United States Court of Appeals

for the

Third Circuit

Case No. 13-2290

FERRING PHARMACEUTICALS INC.,

Appellant,

– v. –

WATSON PHARMACEUTICALS, INC.

APPEAL FROM AN ORDER ENTERED IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF NEW JERSEY, 2-12-CV-05824

BRIEF OF AMICUS CURIAE INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF APPELLANT

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Fed. R. App. P. 26.1, *amicus curiae* International Trademark Association ("INTA") states that it is not a publicly-held corporation or other publicly-held entity. INTA does not have any parent corporation and no publiclyheld corporation or other publicly-held entity holds 10% or more of INTA's stock.

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STATEMENT OF INTEREST OF AMICUS CURIAE¹

Founded in 1878, INTA is a not-for-profit organization dedicated to the support and advancement of trademarks and related intellectual property concepts as essential elements of trade and commerce. INTA has more than 5,900 members in more than 190 countries. Its members include trademark owners, law firms, and other professionals who regularly assist brand owners in the creation, registration, protection, and enforcement of their trademarks. All of INTA's members share the goal of promoting an understanding of the essential role that trademarks play in fostering informed decisions by consumers, effective commerce, and fair competition.

INTA's members are frequent participants in litigations brought under the Lanham Act as both plaintiffs and defendants, and therefore are interested in the development of clear, consistent, and equitable principles of trademark, advertising and unfair competition law. INTA has substantial expertise and has participated as *amicus curiae* in numerous cases involving significant Lanham Act issues.²

¹ Respondent Watson Pharmaceuticals is a member of INTA, and both the law firms representing Appellant and Respondent are associate members of INTA. Attorneys associated with the parties and their law firms have not participated in the preparation or submission of this *amicus curiae* brief. This brief was authored solely by INTA and its counsel. Both parties have consented to the filing of this brief.

² Cases in which INTA has filed *amicus* briefs include: *Already, LLC v. Nike, Inc.*, 133 S. Ct. 721 (2013); *KP Permanent Makeup, Inc. v. Lasting Impression*

INTA (formerly known as the United States Trademark Association) was founded in part to encourage the enactment of federal trademark legislation after the invalidation on constitutional grounds of the United States' first trademark act. Since then, INTA has been instrumental in making recommendations and

I, Inc., 543 U.S. 211 (2004); Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23 (2003); Moselev v. V Secret Catalogue, Inc., 537 U.S. 418 (2003); TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23 (2001); Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205 (2000); Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank, 527 U.S. 627 (1999); Dickinson v. Zurko, 527 U.S. 150 (1999); Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159 (1995); Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992); K Mart Corp. v. Cartier, Inc., 486 U.S. 281 (1988); Christian Louboutin S.A. v. Yves Saint Laurent America, 696 F.3d 296 (2d Cir. 2012); Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144 (4th Cir. 2012); Fleischer Studios, Inc. v. A.V.E.L.A., Inc., 654 F.3d 958 (9th Cir. 2011); Levi Strauss & Co. v. Abercrombie & Fitch Trading Co., 633 F.3d 1158 (9th Cir. 2011); Chloe v. Queen Bee of Beverly Hills, LLC, 616 F.3d 158 (2d Cir. 2010); Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d 97 (2d Cir. 2009); ITC. Ltd v. Punchgini, Inc., 482 F.3d 135 (2d Cir. 2007), certified questions accepted, 870 N.E.2d 151 (N.Y.), cert denied, 128 S. Ct. 288, certified questions answered, 880 N.E.2d 852 (N.Y. 2007), later proceedings, 518 F.3d 159 (2d Cir. 2008); Louis Vuitton Malletier, S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252 (4th Cir. 2007); Test Masters Educ. Servs. v. Singh, 428 F.3d 559 (5th Cir. 2005); WarnerVision Entm't Inc. v. Empire of Carolina, Inc., 101 F.3d 259 (2d Cir. 1996); Preferred Risk Mut. Ins. Co. v. United States, 86 F.3d 789 (8th Cir. 1996); Conopco, Inc. v. May Dep't Stores Co., 46 F.3d 1556 (Fed. Cir. 1994); Ralston Purina Co. v. On-Cor Frozen Foods, Inc., 746 F.2d 801 (Fed. Cir. 1984); Anti-Monopoly, Inc. v. Gen. Mills Fun Grp., 684 F.2d 1316 (9th Cir. 1982), cert. denied, 459 U.S. 1227 (1983); In re Borden, Inc., 92 F.T.C. 669 (1978), aff'd sub nom. Borden, Inc. v. Fed. Trade Comm'n, 674 F.2d 498 (6th Cir. 1982), vacated and remanded, 461 U.S. 940 (1983); Redd v. Shell Oil Co., 524 F.2d 1054 (10th Cir. 1975), cert. denied, 425 U.S. 912 (1976); Century 21 Real Estate Corp. v. Nev. Real Estate Advisory Comm'n, 448 F.Supp. 1237 (D. Nev. 1978), aff'd, 440 U.S. 941 (1979); Penguin Grp. (USA) Inc., v. Am. Buddha, 16 N.Y.3d 295 (2011).

providing assistance to legislators in connection with almost all major federal trademark and advertising legislation, including the Lanham Act which is at issue in this appeal.

INTA and its members have a particular interest in this case because the District Court's decision is inconsistent with a key evidentiary presumption that has historically applied in Lanham Act litigations and upon which INTA's members have long relied: that a showing of likelihood of success under the Lanham Act gives rise to a presumption of irreparable harm. Courts throughout the nation (but not the District Court here) have consistently recognized that, because the injury that results from false advertising and trademark violations is inherently unquantifiable and, as such, irreparable, a rebuttable presumption of irreparable harm is appropriate in false advertising and trademark cases brought under the Lanham Act when a showing of likely success has been made.

The presumption of irreparable harm is particularly important at the preliminary injunction stage where plaintiffs are trying to prevent the injurycausing violations from happening in the first place. From an evidentiary perspective, it is difficult to identify and submit concrete evidence of harm that has yet to occur, which is why a presumption of irreparable harm is so important; at the same time, defendants are protected because the presumption can be rebutted with evidence that any harm is in fact compensable or otherwise is not irreparable.

