



District Court Denies Preliminary Injunction because Plaintiff Failed to Introduce Evidence of Irreparable Harm – Declares Presumption of Irreparable Harm in Trademark Cases Dead

October 12, 2011

By [Phillip Barengolts](#), [Trademark Attorney](#)

AFL Telecommunications LLC ("AFL") sells FUJIKARA fusion splicers¹ in the U.S. under an exclusive license from Fujikura Ltd., a Japanese manufacturer of fiber optic equipment. AFL also is a wholly-owned subsidiary of Fujikura. SurplusEQ.com, Inc. and friends ("SurplusEQ") import FUJIKURA fusion splicers intended for sale outside the U.S. and sell them over the Internet to U.S. consumers. In other words, SurplusEQ sells gray market FUJIKARA fusion splicers.

AFL sued SurplusEQ and moved for a preliminary injunction over these sales, claiming unfair competition, false advertising, and copyright infringement.² SurplusEQ moved to dismiss. The Court denied AFL's motion for preliminary injunction because AFL failed to provide evidence of irreparable harm under the standard announced in *eBay v. MercExchange L.L.C.*, 547 U.S. 388 (2006)³ and *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7 (2008). It also denied SurplusEQ's motion to dismiss, except for a common law unfair competition claim that AFL did not properly articulate. *AFL Telecomm. LLC v. SurplusEQ.com, Inc.*, 11-01086 (D. Ariz. Sep. 14, 2011).⁴

The facts here are relatively straightforward: 1) the parties dispute whether the U.S. market splicers are materially different from the foreign market splicers sold by SurplusEQ, which allegedly alters them in some way; and 2) the copyrighted software that operates the splicers is made abroad

¹ Fusion splicing will not cause black holes or any other cosmic cataclysms. See http://en.wikipedia.org/wiki/Fusion_splicing.

² Neither AFL nor Fujikura owns a trademark registration in the U.S. for the FUJIKARA mark, so there was no claim for trademark infringement.

³ Prior coverage of the First Circuit's analysis here: <http://blog.pattishall.com/2011/06/10/first-circuit-supreme-court-decision-calls-into-question-presumption-of-irreparable-harm-in-trademark-infringement-preliminary-injunction-cases/>

⁴ Available at http://scholar.google.com/scholar_case?case=17977101181752664625.



PATTISHALL
McAULIFFE
NEWBURY
HILLIARD &

GERALDSON LLP • 311 South Wacker Drive, Suite 5000 • Chicago IL 60606 • T (312) 554-8000 • F (312) 554-8015 • www.pattishall.com

These materials have been prepared by Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP for general informational purposes only. They are not legal advice. They are not intended to create, and their receipt by you does not create, an attorney-client relationship.

originally, so it falls within the type of claim allowable under *Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982, 985 (9th Cir. 2008), *aff'd per curiam*, 131 S. Ct. 565 (2010).

The preliminary injunction analysis, however, should be of great interest to potential plaintiffs seeking to assert trademark infringement, unfair competition, and related claims. Specifically, the Court stated that:

"Plaintiff's motion for preliminary injunction is denied because plaintiff does not show it will suffer irreparable harm in the absence of an injunction. Irreparable harm is no longer presumed in a trademark or copyright case upon a showing of a likelihood of success on the merits. *Flexible Lifeline Sys., Inc. v. Precision Lift, Inc.*, No. 10-35987, (9th Cir. Aug. 22, 2011)⁵ ("proclaim[ing] that the 'King' is dead, referring to *Elvis Presley* the case-to the extent it supported the use of a presumption of irreparable harm in issuing injunctive relief.").

One problem: *Flexible Lifeline* was a copyright infringement case and nowhere in that opinion did the Ninth Circuit explicitly state that the presumption of irreparable harm should be eliminated in trademark cases. Thus, in this author's opinion, the ultimate question of whether the presumption of irreparable harm in trademark cases is not actually dead – just on life-support, at least in the Ninth Circuit.⁶

The court did not provide any answers as to what evidence would be sufficient to establish irreparable harm in a trademark case, but fortunately, AFL sued another fusion splicer gray marketer in the same court and obtained a preliminary injunction there about a week later. See *AFL Telecomm. LLC v. Fiberoptic Hardware, LLC.*, 11-01081 (D. Ariz. Sep. 20, 2011).

What was the winning difference?⁷ Apart from drawing a different judge,⁸ in the *SurplusEQ* case AFL **argued** that it would suffer irreparable harm in the form of injury to reputation, injury to goodwill, and the threatened loss of prospective customers. As the *SurplusEQ* court acknowledged, "Such intangible injuries can qualify as irreparable harm," but AFL "has not introduced any factual evidence of its purported injuries here." In *Fiberoptic*, on the other hand, AFL **offered** evidence of one dissatisfied customer to prove injury to its reputation and goodwill.

Evidence of an actual dissatisfied customer often is not available in trademark cases. AFL likely had no such evidence to support its claims against *SurplusEQ*. Should courts require such evidence of trademark plaintiffs rather than relying on a presumption of irreparable harm? Arguably, under *eBay*, the courts have to ask for it. That said, trademark harm often consists of nothing more than harm to the reputation of the mark owner and the goodwill in the mark – quantifying such harm is difficult and the use of experts to do so in most cases would be unreasonably expensive.

⁵ Available at http://scholar.google.com/scholar_case?case=17249766244451707506.

⁶ Footnote 6 in the *Flexible* opinion highlighted: "We have not found, nor has *Flexible* cited, any case in which a circuit court has upheld the presumption of irreparable harm after analyzing the issue following *eBay*."

⁷ But there it lost its copyright infringement claim for failure to sufficiently allege ownership of the copyright in the software that operates the fusion splicers.

⁸ Fun litigation note: AFL transferred this case to the judge in *Fiberoptic* on an unopposed motion, but did not consolidate the cases.

Perhaps the answer is not increasing expense for trademark owners seeking injunctions, but focusing on the unique position of a district court judge sitting in judgment of a preliminary injunction request: she is a fact-finder well equipped to determine what alleged harms are irreparable. For example, a brand manager's declaration regarding loss of goodwill or injury to reputation, *i.e.*, testimony, can be weighed by the court and found sufficient to meet a trademark owner's burden of proof regarding irreparable injury.⁹ If the court believes such a declaration provides evidence of a potential irreparable injury by the preponderance of the evidence, it can grant an injunction without the need for customer or expert testimony and still meet the standards detailed in *eBay* and *Winter*.

* * *

Phillip Barengolts is a partner with [Pattishall, McAuliffe, Newbury, Hilliard & Geraldson LLP](#), a [leading intellectual property law firm](#) based in Chicago, Illinois. Pattishall McAuliffe represents both plaintiffs and defendants in [trademark](#), [copyright](#), and [unfair competition trials and appeals](#), and advises its clients on a broad range of domestic and international intellectual property matters, including [brand protection](#), [Internet](#), and [e-commerce](#) issues. Mr. Barengolts' practice focuses on litigation, transactions, and counseling in domestic and international [trademark](#), [trade dress](#), [Internet](#), and [copyright law](#). He teaches trademark and copyright litigation at John Marshall Law School, and co-authored [Trademark and Copyright Litigation](#), recently published by Oxford University Press.

⁹ Professor Tushnet, in her post on this case states: "...courts that say that they're applying *eBay*, but then say that lost goodwill is irreparable injury without explaining what goodwill is, are in my opinion not making sense." See her whole post: <http://tushnet.blogspot.com/2011/09/abstract-claim-of-lost-goodwill-isnt.html>.