

abt REPORT

NORTHERN CALIFORNIA

Volume 24 No. 3

Spring 2016

Injunction Relief in Lanham Act Cases Post-Herb Reed

Motions for preliminary injunctive relief are routinely sought in cases involving claims for trademark infringement. For many years, once a moving party established a likelihood of success on the merits, irreparable harm was presumed and an injunction would usually be issued. This all changed with the Ninth Circuit's holding in *Herb Reed Enter., LLC v. Florida Entm't Mgmt., Inc.*, 736 F.3d 1239 (9th Cir. 2013), that a plaintiff must affirmatively establish a likelihood of irreparable harm in order to obtain a preliminary injunction on a trademark infringement claim.

The *Herb Reed* decision is rooted in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), which overturned many years of jurisprudence in concluding that a party seeking a permanent injunction for patent infringement was not entitled to a "categorical" presumption of irreparable harm after succeeding on the merits. After *eBay*, the circuit courts slowly extended the so-called *eBay* rule to copyright cases. See, e.g., *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976, 979-81 (9th Cir. 2011).

Whether the *eBay* rule applied to trademark cases remained unsettled. Some argued that a trademark is inherently different from a patent or copyright and that the harm resulting from patent/copyright infringement is different from the harm caused by trademark infringement. Predictably, the district courts reached different conclusions. While the district courts in the Ninth Circuit were generally trending in the direction of requiring concrete evidence of irreparable harm before issuing an injunction, some courts still applied the presumption of irreparable harm. The Ninth Circuit remedied the resulting confusion in *Herb Reed*.



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The case involved "The Platters" vocal group and was the latest chapter in a longrunning dispute over who had the right to use The Platters name. The district court entered a preliminary injunction and defendant appealed. The Ninth Circuit reversed, concluding that a plaintiff seeking a preliminary injunction in a trademark infringement case must actually demonstrate irreparable harm. In reaching its decision, the Ninth Circuit relied on *eBay* and *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7 (2008), which reconfirmed the traditional four-factor test for injunctive relief, in finding that "[n]othing in the Lanham Act indicates that Congress intended a departure in trademark infringement cases" and "[g]one are the days when 'once the plaintiff in an infringement action has established a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief does not issue.'" *Herb Reed*, 736 F.3d at 1249-50 (citation omitted).

The Ninth Circuit was the first circuit to expressly extend the *eBay* rule to a trademark infringement case and, to date, the Third Circuit is the only other circuit to have issued a similarly definitive opinion. See *Ferring Pharmaceuticals, Inc. v. Watson Pharmaceuticals, Inc.*, 765 F.3d 205, 216-17 (3d Cir. 2014). With the exception of the Fifth Circuit, which has essentially affirmed the presumption, the other circuits either have not specifically addressed the issue or have expressed an inclination to apply the *eBay* rule to trademark cases, but declined to do so.

Since *Herb Reed*, the focus in motions for injunctive relief in the Ninth Circuit has largely shifted from the merits of the underlying claim to the irreparable harm factor. And while *Herb Reed* confirmed that irreparable harm now must be established in a Lanham Act case, it provided little guidance as to what actually constitutes irreparable harm and how to actually prove it.

What Constitutes Irreparable Harm (and How to Prove It)

In its broadest sense, irreparable harm is "harm for which there is no adequate legal remedy." *Arizona Dream Act. Coal. v. Brewer*, 757 F.3d 1053, 1068 (9th Cir. 2014). Something more than "economic injury" is required, because "such injury can be remedied by a damage award." *Rent-A-Ctr., Inc. v. Canyon Television & Appliance Rental, Inc.*, 944 F.2d 597, 603 (9th Cir. 1991).

Beyond this it is unclear. In the aftermath of *Herb Reed*, it seemingly varies from district court to district court. Arguments and evidence that worked in the past often will not pass muster. In many respects, there is an element of “I know it when I see it” in the courts’ analyses.

For these reasons, how to actually prove irreparable harm in a Lanham Act case has confounded practitioners and the courts since *Herb Reed*. Still, the basic ground rules are familiar in concept, if not application. “Cursory and conclusory” assertions of irreparable harm and empty “platitudes” are insufficient even in circumstances where the infringement is egregious. *Herb Reed*, 736 F3d at 1250. There must be more than a mere “possibility” of irreparable harm; it must be “likely” to occur in the future. *Titanes Light Shop, LLC v. Sunlight Supply, Inc.*, 585 FApp’x 390, 391 (9th Cir. 2014), quoting *Winter*, 555 U.S. at 20, 22. Put another way, the threatened harm must be real and not theoretical. *Cutting Edge Solutions, LLC v. Sustainable Low Maint. Grass, LLC*, 2014 WL 5361548, at 6 (N.D. Cal. Oct. 20, 2014). And an unwarranted delay in seeking relief suggests a lack of urgency and undermines a claim of irreparable harm. *Champion Cain v. MacDonald*, 2015 WL 4393303, at *10 (S.D. Cal. Jul. 15, 2015).

