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IP REMEDIES AFTER *eBAY*: ASSESSING THE IMPACT ON TRADEMARK LAW

*Sandra Rierson**

The Supreme Court's decision in *eBay Inc. v. MercExchange, L.L.C.*¹ changed the law regarding remedies in patent cases – specifically the “general rule... that a permanent injunction will issue once infringement and validity have been adjudged.”² Prior to *eBay*, the Federal Circuit held that injunctive relief was an inappropriate remedy for patent infringement only in a narrow category of cases in which enjoining an infringer would frustrate an important public interest.³ The Supreme Court rejected that assumption, holding instead that plaintiffs seeking this form of remedy for patent infringement were required to satisfy the traditional, four-factor test for injunctive relief.⁴ Plaintiffs in such cases must now prove that (1) they have suffered an irreparable injury; (2) legal remedies, such as monetary damages, are inadequate to compensate for the injury; (3) the balance of hardships weighs in their

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1. 126 S.Ct. 1837 (2006).

2. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1338 (Fed. Cir. 2005), *overruled by* 126 S.Ct. 1837 (2006).

3. *See, e.g., Rite-Hite Corp. v. Kelley, Inc.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995); *Roche Products, Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865-66 (Fed. Cir. 1984) (citing cases).

4. *eBay*, 126 S.Ct. at 1839. For a thorough summary and analysis of the *eBay* opinion, *see* Sue Ann Mota, *eBay v. MercExchange: Traditional Four-Factor Test for Injunctive Relief Applies to Patent Cases, According to the Supreme Court*, 40 AKRON L. REV. 529 (2007); *see also* Todd Klein, Comment, *eBay v. MercExchange and KSR Int'l Co. v. Teleflex, Inc.: The Supreme Court Wages War Against Patent Trolls*, 112 PENN ST. L. REV. 295, 302-09 (2007); Miranda Jones, Casenote, *Permanent Injunction, A Remedy by Any Other Name is Patently Not the Same: How eBay v. MercExchange Affects the Patent Rights of Non-Practicing Entities*, 14 GEO. MASON L. REV. 1035, 1054-59 (2007).

favor; and (4) granting an injunction will not negatively impact the public interest.⁵

What, then – if anything – is the potential impact of *eBay* on trademark law? In trademark law, like patent law (at least prior to the *eBay* decision), the case law reflects a strong presumption that injunctive relief goes hand-in-hand with a finding of liability – either in the form of trademark infringement or, more recently, dilution. In fact, in trademark law injunctive relief is the preferred form of remedy, as courts have been unwilling to award monetary damages except in cases of willful and/or particularly egregious misconduct, when injunctive relief would not be a satisfactory form of relief.⁶ Specifically, the “irreparable harm” element of the traditional test for injunctive relief is generally presumed in both trademark infringement and dilution cases, provided the plaintiff can prove liability.⁷

5. *eBay*, 126 S.Ct. at 1839.

6. See, e.g., *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 176 (4th Cir. 2006) (“If an injunction is an adequate remedy, this factor should weigh against a damages award.”); see also *Tamko Roofing Prod. Inc. v. Ideal Roofing Co., Ltd.*, 282 F.3d 23, 35 (1st Cir. 2002) (“[I]f injunctive relief provides a complete and adequate remedy, then the equities of the case may not require an accounting of profits.”); *Estate of Bishop v. Equinox Int'l Corp.*, 256 F.3d 1050, 1055 (10th Cir. 2001) (holding that an accounting of profits should be determined by “equitable considerations” in order to deter willful violations); *Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994) (holding that “an accounting will be denied with a trademark infringement action where an injunction will satisfy the equities of the case”) (citations omitted); *Malletier v. Dooney & Burke Inc.*, 500 F. Supp. 2d 276, 281 (S.D.N.Y. 2007) (upholding the view that “a finding of willfulness is a prerequisite to awarding profits in trademark infringement actions”), *reconsideration denied*, No. 04 Civ. 2990(SAS), 2007 WL 1498323 (S.D.N.Y. May 22, 2007).

7. See, e.g., *Kos Pharm., Inc. v. Andrx Corp.*, 369 F.3d 700, 726 (3rd Cir. 2004) (holding that a plaintiff who has shown a likelihood of success on the merits of a trademark infringement claim “is entitled to a presumption that it will suffer irreparable harm absent an injunction”); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000) (“Irreparable harm is generally presumed in cases of trademark infringement and dilution.”); *Am. Bd. of Psychiatry and Neurology, Inc. v. Johnson-Powell*, 129 F.3d 1, 4 (1st Cir. 1997) (“[B]y its very nature, trademark infringement results in irreparable harm” (quoting *Societe Des Produits Nestle, S.A. v. Casa Helvetia, Inc.*, 982 F.2d 633, 640 (1st Cir. 1992))); *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 142 (2nd Cir. 1997) (“In the context of trademark and unfair competition injunctions, the requirement of irreparable harm carries no independent weight, as . . . a showing of likelihood of confusion . . . establishes irreparable harm.”); *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 938 (4th Cir. 1995) (“A finding of irreparable injury ordinarily follows when a likelihood of confusion or possible risk to reputation appears.”) (quoting *Wynn Oil Co. v. Am. Way Serv. Corp.*, 943 F.2d 595 (6th Cir. 1991)); *Int'l Jensen, Inc. v. Metersound U.S.A., Inc.*, 4 F.3d 819, 827 (9th Cir. 1993) (“In trademark cases, once the plaintiff establishes a likelihood of confusion between the plaintiff’s mark and the defendant’s, it is ordinarily presumed the plaintiff will suffer irreparable harm if injunctive relief is not granted.”); *Perry Ellis Int'l, Inc. v. Uri Corp.*, No. 06-22020-CIV, 2007 WL 3047143, at *7 (S.D. Fla., Oct. 18, 2007) (holding that “by virtue of [defendant’s] trademark infringement, Plaintiffs have also established irreparable harm and no adequate remedy at law”); *Quantum Fitness Corp. v. Quantum LifeStyle Canters, L.L.C.*, 83 F.

In the traditional trademark infringement case – one in which the defendant “passes off” his goods as those of the plaintiff – this remedial presumption intuitively makes sense. Both the injury to the public, who may have been tricked into buying defendant’s inferior goods by his tortious imitation of plaintiff’s mark, and the injury to the trademark holder, whose goodwill is consequently put at risk, will be difficult to measure and to undo. However, as trademark law has drifted from its moorings in the common law of unfair competition and morphed into a property-like right of the holder, the extent to which the presumption of irreparable harm⁸ still applies should be questioned. Particularly in cases which reflect a broader, propertized version of trademark law, application of *eBay*’s mandate that courts review the merits of a request for injunctive relief,⁹ rather than rely upon formulaic assumptions to support the award of such relief, would be an improvement over the status quo.

I. THE SUPREME COURT’S DECISION IN EBAY

The Supreme Court’s decision in *eBay* at least facially derives from statutory interpretation of the Patent Act.¹⁰ The Court reasoned that the Patent Act explicitly incorporates “well-established principles of equity” – the four-factor test mentioned above – via the following language: “The several courts having jurisdiction of cases under this title may grant injunctions *in accordance with the principles of equity* to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”¹¹ The Court pointed out that, in the copyright context as well, it has “consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination [of infringement].”¹² The Supreme Court held that both the Federal Circuit and the district court had incorrectly applied the four-factor test, and reversed and remanded on that basis.¹³ Although the Court did not give any specific guidance as to the manner in which the four-factor test should be applied by the

Supp. 2d. 810, 831 (S.D. Tex. 1999) (“When a likelihood of confusion exists, the plaintiff’s lack of control over the quality of the defendant’s goods or services constitutes an immediate and irreparable injury.”)

