

Injunctions Under TM Modernization Act: A Year In Review

By Phillip Hill, Robert Hunziker and Jeremiah Kirstein

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Since the Trademark Modernization Act became law on Dec. 27, 2020, courts across the country have begun applying the new statutory rebuttable presumption that irreparable harm arises from a Lanham Act violation.[1]

This article examines trends in trademark injunction decisions in the year following enactment and the impact of the presumption on trademark cases going forward.

Federal Court Trends

Injunctions are the usual remedy for trademark violations. For years, courts presumed irreparable harm from trademark infringement and granted injunctions as a matter of course for successful claims.

But after the U.S. Supreme Court held in the 2006 *eBay Inc. v. MercExchange LLC* decision that no such presumption arose for successful patent infringement claims,[2] courts split over whether the holding extended to trademark claims.

The U.S. Court of Appeals for the Sixth Circuit and district courts in the Fourth Circuit and D.C. Circuit generally kept the presumption in trademark cases, while the U.S. Courts of Appeals for the Third, Ninth and Eleventh Circuits and some district courts in other circuits rejected the presumption.[3]

On Dec. 27, 2020, Congress resolved this split by amending the Lanham Act to codify the presumption.

This codification has seemingly encouraged trademark owners and courts. Table 1 below provides data from 2017 through 2021 on temporary restraining orders and preliminary injunction decisions in trademark cases across the federal courts. 2021 achieved new highs in terms of decisions, grants, and grant rate, and also produced the sharpest year-over-year increases in the number of decisions and grants.



Phillip Hill



Robert Hunziker



Jeremiah Kirstein

Table 1

Trademark TRO and Preliminary Injunction Decisions across Federal Courts

	2017	2018	2019	2020	2021
Decisions	897	1,144	1,324	1,494	2,147
Grants	601	898	1,042	1,204	1,835
Grant Rate	67%	78%	79%	81%	85%

Source: Docket Navigator (Jan. 21, 2022)

Naturally, the greatest impact has been in courts that had rejected the presumption before the TMA. Among the jurisdictions with prior circuit-level precedent rejecting the presumption, district courts in the Ninth Circuit[4] and Eleventh Circuit[5] have now reversed course, citing the TMA in granting at least nine injunctions.

Likewise, district courts that had previously rejected the presumption without circuit-level precedent have now cited the TMA in granting injunctions, including the U.S. District Court for the District of Massachusetts,[6] the U.S. District Court for the Southern District of New York[7] and the U.S. District Court for the Northern District of Texas.[8]

Table 2 below provides data on TRO and preliminary injunction decisions in trademark cases in the Southern District of New York from 2017 through 2021. After multiyear decreases in decisions, grants and grant rate, 2021 brought new highs across the board.

Table 2

Trademark TRO and Preliminary Injunction Decisions in S.D.N.Y.

	2017	2018	2019	2020	2021
Decisions	72	151	121	113	186
Grants	53	131	103	85	164
Grant Rate	74%	87%	85%	75%	88%

Source: Docket Navigator (Jan. 21, 2022)

Litigating the Statutory Presumption of Irreparable Harm

The statutory presumption has reduced uncertainty and burdens for trademark owners with meritorious

claims. Of course, a presumption does not guarantee that an injunction will issue in every case. This section examines the practical impact of the presumption in its first year of application and what it may mean for litigants going forward.

Before the TMA was passed, trademark owners often faced uncertainty about the allegations and evidentiary showings necessary to prove irreparable harm, even in uncontested cases.[9]

As a result, trademark owners often grappled with whether and how to develop this kind of evidence, particularly in some of the largest consumer markets like New York and California where the federal courts had previously rejected the presumption.

The new presumption alleviates this uncertainty, especially in cases in which the defendant defaults or otherwise does not challenge the presumption.[10]

In deciding contested motions, courts have addressed arguments to support and refute irreparable harm in light of the statutory presumption. Here are some key takeaways and open questions from the first year of decisions.

When does the presumption arise?

There must be a threshold showing of a Lanham Act violation before the presumption will apply. Decisions denying injunctive relief despite referencing the TMA tend to be in cases in which the showing on the merits of the trademark claim was insufficient to trigger the presumption in the first place.[11]

What does it take to overcome the presumption?

At least one court, the U.S. District Court for the Central District of California in the November Theorem Inc. v. Citrusbyte LLC decision, characterized the presumption as "heavy," citing J. Thomas McCarthy's leading treatise "McCarthy on Trademarks and Unfair Competition" in the process of granting a preliminary injunction.[12]

It bears monitoring whether this articulation of the standard gains traction. Among other things, it could affect the degree to which pre-TMA arguments against irreparable harm remain viable today, or increase the difficulty of proving up those arguments.

