inc.*, 765 F.3d 205, 206 (3rd Cir. 2014) (“[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.”); *Commodores Enter. Corp. v. McClary*, 648 Fed. App’x 771 (11th Cir. 2016) (“In light of the Supreme Court’s holding in *eBay*, a presumption of irreparable harm cannot survive.”); *but cf. Hoop Culture, Inc. v. GAP Inc.*, 648 Fed. App’x 981 (11th Cir. 2016) (stating, two weeks after the *Commodores* decision, “we need not and do not made any express holding about the effect of *eBay* on this specific case or this circuit’s presumption of irreparable harm more generally. We conclude that, in any case, the district court’s findings of facts were sufficient to rebut any presumption of irreparable harm that may have applied.”). In the Ninth Circuit in particular, the result has been that some Lanham Act claimants have been denied injunctive relief largely on the basis that they failed to provide sufficient evidence of irreparable harm, despite having succeeded in establishing liability or, in the case of a preliminary injunction, a likelihood of success on the merits of their claim.

Apparently on the other side of the issue are the Fifth and Eighth Circuits, which have both continued to recognize the presumption even after *eBay* was decided, while not expressly addressing the implications of *eBay*. See *Abraham v. Alpha Chi Omega*, 708 F.3d 614, 627 (5th Cir. 2013), *cert. denied*, 134 S.Ct. 88 (U.S. 2013) (“As to the first factor . . . ‘All that must be proven to establish liability and the need for an injunction against infringement is the likelihood of confusion—injury is presumed.’”) (quoting 5 McCarthy § 30:2); *Community of Christ Copyright Corp. v. Devon Park Restor. Branch of Jesus Christ’s Church*, 634 F.3d 1005 (8th Cir. 2011) (“[I]n trademark law, injury is presumed once a likelihood of confusion has been established.”). The Supreme Court denied *certiorari* in both *Abraham* and *Herb Reed*.

Meanwhile, other circuits have questioned (or doubted) whether the presumption remains valid, though have often sought other ways to decide a particular case. See, e.g., *U.S. Polo Ass’n, Inc. v. PRL USA Holdings, Inc.*, 511 Fed. App’x 81, 85 (2d Cir. 2013) (“We need not here decide whether a presumption of irreparable harm from trademark infringement can apply in light of *eBay*.”); *North Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1228 (11th Cir. 2008)

(suggesting that “a strong case can be made that eBay’s holding necessarily extends to the grant of preliminary injunctions under the Lanham Act,” but declining to decide the question); *Apple Inc. v. Samsung Elecs. Co., Ltd.*, 735 F.3d 1352, 1373 n.9 (Fed. Cir. 2013) (“The district court interpreted the FTDA as permitting injunctive relief without any additional showing of irreparable harm beyond the harm of dilution itself. . . . Because we affirm the district court’s denial of injunctive relief on other grounds, we need not reach this issue.”).

The varying views of the circuits on the presumption have collectively created uncertainty for Lanham Act claimants who may be litigating without knowing whether the presumption will be applied in their case. Moreover, in the circuits that have now rejected the presumption, the courts have said relatively little regarding what particular evidence a claimant should produce in order to bolster a claim of irreparable harm, which adds to the uncertainty.

INTA is on record as strongly supporting the revitalization of the rebuttable presumption of irreparable harm in Lanham Act cases. As noted, INTA submitted an *amicus curiae* brief in support of a petition to the Supreme Court for certiorari in the *Herb Reed Enterprises* case decided by the Ninth Circuit and advocated for the presumption in that brief. INTA took the same position in an *amicus* brief filed in the *Ferring Pharmaceuticals* appeal before the Third Circuit.

