

The Fed. Circ. In November: The Presumption Of TM Validity

By **Paul Stewart** (November 30, 2022)

The U.S. Court of Appeals for the Federal Circuit issued a decision on Nov. 9 confirming the strength of the presumption of validity of federal trademark registrations.

In this case, *SoClean Inc. v. Sunset Healthcare Solutions Inc.*, the court was faced with a trademark registration that the examiner had clearly allowed to issue in error.

The Federal Circuit concluded that, despite the clear error, the registration was entitled to the full statutory presumption of validity.

The plaintiff's registration at issue was for a product configuration, specifically the configuration of a replacement filter for medical equipment.

It was undisputed that under the U.S. Supreme Court's 2000 decision in *Wal-Mart Stores Inc. v. Samara Brothers Inc.*, the plaintiff's product configuration could be protected as trade dress only upon a showing of secondary meaning.

To obtain its registration, the plaintiff relied solely upon its five years of continuous use of the product configuration. The Lanham Act declares that five years of continuous use of a mark constitutes prima facie evidence of secondary meaning.

However, U.S. Patent and Trademark Office policy set forth in the Trademark Manual of Examining Procedure requires additional evidence of secondary meaning for product configurations. The examiner nevertheless allowed the registration to issue without any additional evidence of secondary meaning.

The plaintiff then filed suit in February 2020 against the defendant in the U.S. District Court for the District of Massachusetts for trade dress infringement and sought a preliminary injunction against further sales of the defendant's filter.

The district court granted the motion in part, permitting further sales of the defendant's filter, but requiring the defendant to prominently display its name in connection with any promotional materials that depicted the defendant's filter. Only the defendant appealed the preliminary injunction.

On appeal, the defendant argued that the district court had improperly applied the statutory presumption of validity arising from the plaintiff's registration.

According to the defendant, the district court should have decided whether the evidence that was before the examiner was sufficient to support a finding of secondary meaning and, thus, sufficient to support the registration.

In effect, the defendant argued that the presumption of validity should be withdrawn because the evidence before the examiner was not sufficient to support the registration under USPTO policy.

The Federal Circuit flatly rejected this argument, holding that:



Paul Stewart

The presumption of validity is not conditional; the statute provides that a certificate of registration "shall" result in the presumption, without specifying any exceptions.

The opinions says:

[S]crutinizing the application process and deciding whether the trademark examiner was correct to issue the registration in the first place is the opposite of presuming that the registration as issued is valid.

Accordingly, the Federal Circuit affirmed the district court's rejection of the defendant's attack on the presumption of validity, and its attack on the ultimate finding that the plaintiff was likely to defeat the defendant's secondary meaning challenge.

The Federal Circuit also rejected the defendant's functionality challenge. The defendant had argued that the district court should not have considered the existence of alternative designs in deciding that the registered product configuration was nonfunctional.

The Federal Circuit noted that there was a circuit split on this issue and affirmed the district court's reliance upon alternative designs, explaining that:

- The majority of circuit courts have endorsed reliance on alternative designs; and
- The U.S. Court of Appeals for the First Circuit has held that the focus of the functionality inquiry is on "the effect that granting protection will have on the opportunity of other to compete."

This holding suggests that the First Circuit is likely to follow the majority rule.

The SoClean decision, particularly its holding regarding the presumption of validity, should prove to be an important precedent for trademark litigators.

The Federal Circuit's decision makes clear that the presumption of validity applies with full force when the examiner makes a legal error, even an obvious one. In fact, the presumption of validity exists precisely because examiners sometimes make errors. If the presumption did not apply in these circumstances, it would have little, if any, practical effect.

Of course, as the Federal Circuit emphasized, the presumption of validity does not completely insulate the erroneously issued registration from any challenge. It merely places the burden of proof on the challenging party to come forward with evidence of invalidity.

In the SoClean case, for example, the defendant could have submitted a survey or other evidence showing a lack of secondary meaning. But it chose not to do so, and instead relied entirely upon its erroneous view of the presumption.

Litigators representing trademark and trade dress defendants should learn from the SoClean defendant's mistake.

No matter how erroneous an examiner's allowance of a registration may appear on its face, the burden remains on the defendant to present affirmative evidence to the court that the registration is invalid. An examiner's errors do not negate the presumption and shift the burden to the registrant to prove validity.

Similarly, litigators representing trademark registrants can follow the SoClean plaintiff's lead and rest entirely upon the presumption of validity, even in the face of an examiner's error. Of course, it is ordinarily advisable to adopt a belt-and-suspenders approach and present any additional evidence of validity that the registrant may have.

However, in some procedural postures, that may be unnecessary. For example, where a defendant has come forward with no invalidity evidence during discovery, the registrant can rely upon the presumption alone to obtain summary judgment of validity. Any errors by the examiner during prosecution should be irrelevant to such a motion.

Interestingly, the plaintiff in SoClean did not appeal the narrow scope of the injunction. That injunction allows the defendant to continue selling products incorporating the plaintiff's registered product configuration trade dress as long as the defendant includes its name prominently in all marketing materials that include an image of the trade dress.

The district court explicitly held that this narrow relief was sufficient to prevent a likelihood of consumer confusion. The Federal Circuit had no occasion to address the district court's holding because the plaintiff chose not to appeal.

It would be interesting to see the Federal Circuit's approach to the scope of injunctive relief if a similar issue arises in the future.

Paul Stewart is a partner at Knobbe Martens.

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