



June 25, 2007

COURT DECLINES REVIEW OF CASE SEEKING CRACKDOWN ON COUNTERFEIT GOODS

(Lorillard Tobacco Co. v. Engida, No. 06-1440)

The U.S. Supreme Court today declined to review an appeals court decision that undercuts efforts by trademark owners to prevent sales of counterfeit goods bearing fake trademarks, by making it significantly more difficult for such owners to obtain injunctions against the sales.

The Court's one-sentence order declining review was a setback for the Washington Legal Foundation (WLF), which filed a brief urging review in *Lorillard Tobacco Co. v. Engida*. WLF filed its brief on behalf of itself and the National Association of Manufacturers (NAM).

WLF argued that the sale of goods bearing counterfeit trademarks causes billions of dollars in losses each year to the American economy, endangers public health and safety, and provides funding for organized crime and terrorist groups. WLF argued that the appeals court decision is at odds with congressional enactments designed to protect trademark rights, as well as with well-established principles of equity practice.

"The decision below, if followed elsewhere, will set back efforts to control the serious economic problems caused by the counterfeiting of goods protected by registered trademarks," said WLF Chief Counsel Richard Samp after the Supreme Court's ruling. "Injunctions against those shown to have sold counterfeit goods play a key role in denying sales outlets for the manufacturers of such goods," Samp said.

The case involves sales by a small retail store operated by Isaac Engida in Denver, Colorado. Representatives of Lorillard Tobacco Co. (the manufacturer of Newport brand cigarettes) purchased two packages of counterfeit Newport cigarettes from the store. On the basis of that sale, Lorillard filed suit against Engida, alleging that Engida violated the anti-counterfeiting provisions of the Lanham Act, the federal law that protects trademark rights.

Lorillard subsequently filed a motion for a preliminary injunction prohibiting Engida from selling any additional counterfeit cigarettes that falsely indicated that they had been manufactured by Lorillard. Engida did not contest that he had sold counterfeit cigarettes. Nor did he present evidence that such infringing sales would not happen again

– such as that he had implemented a program designed to detect counterfeit cigarettes before they were offered for sale, or that the circumstances that had led to his acquisition of counterfeit cigarettes could not possibly be repeated. The district court nonetheless denied a preliminary injunction, reasoning that evidence that Engida had violated the law in the past was not sufficient to demonstrate that Lorillard would suffer "irreparable harm" in the absence of an injunction. The U.S. Court of Appeals for the Tenth Circuit in Denver affirmed the denial of an injunction. The Supreme Court rejected Lorillard's request to review that decision.

In their brief urging the Court to grant review, WLF and NAM noted that the Tenth Circuit's decision directly conflicts with a decision of the Sixth Circuit in Cincinnati, which held -- in a case involving virtually identical facts -- that a preliminary injunction must be granted. WLF and NAM also argued that the Tenth Circuit's decision is at odds with congressional enactments designed to protect trademark rights, as well as with well-established principles of equity practice. They argued that in a series of recently-enacted laws, Congress made clear its expectation that injunctions would be available in the vast majority of cases in which the plaintiff established that the defendant had sold counterfeit goods in the past.

WLF is a public interest law and policy center with supporters in all 50 states. WLF devotes a substantial portion of its resources to defending and promoting free enterprise, individual rights, and a limited and accountable government. In particular, WLF has appeared in numerous federal and state courts in cases raising issues related to intellectual property rights.

NAM is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. NAM's mission is to enhance the competitiveness of manufacturers by shaping a legislative and regulatory environment conducive to U.S. economic growth and to increased understanding among policymakers, the media, and the general public about the vital role of manufacturing to America's economic future and living standards.

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For further information, contact WLF Chief Counsel Richard Samp, 202-588-0302. A copy of WLF's brief is posted on its web site, www.wlf.org.