Failure to retain the traditional presumption of irreparable harm is thus against the public interest and would unfairly force false advertising and trademark plaintiffs to bear a greater—and in some instances insurmountable—burden of proof.

The District Court's error reflects a misunderstanding of the extent to which the Supreme Court's decisions in *eBay Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (2006) and *Winter v. Natural Res. Def. Counsel, Inc.*, 555 U.S. 7 (2008) require courts to disregard the traditional presumption of irreparable harm that applies upon a showing of a likelihood of success in Lanham Act cases.

eBay was a patent case that involved a review of the Federal Circuit's categorical rule that permanent injunctive relief should automatically issue once patent infringement has been shown. The Supreme Court rejected that categorical rule and instead required that a plaintiff show that injunctive relief is appropriate based on the four traditional injunction factors, including the existence of irreparable harm. 547 U.S. at 393. The Court, however, did not consider, let alone abolish, the presumption of irreparable harm that has long applied in the very different context of Lanham Act violations, which involve injury to goodwill, nor did the reasoning of the Supreme Court mandate rejection of the traditional evidentiary rebuttable presumption of irreparable harm in such cases. Moreover, in two concurrences in *eBay*, a total of seven Justices agreed that district courts may continue to allow such evidentiary rules—implemented as "lesson[s] of ...

historical practice"—to inform their equitable discretion "when the circumstances of a case bear substantial parallels to litigation the courts have confronted before." 547 U.S. at 395-97 (Kennedy, J., concurring, joined by Stevens, Souter, and Briar, JJ.), and *id.* at 394-95 (Roberts, C.J., concurring, joined by Scalia and Ginsburg, JJ.).

Winter also presented a very different scenario than the case at bar. In that case, which challenged the environmental impact of the Navy's use of sonar, the Ninth Circuit held that, if a plaintiff made a strong showing of likelihood of success on the merits, then the plaintiff had to only prove a "*possibility*" of irreparable harm to be entitled to a preliminary injunction. 555 U.S. at 8 (emphasis added). The Supreme Court rejected that rule as well, holding that a *likelihood*, rather than a mere *possibility*, of irreparable injury must be shown. 555 U.S. at 22. But, like *eBay*, *Winter* said nothing about the rebuttable presumption of irreparable injury that has long applied in Lanham Act cases, as an evidentiary matter, when plaintiffs have shown a likelihood of success on the merits involving harm to a party's intangible goodwill.

Because INTA's members believe that the traditional presumption of irreparable harm (which is, after all, rebuttable) is well-founded in policy and should continue to apply when a party shows a likelihood of success on the merits in a Lanham Act case, INTA has a strong interest in participating as *amicus curiae*

in this case and in urging the Court of Appeals to reaffirm the validity of the longstanding presumption of irreparable harm in Lanham Act cases.³

³ INTA takes no position on the merits, including whether Respondent has engaged in any false advertising, whether Petitioner has made a showing of a likelihood of success, whether Petitioner is entitled to a presumption of irreparable harm in this case, and whether Respondent has adduced facts sufficient to rebut any such presumption. Rather, INTA submits this brief *amicus curiae* solely for the purpose of addressing a narrow, but important, legal issue: that a showing of likely success in false advertising and trademark cases brought under the Lanham Act should give rise to a rebuttable presumption of irreparable injury.

ARGUMENT

- I. The District Court Erred as a Matter of Law by Failing to Recognize the Presumption of Irreparable Harm that Applies Upon a Showing of Likely Success in Lanham Act Cases.
 - A. Long-Standing Precedent Supports a Presumption of Irreparable Harm in Lanham Act Cases Upon a Showing of Likely Success on the Merits.

The rebuttable evidentiary presumption of irreparable harm in false advertising cases has developed over many years through careful judicial analysis based on equitable principles, logic, and the commercial realities at play in the context of false advertising. The presumption grew to prominence slowly. After being first articulated by a handful of judges, the presumption was increasingly followed, gradually developing into the basic tenet of false advertising jurisprudence it is today.

The presumption arises from the premise that the harms caused by false advertising and trademark violations—including damage to goodwill and/or reputation, inability to control the quality of allegedly infringing goods or services, and permanent loss of market share—are intangible because they are not capable of measurement with any certainty, and therefore that such harms are inherently irreparable. *See Abbott Labs. v. Mead Johnson & Co.*, 971 F.2d 6, 16 (7th Cir. 1992). In this respect, the harms caused by Lanham Act violations are distinct from the harms caused by copyright and patent infringement, which, because they reflect an infraction on the economic rights of the rights holder, can be readily measured by lost sales and/or unjust enrichment. Indeed, as discussed further in Section II.A, *infra*, courts have long grappled with the difficulty of ascertaining and calculating damages in false advertising cases given that the injury is difficult to quantify.

The presumption also derives from, and serves to achieve, the Lanham Act's purpose of protecting the public from false and misleading advertisements. The Lanham Act is, at its heart, a consumer protection law rather than a law designed to protect private property rights, which is a significant distinction between Lanham Act claims on the one hand, and patent and copyright claims on the other. In patent and copyright cases, the principal reason the law grants protection is to encourage the development of the arts and sciences; the public interest may therefore tolerate continued sales of infringing items under certain circumstances, such as under a compulsory license when damages from the infringement are quantifiable. On the other hand, deceiving consumers—which is the harm the Lanham Act is designed to prevent—is *never* in the public interest and the harm to goodwill and reputation cannot be quantified with any reasonable degree of accuracy. See, e.g., PBM Prods., LLC. v. Mead Johnson & Co., 639 F.3d 111, 127 (4th Cir. 2011) ("[I]t is self evident that preventing false or misleading advertising is in the public interest in general. There is a strong public interest in the

prevention of misleading advertisements.") (internal quotation marks and citations omitted); *Osmose, Inc. v. Viance LLC*, 612 F.3d 1298, 1321 (11th Cir. 2010) (agreeing with district court that "the public interest is served by preventing customer confusion or deception").