### **The Rationale for a Different Approach in Lanham Act Cases**

Lanham Act cases, even more than cases involving patent rights and copyrights, are unique in the harms that they seek to prevent and remedy. The Lanham Act protects both competitors and consumers from the harms arising from acts of trademark infringement, dilution, cybersquatting, and false advertising, and protects the goodwill and reputation that a claimant has acquired against such acts (15 U.S.C. § 1125). Under Section 34 of the Act, courts can grant injunctive relief against infringement, dilution, cybersquatting, and false advertising according to the principles of equity and upon such terms as the court may deem reasonable (15 U.S.C. § 1116). The harm in such cases is often not readily or immediately quantifiable. In order to protect Lanham Act claimants’ rights, including the risk to goodwill and reputation, as well as the potential harm to the public, presuming harm can be an important avenue to adequate relief. Moreover, as some circuits require a showing of willfulness or actual confusion in order to obtain monetary relief, the importance of securing an injunction is that much greater. Unlike the Patent Act and the Copyright Act, which statutorily provide a successful claimant with a reasonable royalty (35 U.S.C. § 284) and statutory damages (17 U.S.C. § 504), respectively, the Lanham Act lacks any such provision that would in effect guarantee monetary relief where a court has found liability. Thus, absent injunctive relief, a successful litigant under the Lanham Act faces the very real prospect of an unchanged status quo and no monetary recovery despite proving the merits of its claim.

The hallmark of a Lanham Act infringement claim is consumer confusion. Indeed, consumer confusion is inexorably intertwined with irreparable harm to the brand owner. Thus, reputation and goodwill are typically vital to a Lanham Act claimant, but are almost invariably at risk from confusion. Reputation and goodwill are similarly at risk in dilution cases, and, as with likelihood of confusion, the irreparable harm naturally flows from this likelihood of dilution. See, e.g., *Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. B.E. Windows Corp.*, 937 F. Supp. 204, 209 (S.D.N.Y. 1996) (“Once a trademark has become diluted, it has lost the strength it once possessed. No matter how small the dilution, the harm has been done.”). A key rationale for granting exclusive trademark or service mark rights to a single person or entity stems from the

public's association of the mark as an identifier of a source of goods or services. All of this counsels in favor of retaining the presumption of irreparable harm upon a finding of a likelihood of confusion or dilution (or a probability of success in establishing the same on a motion for a preliminary injunction). The same can be said for false advertising claims under the Lanham Act, which likewise entail an element of public harm.

As Chief Justice Roberts observed in his concurring opinion in *eBay*, it is also important to consider the history and practice of why injunctive relief has been granted in a particular category of cases. Speaking in the patent context, he noted that “courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases. This ‘long tradition of equity practice’ is not surprising, given the difficulty of protecting a right to exclude through monetary remedies that allow an infringer to use an invention against the patentee’s wishes— a difficulty that often implicates the first two factors of the traditional four-factor test. . . . [T]here is a difference between exercising equitable discretion pursuant to the established four-factor test and writing on an entirely clean slate.” 547 U.S. at 395 (Roberts, C.J., concurring). This reasoning applies equally, if not more strongly, to Lanham Act cases. Even prior to *eBay*, courts did not routinely grant injunctions in every type of case—Lanham Act cases were one of a limited set that courts typically found such relief to be warranted<sup>1</sup>.

In sum, the Lanham Act is unique in the harms it is intended to prevent and remedy, including harm to the claimant’s goodwill and reputation, as well as harm to the public.

Accordingly, the Subcommittee unanimously requests that Board adopt a resolution in favor of amending Section 34 of the Lanham Act to provide that, when a claimant seeks injunctive relief, a rebuttable presumption of irreparable harm shall apply where there has been a finding of liability, or, in the case of a motion for a preliminary injunction, a finding of probable success on the merits of the claim. Such an amendment would provide clarity for the courts and litigants alike, while also providing claimants who prevail on the merits of their claim, or who demonstrate that they are likely to prevail on the merits, injunctive relief to prevent injury moving forward<sup>2</sup>.

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<sup>1</sup>It is worth noting that another consideration for treating Lanham Act claims differently than Patent Act claims is that the *eBay* case dealt with a non-practicing entity as the plaintiff. Because trademark infringement and dilution claimants are required to use their marks lest they lose their rights, and false-advertising claimants must be active competitors to have standing, there is unlikely to be a set of facts arising under the Lanham Act analogous to the facts before the Court in *eBay*.

<sup>2</sup>Section 34 of the Lanham Act authorizes injunctive relief in one other type of case, namely, cases of domain name misappropriation arising under Section 43(d), the Anticybersquatting Consumer Protection Act (ACPA). The proposed amendment would apply equally in such cases. We note, however, that ACPA itself separately provides for the injunctive remedy of forfeiture, cancellation, or transfer of the domain name in question, in addition to remedies otherwise available. Thus, the need for a presumption of irreparable harm in ACPA cases may not be as pronounced as in other types of Lanham Act actions.