8. See *supra* notes 6-7.

9. *eBay*, 126 S.Ct. at 1841.

10. *Id.* at 1839-40.

11. *Id.* at 1839 & n.2 (quoting 35 U.S.C. § 283).

12. *Id.* at 1840 (citing cases).

13. *Id.* at 1841.

district courts, in concluding his concurrence Chief Justice Roberts writes somewhat cryptically that “[w]hen it comes to discerning and applying those standards [presumably the four-factor test discussed in the majority opinion]. . . a page of history is worth a volume of logic.”¹⁴

A. *The Roberts Concurrence*

In his concurring opinion, Chief Justice Roberts implies that the impact of the *eBay* opinion in the realm of patent law should not be that great, both due to (1) the long history of precedent holding that an injunction is an appropriate remedy for patent infringement; and (2) the logic underlying those cases.¹⁵ He notes that “[f]rom at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases.”¹⁶ Furthermore, he reasons that this result is not a surprising one, “given the difficulty of protecting a right to *exclude* through monetary remedies that allow an infringer to *use* an invention against the patentee’s wishes. . . .”¹⁷ Chief Justice Roberts also extols the value of precedent and cautions that *eBay* should not be interpreted as giving district courts “an entirely clean slate” on which to write their analysis of remedies in patent infringement cases.¹⁸ In other words, even if the courts eschew a presumption of irreparable harm in favor of applying the four-factor test for equitable relief, they should probably reach the same result – granting an injunction to the plaintiff who proves infringement – at least in the vast majority of cases.

B. *The Kennedy Concurrence*

If Chief Justice Roberts is correct that *eBay*’s clarification of the equitable standard for relief in patent cases is, as a practical matter, unlikely to affect many decisions, the question arises as to why the Supreme Court granted certiorari in this case in the first place. The Court does not often agree to hear a case merely to make an academic point about statutory interpretation and principles of equity. The answer, at least as suggested by Justice Kennedy’s concurrence, seems to be that the *eBay* decision reflects the Court’s concern about a significant subset

14. *Id.* at 1842 (citing *New York Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921)).

15. *Id.* at 1841 (Roberts, J., concurring). Chief Justice Roberts’ concurrence was joined by Justices Scalia and Ginsburg.

16. *Id.*

17. *Id.* (emphasis in original).

18. *Id.*

of patent cases – cases in which the plaintiff is a “patent troll”¹⁹ and cases involving business method patents – and further that the Court anticipates that application of *eBay*’s reasoning *could* potentially affect the result in such cases. In these contexts, Justice Kennedy hints that “district courts must determine whether past practice fits the circumstances of the cases before them.”²⁰

Although the majority opinion in *eBay* primarily focuses on the language of the Patent Act, Justice Kennedy’s concurrence puts the case in the context of public policy concerns currently surrounding patent law. *eBay* is one of a trio of recent cases narrowly construing the rights of patent holders²¹ that may have the intended effect of reigning in a class of patent holders known pejoratively as “patent trolls.”²² Although this term appears in not a single Supreme Court case, Justice Kennedy alludes to the patent troll when he refers to “an industry. . . in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.”²³

The “patent troll,” characterized by one commentator as “the ubermensch of patent litigation,”²⁴ has been described as follows:

Proponents assert that patent trolls are entitled to extract value from underutilized patented technologies. Critics contend that they are the ambulance chasers of the new millennium. Patent trolls have inverted the traditional rationale for building an intellectual property (“IP”) portfolio. They obtain patents, not to make, use, or sell new products and technologies, but solely to force third parties to purchase licenses. Instead of investing capital to develop inventions, patent trolls wait for the industry to utilize a patented technology and then enforce their patents on

19. See *infra* note 22.

20. *Id.* at 1841-42 (Kennedy, J., concurring). Justice Kennedy’s concurrence was joined by Justices Stevens, Souter, and Breyer.

21. See also, *KSR v. Teleflex*, 127 S.Ct. 1727 (2007) (expanding the definition of obviousness as a bar to patentability); *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764 (2007) (holding that patent licensee may seek declaratory judgment as to validity and/or noninfringement of patent without terminating or breaching license agreement with patent holder).

22. See generally, Todd Klein, Comment, *eBay v. MercExchange and KSR Int’l Co. V. Teleflex, Inc.: The Supreme Court Wages War Against Patent Trolls*, 112 PENN ST. L. REV. 295, 297-302 (2007); Gerard N. Magliocca, *Blackberries and Barnyards: Patent Trolls and the Perils of Innovation*, 82 NOTRE DAME L. REV. 1809, 1814-19 (2007); Peter Detkin, *Leveling the Patent Playing Field*, 6 J. MARSHALL REV. INTELL. PROP. L. 636 (2007); Leslie T. Grab, *Equitable Concerns of eBay v. MercExchange: Did the Supreme Court Successfully Balance Patent Protection Against Patent Trolls?*, 8 N.C.J. L. & TECH. 81, 83-87 (2006).

23. *eBay*, 126 S.Ct. at 1842 (Kennedy, J., concurring).

24. James M. Fischer, *The “Right” to Injunctive Relief for Patent Infringement*, 24 Santa Clara Comp. & High Tech. L. J. 1, 2 (2007).

the alleged infringers. And because patent trolls have no incentive to reach business solutions, target companies are left with two options: pay up or litigate.²⁵

Although the Court did not hold that an injunction should never issue when a patent holder seeks to license rather than practice its patents – in fact it rejected this proposition²⁶ – it did pave the way for the argument that trolls' recovery should be limited to a reasonable royalty on their inventions, rather than large sums of money reflecting their ability to enjoin the sale of the alleged infringer's goods or services.²⁷

The Kennedy concurrence also takes aim at business method patents, noting that “[t]he potential vagueness and suspect validity of some of these patents may affect the calculus under the four-factor test,”²⁸ also presumably reducing the likelihood that prevailing plaintiffs/owners of business method patents would automatically be entitled to injunctive relief.

C. *The Impact of eBay in Patent Infringement Cases*

A survey of district court decisions following *eBay* reflects that *eBay* has had a significant impact on the manner in which injunctive relief is calculated in patent law cases, at least in the types of cases identified in Justice Kennedy's concurrence.²⁹ Although the Court in *eBay* provided little guidance as to how the four-factor test should be applied to determine when an injunction is warranted (*e.g.*, the quantum of evidence required to prove any of the factors and how the factors should be weighed and balanced), it did suggest that “categorical rule[s]” and presumptions should be abandoned in favor of a case-by-case analysis of the factors, which must be proved by the plaintiff/patent-holder seeking an injunction.³⁰ Most importantly, *eBay*

25. Jeremiah Chan & Matthew Fawcett, *Footsteps of the Patent Troll*, 10 INTELL. PROP. L. BULL. 1, 1 (2005) (citations omitted).

26. *eBay*, 126 S.Ct. at 1840.

27. *See, e.g.*, Damian Myers, *Reeling in the Patent Troll: Was eBay v. MercExchange Enough?*, 14 J. INTELL. PROP. L. 333, 334-35 (2007) (describing litigation between Research in Motion (RIM), maker of the BlackBerry, a popular hand-held electronic device, and alleged patent troll NTP, Inc., which resulted in a settlement of \$612 million paid to NTP largely to avoid a permanent injunction).