Although the public interest and the principles underlying the Lanham Act thus support a presumption of irreparable harm when likely success has been shown, that presumption is rebuttable to allow a defendant to avoid the evidentiary presumption in the rare cases where the facts show the harm is not irreparable (indeed, the defendant in the instant case submitted evidence that may support an argument that any such presumption has been rebutted). The presumption is thus not a categorical finding of irreparable harm that automatically applies in every case; rather, it is an evidentiary doctrine that allows a Lanham Act plaintiff to establish a prima facie showing of irreparable harm, which shifts the burden of production to the defendant to adduce at least some evidence that the harm is compensable and thus not irreparable. Abbott Labs., 971 F.2d at 18 (addressing possibility that defendant could rebut the presumption of irreparable harm); Apple Corps. v. Button Master, No. 96-5470, 1998 U.S. Dist. LEXIS 3366, at *46 (E.D. Pa. Mar. 18, 1998) ("In this circuit, a prima facie showing of trademark or copyright infringement creates a rebuttable presumption of irreparable harm."). See generally David H. Bernstein & John Cerreta, eBay & the Presumption of

Irreparable Harm in Lanham Act False Advertising Cases, 27 COMPUTER & INTERNET LAW. 11 (Nov. 2010) (a copy of which will be made available at the Court's request).

This Court has expressly recognized the irreparable nature of the harm caused by false advertising. In Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co., 290 F.3d 578, 596 (3d Cir. 2002), a false advertising case involving Mylanta NightTime Strength antacid, this Court held: "In a competitive industry where consumers are brand-loyal, ... loss of market share is a potential harm which cannot be redressed by a legal or an equitable remedy following a trial." The Court therefore went on to conclude "that where the plaintiff has demonstrated a likelihood of success on the merits [in a false advertising case], the public interest leans even more toward granting the injunction." Id. at 597; see also Barmasters Bartending Sch., Inc. v. Authentic Bartending Sch., Inc., 931 F.Supp. 377, 386 (E.D. Pa. 1996) ("[U]nder the Lanham Act, irreparable injury is presumed once a [false advertising] violation is shown."); cf. Citizens Fin. Grp., Inc. v. Citizens Nat. Bank of Evans City, 383 F.3d 110, 125 (3d Cir. 2004) (holding that trademark infringement amounts to irreparable injury as a matter of law); Kos Pharm., Inc. v. Andrx Corp., 369 F.3d 700, 726 (3d Cir. 2004) (same); Pappan Enters., Inc. v. Hardee's Food Sys., Inc., 143 F.3d 800, 805 (3rd Cir. 1998) ("[O]nce the likelihood of confusion caused by trademark

infringement has been established, the inescapable conclusion is that there was also irreparable injury."); *Opticians Ass'n of Am. v. Indep. Opticians of Am.*, 920 F.2d 187, 196 (3d Cir. 1990) ("Potential damage to reputation constitutes irreparable injury for the purpose of granting a preliminary injunction in a trademark case.").

The Third Circuit is hardly alone in recognizing this presumption of irreparable harm. As shown below, the presumption of irreparable harm upon a showing of likely success in Lanham Act cases has been widely adopted across the Circuits, including in cases that were decided after *eBay* and *Winter*:

- First Circuit: Camel Hair & Cashmere Inst. of Am., Inc. v. Associated . Dry Goods Corp., 799 F.2d 6, 14 (1st Cir. 1986) (adopting "the view that the irreparable injury requirement is satisfied once it is shown that the defendant is wrongfully trading on the plaintiff's reputation [via false advertising]"); Elecs. Corp. of Am. v. Honeywell, Inc., 428 F.2d 191, 194 n.3 (1st Cir. 1970) (holding in the similar context of state unfair competition law that, "in a two-firm market, harm is sufficiently apparent whenever material misrepresentations are made"); Nationwide Payment Solutions, LLC v. Plunkett, 697 F.Supp.2d 165, 172 (D. Me. 2010); Hipsaver Co., Inc. v. J.T. Posey Co., 497 F.Supp.2d 96, 109 (D. Mass. 2007) ("[T]he weight of the caselaw in this circuit supports a rebuttable presumption of causation and injury for willful literally false advertising in a two firm market where a defendant makes comparative statements targeting a direct competitor's products.").
- <u>Second Circuit</u>: *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 148 (2d Cir. 2007) ("[W]e conclude that the likelihood of irreparable harm may be presumed where the plaintiff demonstrates a likelihood of success in showing that the defendant's comparative advertisement is literally false and that . . . it would be obvious to the viewing audience that the advertisement is targeted at the plaintiff."); *McNeilab, Inc. v. Am. Home Prods. Corp.*, 848 F.2d 34, 38 (2d Cir. 1988) (affirming that, in false direct comparative advertising cases,

"irreparable harm will be presumed" and thus holding that "the district court did not err in presuming harm from a finding of false or misleading advertising"); *accord Church & Dwight Co. v. Clorox Co.*, 840 F.Supp.2d 717, 723 (S.D.N.Y. 2012); *Reckitt Benckiser Inc. v. Motomco Ltd.*, 760 F.Supp.2d 446, 453 (S.D.N.Y. 2011); *Marks Org. v. Joles*, 784 F.Supp.2d 322, 334 (S.D.N.Y. 2011); *New York City Triathlon, LLC v. NYC Triathlon Club, Inc.*, 704 F.Supp.2d 305, 343-44 (S.D.N.Y. 2010); *Newmarkets Partners LLC v. Oppenheim*, No. 08 Civ. 4213, 2008 WL 5191147, at *3 (S.D.N.Y. Dec. 4, 2008).

