No. 06-1440

IN THE

Supreme Court of the United States

LORILLARD TOBACCO COMPANY,
Petitioner,

v.

ISAAC G. ENGIDA, D.B.A. I & G LIQUORS,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Tenth Circuit

BRIEF OF WASHINGTON LEGAL FOUNDATION AND NATIONAL ASSOCIATION OF MANUFACTURERS AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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QUESTIONS PRESENTED

1. Whether undisputed evidence that a retailer sold counterfeit good establishes "irreparable harm" that supports the entry of a preliminary injunction in a trademark infringement case. The Tenth Circuit, in conflict with other circuits, held that it does not.

2. Whether a court, when balancing the hardships for purposes of a preliminary injunction motion in a counterfeiting case, may consider: (i) harm to the retailer that results from incurring a known risk of infringement; (ii) monetary harm to the retailer from lost sales if the injunction is granted; (iii) the retailer's difficulty in distinguishing counterfeit goods from genuine goods; and (iv) the size of the retailer's business. The Tenth Circuit, in conflict with other circuits, held that the court may deny a motion for a preliminary injunction on the basis of these factors.

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iv

INTERESTS OF *AMICI CURIAE* 1

STATEMENT OF THE CASE 2

REASONS FOR GRANTING THE PETITION 4

I. REVIEW IS WARRANTED DUE TO THE EXCEPTIONAL IMPORTANCE OF ENSURING EFFECTIVE TOOLS FOR PREVENTING THE SALE OF COUNTERFEIT GOODS 6

II. REVIEW IS WARRANTED BECAUSE THE DECISION BELOW IRRECONCILABLY CONFLICTS WITH DECISIONS FROM OTHER FEDERAL COURTS OF APPEALS 12

III. REVIEW IS WARRANTED BECAUSE THE DECISION BELOW IS AT ODDS WITH CONGRESSIONAL ENACTMENTS AND TRADITIONAL RULES OF EQUITY 16

CONCLUSION 20

TABLE OF AUTHORITIES

Page(s)

Cases:

eBay v. MercExchange, L.L.C.,
126 S. Ct. 1837 (2006) 6, 18, 19
Kos Pharmaceuticals, Inc v. Andrx Corp.,
369 F.3d 700 (3d Cir. 2004) 14
Levi Strauss & Co. v. Sunrise Int'l Trading,
51 F.3d 982 (11th Cir. 1995) 14
Lorillard Tobacco Co. v. Amouri's Grand Foods, Inc.,
453 F.3d 377 (6th Cir. 2006) 13, 14, 15, 19
Louis Vuitton, S.A. v. Lee,
875 F.2d 584 (7th Cir. 1989) 10
Louis Vuitton v. White,
945 F.2d 569 (3d Cir. 1991) 17
Martin v. Franklin Capital Corp.,
546 U.S. 132 (2005) 6, 19
New Kayak Pool Corp. v. R&P Pools, Inc.,
246 F.3d 183 (2d Cir. 2001) 14
The Affinity Group, Inc. v. Balser Wealth Management, Inc., 2007 U.S. Dist. LEXIS 26331 (S.D. Cal., Apr. 10, 2007) 18

Statutes and Constitutional Provisions:

Anticounterfeiting Consumer Protection Act of 1996,
Pub. L. No. 104-153, 110 Stat. 1386 (1996) 12

Lanham Act, 15 U.S.C. § 1051, *et seq.* 3, 5
15 U.S.C. § 1114 3
15 U.S.C. § 1114(1) 6
15 U.S.C. § 1116 10
15 U.S.C. § 1116(a) 6, 17

Page(s)

15 U.S.C. § 1116(d) 3, 11, 17
15 U.S.C. § 1116(d)(4) 16
15 U.S.C. § 1117(a) 10
15 U.S.C. § 1117(c) 10, 12
15 U.S.C. § 1117(d) 10, 12
15 U.S.C. § 1125 3
15 U.S.C. § 1125(a) 6
15 U.S.C. § 1127 6

Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, 120 Stat. 285 (2006) 12

Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, 98 Stat. 1837 (1984) 11, 16

Miscellaneous:

George W. Abbott Jr. and Lee S. Sporn, *Trademark Counterfeiting*, § 1.03[C][3] (2002) 9

Business Week (Feb. 7, 2005) 7

Matthew Benjamin, *A World of Fakes: Counterfeit Goods Threaten Firms, Consumers, and National Security*, U.S. News and World Report (July 14, 2003) 7, 9

