



District Court Denies Preliminary Injunction because Plaintiff Failed to Prove Irreparable Harm Despite Finding Literally False Advertising by Defendant

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Coast Cutlery (“Coast”) made some inaccurate statements about the hardness and type of steel used for its knives. Leatherman Tool Group (“Leatherman”) sued to stop these statements and requested a preliminary injunction. The District Court of Oregon found that Coast made literally false statements in advertising on Coast’s website, catalogs, and packaging, and that these statements would be material to consumers. See *Leatherman Tool Group, Inc. v. Coast Cutlery Co.*, No. 03:11-cv-615 (D. Or. Oct. 11, 2011).¹ It then proceeded to deny a preliminary injunction because Leatherman did not establish irreparable harm under the alleged new Ninth Circuit standard announced in *Flexible Lifeline Sys., Inc. v. Precision Lift, Inc.*, No. 10-35987, (9th Cir. Aug. 22, 2011).²

As blogged a few days ago,³ reliance on *Flexible* for the proposition that the Ninth Circuit has eliminated the presumption of irreparable harm in Lanham Act cases is inappropriate, even if the Ninth Circuit ultimately confirms that the presumption may no longer apply. Here, the Court stated, “there is no language in the [*Flexible*] court’s rationale that would indicate a different standard for [non-copyright] cases.” Unlike the District of Arizona case in our previous post, at least here the Court squarely addressed that *Flexible* was a different context and acknowledged that it was “left to predict how the Ninth Circuit will address the issue of presumptions of irreparable harm...in a false advertising claim.”

¹ Available here: http://www.pattishall.com/pdf/Leatherman_v_Coast_Cutlery.pdf.

² Available at http://scholar.google.com/scholar_case?case=17249766244451707506.

³ <http://blog.pattishall.com/2011/10/12/district-court-denies-preliminary-injunction-because-plaintiff-failed-to-introduce-evidence-of-irreparable-harm-%e2%80%93-declares-presumption-of-irreparable-harm-in-trademark-cases-dead/>



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Ultimately, it found that a presumption of irreparable harm no longer exists in a false advertising claim, stating:

It is clear that relying on presumptions of irreparable harm for injunctive relief is not appropriate after *eBay*.⁴

This conclusion is not surprising under recent case law all over the country following *eBay*, although troubling for trademark owners and others proceeding under the Lanham Act. In discussing the evidence presented on irreparable harm, however, in this author's opinion, the Court veered off course.

Leatherman presented evidence on the likelihood of irreparable harm through the declaration of one of its senior executives. In particular, he stated that consumers "will be diverted to" Coast based upon the false advertising, which "erodes Leatherman's overall market share." The uncontroverted testimony of Leatherman's senior executive – someone with considerable experience with this market – seems to satisfy Leatherman's burden of proof that irreparable harm was *likely*. See *Winter v. Natural Resources Defense Council, Inc.*, 129 S.Ct. 365, 375 (2008) (applying *eBay* in preliminary injunction context). In particular, the testimony is evidence making it more likely true than not that Leatherman likely would suffer irreparable harm.

The Court cited nothing from Coast to rebut this evidence nor did it state that the testimony was not credible, but nevertheless the Court found the executive's assertions too speculative. Specifically, the Court found the declaration alone "insufficient to support a finding that Leatherman has indeed lost consumers or market share."⁵ Moreover, without citation to any authority, it suggested that Leatherman had to show actual lost sales or diversion of potential customers because of Coast's false advertising – rather than diversion of customers to Coast from any competitor in the market.⁶ Both of these assertions are inconsistent with the requirement under *Winter* that a plaintiff show a likelihood of irreparable harm rather than actual harm. The latter statement also misses that every one of Coast's competitors could have a claim for false advertising as opposed to none of them, which would be the situation under the Court's logic.