- <u>Fourth Circuit</u>: Scotts Co. v. United Indus. Corp., 315 F.3d 264, 273 (4th Cir. 2002) ("In Lanham Act cases involving trademark infringement, a presumption of irreparable injury is generally applied once the plaintiff has demonstrated a likelihood of confusion, the key element in an infringement case. . . . A similar presumption also appears in many Lanham Act false advertising cases. . . ."); accord Basile Baumann Prost Cole & Assocs., Inc. v. BBP & Assocs. LLC, 875 F.Supp.2d 511, 531 (D. Md. 2012); Lance Mfg., LLC v. Voortman Cookies Ltd., 617 F.Supp.2d 424, 434 (W.D.N.C. 2009); Garden & Gun, LLC v. TwoDalGals, LLC, No. 3:08cv349, 2008 WL 3925276, at *4 (W.D.N.C. Aug. 21, 2008).
- <u>Fifth Circuit</u>: *Abraham v. Alpha Chi Omega*, 708 F.3d 614, 627 (5th Cir. 2013) ("[To establish irreparable harm,] '[a]ll that must be proven to establish liability and the need for an injunction against [trademark] infringement [under the Lanham Act] is the likelihood of confusion— injury is presumed."") (quoting 5 McCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:2 (4th ed. 2001); *TGI Friday's Inc. v. Great Nw. Rests., Inc.*, 652 F.Supp.2d 763, 772 (N.D. Tex. 2009).
- <u>Sixth Circuit</u>: *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1056 (6th Cir. 1999) ("[I]rreparable injury ordinarily follows when a likelihood of confusion or possible risk to reputation appears from infringement or unfair competition. Thus, a court need only find that a defendant is liable for infringement or unfair competition for it to award injunctive relief.") (internal quotation marks and citations omitted). See also Honeywell, Inc. v. Control Solutions, Inc., No. 3:94 CV 7358, 1994 WL 740883, at *4 (N.D. Ohio Sept. 7, 1994) ("As [plaintiff] has demonstrated the falsity of the advertisement, irreparable harm is presumed.").

- <u>Seventh Circuit</u>: *Abbott Labs.*, 971 F.2d at 16, 18 (finding that the presumption that injuries suffered in false advertising cases under the Lanham Act are irreparable "is based upon the judgment that it is virtually impossible to ascertain the precise economic consequences of intangible harms, such as damage to reputation and loss of goodwill, caused by such violations"); *accord Neuros Co., Ltd. v. KTurbo, Inc.*, No. 08-cv-5939, 2013 WL 1706368, at *5 (N.D. Ill. Apr. 17, 2013).
- <u>Eighth Circuit</u>: *United Indus. Corp. v. Clorox Co.*, 140 F.3d 1175, 1183 (8th Cir. 1998) ("When injunctive relief is sought under the Lanham Act [for false advertising], the finding of a tendency to deceive satisfies the requisite showing of irreparable harm."); *accord Fitger's On-the-Lake, LLC v. Fitger Co., LLC*, No. 07-CV-4687, 2007 WL 4531502, at *6 (D. Minn. Dec. 19, 2007).
- <u>Ninth Circuit</u>: *Mutual Pharm. Co. v. Ivax Pharm., Inc.*, 459 F.Supp.2d 925, 944 (C.D. Cal. 2006) ("When an advertisement draws an explicit comparison between the competitor's product and plaintiff's, then . . . a causative link of irreparable injury is presumed because a misleading comparison to a specific competing product necessarily diminishes that product's value in the minds of the consumer.") (internal quotation marks and citations omitted).
- <u>Tenth Circuit</u>: *Hutchinson v. Pfeil*, 211 F.3d 515, 522 (10th Cir. 2000) ("[T]he presumption [of irreparable harm] is . . . limited to circumstances in which injury would indeed likely flow from the defendant's objectionable statements, i.e., when the defendant has explicitly compared its product to the plaintiff's or the plaintiff is an obvious competitor with respect to the misrepresented product."); *accord Heartland Animal Clinic, P.A. v. Heartland SPCA Animal Med. Clinic, LLC*, 861 F.Supp.2d 1293, 1306 (D. Kan.), *aff'd*, No. 12-3084, 2012 WL 5935970 (10th Cir. Nov. 28, 2012); *Gen.Steel Domestic Sales, LLC v. Chumley*, No. 10-cv-01398, 2013 WL 1900562, at *14 (D. Colo. May 7, 2013).
- <u>Eleventh Circuit</u>: *North Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1227 (11th Cir. 2008) ("Proof of falsity is generally . . . sufficient to sustain a finding of irreparable injury when the false statement is made in the context of comparative advertising between

the plaintiff's and defendant's products.") (citing MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 27:37 (4th ed. 2003) ("Where the challenged advertising makes a misleading comparison to a competitor's product, irreparable harm is presumed.")); *accord PHA Lighting Design, Inc. v. Kosheluk*, No. 1:08-cv-01208, 2010 WL 1328754, at *7 (N.D. Ga. Mar. 30, 2010); *Star-Brite Distrib., Inc. v. Kop-Coat, Inc.*, 664 F.Supp.2d 1246, 1255 (S.D. Fla. 2009).

• <u>D.C. Circuit</u>: *Appleseed Found., Inc. v. Appleseed Inst., Inc.*, 981 F.Supp. 672, 677-78 (D.C. Cir. 1997) (noting that defendant did not present a strong enough argument to rebut the presumption of irreparable harm); *Malarkey-Taylor Assocs., Inc. v. Cellular Telcoms. Indus. Ass'n*, 929 F.Supp. 473, 478 (D.C. Cir. 1996).

The rebuttable presumption of irreparable harm is also consistent with other

evidentiary presumptions that courts long have applied in false advertising cases.

It is, for example, well-settled that an advertiser's intent to deceive gives rise to a

rebuttable presumption of consumer confusion, relieving a Lanham Act plaintiff

of any obligation to present evidence of likely confusion. See McNeilab, Inc. v.