Kate Betts, *The Purse-Party Blues*, Time (Aug. 2, 2004) 7

The Economist, *Imitating Property Is Theft* (May 17, 2003) 9

Page(s)

FDA Talk Paper, *FDA Alerts Consumers and Health Professionals to Recall of Counterfeit Lipitor* (May 23, 2003), *available at* www.fda.gov/bbs/topics/ANSWERS/2003/ANS01224.html 8

International Anticounterfeiting Coalition, *White Paper, The Negative Consequences of Intellectual Property Theft: Economic Harm, Threats to the Public Health and Safety, and Links to Organized Crime and Terrorist Organizations* (January 2005), *available at* www.iacc.org/resources/IACC_WhitePaper.pdf 7, 8

Joint Statement on Trademark Counterfeiting Legislation, 130 Cong. Rec. H12076, H12081 (1984), *reprinted in* Gilson, 4 *Trademark Protection and Practice*, § 34, 34-624 17

Senate Committee on Homeland Security and Government Affairs, "Counterfeit Goods: Easy Cash for Criminals and Terrorists" (Testimony of Lt. John C. Stedman, Los Angeles County Sheriff's Dep't (May 25, 2005) 9

U.S. Dep't of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts* (Aug. 2006) . . . 7

U.S. Dep't of Health and Human Services, *FDA Warns About Infant Formula Fraudulently Labeled as Nutramigen in Southern California*, HHS NEWS, P99-23 (Oct. 8, 1999) 9

Page(s)

U.S. Government Accounting Office, *Terrorist Financing: U.S. Agencies Should Systematically Assess Terrorists' Use of Alternative Financing Mechanisms* (November 2003) 9

Wisconsin State Journal, *Thompson Should Block Surge in Knockoff Drugs* (June 22, 2001) 8

BRIEF OF WASHINGTON LEGAL FOUNDATION AND NATIONAL ASSOCIATION OF MANUFACTURERS AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

INTERESTS OF *AMICI CURIAE*

The Washington Legal Foundation (WLF) is a non-profit public interest law and policy center with supporters in all 50 states.[1] WLF devotes a substantial portion of its resources to defending free-enterprise, individual rights, and a limited and accountable government. In particular, WLF has frequently appeared in this and other federal and state courts to protect property rights, including intellectual property rights, against intrusion by governments and third parties. *See, e.g., Ferring v. Barr Laboratories*, 437 F.3d 1181 (Fed. Cir.), *cert. denied*, 127 S. Ct. 515 (2006); *Brown v. Legal Found. of Washington*, 538 U.S. 216 (2003); *Phillips v. Washington Legal Found.*, 524 U.S. 156 (1998).

The National Association of Manufacturers is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. The 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.

Amici are concerned that the decision below, if allowed to stand, will set back efforts to control the serious economic

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[1] Pursuant to Supreme Court Rule 37.6, amici state that no counsel for a party authored this brief in whole or in part; and that no person or entity, other than amici and their counsel, contributed monetarily to the preparation and submission of this brief.

problems caused by the counterfeiting of goods protected by registered trademarks. In conflict with other appeals courts, the Tenth Circuit established criteria that will make it difficult for trademark holders to obtain injunctions against retailers shown to have sold counterfeit goods. Such injunctions play a key role in denying sales outlets for the manufacturers of counterfeit goods.

WLF and NAM have no direct financial interest in the outcome of this case. *Amici* are filing due solely to their interests in protecting the property rights of trademark holders and in preventing manufacturers and sellers of counterfeit goods from deceiving consumers into thinking they are purchasing genuine goods. *Amici* are filing this brief with the consent of all parties. The written consents have been lodged with the Clerk of the Court.

STATEMENT OF THE CASE

This petition raises important questions regarding the protection of intellectual property rights. Congress has recognized that trafficking in counterfeit goods is a serious economic problem, and has responded with a series of laws designed both to protect consumers and to provide trademark owners with the tools necessary to protect their property rights. The decision below severely undercuts one of the most significant tools: federal court injunctions against retailers who sell counterfeit goods. That decision directly conflicts with other appeals courts decisions, which hold that injunctions are warranted in identical situations.