We are likely to see more decisions like this one unless district courts heed the admonitions of the Supreme Court and the few appellate courts that have considered the issue in depth. The Supreme

⁴ *But see Quicksilver, Inc. v. Kymsta Corp.*, 360 Fed.Appx. 886 (9th Cir. 2009). Here, the Ninth Circuit noted that the presumption of irreparable harm from a showing of a likelihood of confusion "may have been called into question by *eBay*." The Court did not address the issue, however, because the lower court found irreparable harm through defendant's inability to control its customers use of the infringed mark, conflicting Internet marketing between the mark owner and the infringer, and a potential change in defendant's price point for plaintiff's products, which could harm plaintiff's mark.

⁵ To support this assertion, the Court cited a case where the plaintiff had relied upon declarations stating that "consumers 'may' be confused or 'it is logical to conclude' that they would be so deceived." See *Mutual Pharm. Co. v. Ivax Pharm. Inc.*, 459 F. Supp. 2d 925, 945 (C.D. Cal. 2006). However, there the issue was whether the statements themselves were false, thereby necessitating proof that the statements would be misleading – not whether statements found to be false would cause irreparable harm. Moreover, the next paragraph in *Mutual Pharm.* finds irreparable harm over certain advertising claims because the parties were competitors and the defendant's misleading statements would make the defendant's product more desirable, making it "likely that plaintiff will lose business because consumers will unfairly choose defendant's product over plaintiff's."

⁶ In acknowledgment of the burden it was placing on Leatherman, the Court stated, "While I recognize that it is difficult to demonstrate a diverted sale, it is not impossible."

Court stated in *eBay* that “injunctive relief ‘may’ issue only ‘in accordance with the principles of equity.’” *eBay Inc. v. MercExchange, L.L.C.*, 126 S.Ct. 1837, 1839 (2006). Is it outside the principles of equity to grant an injunction where, as here, a defendant made false statements about its products to consumers?⁷ Without delving into 19th century case law regarding the principles of equity, this author suspects it is not.

The circuit courts that have squarely addressed whether “the nature of...trademark infringement gives rise to a presumption of irreparable injury” explicitly decided to “decline to address whether such a presumption is the equivalent of the categorical rules rejected by the Court in *eBay*.” *North American Medical Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1228 (11th Cir. 2008); see also *Voice of the Arab World Inc. v. MDTV Medical News*, 98 U.S.P.Q.2d 1822 (1st Cir. 2011) (10 year delay made question of *eBay*’s application moot)⁸; *Paulsson Geophysical Services, Inc. v. Sigmar*, 529 F.3d 303, 313 (5th Cir. 2008) (declining to address the “difficult question” of whether the presumption of irreparable harm could continue to be applied in trademark cases after *eBay* where such irreparable harm was sufficiently established by plaintiff);⁹ *Lorillard Tobacco Co. v. Engida*, 213 Fed.Appx. 654 (10th Cir. 2007) (declining to consider how *eBay* might apply in trademark infringement case where plaintiff would not have prevailed on the balancing of the harms regardless). In the copyright context, plaintiffs clearly can no longer rely on the presumption, but as the Second Circuit stated, a court “must actually consider the injury the plaintiff will suffer if he or she loses on the preliminary injunction but ultimately prevails on the merits.”

Injunctions are the traditional remedy under the Lanham Act because harm to reputation and loss of goodwill are notoriously difficult to quantify and, as the Court recognized, it is difficult to prove a diverted sale to show actual harm. In a case such as this one, it is easy to understand why traditional equitable principles would lead to an injunction, otherwise, no one would be able to stop the defendant’s false advertising. Surely this cannot be the result the *eBay* court intended.

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⁷ It should be noted that Coast claimed that its Chinese supplier used cheaper materials than it was supposed to.

⁸ Previously blogged 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>.

⁹ The Fifth Circuit again declined to address the impact of *eBay* on irreparable harm analysis in Lanham Act cases a year later in *The Southern Co. v. Dauben, Inc.*, 324 Fed. Appx. 309, 90 U.S.P.Q.2d 1651 at fn. 13 (5th Cir. 2009).