

KIRKLAND & ELLIS

Kirkland Alert

Sweeping Copyright and Trademark Measures Buried in Consolidated Appropriations Act

05 January 2021

The 5,593-page Consolidated Appropriations Act, 2021 (the “Act”) that President Trump signed into law on December 27, 2020, contains more than just the coronavirus provisions that made headlines. This Act quietly includes several provisions that make significant changes to copyright and trademark law. The most significant changes are that the Act:

- Establishes a copyright small-claims tribunal;
- Makes it a felony to provide a digital streaming platform meant for unauthorized streaming of copyrighted works;
- Establishes a rebuttable presumption of irreparable harm in trademark infringement cases (which lowers the bar for obtaining an injunction under existing precedent in some circuits, including the Second, Third, Ninth and Eleventh Circuits); and
- Establishes an *ex parte* procedure for *anyone* to seek cancellation of a registered mark for non-use.

As discussed below, each of these changes has the potential to significantly alter the landscape for copyright and trademark litigation in the U.S., though actual impact will largely depend on how the laws are applied in practice.

Copyright Measures

Arguably the most significant change in the Act is the creation of a copyright small-claims tribunal. The Copyright Alternative in Small-Claims Enforcement Act of 2020 (“CASE Act”), establishes a three-officer panel within the U.S. Copyright Office to hear

claims for copyright infringement, a declaration of non-infringement, and claims for misrepresentations in Digital Millennium Copyright Act takedown notices and counter notices, as well as related counterclaims on the same grounds and counterclaims arising under an agreement sufficiently related to the subject of the claims. But parties in the small claims tribunal may not seek to recover more than \$30,000 in one proceeding. The tribunal is authorized to award actual damages, profits, statutory damages, and/or agreed-upon equitable relief. Of note, the tribunal's statutory damages awards are capped at \$15,000 per infringed work and the tribunal is not allowed to consider or decide willfulness. Nor may the tribunal award attorneys' fees and costs (except where a party pursued a claim, counterclaim, or defense in bad faith). While proceedings before the tribunal allow for discovery, the scope is generally limited (subject to exceptions) to written discovery and document production. The Act also directs the Register of Copyrights to enact regulations for claims worth \$5,000 or less to be tried to one tribunal officer (rather than three).

While this is a potentially sweeping change because it provides a cheaper, faster and easier forum for copyright plaintiffs to bring claims they may otherwise forego in light of the lower amounts at issue, whether this brings about a copyright litigation revolution remains to be seen. The copyright small-claims tribunal is entirely voluntary: Respondents may opt out of the small claims court proceeding for any reason within a prescribed timeframe. The Act does, however, incentivize respondents' participation by limiting discovery, limiting the preclusive effect of the tribunal's determinations, and by limiting the scope of judicial review of the tribunal's decisions (though review may be sought by appealing to a relevant U.S. District Court). While there is some potential for abuse by copyright trolls, the Act allows the Board to bar repeat frivolous litigants from initiating claims in the tribunal for a period of 12 months.

The Act also elevates the willful provision of a digital streaming service for public performance of infringing works from a misdemeanor to a felony with penalties up to 10 years in prison. The provision applies to services that are primarily designed or provided for the purpose of streaming unauthorized copyrighted works, such as computer programs, music, television shows and films, and are provided for financial gain. It also applies to streaming services that are intentionally marketed for that purpose.

Trademark Measures

The trademark measures are contained in a portion of the Act called the "Trademark Modernization Act" and include two major changes plus a variety of smaller measures,

all of which are purportedly meant to modernize the Lanham Act, which was enacted in 1946. The most noteworthy provision of the Act for litigants in trademark cases is that it establishes a rebuttable presumption of irreparable harm for trademark infringement plaintiffs upon a finding of infringement or upon a finding of likelihood of success on the merits of an infringement claim. This provision resolves a circuit split and abrogates the case law in several circuits, including the Second, Third, Ninth, and Eleventh Circuits, holding that trademark infringement plaintiffs are not entitled to any such presumption. Though the Act specifies that the presumption is rebuttable, it does not specify what showing must be made to rebut it – which could theoretically become the subject of a new circuit split. Depending on how courts interpret this law, this change could take litigation back to the days before *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006) when many defendants focused their efforts to rebut irreparable harm presumptions on showing the plaintiff’s delay in seeking injunctive relief (rather than focusing on the plaintiff’s failure of proof). It remains to be seen whether and how this law will impact plaintiffs asserting claims for state or common law trademark infringement without any federal registration.

The Trademark Modernization Act’s other most significant provision is the creation of an ex parte process for expunging trademark registrations that have never been used in commerce or in connection with the goods and services noted in the registration. Of note, this process is available to *anyone* – not just interested parties. It may also be initiated by the Patent & Trademark Office itself. The procedure will be available for marks that are between 3 and 10 years old, and includes as a possible defense that the nonuse was excusable. This procedure gives the Patent & Trademark Office an unprecedented tool to clear out dead marks that should no longer be on the register and also invites private parties to participate in this gargantuan task. While the exact impact of this provision will depend on how often it is used, it brings trademark registration procedure more in line with the court-applied rules that a trademark registration owner who does not use their mark may well lose it.

In sum, the latest coronavirus relief act snuck into place significant new copyright and trademark laws. But only time will tell how big of an impact these changes will have.

Authors

Allison Worthy Buchner

Partner / Los Angeles – Century City

Lauren Schweitzer

Partner / Los Angeles – Downtown

Maria Monica Beltran

Associate / Los Angeles – Downtown

Related Services

Practices

- Copyright Litigation & Counseling
- Trademark Litigation & Counseling

Suggested Reading

- 03 December 2020 In the News 2020 Practice Group of the Year: Intellectual Property
- 06 November 2020 Award Best Law Firms 2021
- 06 November 2020 Article Trademarks and the First Amendment: Litigation Trends

This communication is distributed with the understanding that the author, publisher and distributor of this communication are not rendering legal, accounting, or other professional advice or opinions on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use. Pursuant to applicable rules of professional conduct, this communication may constitute Attorney Advertising.

© 2021 Kirkland & Ellis LLP.