Am. Home Prods. Corp., 501 F.Supp. 517, 530 (S.D.N.Y. 1980).⁴ The thought

behind this evidentiary presumption is that, "more often than not advertisements

successfully project the messages they are intended to project, especially when

⁴ See also Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1146 (9th Cir. 1997) ("[F]or false comparative advertising claims, this circuit has held that publication of deliberately false comparative claims gives rise to a presumption of actual deception and reliance.") (internal quotation marks and citations omitted); Johnson & Johnson-Merck Consumer Pharm. Co. v. Smithkline Beecham Corp., 960 F.2d 294, 298 (2d Cir. 1992) ("[W]here a plaintiff adequately demonstrates that a defendant has intentionally set out to deceive the public, and the defendant's deliberate conduct in this regard is of an egregious nature, a presumption arises that consumers are, in fact, being deceived.") (internal quotation marks and citations omitted).

they are professionally designed." *Id.* Similarly, literally false claims give rise to a rebuttable presumption of actual deceit, and "the burden shifts to the defendant to prove otherwise." *Fortunet, Inc. v. Gametech Ariz. Corp.*, No. 2:06-CV-00393, 2008 WL 5083812, at *7 (D. Nev. Nov. 26, 2008).⁵

These evidentiary doctrines, no less than the presumption of irreparable harm, have developed over time through the process of case-by-case adjudication.⁶ No one would suggest—and no one has suggested—that *eBay* and *Winter* call into question any of these common evidentiary presumptions applicable on the merits in false advertising cases. There is little reason to treat a similar doctrine like the rebuttable presumption of irreparable harm any differently.

⁵ Common evidentiary presumptions in trademark cases include the presumption that a registered mark is valid and protectable. *Zobmondo Entm't, LLC v. Falls Media, LLC*, 602 F.3d 1108, 1113 (9th Cir. 2010) (federal registration provides "prima facie evidence" of the marks validity and entitles the plaintiff to a "strong presumption" that the mark is protectable); *Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225, 237 (5th Cir. 2010) ("Registration of a mark with the PTO constitutes prima facie evidence of the mark's validity and the registrant's exclusive right to use the registered mark in commerce with respect to the specified goods or services."); *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 876 (9th Cir. 1999) ("[R]egistration on the principal register creates a presumption of distinctiveness—in the case of a surname trademark, acquired distinctiveness.").

⁶ Cf. eBay, 547 U.S. at 395 (Roberts, C.J., concurring); *id.* at 395-96 (Kennedy, J., concurring) (agreeing with the Chief Justice that "history may be instructive").

B. The Cases Cited and Relied Upon by the District Court Do Not Preclude Recognition of the Traditional Rebuttable Presumption of Irreparable Harm in Lanham Act Cases.

In support of the position that irreparable harm may *not* be presumed based only upon a showing of a likelihood of success on the merits, the District Court relied on *King Pharm. Inc. v. Sandoz, Inc.*, No. 08-5974, 2010 WL 1957640 (D.N.J. May 17, 2010), which in turn relied on *eBay* and *Winter*. Those cases, though, do not reject recognition of the rebuttable presumption of irreparable harm upon a showing of a likelihood of success in Lanham Act cases.

As noted briefly above, *eBay* overturned the categorical rule imposed by the Court of Appeals for the Federal Circuit that, in patent cases, "courts *will* issue permanent injunctions against patent infringement absent exceptional circumstances." 547 U.S. at 391 (emphasis added). In rejecting this rule, the Supreme Court found that such a blind approach in patent cases was inconsistent with equitable principles because it did not properly consider the traditional four-factor test for granting injunctive relief, including considering whether the public interest favors the grant of injunctive relief and whether the harm could be compensated by money damages. The Supreme Court expressly noted, though, that its holding was limited, and was simply designed to ensure that patent cases, just like all other cases, were subject to traditional principles of equity:

We hold only that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.

547 U.S. at 394. Thus, *eBay* does not preclude the continued recognition of a rebuttable presumption of irreparable harm in Lanham Act cases if that presumption is applied consistently with the traditional four-factor equitable test for granting an injunction.

A further distinction between the presumption of irreparable harm and the categorical rule rejected by the Supreme Court in *eBay* is that the presumption is rebuttable whereas the Federal Circuit's rule was not. The reason the Supreme Court rejected the Federal Circuit's categorical rule requiring entry of a permanent injunction in patent cases was that it prevented courts from considering the four-factor equitable test for injunctive relief. *eBay*, 547 U.S. at 394-95. Here, the question is not whether courts may "categorically" enter injunctions in Lanham Act cases, but rather, whether courts may continue to presume, absent countervailing evidence to rebut the presumption, that a party has met *one factor* of the four factor test for injunctive relief—that of irreparable harm—once it finds the party likely to succeed on the merits of its Lanham Act claim.

For this very reason, a number of courts have distinguished *eBay* because they recognize the distinction between a categorical rule that an injunction should issue and a rebuttable presumption that irreparable harm, one of the four factors in the equitable test, exists. See, e.g., Eisai Co. Ltd. v. Teva Pharm. USA, Inc., No. 05-5727, 2008 U.S. Dist. LEXIS 33747, at *29 (D.N.J. Mar. 28, 2008) ("[T]he standard rejected by the Supreme Court in *eBay* was one in which the Federal Circuit applied a presumption that the *injunction* should issue, not a presumption that one of the four prongs – irreparable harm – exists."); Petro Franchise Sys., LLC v. All Am. Props., Inc., 607 F.Supp.2d 781, 794 (W.D. Tex. 2009) ("A conclusive determination that three equitable factors automatically follow when success on the merits is established is quite far from a mere presumption that a single factor – irreparable harm – should usually follow when likelihood of confusion is established.").⁷ INTA is not aware of any court that has determined that a presumption of irreparable harm in a Lanham Act case is the equivalent of the categorical rule rejected in eBay.

⁷ See also Operation Able of Greater Boston, Inc. v. Nat'l Able Network, Inc., 646 F.Supp.2d 166, 176-77 (D. Mass. 2009) (distinguishing *eBay* as a patent case not applicable to the trademark presumption of irreparable injury); MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:47 (4th ed. 2009) ("[T]he presumption of irreparable injury traditionally followed in trademark preliminary injunction cases is in [no] way inconsistent with the letter or the spirit of the Supreme Court's *eBay* decision.").