What kinds of evidence rebut the presumption?

Jurisdictions that had previously rejected the presumption are in the process of reevaluating their pre-TMA precedent regarding evidence that supports or refutes irreparable harm.

For example, in the Mountain Mike's Pizza LLC v. SV Adventures Inc. decision in December, the U.S. District Court for the Eastern District of California denied a TRO where it found the showing of irreparable harm insufficient in comparison to the types of evidence that pre-TMA Ninth Circuit decisions endorsed, such as market-based evidence of lost goodwill in the form of customer declarations.[13] This decision suggests that the presence or absence of affirmative evidence may yet hold sway in some courts.

That decision and the ReBath LLC v. Foothills Service Solutions Co. decision in June from the U.S. District Court for the District of Arizona, a sister court within the Ninth Circuit, seemingly reached opposite

conclusions as to whether the trademark owner's potential loss of control or goodwill must be bolstered by actual evidence,[14] and whether the presumption is overcome by the defendant's voluntary cessation of the challenged use.[15]

Courts seem to agree that delay in bringing suit retains a significant role as evidence rebutting irreparable harm in the context of preliminary relief. Under the statutory presumption, preliminary injunctions and TROs have been denied in cases involving delays of a month,[16] two to four months,[17] and nine months.[18]

Courts appear ready to focus on delay in evaluating the likelihood of irreparable harm, particularly where trademark owners offer little or nothing beyond the presumption itself. Thus, trademark owners seeking injunctions should remain vigilant about enforcing their rights or be prepared to make an affirmative showing of irreparable harm.

Conclusion

At the one-year mark, the TMA's codified presumption of irreparable harm has reduced uncertainty for trademark owners seeking to enjoin infringement. This effect has been particularly significant in jurisdictions that had previously rejected the presumption, including in markets like New York and California.

While the statutory presumption does not guarantee an injunction, and some open questions remain, trademark owners who have viable claims and diligently enforce their rights will likely find it easier to stop infringement in courts across the country.

Phillip Hill, Robert Hunziker and Jeremiah Kirstein are associates at Covington & Burling LLP.

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[1] 15 U.S.C. § 1116(a) (Federal courts "shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title. A plaintiff seeking any such injunction shall be entitled to a rebuttable presumption of irreparable harm upon a finding of a violation identified in this subsection in the case of a motion for a permanent injunction or upon a finding of likelihood of success on the merits for a violation identified in this subsection in the case of a motion for a preliminary injunction or temporary restraining order.").

[2] eBay, Inc. v. MercExchange, 547 U.S. 388 (2006).

[3] See <https://www.natlawreview.com/article/near-half-year-review-and-update-trademark-modernization-act-s-revival-irreparable> (June 21, 2021) (collecting cases).

[4] Theorem, Inc. v. Citrusbyte, LLC, 2021 WL 5750238 (C.D. Cal. Nov. 16, 2021) (granting preliminary injunction); AK Futures LLC v. Boyd St. Distro LLC, 2021 WL 4860513 (C.D. Cal. Sept. 15, 2021) (granting preliminary injunction); Nintendo of Am., Inc. v. Storman, 2021 WL 4780329 (C.D. Cal. Aug. 5, 2021)

(granting permanent injunction); *AK Futures LLC v. Green Buddha LLC*, 2021 WL 4352811 (C.D. Cal. Aug. 4, 2021) (granting preliminary injunction); *Knature Co. v. Duc Heung Grp., Inc.*, 2021 WL 3913194 (C.D. Cal. July 2, 2021) (granting permanent injunction); *ReBath LLC v. Foothills Serv. Sols. Co.*, 2021 WL 2352426 (D. Ariz. June 9, 2021) (granting TRO); *Suzie's Brewery Co. v. Anheuser-Busch Cos., LLC*, 2021 WL 472915 (D. Or. Feb. 9, 2021) (granting TRO); *Vineyard House, LLC v. Constellation Brands U.S. Ops., Inc.*, 2021 WL 254448 (N.D. Cal. Jan. 26, 2021) (granting permanent injunction).

[5] *Hill v. Dinges*, 2021 WL 4935649 (M.D. Fla. Sept. 13, 2021) (recommending permanent injunction), report and recommendation adopted, 2021 WL 4520503 (M.D. Fla. Oct. 4, 2021).

[6] *SoClean, Inc. v. Sunset Healthcare Sols., Inc.*, 2021 WL 3605013 (D. Mass. Aug. 13, 2021) (granting preliminary injunction).