The facts of this case are largely undisputed. Respondent Isaac G. Engida operates a retail business in Denver, Colorado that is licensed to sell cigarettes. Representatives of Petitioner Lorillard Tobacco Company purchased two packages of

counterfeit Newport brand cigarettes from his store on January 31, 2006. On the basis of that sale, Lorillard filed suit against Engida, alleging that Engida has violated the anti-counterfeiting provisions of §§ 32 and 43 of the Lanham Act, 15 U.S.C. §§ 1114 and 1125.

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. To the contrary, Engida admitted that there was a very real possibility that future sales of cigarettes bearing the Newport trademark would include counterfeits – such that if an injunction were issued, he would "probably" stop selling Newports rather than "inadvertently" violate the injunction. Pet. App. 6a.[2]

The district judge denied the motion without issuing a written opinion. Comments made by the judge during the hearing on the motion indicated that he based his ruling on the small size of Engida's business, the small number of counterfeit cigarettes whose sale was detected by Lorillard, and

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[2] The district court record also indicated that Engida was not offering *any* Newport cigarettes for sale when, pursuant to a seizure order issued at Lorillard's request (*see* 15 U.S.C. § 1116(d)), U.S. Marshals visited Engida's store soon after the suit was filed. That visit uncovered business records indicating that Engida had purchased Newports from "an unknown source," Pet. App. 2a, outside of ordinary distribution channels.

Engida's denial that he had knowingly sold counterfeit cigarettes. *Id.* 4a-5a.

The court of appeals affirmed, rejecting Lorillard's claim that the district court had relied on legally impermissible criteria in denying the injunction. *Id.* 1a-6a. The court agreed with the district court that proof that a defendant had sold counterfeit goods was not necessarily sufficient to demonstrate a likelihood that he would do so in the future, and thus that Lorillard's evidence of such sales was insufficient to establish irreparable harm. *Id.* 5a-6a. The appeals court also said that it was proper to consider, when weighing the harm to the defendant caused by an injunction, the defendant's "status as a small business," the defendant's denial of an intent to sell counterfeit goods, and that "an injunction would probably require it to stop selling *any* Newport® cigarettes while the suit was pending for fear that it would inadvertently violate the injunction." *Id.* 6a (emphasis in original).

REASONS FOR GRANTING THE PETITION

This case presents issues of exceptional importance to the entire business community and to the consuming public. The sale of goods bearing counterfeit trademarks causes billions of dollars of losses each year to the American economy, endangers public health and safety, and provides funding for organized crime and terrorist groups.

The decision below undercuts efforts to prevent such sales, by making it significantly more difficult for the owners of trademarks to obtain injunctions against the sales. The appeals court, in direct conflict with decisions from numerous other appeals courts, established extremely stringent legal standards for obtaining preliminary injunctions against merchants determined to have sold counterfeit goods. If, based

on those standards, companies such as Lorillard are unable to obtain injunctions against such merchants, they may well abandon litigation-based efforts to prevent sales at the retail level of goods bearing counterfeit trademarks – in many cases, the small damage awards available in Lanham Act cases of this sort would be insufficient by themselves to entice private enforcement efforts. Reduction in such private enforcement efforts would raise serious public health and safety concerns. In light of those concerns, review is warranted to resolve the conflict among the federal appeals courts regarding when injunctions should be issued against admitted violators of federal trademark law.

Review is also warranted because the decision below is so clearly at odds with congressional enactments designed to protect trademark rights, as well as with well-established principles of equity practice. The appeals court was correct that a plaintiff in a Lanham Act suit is not automatically *entitled* to injunctive relief based solely on a showing that the defendant has violated the Act. But Congress's expectation was that injunctions would be available in the great majority of cases. In this case, Engida introduced no evidence – such as evidence that there was no possibility of future violations – supporting a departure from the normal rule that proof of a past violation demonstrates irreparable harm sufficient to support an injunction. To the contrary, the appeals court upheld denial of a preliminary injunction *precisely because* Engida insisted that it was *highly likely* that he would once again (albeit inadvertently) sell counterfeit Newports. The Tenth Circuit's rule upholding virtually unlimited discretion to deny injunctions under such circumstances cannot be squared with traditional principles of equity. As Chief Justice Roberts, joined by Justices Scalia and Ginsburg, recently explained, "'Discretion is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice that

like cases should be decided alike.'" *eBay v. MercExchange, L.L.C.*, 126 S. Ct. 1837, 1841-42 (2006) (Roberts, C.J., concurring) (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)). Review is warranted to address the Tenth Circuit's abandonment of that rule.

