

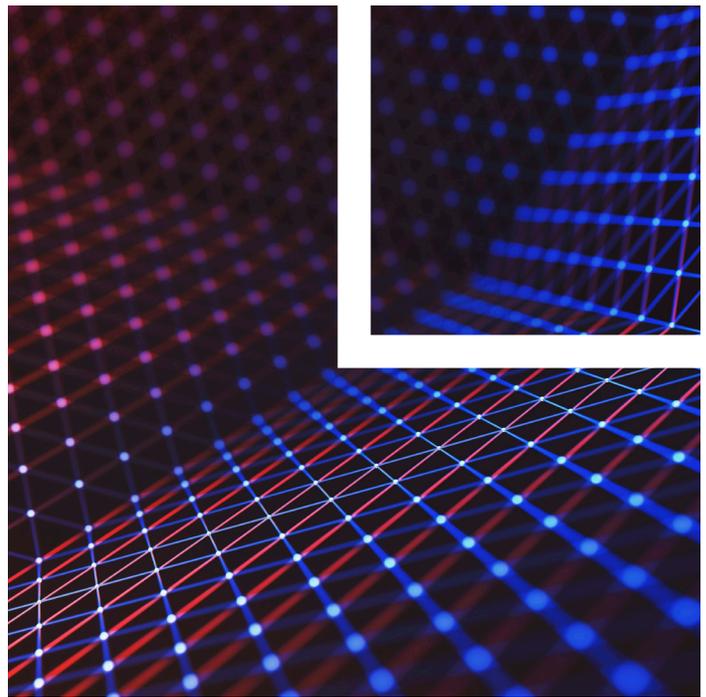
Trademark Modernization Act Significantly Impacts False Advertising Litigation

Much has been written about the Trademark Modernization Act (TMA), part of the massive COVID-19 relief and appropriations bill enacted at the very end of 2020. The TMA captured the attention of trademark holders—and their lawyers—because it not only establishes new processes for handling trademark disputes at the U.S. Patent and Trademark Office, but it also changes the way trademark disputes are litigated in federal court, addressing and resolving a circuit court split around the rebuttable presumption of irreparable harm in trademark cases in which a party is seeking injunctive relief.

But what has largely flown under the radar is the impact of the TMA on other, non-trademark cases, including false advertising claims. True to its name, the text of the TMA addresses a number of issues around trademarks and doesn't specifically mention false advertising claims. It does, however, directly amend the section of the Lanham Act—the federal law that covers both trademarks and false advertising—that authorizes injunctive relief sought for violations of the act, including the provision that addresses false advertising claims.

Key Takeaways:

- The TMA restores a rebuttable presumption of irreparable harm to requests for injunctive relief under the Lanham Act.
- It also expands the types of Lanham Act cases in which the presumption is available to include all false advertising cases, not just those involving claims of literal falsity.
- Cases that may previously have been poor candidates for preliminary injunctive relief may now result in the entry of injunctions.
- Although the presumption will be rebuttable, the codification of the presumption could significantly change the way that brands approach their strategies in false advertising litigation.



eBay and the circuit splits

Section 34(a) of the Lanham Act authorizes a court to grant an injunction “according to the principles of equity and upon such terms as the court may deem reasonable” in trademark infringement, false advertising, trademark dilution and cybersquatting claims brought under Section 43 of the statute.

Obtaining injunctive relief is the primary goal of many intellectual property and false advertising cases—to stop the other party from continuing its allegedly unlawful behavior. To make its case, a party not only has to demonstrate it will likely prevail on the merits of its claims; it must also demonstrate it is experiencing “irreparable” harm as a result of the defendant’s unlawful behavior and that a balancing of the equities favors entry of the injunction.

In many cases, irreparable harm—a cognizable injury that cannot be addressed through money damages—is the most critical and the most difficult element to prove. Federal courts historically ruled that parties seeking injunctive relief in certain Lanham Act cases enjoyed a presumption of irreparable harm if they demonstrated

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they were likely to prevail on the merits of their act claims. The presumption had been called into question by the U.S. Supreme Court's 2006 decision in *eBay Inc. v. MercExchange, LLC*, which held it was inappropriate to apply a presumption of irreparable harm when evaluating a request for injunctive relief under the Patent Act.

TMA Restores the Rebuttable Presumption of Irreparable Harm

The TMA amends Section 34(a) of the Lanham Act to clarify that a rebuttable presumption of irreparable harm applies upon a finding of infringement in the permanent injunction context or upon a finding of likelihood of success on the merits in the context of preliminary injunctive relief. Because Section 34(a) applies to injunctive relief with respect to a whole host of claims beyond trademark infringement, including unfair competition, trademark dilution, cyberpiracy and false advertising claims brought under Section 43 of the Lanham Act, the TMA restores or applies the rebuttable presumption in those cases as well.

The Impact on Litigants in False Advertising Claims

The application or restoration of the rebuttable presumption of irreparable harm could significantly change the way that companies approach their strategies in false advertising litigation in a number of ways—although exactly how remains to be seen as new cases make their way through the courts.

Prior to *eBay*, many courts did apply a rebuttable presumption of irreparable injury in false advertising cases brought under the Lanham Act, but only in cases where the advertisement was literally false and/or specifically made false claims about the plaintiff's products or services. The presumption was generally not available in cases of implied falsity or in situations where the defendant's allegedly false claims were about its own products or services (e.g., misleading pricing

claims). Because the amended Section 34(a) directs courts to apply a rebuttable presumption of irreparable injury in all false advertising cases in which a plaintiff has demonstrated a likelihood of success on the merits, cases that may previously have been poor candidates for preliminary injunctive relief under the Lanham Act may now result in the entry of injunctions.

The TMA also leaves open some questions as to the practical application of the presumption. By definition, the rebuttable presumption can be defeated upon a showing of evidence to the contrary by the party against which it is being applied. And while brands may have struggled in the past to establish irreparable harm when requesting injunctive relief in false advertising cases, the question remains what parties seeking to defeat the presumption will need to prove. Is the burden one of proof or persuasion? Will defendants need to prove a negative—prove the lack of irreparable harm to the claimant's brand or goodwill, a challenging scenario that would result in a much lower bar for plaintiffs seeking injunctive relief in Lanham Act cases? Or will parties attempting to defeat the presumption need only to produce some evidence to counter the presumption, rendering the presumption of fairly limited benefit for plaintiffs?

One change is almost certain: There will be less incentive for forum shopping, since all circuits will establish a consistent standard for plaintiffs seeking injunctive relief.

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