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Impact of Second Ciruit's Preliminary Injunction Standard After 'Salinger'

By **David A. Kalow**

And **Milton Springut**

Preliminary injunctions, though available in any type of case, are not uncommon in copyright and trademark cases.[1] For more than 30 years, federal courts in the U.S. Court of Appeals for the Second Circuit used a two-part test first announced in *Jackson Dairy Inc. v. H.P. Hood & Sons Inc.*, 596 F.2d 70, 72 (2d Cir. 1979), requiring a party in any case seeking a preliminary injunction to show: "(a) irreparable harm and (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief."

Furthermore, in both copyright and trademark cases, the Second Circuit held that once likelihood of success was shown, there arose a presumption of irreparable harm. Thus, as a practical matter, a trademark or copyright owner seeking a preliminary injunction had to focus on proving a strong likelihood of success on the merits. Once proven, and absent unusual circumstances (most usually delay in seeking relief), entry of a preliminary injunction was almost routine.

In April 2010, the Second Circuit decided *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010), a copyright case, and held that the *Jackson Dairy* standard was effectively abrogated by the Supreme Court's ruling in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), a patent case involving a permanent injunction. In deciding whether to issue a preliminary injunction in a copyright case, a district court must now look to four factors:

1. [I]f the plaintiff has demonstrated either (a) a likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in the [plaintiff]'s favor.
2. [I]f the plaintiff has demonstrated that he is likely to suffer irreparable injury in the absence of an injunction.
3. [A] court must consider the balance of hardships between the plaintiff and defendant and issue the injunction only if the balance of hardships tips in the plaintiff's favor.
4. The public interest would not be disserved by the issuance of a preliminary injunction.

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Salinger, 607 F.3d at 79-80. Furthermore, with respect to irreparable harm, the Second Circuit, again relying on *eBay*, rejected prior circuit law that held that in copyright cases there is a presumption of irreparable harm upon a showing of likelihood of success. See id. at 82.

Since *Salinger*, district courts in the circuit have held that it applies to all preliminary injunction motions, including those in trademark cases. See *New York City Triathlon v. NYC Triathlon Club Inc.*, 704 F.Supp.2d 305, 328 (SDNY 2010).

Ostensibly, *Salinger* appears to be a major change, adding significant new burdens for a copyright or trademark plaintiff seeking a preliminary injunction. However, a review of the decided cases in the Second Circuit since *Salinger* reveals that generally the new standard is of little practical difference. Once likelihood of success on the merits is shown, it is usually an easy matter to prove the other factors. We discuss each of the three *Salinger* factors (aside from likelihood of success), what is required to meet them, and how courts have found them to be satisfied.

Irreparable Harm

To be considered "irreparable," a harm must be such that it cannot be remedied by money damages after final judgment. Reasons why a particular harm might be deemed irreparable include "that a loss is difficult to replace," "difficult to measure" or that it is a "loss that one should not be expected to suffer." *Salinger*, 607 F.3d at 81. Since copyrights and trademarks are commercial interests, infringement damages usually could, in theory, be remedied

DAVID A. KALOW *and* MILTON SPRINGUT *are partners at Kalow & Springut.* TAL BENSCHAR*, a partner at the firm, assisted in the preparation of this article.*

by money. Nevertheless, the harm suffered by a copyright or trademark owner through infringement will almost always be deemed irreparable because it is usually difficult to measure or quantify or fully account for.

Copyright Cases. *Salinger* itself suggests three possible reasons why the harm in copyright cases might be irreparable. First, where the copyright is closely associated with a particular artist or source, the harm may be irreparable because of "possible market confusion." Second, where the infringing product competes with the copyright owner's (or licensee's) own product and causes sales losses, such harm is usually deemed irreparable because "to prove the loss of sales due to infringement is notoriously difficult." Third, where the infringement could result in a particular message being misattributed to a particular author, "the loss of First Amendment freedoms, and hence the infringement of the right not to speak for even minimal periods of time, unquestionably constitutes irreparable injury." See *Salinger*, 607 F.3d at 81.