I. REVIEW IS WARRANTED DUE TO THE EXCEPTIONAL IMPORTANCE OF ENSURING EFFECTIVE TOOLS FOR PREVENTING THE SALE OF COUNTERFEIT GOODS

One cannot easily overstate the serious economic problems, as well as the threats to public health and safety, created by the increased trafficking in counterfeit goods within this country. Review is warranted to ensure that the tools created by Congress for addressing those concerns are being utilized properly by the federal courts.

Federal law has long provided protection to the owners of trademarks.[3] The Lanham Act provides a trademark owner with a private right of action against, among others, those who use in commerce imitations of the trademark in connection with the sale of goods or services, where such use "is likely to cause confusion, or to cause mistake, or to deceive," 15 U.S.C. § 1114(1); or who, in connection with any goods or services, uses in commerce any word, term, name, or symbol likely to cause confusion as to the origin of the goods or services. 15 U.S.C. § 1125(a). Federal district courts are empowered to "grant injunctions, according to the principles of equity" to prevent violations of trademark rights and violations of § 1125(a). 15 U.S.C. § 1116(a).

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[3] A "trademark" includes, *inter alia*, "any word, name, symbol, or device" used by a person "to identify his or her goods . . . from those manufactured or sold by others." 15 U.S.C. § 1127.

Despite these legal protections, trafficking in counterfeit goods – that is, goods not produced by the trademark owner yet bearing a trademark that falsely indicates that the goods originated with that owner – has increased dramatically in recent years. *See* Kate Betts, *The Purse-Party Blues*, Time (Aug. 2, 2004) (worldwide production of counterfeit goods jumped 1700% between 1993 and 2004). Most estimates place the annual cost of counterfeit goods to the U.S. economy at $200-$250 billion. *See, e.g.,* Matthew Benjamin, *A World of Fakes: Counterfeit Goods Threaten Firms, Consumers and National Security,* U.S. News & World Report (July 14, 2003) at 46-47 (hereinafter "Benjamin") (reporting FBI estimate of annual cost). That figure is twice as much as Americans spent in 2005 on new automobiles, twice as much as they spent on higher education, and twice as much as they spent on household electric bills. *See* U.S. Department of Commerce, Bureau of Economic Analysis, *National Income and Product Accounts,* Table 2.4.5 (Aug. 2006).[4] Worldwide, the cost of counterfeit goods is estimated at up to $514 billion annually. Business Week (Feb. 7, 2005) at 56.

Counterfeit goods also pose a serious risk to public health and safety. Such goods often are inferior in quality to goods produced by the manufacturer who holds the trademark, so consumers who purchase products in reliance on the manufacturer's good reputation can risk injury or death when trademarks on which they rely turn out to be fake. To cite just

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[4] By way of further contrast, bank robberies garner far more publicity and law enforcement attention than does counterfeiting of goods, yet they generally involve less than $70 million per year. *See* International Anticounterfeiting Coalition, *White Paper, The Negative Consequences of Intellectual Property Theft: Economic Harm, Threats to the Public Health and Safety, and Links to Organized Crime and Terrorist Organizations* (January 2005) at 4, *available at* www.iacc.org/resources/IACC_WhitePaper.pdf (hereinafter "IACC").

a few examples involving prescription drugs, where the health dangers of counterfeit goods are self-evident:

- The World Health Organization (WHO) estimates that 10% of all pharmaceuticals are counterfeit; that number reaches as high as 60% in some developing countries. IACC at 7. According to the WHO, 16% of counterfeit drugs contain the wrong ingredients, 17% contain incorrect amounts of the proper ingredients, and 60% have no active ingredients whatsoever. *Id.*

- A May 2003 alert issued by the Food and Drug Administration (FDA) stated that nearly 200,000 bottles of counterfeit Lipitor (a prescription drug used to treat high cholesterol levels) had entered the U.S. market. FDA Talk Paper, *FDA Alerts Consumers and Health Professionals to Recall of Counterfeit Lipitor* (May 23, 2003), *available at* www.fda.gov/bbs/topics/ANSWERS/2003/ANS01224.html.

- Testimony before a House Subcommittee in June 2001 indicated that one major drug company had uncovered millions of fake yellow tablets made to look identical to the company's product yet consisting of "boric acid, floor wax and lead-based yellow paint used for road markings." Wisconsin State Journal, *Thompson Should Block Surge in Knockoff Drugs* (June 22, 2001).