The categorical rule rejected by *eBay*—that an injunction *must* issue upon a finding of patent infringement subject only to rare exceptions—is thus very different from the rebuttable evidentiary presumption at issue here. A rebuttable presumption is not a "categorical rule." Rather, it is an evidentiary device that merely shifts the burden of producing evidence from one party to another. See 2 MCCORMICK ON EVIDENCE § 342 (7th ed. 2013) (describing common use of presumptions). Unlike a categorical rule, a rebuttable presumption does not prevent a party from overcoming the presumption with its own evidentiary showing. See Abbott Labs., 971 F.2d at 18 (noting that, despite inherent irreparable nature of false advertising harm, the possibility exists that that defendant could "rebut . . . the presumption of irreparable harm"). As discussed above, rebuttable evidentiary presumptions have long been featured in the context of Lanham Act claims.⁸ Nothing in *eBay* supports the abandonment of these presumptions, including the presumption of irreparable harm.

Similarly, nothing in *Winter* (which involved the potential environmental impact caused by the Navy's use of sonar) supports abandonment of the traditional presumption of irreparable harm. In that case, the Supreme Court considered the Ninth Circuit's rule that, if a plaintiff makes a *strong* showing of likelihood of

⁸ *See supra* pp. 17-18 (listing precedent dealing with a variety of evidentiary presumptions applied by Courts in Lanham Act cases).

success on the merits, then the plaintiff need only prove a "possibility" of

irreparable harm to be entitled to a preliminary injunction, regardless of the type of

injury involved. 555 U.S. at 21. The Supreme Court rejected that approach,

stating:

We agree with the [defendant] that the Ninth Circuit's "possibility" standard is too lenient. Our frequently reiterated standard requires plaintiffs seeking preliminary relief to demonstrate that irreparable injury is *likely* in the absence of an injunction. . . . Issuing a preliminary injunction based only on a possibility of irreparable harm is inconsistent with our characterization of injunctive relief as an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief.

Id. at 22. Although *Winter* thus makes clear that a *likelihood* of irreparable harm must be shown, it does not undermine the rationale supporting the evidentiary doctrine that certain factual showings can give rise to a rebuttable presumption of certain facts, such as that irreparable harm is likely.

Finally, *King Pharm.*, on which the district court directly relied, is no more relevant. *King Pharm.* is an unpublished decision in a patent case in which the district court found that the defendant raised sufficient questions on likelihood of success on the merits to preclude entry of the requested preliminary injunction. 2010 WL 1957640 at *2-3. In reaching its decision, the court stated that "[i]rreparable harm must be established as a separate element, independent of any showing of likelihood of success; irreparable harm can no longer be presumed."

Id. at *5. That summary statement may be correct with respect to patent cases in light of *eBay*, but such a holding should not automatically be applied in non-patent matters (as the district court did here), especially where the underlying rationale for liability differs. The *King Pharm*. decision did not address the situation in which the proven likely harm is damage to goodwill—harm that is intangible and, as such, inherently unsusceptible to compensation by money damages—and thus the district court should not have applied the *King Pharm*. approach in the context of false advertising claims, which have long relied upon the presumption of irreparable harm.

II. Application of the Presumption of Irreparable Harm in the Context of Lanham Act False Advertising and Trademark Cases is Appropriate as an Evidentiary Matter Because the Harm From False Advertising and Trademark Violations is Inherently Irreparable.

A. The Harm Caused by Lanham Act Violations is Distinct from the Harm Caused by Patent and Copyright Infringement.

The injury that stems from the loss of control over one's goodwill or the way in which consumers perceive the plaintiff or its product in the face of false advertising is inherently unquantifiable. Consequently, courts have long grappled with the difficulty of ascertaining and calculating damages in false advertising cases. *See, e.g., Abbott Labs.*, 971 F.2d at 16 (explaining that the presumption of irreparable damage "is based upon the judgment that it is virtually impossible to ascertain the precise economic consequences of intangible harms, such as damage to reputation and loss of goodwill, caused by such [Lanham Act false advertising] violations"). Legal remedies are thus typically insufficient to fully redress the harm caused by false advertising. *Id.*; *cf. Kos Pharm., Inc.*, 369 F.3d at 726 ("Lack of control over one's mark creates the potential for damage to ... reputation[, which] constitutes irreparable injury for the purpose of granting a preliminary injunction in a trademark case.") (internal quotations marks and citation omitted); *Basis Int'l Ltd. v. Research in Motion Ltd.*, 827 F.Supp.2d 1302, 1310 n.5 (D.N.M. 2011) ("Unlike patent cases, [Lanham Act] cases involve intangibles like the trademark owner's reputation and goodwill."); *Alliance Bank v. New Century Bank*, 742 F.Supp.2d 532, 565-66 (E.D. Pa. 2010) (finding that the potential of damage to reputation constitutes irreparable injury and supports the grant of a preliminary injunction against trademark infringement).⁹ Accordingly,

⁹ See also Ty, Inc. v. Jones Grp., Inc., 237 F.3d 891, 903 (7th Cir. 2001) (finding no abuse of discretion in granting preliminary injunction in trademark infringement suit when "plaintiff could lose control of its reputation and goodwill"); Pappan Enters., Inc., 143 F.3d at 805 ("Irreparable harm must be of a peculiar nature, so that compensation in money alone cannot atone for it.") (internal quotation marks and citations omitted); Omega Importing Corp. v. Petri-Kine Camera Co., 451 F.2d 1190, 1195 (2d Cir. 1971) ("Where there is, then, such high probability of confusion, injury irreparable in the sense that it may not be fully compensable in damages almost inevitably follows. While an injured plaintiff would be entitled to recover the profits on the infringing items, this is often difficult to determine; moreover, a defendant may have failed to earn profits because of the poor quality of its product or its own inefficiency. . . . Yet to prove the loss of sales due to infringement is also notoriously difficult. ... Furthermore, if an infringer's product is of poor quality, or simply not worth the price, a more lasting, but not readily measurable injury may be

where a false advertising plaintiff is able to establish a likelihood of success on the merits, a presumption of irreparable harm logically follows. *Abbott Labs.*, 971 F.2d at 16.

