

US Trademark and Copyright Reforms Accompany COVID-19 Relief

December 28, 2020

The Consolidated Appropriations Act, 2021 passed by Congress on December 21, 2020, and signed into law by President Donald Trump on December 27, includes sweeping changes to US trademark and copyright law. Part of the law, the Trademark Modernization Act of 2020 (TM Act), will provide trademark plaintiffs seeking injunctions a rebuttable presumption of irreparable harm, broadening the availability of injunctive relief; it will provide for third-party submission of evidence in trademark examination proceedings; and it will create a streamlined process for cancellation of trademarks failing to meet certain technical “use” requirements. The new law also includes the Copyright Alternative in Small-Claims Enforcement Act of 2019 (CASE Act), which creates a small claims tribunal within the U.S. Copyright Office for deciding disputes regarding infringement and DMCA claims, as well as the Protecting Lawful Streaming Act of 2020, which will create felony criminal liability for streaming pirated content for commercial purposes.

Trademark Modernization Act of 2020

In federal courts, the TM Act may make it easier to obtain an injunction in certain trademark cases by providing for a presumption of irreparable harm when a party demonstrates likelihood of confusion. Historically, trademark plaintiffs in many courts were entitled to a presumption of irreparable injury when seeking an injunction upon demonstrating likelihood of confusion (or likelihood of success on the merits if seeking a preliminary injunction). However, after the Supreme Court’s decision in *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388 (2006), which held that a plaintiff seeking a permanent injunction against patent infringement must demonstrate each prong of the traditional four-factor test before a court may grant such relief, a circuit split developed regarding whether a presumption of irreparable injury would apply in the corresponding four-factor test in trademark cases. Following *eBay*, the Ninth Circuit rejected the presumption of irreparable injury in trademark cases. Other circuits continued to apply the presumption, and notable treatises, including McCarthy on Trademarks, argued that the presumption should continue to apply. The TM Act will resolve the split and affirm the presumption of irreparable injury, though not retroactively.

At the US Patent and Trademark Office (USPTO), the TM Act will address the “significant increase in trademark registrations that falsely claim use of a mark that has, in fact, not been used by the registrant,” according to one of the bill’s sponsors, Hank Johnson, D-GA. The TM Act is ostensibly targeted at “the flood of fraudulent trademark registrations from China that currently cannot be cleared except through costly, time-consuming cancellation actions before the Trademark Trial and Appeal Board,” though the new law will impact other areas of trademark practice as well.

The TM Act includes three mechanisms to address registrations of marks that have not been used as required.

First, Section 1 of the Lanham Act (15 USC § 1051) has been amended to include a section codifying the process of submitting a letter of protest against registration of a mark. New subsection (f) allows a third party to submit to the USPTO director the evidence for inclusion in the application file supporting a ground for refusal of registration. The party must submit the evidence along with a short statement describing how the evidence supports the ground for refusal. This procedure will not be only for “use” and fraud issues – a variety of grounds for refusal can be raised in the third party submission. The director will have two months after the submission of the evidence to determine whether it should be included in the application file. A decision by the director will be final and non-reviewable, but would not prejudice a party’s ability to rely on the evidence in a subsequent (e.g., opposition or cancellation) proceeding. The director will have one year to establish the procedure by which the evidence will be considered.

Second, the TM Act creates a procedure known as expungement. This *ex parte* procedure will allow a third party, or the director itself, to seek cancellation of a registration on the grounds that the mark was never used in commerce on or in connection with some or all of the goods or services recited in the registration. The petitioner

will be entitled to submit evidence of non-use, which the director will consider to determine whether expungement proceedings should be instituted. Expungement will be available starting three years after registration of the mark. Despite the use of *ex parte* terminology, the director is required to promulgate regulations governing the expungement proceeding that will allow the registrant to respond and provide evidence of use or excusable nonuse.

In parallel to the expungement procedure, the TM Act also creates an additional ground for cancellation, amending 15 USC § 1064 to include subparagraph 6, allowing cancellation at “any time after the three-year period following the date of registration, if the registered mark has never been used in commerce on or in connection with some or all of the goods or services recited in the registration.” This expands the limited grounds for cancellation of a registration that is over five years old.

Third, the TM Act creates a procedure for a party to seek *ex parte* reexamination of a registration on the basis that the mark was not in use in commerce on or in connection with some or all of the goods or services recited in the registration on or before a relevant date (e.g., filing date, amendment to allege use date or statement of use date, as applicable). Unlike expungement, the standard for a mark having been “never used” will not apply. Again, the director is required to promulgate regulations to govern the procedure.

The TM Act will also allow the director to set different deadlines to respond to a trademark office action. Currently, an applicant has six months to respond to an office action, no matter the issues raised. The TM Act empowers the director to set regulations changing the deadline within a range of 60 days to six months. For example, the director might choose to change the deadline for responding to a simple issue to be two months rather than six.

Copyright Alternative in Small-Claims Enforcement Act

The CASE Act creates the Copyright Claims Board, a type of small-claims tribunal at the Copyright Office to decide claims of copyright infringement or abuses of the Digital Millennium Copyright Act (DMCA) takedown procedures. The tribunal will hear claims with a maximum recovery of \$30,000 in statutory or actual damages, exclusive of any attorneys’ fees and costs that may be awarded. The Register of Copyrights will establish implementing regulations.

While the CASE Act is ostensibly aimed at allowing individuals and small businesses access to bring claims of infringement for less valuable works, critics worry that the process allows an easier path to pursuing less meritorious claims. However, parties served with a notice and claim will have 60 days to opt out and have the proceeding be dismissed without prejudice.

The CASE Act does not allow for formal motion practice, though applicable regulations and procedures may provide parties a mechanism to make requests regarding case management, discovery or other matters. The CASE Act also provides for limited written discovery but not depositions without good cause. Determinations will have a preclusive effect on District Court litigations (except for those who opt out).

Protecting Lawful Streaming Act of 2020

A new law codified at 18 U.S.C. § 2319B will make it a felony for a person to willfully, and for purposes of commercial advantage or private financial gain, offer or provide to the public a streaming service primarily designed or provided for the purpose of infringing copyrights, or that has no other commercially significant purpose, or that is intentionally marketed for use in connection with copyright infringement.

Key takeaways

The Consolidated Appropriations Act, 2021 will lead to broad impacts on trademark litigation and prosecution, as well as administrative proceedings relating to trademarks and copyrights. Rights owners should be prepared to understand how they might benefit from the new laws as well as the risks they present.

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