28. *eBay*, 126 S.Ct. at 1842 (Kennedy, J., concurring).

29. *See generally* Benjamin H. Diessel, *Trolling for Trolls: The Pitfalls of the Emerging Market Competition Requirement for Permanent Injunctions in Patent Cases Post-eBay*, 106 MICH. L. REV. 305 (2007) (examining and critiquing district court cases post-*eBay*).

30. *eBay*, 126 S.Ct. at 1840-41.

has arguably dislodged the presumption of irreparable and uncompensable harm – at least with regard to requests for permanent injunctive relief – that formerly accompanied a finding of patent infringement.³¹ As a result, many post-*eBay* courts have refused to award injunctive relief to the patent holder as a remedy for patent infringement, particularly in cases when s/he can arguably be classified as a “troll,” *i.e.*, the plaintiff/patent holder does not use or practice the patent.³²

II. ASSESSING THE IMPACT OF *EBAY* ON TRADEMARK INFRINGEMENT AND DILUTION

Trademark infringement and dilution – like patent infringement in the pre-*eBay* era – typically carry the presumption of irreparable harm that cannot be compensated via monetary relief.³³ Even though trademark and patent law have largely divergent theoretical underpinnings, in the remedial context they share more similarities than differences. Like patent law, trademark law has expanded in scope in recent years, prompting concern on the part of courts and commentators as to the negative public policy impacts of over-reaching by rights holders. Particularly in these types of cases, *eBay* should be applied to limit or modify the scope of injunctive relief made available to prevailing plaintiffs.

A. Comparing trademark and patent law: divergences and parallels

Trademarks are generally treated as distinct from the two other primary forms of intellectual property, patents and copyrights, and for good reason.³⁴ In sum, patent and copyright law grant the holder of the

31. See, e.g., *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 568-569 (E.D. Va. 2007) (on remand; presumption of irreparable harm “no longer exists”); *IMX, Inc. v. LendingTree, LLC*, 469 F. Supp. 2d 203, 225 (D. Del. 2007) (plaintiff failed to prove irreparable harm and inadequacy of money damages, noting that plaintiff had previously licensed the relevant patent); *Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440, 443-44 (D. Del. 2007) (plaintiff failed to prove irreparable harm and inadequacy of money damages and therefore was not entitled to permanent injunction); *z4 Technologies, Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440 (E.D. Tex. 2006) (plaintiff has burden of proving irreparable injury); see also Diessel, *supra* note 31, at 327-29 (arguing that district courts have largely refused to find irreparable harm, post-*eBay*, when plaintiffs have not commercialized their inventions, thereby making it impossible for such plaintiffs to obtain injunctive relief).

32. See *supra* note 22.

33. See *supra* note 7.

34. See generally, Deven R. Desai & Sandra L. Rierson, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789, 1799-1801 (2007); cf. David W. Barnes, *A New*

intellectual property a greater degree of dominion over it than is present in trademark law, for a shorter period of time. Patent and copyright holders are essentially and temporarily granted rights “in gross”—that is, the holder of the intellectual property has exclusive control over it and generates capital based on that control for a finite period of time.³⁵ This notion is enshrined in the Constitution, which empowers Congress to “promote the Progress of Science and useful Arts, by securing for *limited Times* to Authors and Inventors the *exclusive Right* to their respective Writings and Discoveries.”³⁶ In contrast, trademark law has no explicit Constitutional mandate but instead arises from the common law tort of unfair competition.³⁷ Trademarks also do not expire after a set period of time, but instead endure so long as the mark holder continues to use the mark, potentially in perpetuity.³⁸ As a result, a fundamental tenet of trademark law has always been that, unlike copyrights and patents, trademarks are *not* held in gross and therefore the trademark holder’s right to prohibit others’ use of the mark is not absolute, and is limited to those instances in which such use would harm the mark owner and/or the public.³⁹ At least in some respects, these theoretical distinctions between trademark and patent law should strengthen rather than undermine the argument that *eBay* alters the standard for granting injunctive relief in trademark cases.

Unlike trademarks, patents have long been considered a form of property.⁴⁰ Ownership of property encompasses the right to exclude,

Economics of Trademarks, 5 NW. J. TECH. & INTELL. PROP. 22 (2006) (arguing that the differences between copyrights and patents on the one hand and trademarks on the other are not as stark as is often presented, but rather that, like copyrights and patents, trademarks are public goods with non-rivalrous characteristics and must be understood as such “to supply an optimal amount of information about products and their sources”).

35. See Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 TEX. L. REV. 1031, 1041 (2005). The extent to which the patent holder continues to exercise “exclusive” power over his patent after *eBay* remains to be seen.

36. U.S. CONST. art. I, § 8 (emphasis added).

37. See generally, WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 166 (2003).

38. The Lanham Act provides that owners of federally-registered trademarks may maintain their registrations by filing a renewal application (attesting to continued use) and paying a specified fee every ten years. There is no limit on the number of times mark owners may renew their trademark registrations. 15 U.S.C. §§ 1058-1059 (2005).

39. See, e.g., *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 98 (1918) (“In truth, a trade-mark confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one’s good-will in trade by placing a distinguishing mark or symbol — a commercial signature — upon the merchandise or package in which it is sold.”); accord *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413-14 (1916).

40. See *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415 (1945) (“That a patent is property, protected against appropriation . . . , has long been settled.”); *Consol. Fruit-Jar Co. v.*

one of the “most essential sticks in the bundle of rights that are commonly characterized as property.”⁴¹ As noted by Chief Justice Roberts, it is difficult to protect a right to exclude through any remedy other than exclusion.⁴² The alternative – a monetary remedy in the form of royalties – necessarily “allow[s] an infringer to use an invention against the patentee’s wishes,” which directly contravenes a right to exclude.⁴³ By contrast, trademark holders have never exercised rights “in gross” over their trademarks. Moreover, although many holders of trademarks undoubtedly consider and treat their marks as valuable pieces of intellectual property, their status as such is not settled and has been roundly criticized.⁴⁴ Therefore, as a general policy matter, trademark cases seem to be even more amenable to *eBay*’s lesson that irreparable, uncompensable injury should not be presumed, and that the plaintiff at all time bears the burden of proving that s/he is entitled to injunctive relief.

The language of the Lanham Act, the federal statute that anchors modern trademark law, also supports the conclusion that *eBay* should apply in trademark as well as patent cases. In *eBay*, the Supreme Court held that any categorical rule or presumption of an entitlement to an injunction “should not be lightly implied” and was not warranted under the language of the Patent Act, which provides that “injunctions may issue in accordance with the principles of equity.”⁴⁵ The Lanham Act contains almost identical language, specifying that the courts adjudicating rights under it “shall have power to grant injunctions,

Wright, 94 U.S. 92, 96 (1876) (“A patent for an invention is as much property as a patent for land.”); *see also* 35 U.S.C. § 261 (2000) (“[P]atents shall have the attributes of personal property.”); 35 U.S.C. § 154(a)(1) (2000) (patent confers upon the patentee “the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States....”)

41. *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979); *see also* *Schenck v. Norton Corp.*, 713 F.2d 782, 786 n. 3 (Fed. Cir. 1983) (“The patent right is but the right to exclude others, the very definition of ‘property.’”).

42. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S.Ct. 1837, 1841 (2006) (Roberts, J., concurring). Justices Scalia and Ginsburg joined in Chief Justice Roberts’ concurrence.