Other products whose frequent counterfeiting has caused serious health and safety concerns include aircraft,[5] motor vehicles,[6] and infant formula.[7]

Because counterfeiting is such a high-profit activity whose perpetrators rarely receive substantial prison sentences, it has attracted considerable interest from organized crime and terrorist organizations. *See, e.g.*, Benjamin, at 46-47. For example, a counterfeit t-shirt ring linked to Egyptian cleric Sheik Omar Abdel Rahman helped pay for the 1993 attack on the World Trade Center. *Id.* The GAO has concluded that "terrorists earn funds through highly profitable crimes involving commodities such as contraband cigarettes, counterfeit goods, and illicit drugs." U.S. General Accounting Office, *Terrorist Financing: U.S. Agencies Should Systematically Assess Terrorists' Use of Alternative Financing Mechanisms* (November 2003) at 3. Organized crime rings and terrorists who traffic in counterfeit cigarettes generally do not pay taxes on the cigarettes, resulting in substantial revenue losses for State governments as well. *See* Senate Committee on Homeland Security and Government Affairs, "Counterfeit Goods: Easy Cash for Criminals and Terrorists" (Testimony of Lt. John C. Stedman, Los Angeles County Sheriff's Department) (May 25, 2005).

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[5] *See, e.g., Imitating Property Is Theft*, The Economist (May 17, 2003) (attributing crash of Norwegian airliner that killed 55 people to substandard counterfeit bolts that caused the plane's tail to fall off).

[6] *See, e.g.,* George W. Abbott, Jr. and Lee S. Sporn, *Trademark Counterfeiting* § 1.03[C][3] (2002) (attributing bus crash that killed seven children to defective counterfeit brakes).

[7] *See, e.g.*, U.S. Dep't of Health and Human Services, *FDA Warns About Infant Formula Fraudulently Labeled as Nutramigen in Southern California*, HHS NEWS, P99-23 (Oct. 8, 1999).

Because those who manufacture counterfeit goods often operate undercover or overseas, their activities can be very difficult to detect. In many cases, the only means of controlling counterfeiting is to target those who engage in *retail sales* of counterfeit goods to the public. Congress has authorized those injured by retail sales of counterfeit goods to seek injunctive relief, 15 U.S.C. § 1116, lost profits and damages, 15 U.S.C. § 1117(a), and (in some cases) statutory damages. 15 U.S.C. § 1117(c) & (d). While actions for damages can serve to deter some retail sales of counterfeit goods, a trademark holder generally can hope to detect only a small number of such sales in a typical investigatory purchase – thereby reducing the potential size of any award of damages.[8] Potential damage awards are also reduced significantly in the absence of proof that the retailer was aware that the goods were counterfeit, 15 U.S.C. § 1117(c) & (d), and it can often be very difficult to prove such awareness.

As a result, injunctive relief is forced to play a crucial role in private enforcement of trademark law. A reputable retailer that has been enjoined from further counterfeit sales will be highly motivated to take steps to make absolutely sure that no such sales occur, in order to avoid contempt sanctions. Moreover, trademark holders are likely to be able to recover substantial monetary penalties from those retailers who take a more casual attitude toward counterfeiting and are discovered to have continued to sell counterfeit goods after being enjoined from doing so. Publicity surrounding such contempt proceedings serves to deter other retailers from engaging in similar misconduct. *Louis Vuitton, S.A. v. Lee*, 875 F.2d 584, 588 (7th Cir. 1989) (in light of the difficulty in detecting the sale of counterfeit goods, heavy punishment of small retailers

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[8] The two packages of counterfeit cigarettes detected here is typical in cases of this sort.

caught selling counterfeit goods is an appropriate means of deterring violations by others).

The decision below calls into question the effectiveness of suits against individual retailers shown to have violated the trademark laws. The Tenth Circuit affirmed the denial of a preliminary injunction against Engida's future sale of counterfeit Newports, despite: (1) on the *only* occasion on which his supply of Newports was checked, it included counterfeit Newports; (2) the absence of evidence that his sale of counterfeit Newports was a non-repeatable aberration or that he had implemented a program designed to detect counterfeit cigarettes before they were offered for sale; and (3) an admission by Engida that in the absence of an injunction he would continue to sell Newports and that it was likely that he would once again (albeit inadvertently) sell counterfeit Newports. If an injunction is properly denied under those circumstances, it is hard to imagine when an injunction could *ever* be obtained against a retailer shown to have sold a small quantity of counterfeit goods. Under the appeals court's standards, manufacturers will have a significantly reduced incentive to bring private enforcement actions against retailers who sell counterfeit versions of their goods.

