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PERSPECTIVE

A tale of three presumptions in trademark cases

By Brian M. Wheeler

The legal *presumption* of irreparable harm in Lanham Act cases may have been retired, but the 9th U.S. Circuit Court of Appeals' majority and dissenting opinions in *adidas v. Skechers*, 2018 DJDAR 4293 (May 10, 2018), suggest the logic underlying the presumption lives on, and rightfully so.

For decades, strong evidence of likely success on the merits of a claim for patent, copyright or trademark infringement — including likelihood of confusion for trademarks and trade dress — gave rise to a presumption of irreparable harm for purposes of a preliminary injunction. In 2006, however, the U.S. Supreme Court held in *eBay v. MercExchange*, 547 U.S. 388 (2006), that courts could not apply “categorical rules” in granting injunctive relief upon a finding of patent infringement. In reversing the Federal Circuit’s rule “that a permanent injunction will issue once infringement and validity have been adjudged,” the court rejected the long-applied presumption of irreparable harm for patent infringement. The court held that the traditional four-factor test for injunctive relief applied equally to patent cases.

Two years later, in *Winter v. Natural Res. Def. Counsel, Inc.*, 555 U.S. 7 (2008), the Supreme Court made clear that “[a] plaintiff seeking a preliminary injunction “must establish [1] that he is likely to succeed on the mer-



A pair of adidas Stan Smiths.

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its, [2] that he is likely to suffer irreparable harm in the absence of preliminary relief, [3] that the balance of equities tips in his favor, and [4] that an injunction is in the public interest.” While not an intellectual property case, the court clarified in *Winter* that a petition for a preliminary injunction — an “extraordinary remedy” — is held to the same four-factor test as a permanent injunction. Therefore, the court rejected the 9th Circuit’s “possibility” standard as too lenient to warrant a preliminary injunction.

Following *eBay* and *Winter*, courts across the country began to extend the Supreme Court’s decisions to reject the previously time-tested presumption of irreparable harm for preliminary injunctions in copyright cases, as well. In *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976 (2011), the 9th Circuit concluded its longstanding presumption of ir-

reparable harm in copyright cases was “clearly irreconcilable” with the Supreme Court’s reasoning in *eBay* “and has therefore been effectively overruled.” Nevertheless, the presumption largely survived in Lanham Act cases in the 9th Circuit until, in *Herb Reed Enterprises LLC v. Florida Entm’t*, 736 F.3d 1239 (2013), the 9th Circuit applied *eBay* and *Winter* to a preliminary injunction in a trademark case for the first time.

In the May 18 issue of the Daily Journal, I posited in my column, “We haven’t heard the last on trade dress precedent,” that the dueling majority and dissenting opinions in the *adidas* case and the majority’s reliance on overlapping evidence of likelihood of confusion as also supportive of likelihood of irreparable harm for *adidas*’ trade dress may signal that the court’s *Herb Reed* decision is not necessarily the death knell for preliminary injunctive

relief in Lanham Act cases that many thought it was. Nor should it be.

The Lanham Act serves a different purpose than the Patent Act and Copyright Act. Unlike the traditional aim of patent and copyright law — to incentivize innovation by inventors and creativity by authors while balancing the public interest by granting temporally limited rights of exclusivity — trademark law is designed to primarily protect *consumers* from confusion as to the source or origin of goods and services. A mark holder’s ability to control the exclusive use of its mark in perpetuity assures that consumers can distinguish between the goods and services offered by the mark holder and the goods and services of others. This protects consumers by holding mark holders accountable for quality assurance and decreasing consumer transactional search costs. Continued exclusivity devoid of confusingly similar marks is thus necessary to protect consumers.

Meanwhile, positive consumer association between the mark and the mark holder’s goods and services inure to the mark holder as valuable goodwill. Thus, if a competitor’s mark is likely to confuse consumers into mistakenly believing there is a common source or a relationship between the goods or services of the competitor and those of the mark holder, not only is the mark holder’s associated goodwill in peril,

but the consumer is harmed as well. As Judge Richard Clifton recognized in his *adidas* dissent, “irreparable harm exists in a trademark case when the party seeking the injunctions shows that it will lose control over the reputation of its trademark.”

As Judge Clifton would likely agree, the 9th Circuit missed an opportunity in *adidas* to clarify *Herb Reed* and test the limits of the logical inference of irreparable harm in a Lanham Act case. While the majority panel inherently recognized the heavily overlapping evidence of likelihood of confusion and likelihood of irreparable harm, it stopped short of articulating the logical

connection between the two in the context of a Lanham Act case.

Judge Clifton, however, was more explicit. Explaining that “*Herb Reed* did not disclaim the logic that led to the creation of the now-discarded legal presumption,” Judge Clifton would have ruled that the district court “was well within its discretion to infer that confusion between Skecher’s ‘lower-end’ footwear and Adidas’ footwear was likely to harm Adidas’ reputation and goodwill as a premium shoe brand.”

As Judge Clifton suggests, because of this logical connection between evidence of a likelihood of confusion and evidence of irreparable harm, it is not that

trademark cases are held to a more lenient standard at the injunction stage, but rather that evidence of a likelihood of consumer confusion and risk of loss of control of the exclusivity of a mark is inherent evidence of irreparable harm sufficient to warrant injunctive relief. Or as Judge Clifton correctly framed it, “If a plaintiff can demonstrate a likelihood that it will succeed on the merits of its trademark claim ... it is not a big leap to conclude that *adidas* would be injured by that action. The inference might not always follow, as the facts in *Herb Reed* illustrate. ... But in other circumstances, including those here, the interference of injury is logical.”

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