43. *Id.*

44. *See, e.g.*, Desai & Rierson, *supra* note 36, at 1801-05 (discussing trademarks’ capacity for expressive use, which may be limited by overly expansive trademark protections); Lemley, *supra* note 37, at 1032 (arguing that use of “[t]he rhetoric of real property, with its condemnation of ‘free riding’ by those who imitate or compete with intellectual property owners,” has resulted in “a legal regime for intellectual property. . . in which courts seek out and punish virtually any use of an intellectual property right by another”); Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 406-10 (1990) (tracing the shift to a pure property approach to trademark rights and noting the way in which this shift limits the potential for expressive use of trademarks).

45. *eBay*, 126 S.Ct. at 1839 (citing 35 U.S.C. § 283).

according to principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of [rights under the Act].”⁴⁶

The language of the Trademark Dilution Revision Act (“TDRA”) is slightly different. The TDRA specifies that “[s]ubject to the principles of equity, the owner of a famous mark. . . shall be entitled to an injunction against another person who. . . commences use of a mark. . . in commerce that is likely to cause dilution. . . of the famous mark. . . .”⁴⁷ On its face, the language of the statute may be read to suggest that courts may be *compelled* to issue injunctions when dilution has been found, as it states that the mark owner “shall be entitled to an injunction” against a defendant whose use of that mark is “likely to cause dilution.”⁴⁸ However, the statute also states that this right is “[s]ubject to the principles of equity,”⁴⁹ arguably incorporating the same equitable principles that the Supreme Court applied to the Patent Act in *eBay*.⁵⁰ Moreover, although the statute does use mandatory language when referring to the “entitlement” to an injunction, the statute also contains affirmative defenses that would prohibit the court from issuing one, under certain circumstances.⁵¹ On balance, a fair reading of this seemingly contradictory language in the statute supports the conclusion that, in dilution cases as well as trademark infringement actions, Congress did not intend to abrogate the courts’ traditional power to utilize their discretion in fashioning equitable remedies.⁵²

46. Lanham Act, 15 U.S.C. § 1116(a) (2000) (emphasis added). Although the Lanham Act uses the word “shall” in this section instead of “may,” as used in the Patent Act, taken in context both statutes communicate the idea that the relevant court has the power to issue injunctive relief but is not compelled to do so. The Lanham Act specifies that the court “shall have the power to grant injunctions, according to the principles of equity,” 15 U.S.C. § 1116(a) (emphasis added), while the Patent Act states that the court “may grant injunctions in accordance with the principles of equity,” 35 U.S.C. § 283 (emphasis added).

47. Lanham Act, 15 U.S.C. § 1125(c)(1) (2006) (emphasis added).

48. *Id.* (emphasis added).

49. *Id.*

50. See generally, *eBay v. MercExchange, L.L.C.*, 126 S.Ct. 1837 (2006).

51. See 15 U.S.C. §§ 1125(c)(3)(A)-(C) (2006) (identifying and excluding from liability “[a]ny fair use” or “[a]ny noncommercial use” of a mark, including uses of the mark in comparative advertising or as a parody, criticism or comment upon the owner of the famous mark and/or her goods or services).

52. See *Miller v. French*, 530 U.S. 327, 340 (2000) (“[W]e should not construe a statute to displace courts’ traditional equitable authority absent the clearest command. . . or an inescapable inference to the contrary. . . .”) (citations omitted); *Franklin v. Gwinnett County Pub. Sch.*, 503 U.S. 60, 69 (1992) (“[I]f a right of action exists to enforce a federal right and Congress is silent on the question of remedies, a federal court may order any appropriate relief.”); *Porter v. Warner Holding Co.*, 328 U.S. 395, 398 (1946) (“Unless a statute in so many words, or by a necessary and inescapable inference, restricts the court’s jurisdiction in equity, the full scope of that jurisdiction is to be recognized and applied.”); *Crocker v. Piedmont Aviation, Inc.*, 49 F.3d 735, 749 (D.C. Cir.

B. *eBay's effect on trademark infringement remedies*

The test for injunctive relief mandated by the Court in *eBay* requires courts to weigh the following four factors: (1) irreparable injury to the party seeking the injunction; (2) proof that legal remedies, such as monetary damages, are inadequate to compensate for the injury; (3) the relative balance of hardships; and (4) the impact of granting an injunction on the public interest.⁵³ The party seeking injunctive relief has the burden of proof as to each of these factors.⁵⁴ In most trademark infringement cases – both pre- and post-*eBay* – the courts presume irreparable injury and inadequacy of monetary damages once trademark infringement has been proven.⁵⁵ Moreover, once these conclusions have been made, the analysis of the other factors, to the extent it exists, tends to fall in line accordingly. Under *eBay*, courts assessing injunctive relief in trademark infringement cases should no longer engage in such perfunctory analysis.

1. Irreparable harm and inadequacy of damages at law

As stated previously, once the plaintiff in a trademark case proves a “likelihood of confusion” between her trademark and the mark being used by defendant, the courts are likely to presume, as a matter of law, that the plaintiff has suffered an irreparable injury that cannot be adequately compensated via money damages.⁵⁶ One theory behind this presumption is that the intangible harm caused by trademark infringement, “by its very nature,” is almost impossible to measure: “[T]rademark infringement results in irreparable harm because the attendant loss of profits, goodwill, and reputation cannot be satisfactorily quantified, and, thus, the trademark owner cannot adequately be

1995) (“[C]ourts are presumed to possess the full range of remedial powers – legal as well as equitable – unless Congress expressly restricted their exercise.”).

53. *eBay*, 126 S.Ct. at 1839.

54. *Id.*

55. *See supra* note 7.

56. *Id.*, but *cf.* *Gucci Am., Inc. v. Daffy’s, Inc.*, 354 F.3d 228, 237 (3d Cir. 2003) (affirming district court’s refusal to grant permanent injunction, despite showing of trademark infringement; noting that presumption of irreparable harm “was not intended to swallow the remaining prongs of the permanent injunction inquiry”); *Lorillard Tobacco Co. v. Engida*, No. 06-1115, 2007 WL 39207, at *3 (10th Cir. 2007) (unpublished) (affirming district court’s refusal to grant preliminary injunction, based on plaintiff’s inability to demonstrate irreparable harm); *MyGym, LLC v. Engle*, No. 1:06-CV-130 TC, 2006 WL 3524474, at *10 (D. Utah 2006) (refusing to grant preliminary injunction and finding that plaintiff could not demonstrate irreparable harm) (citing *eBay* 126 S.Ct. 1837).

compensated.”⁵⁷ Moreover, the harm caused by trademark infringement – consumer confusion, or the likelihood thereof – is theoretically difficult to undo.⁵⁸ Some courts have reasoned that the *most* “corrosive and irreparable harm attributable to trademark infringement is the inability of the victim to control the nature and quality of the defendants’ goods.”⁵⁹ Therefore, even when the infringer’s goods or services are of high quality – perhaps even higher than those of the trademark holder herself – irreparable injury has nonetheless occurred, due to the trademark holder’s loss of the ability to control her own destiny.⁶⁰

The accuracy of these presumptions is highly questionable, at least in certain contexts. First, courts should not accept without question the notion that the trademark holder’s goodwill is so ethereal and intangible that damage done to it via infringement is simply incalculable. “Goodwill” associated with a trademark ideally consists of a “pervasive favorable reputation with consumers based on countless pleasant experiences that they have had with both product and personnel.”⁶¹ When it needs to be quantified or valued as an asset, “goodwill” or “brand equity” is typically defined as “the price premium the brand commands times the extra volume it moves over an average brand.”⁶² In other words, the value of a brand is expressed when a company realizes a net worth greater than its tangible asset value.⁶³ When the mega-brands calculate goodwill in this manner, the resulting values can be astonishing: Coca-Cola, Microsoft and IBM have been valued at \$67.5 billion, \$59.9 billion and \$53.3 billion, respectively.⁶⁴ The goodwill

57. *Am. Bd. of Psychiatry and Neurology, Inc. v. Johnson-Powell*, 129 F.3d 1, 11 (1st Cir. 1997); *see also Abbot Lab. v. Mead Johnson & Co.*, 971 F.2d 6, 27 (7th Cir. 1992) (“[I]t is virtually impossible to ascertain the precise economic consequences of intangible harms, such as damage to reputation and loss of goodwill.”).