Loss of Control Over Reputation, Goodwill and Products/Services

In *Herb Reed*, the Ninth Circuit held that “[e]vidence of loss of control over business reputation and damage to goodwill *could* constitute irreparable harm.” 736 F3d at 1250 (emphasis added). The district courts generally have followed the Ninth Circuit’s lead. See, e.g., *Brooklyn Brewery Corp. v. Black Ops Brewing, Inc.*, 2016 WL 80632, 10 (E.D. Cal. Jan. 7, 2016) (infringement “will cause [p]laintiff to lose its ability to control its brand reputation and goodwill, since what could be perceived by consumers as the quality of [p]laintiff’s product risks no longer being within [p]laintiff’s control”); *IHOP Franchising, LLC v. Hameed*, 2015 WL 429547, at *5 (E.D. Cal. Feb. 2, 2015) (“[A]llowing a deficient operator to operate under Plaintiff’s Marks — despite termination — irreparably harms IHOP by removing its ability to control its reputation.”); *United Tactical Sys., LLC v. Real Action Paintball, Inc.*, 2014 WL 6788310, at *23 (N.D. Cal. Dec. 2, 2014); *Starbucks Corp. v. Heller*, 2014 WL 6685662, at *4 (C.D. Cal. Nov. 26, 2014). Notwithstanding, it seems that equating loss of control with irreparable harm is somewhat circular. Isn’t there always a loss of control in a trademark infringement case? And, if so, wouldn’t a finding of irreparable harm be all but a foregone conclusion and at least somewhat inconsistent with *eBay*?

Nonetheless, it appears to be universally accepted after post-*Herb Reed* that non-quantifiable damage to goodwill or loss of control of reputation may be evidence of irreparable harm. However, there is no similar consensus about what constitutes compelling evidence of such harm. The uncertainty generally stems from the Ninth Circuit’s admonitions that “unsupported and conclusory statements” and “pronouncements grounded in platitudes” will not suffice. *Herb Reed*, 739 F3d at 1250. So, what will suffice? It ultimately depends on the facts and the available evidence, but a few general guidelines can be teased out of recent district court decisions.

As a starting point, a moving party should explain its business and the importance of the infringed trademark to its success. The moving party should offer similarly fundamental and concrete evidence that the mark is well known and positively perceived by the consuming public, as well as evidence of the steps it has taken to develop and protect its trademark(s) and goodwill, including sums spent on marketing, brand management, and prior enforcement efforts. Unsupported assertions that the infringement “diminishes,” “undermines,” “taints,” or “tarnishes” the goodwill/reputation of the moving party or the infringed mark should be avoided; instead, such arguments should be linked to actual evidence that the underlying product/services are counterfeit or inferior, or of customer confusion or lost sales/lost customers.

Customer Confusion and Complaints

While the majority of circuit courts seem to agree that evidence of consumer confusion or complaints will, as a matter of course, constitute irreparable harm, the Ninth Circuit expressed a different opinion in *Herb Reed*, holding that customer confusion does not constitute irreparable harm and to find otherwise “collapses the likelihood of success and the irreparable harm factors.” 736 F3d at 1251. Some district courts have interpreted *Herb Reed* as essentially setting forth a blanket prohibition on consumer confusion evidence being considered in determining whether there is irreparable harm. See, e.g., *Zeltiq Aesthetics, Inc. v. Sun Serenity SPA*, 2105 WL 9242154, at 5 (E.D. Cal. Dec. 17, 2015) (“[E]vidence of customer confusion is not evidence of irreparable harm.”); *Williams v. Green Valley RV, Inc.*, 2015 WL 4694075, at *2 (C.D. Cal. Aug. 6 2015) (“Plaintiff’s evidence... is nothing more than a regurgitation of consumer confusion evidence, which is the exact type of evidence explicitly rejected by the Ninth Circuit in *Herb Reed*.”).

However, more recent Ninth Circuit cases suggests that evidence of *actual* customer confusion may be relevant at least in so far as it demonstrates damage to goodwill or loss of control of reputation. *San Miguel Pure Foods Co., Inc. v. Ramar Int’l Corp.*, 625 FApp’x 322, 327 (9th Cir. 2015); *Life Alert Emergency Response, Inc. v. LifeWatch, Inc.*, 601 FApp’x 469, 473-74 (9th Cir. 2015). Several district courts have followed this approach. See, e.g., *Pom Wonderful LLC v. Hubbard*, 2015 WL 10433693, at *12 (C.D. Cal. Aug. 6, 2015) (“[O]ne way to show a likelihood of irreparable harm is to show that there has, to date, been some actual confusion or harm”; emphasis in original); *Anbing Corp. v. Thuan Phong Corp. Ltd.*, 2015 WL 451846, at *23 (C.D. Cal. Jul. 24, 2015); *IHOP*, 2015 WL 429547, at *5; *United Tactical*, 2014 WL 6788310, at 23; *Kreation Juicery, Inc. v. Shekarchi*, 2014 WL 7564679, at *12 (C.D. Cal. Sept. 17, 2014). And some courts have found that the absence of confusion is evidence of no irreparable harm. See, e.g., *Cutting Edge Solutions*, 2014 WL 5361548, at *5.