Given the importance of the issues involved, review is warranted to determine whether the Tenth Circuit's standards for issuing injunctions adhere to Congress's mandate and traditional rules of equity. By adopting several statutes in the past decade designed to strengthen private enforcement of trademark laws, Congress has indicated both an awareness of the seriousness of the problems caused by counterfeiting and that private enforcement is to play an important part in combating those problems. *See, e.g.*, Trademark Counterfeiting Act of 1984, Pub. L. No. 98-473, 98 Stat. 1837 (1984) (granting federal courts authority to issue *ex parte* seizure

orders against sellers of counterfeit goods) (*see* 15 U.S.C. § 1116(d)); Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, 110 Stat. 1386 (1996) (authorizing statutory damage awards against sellers of counterfeit goods) (*see* 15 U.S.C. § 1117(c) & (d)); Stop Counterfeiting in Manufactured Goods Act, Pub. L. No. 109-181, 120 Stat. 285 (2006) (authorizing judgments ordering forfeiture of profits and equipment of counterfeiters). Review is warranted to determine whether the Tenth Circuit's standards impose inappropriate obstacles in the path of those seeking to bring private enforcement actions.

Review is particularly important in light of ongoing efforts by the federal government to convince foreign governments to protect intellectual property rights abroad. U.S. leadership in this area is critical to maintaining the credibility of those efforts. If we are unable to provide an effective system of injunctions and penalties for violations on our own soil, it will be difficult to convince others to do so on theirs.

II. REVIEW IS WARRANTED BECAUSE THE DECISION BELOW IRRECONCILABLY CONFLICTS WITH DECISIONS FROM OTHER FEDERAL COURTS OF APPEALS

Review is also warranted because the Tenth Circuit's decision establishes legal standards for granting preliminary injunctions that are in direct conflict with standards established by other federal courts of appeals. The petition provides a detailed account of those conflicts, which relate to five separate points of law. *Amici* will not repeat that account here; rather, we wish to focus on the conflict addressed in the first Question Presented: the legal standards for establishing "irreparable harm" in a trademark infringement case.

The Sixth Circuit reversed the denial of a preliminary injunction in a trademark infringement case involving a fact pattern indistinguishable from this case in all material respects. In that case, *Lorillard Tobacco Co. v. Amouri's Grand Foods, Inc.*, 453 F.3d 377 (6th Cir. 2006), representatives of Lorillard obtained eight packages of Newport cigarettes on two occasions from a small retail store in Michigan; seven of those packages were determined to be counterfeit. The district court nonetheless denied Lorillard's motion for a preliminary injunction, holding that the equities favored the defendant. Finding that Lorillard had established "unequivocal[]" entitlement to an injunction as a matter of law, the Sixth Circuit reversed and remanded with directions that the district court issue a preliminary injunction. 453 F.3d at 380. The Sixth Circuit held that Lorillard had "unquestionably" made each of the four showings necessary to obtain a preliminary injunction – likelihood of success on the merits, irreparable harm in the absence of an injunction, the balance of hardships favored the party seeking the injunction, and issuance of an injunction served the public interest. *Id.*

With respect to irreparable harm, the Sixth Circuit held that Lorillard met its burden of proof by demonstrating that the defendant had sold products bearing fake Lorillard trademarks, thereby establishing a:

> [L]oss of control over the quality of goods that bear its marks. . . . In light of Lorillard's submission of sworn declarations that the packages were counterfeit and Grand Foods' failure to offer any evidence to the contrary, there is no doubt on that score: Goods are being offered for sale that purport, via use of Lorillard's marks, to have been produced by Lorillard, but they were not. Hence, we see no reason why the conclusion as to irreparable harm should not operate in this case.

Id. at 382.[9]

The Tenth Circuit's efforts to distinguish *Grand Foods* are wholly unavailing. The Tenth Circuit noted a single factual distinction between the two cases, both of which involved *ex parte* seizure orders issued pursuant to 15 U.S.C. § 1116(d): unlike in *Grand Foods*, on the day on which the seizure order was executed in this case, Engida was discovered not to be offering *any* Newport cigarettes for sale.[10] The appeals court asserted, "Unlike [*Grand Foods*], the raid on I and G premises did not reveal evidence of additional counterfeit Newport® cigarettes, undermining the likelihood of future injury to Lorillard." Pet. App. 5a.