58. *See General Mills, Inc. v. Kellogg Co.*, 824 F.2d 622, 625 (8th Cir. 1987).

59. *Re/Max N. Cent., Inc. v. Cook*, 272 F.3d 424, 432 (7th Cir. 2001) (*quoting* *Int’l Kennel Club, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079 (7th Cir. 1988)).

60. *Id.* (“Even if the infringer’s products are of high quality, the plaintiff can properly insist that its reputation should not be imperiled by the acts of another.”) (*quoting* *Int’l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1092 (7th Cir. 1988)).

61. *See* Warren E. Buffet, *The Essays of Warren Buffet: Lessons for Corporate America*, 19 CARDOZO L. REV. 1, 173 (1997) (selected, arranged, and introduced by Lawrence E. Cunningham); *see also* Irene Calboli, *Trademark Assignment with Goodwill: A Concept Whose Time Has Gone*, 57 FLA. L. REV. 771, 799-814 (2005) (discussing and defining the concept of goodwill).

62. PHILIP KOTLER, *MARKETING MANAGEMENT* 405 (2000). Other brand valuation methods are used in the marketing industry as well. *See* Jacques Chevron, *Valuing Brands, on Paper and in Truth*, BRANDWEEK, Jan. 17, 2000, at 24.

63. Similarly, brand value has been expressed as “excess of cost over equity in net assets acquired.” Buffet, *supra* note 65, at 172-73.

64. *Global Brands*, BUSINESS WEEK, July 2005, at 90. Business Week’s annual global brand report ranks the top one hundred global brands by dollar value, estimating the amount the brand is

associated with a brand may be auctioned off as a company's primary asset in bankruptcy proceedings.⁶⁵ Companies benefitting from goodwill or brand equity as a tangible asset on their balance sheets should not be allowed to skirt the requirements for proving injunctive relief, solely on the theory that they cannot place a price tag on their goodwill.

Admittedly, isolating the reason for a *decline* in a company's goodwill or brand value is likely to be difficult, particularly when the task is to trace such a decline to a particular instance of trademark infringement. That difficulty, however, is no excuse for treating all cases of trademark infringement as though they were created equal. When a competitor places a trademark holder's mark (or a confusingly similar replication of it) on the competitor's inferior goods, thereby generating a likelihood of confusion on the part of the consumer, one would expect such conduct to have a real impact on (1) the consumer's opinion of the trademark holder's goods; and (2) the sales of those goods. However, trademark law has expanded well beyond this classic example of infringement. Many types of conduct that currently fall under the label of "infringement" actually do little to impair the overall value of the mark.

Cases falling under the doctrine of "initial interest confusion"⁶⁶ – in which there is no confusion by the consumer *at the point of sale* – provide a prime example of trademark infringement in which the level of actual injury to the trademark holder is likely to be negligible. Initial interest confusion may best be described as a type of false advertising. In a classic example, a highway sign points to a particular fast food restaurant, *e.g.*, Wendy's. When the consumer follows the sign, however, she discovers that it leads to a different fast food restaurant, *e.g.*, Burger King, with no Wendy's in sight. Even though she knows she is at Burger King, not Wendy's, the consumer is hungry and therefore eats at Burger King; she is unwilling and/or unable to invest the time and effort necessary to locate a Wendy's at this point. This

likely to earn in the future. *Id.*

65. For example, in 2006 Iconix Brand Group, Inc. paid \$37 million for the London Fog brand as an asset in London Fog's bankruptcy proceeding. That same year, Iconix paid \$135 million for the Mossimo brand; \$88 million for Mudd; and \$54 million for Ocean Pacific. *Iconix Brand Group, Inc.*, HOOVER'S IN-DEPTH COMPANY RECORDS, 2007 WLNR 25041277 (12/19/07).

66. *See, e.g.*, *Playboy Enter., Inc. v. Netscape Commc'n Corp.*, 354 F.3d 1020, 1026-27 (9th Cir. 2004) (discussing theory of initial interest confusion); *Brookfield Commc'n, Inc. v. West Coast Enter. Corp.*, 174 F.3d 1036, 1061-65 (9th Cir. 1999) (discussing theory of initial interest confusion); *see generally* Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105 (2005) (critiquing the doctrine of initial interest confusion). At least in the Internet context, the initial interest confusion doctrine has had limited application outside the Ninth Circuit.

doctrine had a relatively limited application until it gained notoriety and significance as a vehicle for preventing “misuse” of a trademark on the Internet. When a competitor uses a trademark holder’s mark as a metatag, the consumer who enters that trademark as a search term (arguably in an attempt to find the trademark holder’s Web site) may be presented with a pop-up ad for the competitor’s goods or services or a link to the competitor’s Web site. In some cases the courts have held that this conduct constitutes trademark infringement via initial interest confusion.⁶⁷ As in the highway analogy described above, the consumer may be misdirected to the competitor when she was actually looking for the trademark holder. However, the cost associated with correcting a mistake on the Internet – if one was made in the first place – is minute. If the consumer finds himself on the wrong Web site, he can simply click back to where he started. Moreover, the consumer may not be confused at all; he may be choosing among an array of options presented when he entered the trademark as a search term. In other words, the consumer may be benefitting from competition rather than suffering from confusion.⁶⁸ In any event, even charitably interpreted, these types of cases are not likely to impair the goodwill associated with the trademark holder’s mark in any meaningful way.

Undoubtedly, when compared to a typical case of patent infringement – particularly when the patent holder is an alleged “patent troll” who makes money by licensing a portfolio of patents – calculating monetary damages in a case of trademark infringement is much more difficult. However, in both patent and trademark cases, an intangible right is at stake: in the patent case, the patentee’s right to exclude; in the trademark case, the trademark holder’s right to control the fate of the goodwill associated with his mark. In both types of cases, the value of the right will vary, as will the value of its impairment, depending on the facts of the particular case. Therefore, in trademark as well as patent cases, *eBay*’s mandate to avoid formulaic approaches to the assessment of injunctive relief should eliminate the *presumption* that a trademark holder has, as a matter of law, proven irreparable injury merely by

67. See, e.g., *Playboy Enter., Inc.*, 354 F.3d 1020 (competitor pop-up ads); *Brookfield Commc’n, Inc.*, 174 F.3d 1036 (sponsored links to competitor Web sites).