While evidence of customer confusion/complaints is perhaps not as probative as it once was, and some courts have flatly rejected it, a moving party should still present any such evidence that exists, as well as explain in which the context customer communications were made and

whether the infringement resulted in a spike in the number or type of customer complaints. In many instances, this type of evidence may be most tangible proof of the harm caused by the infringement.

Lost Sales and Customers

Courts routinely consider evidence of lost sales or customers as evidence of irreparable harm. *Stublberg Int'l Sales Co. v. John D. Brush and Co., Inc.*, 240 F.3d 832, 841 (9th Cir. 2001) (“Evidence of threatened loss of prospective customers...certainly supports a finding of the possibility of irreparable harm.”); *Starbucks*, 2014 WL 6685662, at *4 (Starbucks deprived of potential accounts); *Am. Bullion, Inc. v. Regal Assets, LLC*, 2014 WL 6453783, at *5 (C.D. Cal. Nov. 17, 2014) (evidence of lost sales based on consumer testimony that they chose to do business with competitor). However, some district courts have found that this type of harm may be adequately remedied by an award of damages. *Arcsoft, Inc. v. Cyberlink Corp.*, — F. Supp. 3d —, 2015 WL 9455516, at *12 (plaintiff failed to explain why decreased downloads, users and advertising sales are not “economic injuries that can be remedied by monetary damages”); *Wells Fargo & Co. v. ABD Ins. & Fin. Servs. Inc.*, 2014 WL 4312021, at *12 (N.D. Cal. Aug. 28, 2014) (“[E]ven if Wells Fargo could show that it had lost (or was likely to lose) business as a result of defendants’ use of the “ABD” name, it is likely that such harm could be remedied through monetary damages — as opposed to harm to reputation or goodwill, which is less easily quantified.”). Notwithstanding this divergence of opinion, evidence of lost sales or customers should be submitted to the extent it exists.

Counterfeit and Inferior Products or Services

Courts typically have little hesitation in finding irreparable harm when the trademark infringement involves counterfeit or demonstrably inferior products or services. *See, e.g., SATA GmbH & Co. Kg v. Wenzhou New Century Int'l, Ltd.*, 2015 WL 6680807, at *8 (C.D. Cal. Oct. 19, 2015) (defective counterfeit spray paint reservoirs); *Anbing*, 2015 WL 451846, at *23 (inferior rice products); *United Tactical*, 2014 WL 6788310, at *23 (subpar PepperBall projectiles). Evidence that the product or services are subpar may come from customer complaints.

Survey Evidence

Survey results are frequently utilized in Lanham Act cases and may be compelling evidence of confusion and harm. It is critical that the survey methodology be sound, with a solid causal nexus between the survey results and the claimed confusion or harm. *Wells Fargo*, 2014 WL 4312021, at *23 (deficiencies in survey re confusion “bear on the weight given to the survey”); *see also Pom Wonderful*, 2015 WL 10433693, at *16, n. 92 (if survey “evidence had been adduced, it is likely the court would have found that Pom Wonderful had satisfied its burden” of demonstrating irreparable harm).

Marketing and Other Expert Testimony

While many, if not most, motions for injunctive relief include testimony or declarations from “marketing” executives or experts regarding the irreparable harm being caused by the alleged infringement, such evidence has met with a mixed reception. Some courts have found such evidence to be persuasive, if not determinative, of irreparable harm. *See, e.g., Starbucks*, 2014 WL 6685662, at *4; *E & J Gallo Winery v. Grenade Beverage, LLC*, 2014 WL 4073241, at *1415 (E.D. Cal. Aug. 15, 2014). Other courts have been more critical of this type of evidence and carefully analyzed whether the assertions were impermissible legal conclusions, tethered to actual evidence, “unsupported and conclusory,” and otherwise generally admissible. *See, e.g., Pom Wonderful*, 2015 WL 10433693, at 1118; *Wells Fargo*, 2014 WL 4312021, at *910, 912.

It is undisputable that *Herb Reed* materially changed the landscape in Lanham Act cases. It appears equally clear that motions for preliminary injunctions are being granted with less frequency than in the past. And while this is unlikely to change, all is not lost for a party seeking injunctive relief. The evidence and carefully crafted arguments of irreparable harm will now make the difference. And perhaps this is the way it should be given that injunctions are supposed to be an extraordinary remedy.

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