The harm in patent and copyright cases is very different. Rather than harm to an intangible like goodwill, infringement of a patent or copyright can be measured by lost sales and/or unjust enrichment. That is because the harm that patent and copyright laws seek to prevent relates to private property rights namely, "a set of rights used to induce creators and inventors to share their work with the public by granting a limited period of time during which the creator or inventor can exact monopoly prices." Laura A. Heymann, *The Trademark/Copyright Divide*, 60 SMU L. Rev. 55, 63 (2007); *see also eBay*, 547

U.S. at 392 ("Like a patent owner, a copyright holder possesses the right to exclude

inflicted on the plaintiff's reputation in the market."); *Fresh Del Monte Produce v. Del Monte Foods Co.*, No. 08 Civ. 8718, 2013 WL 1242374, at *7 (S.D.N.Y. Mar. 28, 2013) (noting monetary damages "cannot fully compensate" for harm to goodwill caused by Lanham Act violations); David H. Bernstein & Andrew Gilden, *No Trolls Barred: Trademark Injunctions After eBay*, 99 TRADEMARK REP. 1037, 1054 (2009). Indeed, given that trademark infringement and false advertising liability arise from the same statute (Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)), have the same test (likelihood of confusion), and cause the same kind of reputational harm to goodwill, the presumption of irreparable harm argued for by INTA should be applied equally to both types of cases, and precedent in trademark actions should equally apply in the context of false advertising cases. others from using his property.") (internal quotation marks and citation omitted). Infringement of the property rights deriving from patent and copyright law constitute "an attempt by the infringer to appropriate for himself the economic due that is the author's [or inventor's]" and thus is readily measurable and compensable in monetary damages. Heymann, supra, at 64; see also Alfred C. Yen, Eldred, The First Amendment, and Aggressive Copyright Claims, 40 Hous. L. Rev. 673, 674 (2003) ("[C]opyright plaintiffs generally sue to keep defendant from appropriating or destroying revenue streams the plaintiff would otherwise enjoy from the sale or other exploitation of the plaintiff's work."); Bernstein & Gilden, supra, at 1054; Morton v. Beyer, 822 F.2d 364, 372 (3rd Cir. 1987) (holding that irreparable injury is one in which "compensation in money cannot atone" whereas purely economic injury is compensable through monetary damages) (internal quotation marks and citation omitted). Therefore, even if an infringer of another's copyright or patent is able to continue selling the infringing product during the pendency of litigation (in the preliminary injunction context) or after proving liability (as in the *eBay* case), the plaintiff may still be able to be made whole by calculating the profits from the infringing sales. A false advertising plaintiff cannot so easily avail itself of such a calculation in order to be made whole because the injury suffered consists not only of lost profits, but also of the incalculable loss of control of goodwill.

Another distinction between patent/copyright cases and trademark/advertising cases is that, unlike in patent and copyright cases, the harm in Lanham Act cases is suffered not only by the plaintiff but by the public as well (which is confused and injured by the defendant's deception). See, e.g., Lincoln Diagnostics, Inc. v. Panatrex, Inc., No. 07-CV-2077, 2009 WL 3010840, at *9 (C.D. Ill. Sept. 16, 2009) ("False advertising, by its very nature, harms the consuming public.") (internal quotation marks and citation omitted); PBM Prods., LLC., 639 F.3d at 127 ("[I]t is self evident that preventing false or misleading advertising is in the public interest in general. There is a strong public interest in the prevention of misleading advertisements.") (internal quotation marks and citations omitted). Because the injury in patent and copyright cases is a private economic injury, it is more readily compensable with money damages. In contrast, even if damages could be measured in Lanham Act cases, those damages would not compensate the public, which is why speedy injunctive relief (made more readily obtainable with a presumption of irreparable harm) is so much more important. In other words, although the public interest may not be harmed by the continued sales of infringing items under a compulsory license and damages from infringement may be quantifiable in a patent or copyright case, deceiving consumers is never in the public interest. See, e.g., Osmose, Inc., 612 F.3d at 1321 (finding the public interest served by preventing party from "disseminating broad

conclusions . . . that exceeded the findings of its studies because the public interest is served by preventing customer confusion or deception"); *Leatherman Tool Grp., Inc. v. Coast Cutlery Co.*, 823 F.Supp.2d 1150, 1159 (D. Or. 2011) ("[I]t is in the public's interest to prevent false or misleading statements from permeating the marketplace."). To deny injunctive relief after a finding of false advertising would only allow the deception to "continue to seep into the public's discourse," thus "undermin[ing], rather than promot[ing], the Lanham Act's goal of protecting consumers." *PBM Prods., LLC v. Meade Johnson & Co.*, No. 3:09-CV-269, 2010 WL 957756, at *3 (E.D. Va. Mar. 12, 2010).

For these reasons, even if a presumption of irreparable injury no longer applies in patent and copyright cases after *eBay* as the *King Pharm*. decision suggests (although, again, *eBay* really was about something very different—the use of categorical rules rather than evidentiary presumptions), the presumption should continue to apply in false advertising cases (as well as other Lanham Act violations such as trademark infringement)¹⁰ given the distinct nature of the injury in such cases and the public's interest in prevent false and deceptive advertising.

¹⁰ That false advertising and trademark laws can be characterized along with patent and copyright laws as part of the broader category of intellectual property law is not a reason to lump all of these different causes of action together for purposes of considering the applicability of evidentiary presumptions. Blindly casting Lanham Act cases within the holding of *eBay*, *Winter*, or *King Pharm*. ignores that the various forms of intellectual property seek to protect distinct rights and balance distinct interests. Unlike with most

The Seventh Circuit's decision in *Abbott Labs*. illustrates why the presumption of irreparable harm upon a showing of likely success in a false advertising case is so important. Abbott, the producer of "Pedialyte" oral electrolyte solution, filed suit against Mead Johnson, the competitor producer of "Ricelyte," alleging false advertising (because the "Ricelyte" name falsely communicated that "Pedialyte" contained rice) and trade dress infringement. Abbott Labs., 971 F.2d at 9. In overturning the district court's denial of preliminary injunctive relief, the Seventh Circuit addressed the immeasurable impact of Mead's actions on Pedialyte's reputation in the market. Id. at 17 (noting that even after removal of the infringing product from the marketplace, "doubts planted by the Ricelyte campaign will linger in the minds of consumers and physicians, who may avail themselves of an alternative to Pedialyte if given the choice").