68. See *Playboy Enter., Inc.*, 354 F.3d at 1034-36 (Berzon, J., concurring); see also Stacey L. Dogan & Mark A. Lemley, Trademarks and Consumer Search Costs on the Internet, 41 Hous. L. Rev. 777, 813-31 (2004) (critiquing application of the initial interest confusion doctrine in the Internet context).

showing a likelihood of confusion sufficient to demonstrate trademark infringement.⁶⁹

2. The balance of hardships

Courts deciding trademark infringement actions sometimes (but not always) weigh the competing hardships when determining whether to issue permanent injunctive relief.⁷⁰ Once a plaintiff demonstrates a likelihood of confusion (or a likelihood of success on this issue), however, courts rarely find the presumed irreparable harm to be outweighed by any potential harm to the defendant.⁷¹ In light of *eBay*, courts deciding trademark infringement cases should take a harder look at this factor when determining entitlement to injunctive relief, and the *de facto* presumption in favor of the plaintiff seeking such relief should be eliminated.

When the plaintiff has demonstrated actual success on the merits in a trademark infringement case – based on a showing of likelihood of confusion – courts typically devote very little analysis to the “balance of the hardships” when deciding whether to award permanent injunctive relief.⁷² When the court finds that defendant has *intentionally* infringed plaintiff’s trademark, a permanent injunction routinely issues, and defendant’s interest, if mentioned, is given no weight.⁷³ In the relatively rare case in which the district court has refused to grant a permanent

69. Although a handful of courts have suggested that *eBay* may apply in trademark infringement cases, none to date have held that *eBay* mandates the elimination of the irreparable and uncompensable harm presumption. In *Lorillard Tobacco Co. v. Engida*, No. 06-1115, 2007 WL 39207, at 3 (10th Cir. 2007) (unpublished), the Tenth Circuit declined to decide whether *eBay* required the courts to abandon the presumption of irreparable harm in trademark infringement cases. It held, however, that under the facts presented the plaintiff had failed to show that the harm it would suffer in the absence of an injunction (presumed or not) would outweigh potential harm to the defendant if the injunction were granted. *Id.* In *Harris Research, Inc. v. Lydon*, 505 F. Supp. 2d 1161, 1168 (D. Utah 2007), the district court noted that the Supreme Court “recently disapproved the use of categorical rules in connection with injunctive relief in intellectual property actions,” but then required no proof, other than Plaintiff’s evidence of goodwill acquired in the mark “Chem-Dry,” to substantiate irreparable injury due to defendant’s alleged infringement. *Id.* See also, *Audi AG v. D’Amato*, 469 F.3d 534, 550 (6th Cir. 2006) (applying *eBay* in trademark infringement, dilution, and anti-cybersquatting context).

70. See *infra* note 72.

71. See *infra* notes [76-78 and accompanying text] 69.

72. See, e.g., *Wynn Oil Co. v. Am. Way Service Corp.*, 943 F.2d 595, 607-08 (6th Cir. 1991) (solely discussing irreparable injury in context of reviewing permanent injunction for trademark infringement); *Perry Ellis Int’l, Inc. v. Uri Corp.*, No. 06-22020-CIV, 2007 WL 3047143, at 6 (S.D. Fla., Oct. 18, 2007) (solely discussing (1) success on the merits; (2) lack of adequate remedy at law; and (3) irreparable harm, in context of reviewing permanent injunction for trademark infringement).

73. See, e.g., *Audi AG*, 469 F.3d at 550 (noting that defendant “faces no hardship in refraining from willful trademark infringement”).

injunction, despite a finding of infringement, the court characterizes defendants as innocent or accidental infringers with no desire or plan to continue infringement of plaintiff's trademark.⁷⁴

Although it is easy to see why district courts are unsympathetic to the plight of the willful infringer, intent to infringe is but one factor considered by courts in determining whether liability exists in a trademark infringement case.⁷⁵ Many findings of liability are not accompanied by a finding of wrongful or bad faith intent on the part of the defendant.⁷⁶ In the many cases in which defendant has not intended to copy plaintiff's trademark, or "pass off" his goods as those of the trademark owner, courts should seriously consider whether the traditional form of permanent injunctive relief – forcing defendant to change the name of her goods or services – is warranted, particularly when the alleged harm inflicted on the plaintiff by infringement is, in fact, relatively minor.

Initial interest confusion cases, as discussed above, present a prime opportunity for district courts to utilize their discretion to balance the hardships between the parties by creatively structuring injunctive relief. If, for example, a competitor is found to have infringed a trademark by using it as a metatag, thereby generating an advertisement or a link to the competitor's Web site, the court could balance the hardships more effectively by ordering some relief other than prohibiting use of the mark altogether in this context. As noted above, use of trademarks as metatags has the beneficial effect of promoting competition by giving the consumer access to information about competitors (either in the form of an advertisement or a link to the competitor's Web site) in addition to

74. See, e.g., *Gucci Am., Inc. v. Daffy's, Inc.*, 354 F.3d 228, 237 (3d Cir. 2003) (affirming district court's refusal to grant permanent injunction where defendant unintentionally sold counterfeit Gucci bags that were expensive, well-made, and virtually indistinguishable from authentic Gucci merchandise).

75. See, e.g., *Sullivan v. CBS Corp.*, 385 F.3d 772, 776 (7th Cir. 2004) (listing seven factors to be considered in analyzing likelihood of confusion in the context of a trademark infringement claim, including "the defendant's intent to palm off its goods as those of the plaintiff"); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979) (listing eight factors to be considered in analyzing likelihood of confusion in the context of a trademark infringement claim, including "defendant's intent in selecting the mark"); cf. Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1626-31 (2006) (arguing, based on empirical analysis, that, while a finding of bad faith intent is not necessary to support a claim of trademark infringement, such a finding effectively creates an almost irrebuttable presumption of infringement).

76. In his empirical study of trademark infringement cases, Professor Barton Beebe found that only about 64% of the cases in which the court determined that a trademark was infringed also contained a finding that defendant *intended* to infringe the trademark. Beebe, *supra* note 79, at 1610.

information about the trademark holder. Restricting access to this avenue for competition harms the defendant as well as the public. Any attendant confusion could be dispelled by the use of conspicuous disclaimers and/or links directing the consumer back to the trademark holder's Web site. Similarly, a court could order that any competitor advertisements generated by use of a trademark be clearly labeled as advertisements of the competitor and not the trademark holder.⁷⁷

Currently, district courts rarely engage in meaningful analysis of the competing harms suffered by the parties in a trademark infringement context.⁷⁸ In a nutshell, when plaintiff demonstrates that she is likely to prevail on the issue of likelihood of confusion, most courts presume that the plaintiff has been irreparably and uncompensably harmed, and that harm is rarely outweighed by any interest on the part of the defendant.⁷⁹ In light of *eBay*, courts should not presume that the balance of hardships tips in the plaintiff's favor, nor should they consider themselves powerless to mitigate harm via the structuring of injunctive relief. While the facts may well support the conclusion that a prevailing plaintiff is entitled to the traditional form of injunctive relief – an absolute prohibition of defendant's use of the infringing mark – others may merit a different result.

3. The public interest

The final factor to be considered in assessing injunctive relief, according to the Supreme Court in *eBay*, is the impact that granting the injunction will have on the public interest.⁸⁰ Although most courts

77. See *Playboy Enter., Inc. v. Netscape Commc'n Corp.*, 354 F.3d 1020, 1034-36 (9th Cir. 2004) (Berzon, J., concurring) (arguing that use of a trademark as a keyword to generate banner advertisements should not constitute trademark infringement via initial interest confusion if the resulting ads are clearly labeled as those of the competitor, not the trademark holder).