But that factual difference would serve to distinguish *Grand Foods* only if Engida were claiming that, prior to execution of the seizure order, he had decided to stop selling Newports. Engida makes no such claim. To the contrary, throughout this litigation he has expressed a desire to continue

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[9] The Sixth Circuit decision is consistent with the position of numerous other federal appeals courts that a trademark plaintiff seeking a preliminary injunction establishes irreparable harm by demonstrating that the defendant has been selling counterfeit goods – at least in the absence of evidence from the defendant that future counterfeit sales are unlikely. *See, e.g., New Kayak Pool Corp. v. R&P Pools, Inc.*, 246 F.3d 183, 185 (2d Cir. 2001); *Kos Pharmaceuticals, Inc. v. Andrx Corp.*, 369 F.3d 700, 726 (3d Cir. 2004); *Levi Strauss & Co. v. Sunrise Int'l Trading*, 51 F.3d 982, 986 (11th Cir. 1995).

[10] As the petition notes, on the first occasion on which U.S. Marshals attempted to execute the seizure order in this case, Engida's store was discovered to be locked during normal business hours. Pet. 7. From this sequence of events, one could reasonably draw an inference of guilty knowledge: Engida, having been alerted to an impending visit from U.S. Marshals, chose to temporarily remove all Newports (and virtually all other cigarettes) from the store.

selling Newport cigarettes. Indeed, a principal basis for his "hardship" claim is that an injunction would interfere with his desire to continue to sell Newports, because he would probably feel compelled to respond to an injunction by ceasing all Newport sales for fear that he "would inadvertently violate the injunction." *Id.* 6a. Accordingly, the two cases are factually indistinguishable in all relevant respects: in both cases the defendant sold counterfeit Newports, in both cases the defendant offered no evidence regarding implementation of a program designed to foreclose the possibility of inadvertent sales of counterfeit cigarettes in the future, and in both cases the evidence demonstrated that the defendant intended to sell Newports in the future. Yet, in *Grand Foods*, the Sixth Circuit held that the plaintiff had established irreparable harm as a matter of law, while here the Tenth Circuit held that the same evidence did not establish irreparable harm. In this case, 100% of the Newport packages tested turned out to be counterfeit: two out of two. Given the lack of evidence that Engida was offering anything but counterfeit Newports for sale, the irreparable harm showing could not be more compelling.

In sum, review is warranted to resolve the irreconcilable conflict between the decision below and the decisions of other federal appeals courts, particularly the Sixth Circuit, regarding the legal standards for establishing irreparable harm in trademark infringement cases.

III. REVIEW IS WARRANTED BECAUSE THE DECISION BELOW IS AT ODDS WITH CONGRESSIONAL ENACTMENTS AND TRADITIONAL RULES OF EQUITY

Review is also warranted because the decision below is so clearly at odds with congressional enactments designed to protect trademark rights, as well as with well-established principles of equity practice. The facts here are typical of the fact pattern in numerous trademark infringement suits: a small retailer is shown to have sold counterfeit goods and has presented no evidence to counteract the natural inference that such sales will continue unless enjoined. Congress has made clear its belief that injunctive relief is appropriate under such circumstances.

The Trademark Counterfeiting Act of 1984 (TCA), Pub. L. No.98-473, 98 Stat. 1837 (1984), is perhaps Congress's strongest statement in support of granting injunctive relief against trademark violators. Among other provisions, the TCA authorized a trademark owner to obtain an *ex parte* temporary restraining order/seizure order from a federal district court, upon showing that a retailer has sold goods bearing a counterfeit trademark belonging to the owner and that the owner would suffer "immediate and irreparable injury" in the absence of a seizure. 15 U.S.C. § 1116(d)(4). The legislative history of the TCA makes clear that Congress intended the TCA's irreparable harm requirement to be understood in light of the well-established equity practice of federal courts, whereby evidence of past sales of infringing goods was deemed sufficient evidence of irreparable harm to mandate issuance of an injunction:

> ["Immediate and irreparable injury"] will not ordinarily be a difficult showing in a counterfeit case. . . . The

> courts have repeatedly held that the distribution of infringing goods constitutes irreparable injury sufficient to order preliminary relief. [Citations.] Since the marks at issue here are not merely infringing but counterfeit marks, this conclusion will be still more easily reached.