The Seventh Circuit further explained how "it would be very difficult to distinguish the effect of the [campaign] from the effect of other [factors causing consumers to purchase Ricelyte], and to project that effect into the distant future. This difficulty would appear to render monetary relief inadequate, and hence

patent and copyright cases, the injury in false advertising and trademark claims is not readily calculable "and that sort of reputational harm usually cannot be remedied by money damages alone." Bernstein & Cerreta, *supra*, at 28.

Abbott's injury irreparable." *Id.* at 18 (internal quotation marks and citations omitted).

Similarly, in *Coca-Cola Co. v. Gemini Rising, Inc.*, a case in which Coca-Cola sought to enjoin another company "from printing, distributing and selling commercially a poster which consists of an exact blown-up reproduction of plaintiff [Coca Cola]'s familiar 'Coca-Cola' trademark and distinctive format except for the substitution of the script letters 'ine' for '-Cola', so that the poster reads 'Enjoy Cocaine,", the trial court observed:

> [I]t would obviously be difficult, if not impossible, to quantify the effect of defendant's poster upon plaintiff's sales. As plaintiff points out, it expends large sums to induce people to order Coca-Cola without hesitation or concern in preference to other products. The continued success of plaintiff's business depends upon millions of purchase decisions made daily. The soft drink industry is highly competitive. Many substitute products are available, so that even the slighest [sic] negative connotation concerning a particular beverage may well affect a consumer's decision. In this day of growing consumer resistance to advertising gimmicks, a strong probability exists that some patrons of Coca-Cola will be "turned off" rather than "turned on" by defendant's socalled "spoof", with resulting immeasurable loss to plaintiff. In such circumstances injunctive relief is the only adequate remedy if the right to it exists.

346 F.Supp. 1183, 1186, 1190 (E.D.N.Y. 1972).¹¹

¹¹ Although this was not a false advertising claim, the court's analysis of the effect of advertising is useful to understanding the harm in false advertising cases.

Even after eBay and Winter, courts have continued to recognize the

difficulty of proving and quantifying the harm caused by false advertising, which is

why that harm is almost always irreparable. As one court noted in a recent false

advertising case:

[T]he very reason the Lanham Act authorizes an accounting of the defendant's profits [is because of] the difficulty of proving that a plaintiff has lost sales due to a defendant's false advertising. . . . [Where] the parties are competitors, an accounting of [defendant's] profits is [available as] a rough measure of the plaintiff's damages. . . . [because] [t]here is simply no way to know what the precise effects of these Lanham Act violations were, nor precisely what harm future violations would cause. . . . [False advertising and trademark infringement] injuries are irremediable, [and] irreparable, for many reasons, most prominently that the extent of the injuries is difficult to measure.

Fresh Del Monte Produce, 2013 WL 1242374, at *7 (internal quotation marks and citations omitted).

Because it would be impossible to ascertain and measure the "doubts" that false advertising plants in the minds of consumers and the extent to which these doubts "linger" and affect consumers' decisions in the marketplace, the very nature of the injury to intangible goodwill caused by false advertising, as well as by trademark infringement, is inherently irreparable. This is particularly true at the preliminary injunction stage, where the plaintiff will not yet have the benefit of discovery to ascertain the defendant's profits derived from the infringing activities. Proving the likelihood of the injury, therefore, is tantamount to proving the irreparable nature of the harm. Thus, a presumption of irreparable injury in the context of Lanham Act false advertising and trademark infringement cases logically follows where the plaintiff has demonstrated a likelihood of success on the merits.

B. Without A Presumption of Irreparable Harm, a False Advertising Plaintiff Would Face A Double Burden To Prove That Its Intangible Injury Is Irreparable.

Without the possibility of a presumption of irreparable harm, a plaintiff seeking injunctive relief from a false advertisement or trademark infringement faces the unjustly high burden of having to prove the irreparable nature of the injuries stemming from the loss of control over its reputation, advertising, and/or trademarks—difficult things to prove given that the irreparable nature of the harm derives from the form of injury itself. As this court has previously noted, reputational damage is inherently irreparable if unchecked. See Kos Pharm., Inc., 369 F.3d at 726. Therefore, if a false advertisement or trademark infringement plaintiff can meet the heavy burden of establishing a likelihood of success on the merits of the case, irreparable injury should be presumed given that the very nature of such an injury cannot easily be calculated, let alone redressed, with monetary remedies. To ignore this fact and require a plaintiff to offer tangible proof of the harm flowing from reputational damage at the outset of litigation would unfairly

require a plaintiff to twice prove its entitlement to injunctive relief. Such a double burden is patently unjust and contradicts the longstanding precedent recognizing the unique nature of the injury involved in false advertising and trademark cases.

CONCLUSION

For decades, courts have applied a rebuttable presumption of irreparable harm once false advertising has been proven. This presumption is not a "categorical rule"; rather, it is merely an evidentiary doctrine that shifts the burden to the false advertiser to adduce at least some evidence that the harm is not irreparable (which may, for example, be proven if the defendant shows that the false claims have permanently ceased or that they are of a nature that can readily by calculated and compensated). This long-established rebuttable presumption of irreparable harm appropriately shifts the burden of proof on the difficult-toquantify question of injury in Lanham Act cases and promotes the public interest in the dissemination of fair and accurate commercial information. Nothing in *eBay*, Winter or King Pharm. forecloses such a presumption in false advertising cases or even addresses false advertising law or precedent. Thus, this Court should follow its own precedent, and that of most other Circuit Courts of Appeals, and require district courts to continue to apply the long-standing rebuttable presumption of irreparable harm when a likelihood of success has been proven in Lanham Act claims.

Respectfully submitted,

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CERTIFICATION OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE REQUIREMENTS

I do hereby certify that this brief complies with the type-volume limitation of Fed. R. App. Pr. 32(a)(7)(B). This brief contains 6,676 words, excluding the parts of the brief exempted y Fed. R. App. P. 32(a)(7)(B)(iii) and Local Rule 29.1(b).

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I, Natasha S. Johnson, being duly sworn, depose and say that deponent is not a party to the action, is over 18 years of age.

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