78. See, e.g., *Re/Max N. Cent., Inc. v. Cook*, 272 F.3d 424, 432 (7th Cir. 2001) (where plaintiff demonstrated likelihood of confusion and irreparable harm, balance of harms also found to weigh in its favor); *Int'l Jensen, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d 819, 827 (9th Cir. 1993) (where plaintiff failed to demonstrate likelihood of confusion and irreparable harm, balance of hardship was found to weigh in favor of the defendant); *Harris Research, Inc. v. Lydon*, 505 F. Supp. 2d 1161, 1168 (D. Utah 2007) (where plaintiff demonstrated likelihood of confusion and irreparable harm, court found no evidence of any potential damages to defendant as a result of preliminary injunction); *Minnesota Mining and Manuf'g Co. v. Taylor*, 21 F. Supp. 2d 1003, 1005 (D. Minn. 1998) (same); *but see Lorillard Tobacco Co. v. Engida*, No. 06-1115, 2007 WL 39207, at 3 (10th Cir. 2007) (unpublished) (affirming district court decision to deny preliminary injunctive relief); *MyGym, LLC v. Engle*, No. 1:06-CV-130 TC, 2006 WL 3524474, at 10 (D. Utah 2006) (refusing to grant preliminary injunction and finding that balance of harms weighed in defendant's favor).

79. See *supra* note 81.

80. *eBay Inc. v. MercExchange, L.L.C.*, 126 S.Ct. 1837, 1839 (2006).

recognize that the public interest is a factor to be considered when assessing a request for injunctive relief in a trademark case, typically very little analysis is devoted to this factor.⁸¹ Most courts simply presume that consumers benefit from injunctive relief.⁸² Although the courts often do not explain the basis for this presumption, it can logically be tied to the underlying nature of trademark law, a primary purpose of which is to prevent consumer deception. However, such a presumption may be unwarranted, as liability for trademark infringement is no longer necessarily tied to the likelihood of consumer confusion at the point of sale.⁸³

Protection of the public, specifically “so that [the public] may be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and which it wants to get,” is one of the primary justifications for the existence of trademark law.⁸⁴ When an infringer passes off his goods as those of the trademark holder, the public is injured as a result. Consumers are defrauded because, due to the infringement, they are tricked into buying the infringer’s goods, which are typically lower in quality than the goods sold by the trademark holder. Moreover, trademark infringement increases consumer search costs by diminishing the value of the trademark as a source identifier. In other words, if consumers cannot trust that all goods bearing the trademark will be produced by the trademark holder and, as a result, be of a certain nature and quality, then they will have to engage in other forms of research to identify the products they wish to buy.⁸⁵ As these theories demonstrate, in a traditional case of trademark infringement the public benefits from the issuance of injunctive relief.

81. See, e.g., *Re/Max N. Cent., Inc.*, 272 F.3d at 433 (devoting one sentence of analysis to issue of public interest); *Int’l Jensen, Inc.*, 4 F.3d at 827 (affirming district court decision that, where there was no likelihood of confusion, there was no public interest in granting the injunction); *Harris Research, Inc.*, 505 F. Supp. 2d at 1169 (devoting one sentence of analysis to public interest: “Infringement and dilution of trademarks are inherently contrary to the public interest.”); *Am. Dairy Queen Corp. v. New Line Prod., Inc.*, 35 F. Supp. 2d 727, 733 (D. Minn. 1998) (also finding that “[i]nfringement and dilution of trademarks are inherently contrary to the public interest”).

82. See *supra* note 84.

83. See *supra* note 69 [notes 70-71 and accompanying text, and *infra* notes 90-91 and accompanying text].

84. S. Rep. No. 1333, 79th Cong., 2d Sess. 3 (1946) (legislative history of the Lanham Act).

85. See *Desai & Rierison, supra* note 36, at 1797-99 (2007) (explaining economic theory of trademarks and the manner in which infringement destroys a mark’s ability to reduce consumer search costs); see also *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942) (explaining the manner in which trademarks reduce consumer search costs).

However, as trademark law has drifted away from its focus on consumer protection, the reflexive assumption that the public is served by the issuance of injunctive relief has become less valid, at least as to certain types of infringement.⁸⁶ Initial interest confusion cases are a prime example. As discussed above, when liability is based on a theory of initial interest confusion, the consumer's "confusion" may be fleeting, at best, and nonexistent when the consumer actually buys the relevant good or service. Moreover, in the Internet context, imposition of a permanent injunction barring use of a trademark as a metatag may reduce the consumer's ability to comparison shop. Suppression of competition benefits the trademark holder, at least in the short term, but harms the consumer.

Similarly, the doctrine of secondary or post-sale confusion at least arguably exists to protect the reputation of the trademark holder rather than any interest on the part of the consumer.⁸⁷ In this context, as with initial interest confusion, infringement does not occur at the point of sale. In fact, in the post-sale context, the consumer of the relevant good or service is not confused at all. Rather, the "infringement" occurs when other people view the product after the sale and are confused into thinking that it was produced by the trademark holder. For example, a person who buys a relatively inexpensive imitation of an expensive clock, which is clearly labeled as such, is not confused at the point of purchase. The consumer wants to buy a cheap clock that looks like the more expensive version, and that's what she gets. When her neighbors see the clock in her home, they may be unable to tell whether it's the real thing or the cheap copy. Under the theory of post-sale confusion, this type of confusion is actionable, in part because the trademark holder's goodwill may be injured if the neighbors mistake the cheap clock for the real thing.⁸⁸ As with initial interest confusion, the potential harm to the public in this context lies in the impact on competition. The right to copy is the essence of the right to compete, and when the right to copy is not prohibited by patent or copyright law, the courts should be cautious in limiting that right via trademark law. The public suffers when limitations are placed on legitimate forms of competition.

86. See *supra* note 69 [notes 70-71 and accompanying text, and *infra* notes 90-91 and accompanying text].

87. See, e.g., *General Motors Corp. v. Keystone Automotive Indus., Inc.*, 453 F.3d 351, 358 (6th Cir. 2006); *Ferrari S.P.A. Esercizio v. Roberts Motor Co.*, 944 F.2d 1235 (9th Cir. 1992); *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872-73 (2^d Cir. 1986); *Mastercrafters Clock & Radio Co. v. Vacheron & Constatin-Le Coultre Watches, Inc.*, 221 F.2d 464 (2^d Cir. 1955).

88. See *Mastercrafters Clock & Radio Co.*, 221 F.2d 464.

4. Conclusion

In sum, the presumptions that federal courts currently apply in assessing remedies in trademark infringement cases are understandable and intuitive in the context of the traditional case: one in which a defendant uses a copy of plaintiff's mark to mislead the public into thinking that his goods or services are those of the plaintiff. However, as many forms of trademark infringement have evolved to shift away from this model, "district courts [should] determine whether past practice fits the circumstances of the cases before them."⁸⁹

C. *eBay's effect on remedies under the TDRA*

As recently amended, the Trademark Dilution Revision Act (TDRA) provides that a trademark holder "shall be entitled to injunctive relief" upon a showing of likelihood of dilution, "subject to the principles of equity."⁹⁰ In this context as well, the courts have tended to presume irreparable injury and provide scant analysis as to the remainder of the four equitable factors iterated in *eBay*. Many of these presumptions are not likely to withstand critical analysis.