[7] *RiseandShine Corp. v. PepsiCo, Inc.*, 2021 WL 5173862 (S.D.N.Y. Nov. 4, 2021) (granting preliminary injunction).

[8] *Bisous Bisous LLC v. The Cle Grp.*, 2021 WL 3618042, at *12 (N.D. Tex. Aug. 16, 2021) ("Neither the Fifth Circuit, nor, until now, any district court within the Fifth Circuit, has applied a rebuttable presumption under this statutory language.").

[9] See, e.g., *Kohler Co. v. Bold Int'l FZCO*, 422 F. Supp. 3d 681, 707–08 (E.D.N.Y. 2018) (granting default judgment, but denying permanent injunction for insufficient evidence that "failure to issue an injunction would actually cause irreparable harm"); *Puma SE v. Forever 21, Inc.*, 2017 WL 4771003, at *2–4 (C.D. Cal. June 2, 2017) (denying preliminary injunction, finding that company director's declaration regarding diminished brand value and customer confusion was conclusory and insufficient evidence of irreparable harm).

[10] See, e.g., *Oakley, Inc. v. Ly*, 2021 WL 3206320, at *3 (D. Colo. July 29, 2021); *Hill*, 2021 WL 4935649, at *6–8; *SoClean*, 2021 WL 3605013, at *2, 13–14 (D. Mass. Aug. 13, 2021).

[11] See, e.g., *Two Hands IP LLC v. Two Hands Am., Inc.*, 2021 WL 4437975, at *4 (S.D.N.Y. Sept. 28, 2021) (denying preliminary injunction, noting "the presumption does not arise . . . because . . . plaintiff has failed to demonstrate a likelihood of confusion"); *Proactive Env't Prod. Int'l, LLC v. Pine Env't Servs., LLC*, 2021 WL 3025481, at *15 (M.D. Fla. May 20, 2021) (same); *Engine Cap. Mgmt., LP v. Engine No. 1 GP LLC*, 2021 WL 1372658, at *12 (S.D.N.Y. Apr. 12, 2021) (same); cf. *Theorem, Inc.*, 2021 WL 5750238, at *8–9 (granting preliminary injunction over defendants' objection, where rebuttal arguments focused exclusively on the parties' evidence for and against confusion).

[12] *Theorem, Inc.*, 2021 WL 5750238, at *8 ("[T]he accused infringer's burden of production to rebut the presumption is a heavy one in view of the reality that monetary compensation for trademark infringement is, in the language of equity, inherently 'inadequate' and injury is fundamentally 'irreparable.'" (quoting 3 J. McCarthy, *Trademarks and Unfair Competition* § 30:47 (5th ed. 2021) ("McCarthy"))).

[13] See *Mountain Mike's Pizza, LLC v. SV Adventures, Inc.*, No. 2:21-cv-02387, 2021 WL 6136178, at *4 (E.D. Cal. Dec. 29, 2021) (noting that "evidence of reputational damage or harm to business goodwill sufficient to merit entry of preliminary relief typically incorporates information provided by, or from the perspective of, market-based sources external to the plaintiff itself," citing pre-TMA Ninth Circuit law).

[14] Compare ReBath LLC, 2021 WL 2352426, at *11 (granting TRO, reasoning that if the defendant resumed use, then "continued possession and use of the Marks prevents [the trademark owner] from controlling its reputation and goodwill and threatens the loss of goodwill, which constitutes irreparable harm"), with Mountain Mike's Pizza, supra n.13, at *4 (denying TRO, noting that even if the defendants resumed their use, "a plaintiff who attempts to establish irreparable harm via loss of business reputation and goodwill must proffer evidence of that loss — a district court may not base a finding of reputational harm on 'platitudes rather than evidence'" (quoting Herb Reed Enters., LLC v. Fla. Entm't Mgmt., Inc., 736 F.3d 1239, 1249–50 (9th Cir. 2013))).

[15] Compare ReBath LLC, 2021 WL 2352426, at *11 (granting TRO over defendant's argument that it was "effectively out of business at present," reasoning that it could resume use), with Mountain Mike's Pizza, supra n.13 at *4 (denying TRO where defendants had ceased use and resumption was speculative).

[16] Mountain Mike's Pizza, supra n.13, at 9.

[17] Massimo Motor Sports LLC v. Shandong Odes Indus. Co., No. 3:21-cv-02180, 2021 WL 6135455, at *2 (N.D. Tex. Dec. 28, 2021).

[18] Expedi, Inc. v. Rebound Int'l, LLC, No. 4:20-CV-3897, 2021 WL 3702169, at *2–3 (S.D. Tex. May 13, 2021) (denying preliminary injunction).