Joint Statement on Trademark Counterfeiting Legislation, 130 Cong. Rec. H12076, H12081 (1984), *reprinted in* Gilson, 4 *Trademark Protection and Practice*, § 34, 34-624.[11] There is every reason to suppose that Congress intended its understanding of what constitutes "irreparable harm" in a trademark case to apply not only to seizure orders but also to requests for preliminary injunctive relief pursuant to 15 U.S.C. § 1116(a) (which authorizes district courts hearing trademark cases "to grant injunctions, according to the principles of equity").

Amici do not mean to suggest that federal courts should eliminate "irreparable harm" as a separate prerequisite for issuance of a preliminary injunction and should automatically grant injunctions in all cases in which the other three prerequisites have been met. To the contrary, there undoubtedly are trademark cases in which injunctive relief is properly denied based on the absence of "irreparable harm," despite uncontradicted evidence that the defendant sold

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[11] The Third Circuit cited that Joint Statement in support of a decision reversing a district court's refusal (based on the alleged absence of "irreparable harm") to grant a seizure order pursuant to 15 U.S.C. § 1116(d), despite evidence that the defendant had sold counterfeit goods. *Louis Vuitton v. White*, 945 F.2d 569, 575 (3d Cir. 1991).

counterfeit goods.[12] But this is not such a case, and the Tenth Circuit made no findings suggesting that it is. As set forth above, Engida introduced no evidence to call into question the normal inference that evidence of past sales of counterfeit goods is evidence that such sales will continue in the absence of an injunction. Contrary to the Tenth Circuit's assertion, the fact that Engida had pulled all Newport cigarettes (and most other cigarettes as well) off his shelves on the day U.S. Marshals executed the seizure order in no way serves to "undermin[e] the likelihood of future injury to Lorillard." Pet. App. 5a. The fact remains that in *every* instance in which the authenticity of a package of Newport cigarettes sold by Engida was checked, the package was shown to be counterfeit. The Tenth Circuit erred as a matter of law in determining that such evidence – especially when combined with Engida's admitted desire to continue selling Newport cigarettes – does not establish "irreparable harm."

The Tenth Circuit's reliance on *eBay v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006), was misplaced. *eBay* stands for the proposition that a plaintiff who establishes that his patent has been infringed does not thereby automatically gain entitlement to an injunction against further infringement. Rather, the Court held:

> [T]he decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and . . . such discretion must be exercised consistent with traditional principles of equity.

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[12] For example, if the defendant has gone out of business and there is little likelihood that it will resume operations, the plaintiff would have a difficult time demonstrating that it would be irreparably harmed if no injunction were issued. *See, e.g., The Affinity Group, Inc. v. Balser Wealth Management, L.L.C.*, ___ F. Supp. 2d ___, 2007 U.S. Dist. LEXIS 26331, *12 (S.D. Cal., Apr. 10, 2007).

eBay, 126 S. Ct. at 1841.

But *Grand Foods* and the numerous other federal appeals court decisions that conflict with the decision below do not hold that a trademark owner is automatically entitled to injunctive relief based on nothing more than evidence of past infringement. To the contrary, they have all directed district courts to apply traditional principles of equity (including the four traditional prerequisites) in deciding whether to grant preliminary injunctive relief. In providing guidance regarding what constitutes evidence of "irreparable harm," those decisions have directed that "irreparable harm" should be deemed to exist when, as here, the evidence demonstrates that the defendant has sold counterfeit goods in the past and the defendant has not come forward with evidence rebutting the natural inference that such sales will continue unless enjoined. *Amici* submit that such guidance is far more faithful to the mandate of Congress and traditional principles of equity than is the decision below.

The Tenth Circuit's ruling provides district courts with virtually unlimited discretion to deny injunctions in trademark infringement cases. Such broad discretion cannot be squared with traditional principles of equity. As Chief Justice Roberts, joined by Justices Scalia and Ginsburg, explained in his concurring opinion in *eBay*, "'Discretion is not whim, and limiting discretion according to legal standards helps promote the basic principle of justice that like cases should be decided alike.'" *eBay*, 126 S. Ct. at 1841-42 (Roberts, C.J., concurring) (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)). Review is warranted to address the Tenth Circuit's abandonment of that rule – with the result that district courts within the Tenth Circuit are left free to deny preliminary injunctions in trademark cases when other circuits mandate injunctions in factually indistinguishable cases.

CONCLUSION

Amici curiae Washington Legal Foundation and the National Association of Manufacturers respectfully request that the Court grant the petition for a writ of certiorari.

Respectfully submitted,

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