As in trademark infringement cases, many courts have held that a showing of likelihood of success on the merits as to a dilution claim (or an actual finding of dilution or likelihood of dilution) supports a presumption of irreparable harm.⁹¹ Many of these cases simply state the presumption without justifying it by providing theoretical support.⁹² Articulating a theory that explains the manner in which a trademark holder is harmed by dilution, irreparably or otherwise, is no small feat. The theory of dilution by blurring has been explained as follows:

If one small user can blur the sharp focus of the famous mark to uniquely signify one source, then another and another small user can and will do so. Like being stung by a hundred bees, significant injury is caused by the cumulative effect. . . . This is consistent with the classic view that the injury caused by

89. *eBay Inc. v. MercExchange, LLC*, 126 S.Ct. 1837, 1841-42 (2006) (Kennedy, J., concurring) (discussing this idea in the context of patent law).

90. 15 U.S.C. § 1125(c)(1).

91. *See, e.g., Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 469 (7th Cir. 2000) ("Irreparable harm is generally presumed in cases of trademark infringement and dilution."); *Am. Dairy Queen Corp. v. New Line Prod., Inc.*, 35 F. Supp. 2d 727, 729 (D. Minn. 1998) (holding that "proof of a likelihood of dilution of a mark will support a presumption of irreparable harm"); *Minnesota Mining and Manuf'g Co. v. Taylor*, 21 F. Supp. 2d 1003, 1005 (D. Minn. 1998) ("Irreparable harm exists, as a matter of law, where there is trademark infringement or dilution.")

92. *See supra* note 95.

dilution is the gradual diminution or whittling away of the value of the famous mark by blurring uses by others.⁹³

The problem with this theory of dilution, at least in the context of assessing equitable relief, is that there is little evidence to support the claim that an individual instance of alleged dilution – which admittedly results in no consumer confusion⁹⁴ – inflicts a tiny but irreparable injury to the distinctiveness of the mark. As noted above in the context of infringement actions, trademark holders can and do place a value on the goodwill associated with their trademarks. If trademark holders cannot demonstrate any actual injury to that goodwill as a result of dilution, their failure to do so may simply reflect that no injury has occurred, or, alternatively, that the injury is too minute to be measured. In any event, the courts should do more than simply presume irreparable harm in the context of dilution actions. Even if the court accepts the traditional theory proffered above – that one act of dilution (or the likelihood thereof) results in a tiny harm that will become significant if multiplied by a hundred – the diminutive nature of that harm should be recognized when balancing or weighing the respective harm(s) to be suffered by each party as a result of granting injunctive relief.

In dilution cases, as in trademark infringement cases, district courts are required to “balance the harms” when considering a request for an injunction. However, once the court has determined that actual or a likelihood of dilution exists, it is highly unlikely to find that the presumed irreparable harm to the plaintiff is outweighed by any harm imposed on the defendant as a result of enjoining his use of the allegedly diluting trademark. When trademark infringement and dilution claims are alleged together in the same action, as they often are, courts typically do not balance the harms separately in the context of the dilution claim.⁹⁵ In the dilution context as well, courts should not presume that the balance of hardships weighs in the plaintiff’s favor merely because plaintiff has prevailed or demonstrated a likelihood of success on the

93. *Savin Corp. v. Savin Group*, 391 F.3d 439, 449 (2d Cir. 2004); *see also* *General Motors Corp. v. Autovation Techs., Inc.*, 317 F. Supp. 2d 756, 764 (E.D. Mich. 2004).

94. See 15 U.S.C. § 1125 (c)(1) (specifying that injunctive relief is to be awarded for uses of a mark that are “likely to cause dilution,” “regardless of the presence of absence of actual or likely confusion, of competition, or of actual economic injury.”)

95. *See, e.g., Eli Lilly & Co.*, 233 F.3d at 469 (affirming, in one sentence, district court’s balance of harms in the context of trademark infringement and dilution claims); *Am. Dairy Queen Corp.*, 35 F. Supp. 2d at 730 (assessing balance of harms without distinguishing between trademark infringement and dilution claims); *Minnesota Mining and Manuf’g Co.*, 21 F. Supp. 2d at 1005 (assessing balance of harms without distinguishing between trademark infringement and dilution claims).

merits, particularly given the likely small degree of harm imposed by the allegedly diluting use of the mark.

Perhaps the most controversial presumption contained in the case law regarding injunctive relief in dilution cases relates to the factor of public interest. When courts discuss this factor they have been likely to presume, as a matter of law, that trademark dilution harms the public.⁹⁶ However, the Supreme Court has recognized that “the prohibitions against trademark dilution. . . are not motivated by an interest in protecting consumers.”⁹⁷ Dilution has been characterized as treading “very close to granting rights in gross in a trademark.”⁹⁸ Because dilution does not depend on the presence or absence of consumer confusion, some courts have reasoned that it “only exists to protect the quasi-property rights a holder has in maintaining the integrity and distinctiveness of his mark.”⁹⁹ Given the nature of the dilution cause of action, therefore, the presumption that injunctive relief in such cases will always be in the public interest is unfounded.

In sum, *eBay* should, at a minimum, signal to district courts that they should not presume that every prevailing plaintiff in a trademark dilution case is entitled to an injunction absolutely prohibiting the defendant’s use of the plaintiff’s trademark. The logic supporting the presumption of an entitlement to this form of injunctive relief derives from traditional notions of trademark law, not the propertized (and recently federalized) law of dilution. As in the trademark infringement context, district courts should “determine whether past practice fits the circumstances of the cases before them.”¹⁰⁰

III. CONCLUSION

In *eBay*, the Supreme Court instructed the courts to dispense with formulaic analysis of requests for injunctive relief in patent cases and,

96. See, e.g., *Eli Lilly & Co.*, 233 F.3d at 469 (concluding that “the public interest is served by the injunction [based on infringement and dilution] because enforcement of the trademark laws prevents consumer confusion”); *Harris Research, Inc. v. Lydon*, 505 F. Supp. 2d 1161, 1169 (D. Utah 2007) (“Infringement and dilution of trademarks are inherently contrary to the public interest.”); *Am. Dairy Queen Corp.*, 35 F. Supp. 2d 727, 733 (also finding that “[i]nfringement and dilution of trademarks are inherently contrary to the public interest”).

97. *Moseley v. V Secret Catalogue*, 537 U.S. 418, 429 (2003).

98. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999); see generally Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789 (1997).

99. *Audi AG v. D’Amato*, 469 F.3d 534, 547 (6th Cir. 2006) (citations omitted).

100. *eBay Inc. v. MercExchange, LLC*, 126 S.Ct. 1837, 1841-42 (2006) (Kennedy, J., concurring) (discussing this idea in the context of patent law).

instead, to balance the equities of each individual case.¹⁰¹ In doing so it suggested – based on the reasoning stated in the concurrences – that while these historical presumptions are based on sound logic, due to changes in the facts (the existence of patent trolls) and in patent law itself (the prevalence of business method patents), they have not withstood the test of time. For similar reasons, the courts should apply the same careful scrutiny when evaluating requests for injunctive relief in trademark infringement and dilution cases. The notion that a finding of trademark infringement or dilution necessarily requires imposition of a particular type of injunction – one that completely bars defendant from using the offending mark – is based on a traditional conception of trademark law grounded in the common law of unfair competition. As trademark law has expanded and evolved into a property-like right of the trademark holder, as reflected in doctrines such as dilution and initial interest confusion, the equitable presumptions underlying this conclusion should be challenged. An *eBay*-inspired revised approach would represent an improvement over the status quo.

101. *eBay, Inc. v. MercExchange, L.L.C.*, 126 S.Ct. 1837 (2006).