Other courts have adopted other rationales. One court combined the first two *Salinger* rationales in a case involving copyrighted stuffed toys. Because the defendant had "flood[ed] the market with counterfeit products," there was a distinct danger both of lost sales and damage to the plaintiff's reputation, both of which are difficult to calculate and hence irreparable. *CJ Prods. LLC v. Concord Toys Intl. Inc*., 2011 U.S.Dist. Lexis 4983 (SDNY 2011). Another court, adopting a similar rationale from patent law, held that the "loss of pricing power resulting from the sale of inexpensive 'knock-offs' is, by its very nature, irreparable." *Mint Inc. v. Amad*, 2011 U.S. Dist. LEXIS 49813, *10-11 (SDNY 2011).

In a case involving pirated streaming of television programming over the Internet, the court found the harm irreparable because the streaming threatened to divert viewers from the plaintiff's own authorized broadcasts, and thus would interfere with its own licensing and advertising revenues program; such loss was the equivalent of loss of sales which are often hard to prove. *WPIX Inc. v. ivi Inc.*, 2011 U.S. Dist. LEXIS 17654, *65-72 (SDNY 2011). That court also noted, but did not address, the plaintiff's argument that by streaming the content over the Internet, the defendant had deprived it of valuable anti-copying measures that would prevent further infringements. See id.

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Trademark Cases. Trademark cases generally present an even easier case than copyright cases for showing irreparable harm. By definition, a trademark is nothing more than a symbol of the goodwill and reputation of a business. To show that a defendant has infringed a trademark, it is necessary to show that there is a "likelihood of confusion" between the parties. Once that is shown, then perforce the trademark owner's business reputation is in jeopardy. Such harm is almost by definition "irreparable." This is the very reason that courts traditionally adopted a presumption of irreparable harm in trademark cases. See *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 142 (2d Cir. 1997). See also *Omega Importing Corp. v. Petri-Kine Camera Co.*, 451 F.2d 1190, 1195 (2d Cir. 1971) (discussing irreparable harms in a typical infringement case).

Not surprisingly, cases since *Salinger*, while disclaiming reliance on any presumption, nevertheless found irreparable harm without too much difficulty. In one case, a court held the harm irreparable because (1) the plaintiff had built up a substantial goodwill in its trademark, which the defendant could jeopardize and (2) the infringement by defendant of the mark would cause the plaintiff to lose control over the reputation of its marks pending trial, and the damage caused by such loss of control "is neither calculable nor precisely compensable." *New York City Triathlon*, 704 F.Supp.2d at 343. Other courts have relied upon one or both of these rationales. See *U.S. Polo Assoc. Inc. v. PRL USA Holdings Inc.*, 2011 U.S. Dist. Lexis 51707, *61-62 (SDNY 2011); *The Marks Org. Inc. v. Joles*, 2011 U.S. Dist. Lexis 28182, *26-29 (SDNY 2011); *Pretty Girl Inc. v. Pretty Girl Fashions Inc.,* 2011 U.S. Dist. Lexis 25755 *17-21 (SDNY 2011).

Thus, in most trademark and copyright cases, the harm suffered by the plaintiff will usually fit into one or more frequently recurring fact patterns that have long been held to exemplify "irreparable" harm. Generally, once likelihood of success is demonstrated, it should not be difficult for counsel to articulate how the facts of the case fit into one or more of these recurring patterns.

Balance of Hardships

This factor is relatively new to Second Circuit jurisprudence. In some reported cases since *Salinger*, the court has simply noted that the defendant has only recently entered the market, is not heavily invested in a particular product or mark, and thus would be harmed little by an injunction. In the trademark context, at least, some courts also note that an injunction not to use a particular trademark does not necessarily close down the defendant's business; the defendant is always free to compete freely and fully with the plaintiff, so long as it uses a different mark to identify itself, one that will not confuse consumers. See *The Marks Org. Inc. v. Joles*, 2011 U.S. Dist. Lexis 28182, *31-32.

Some courts go further. In balancing the harms to the respective parties, they completely discount the harm to the defendant to the extent it is based on infringement. This concept has its origin in a famous decision by Judge Learned Hand, *My-T Fine Corp. v. Samuels*, 69 F.2d 76, 78 (2d Cir. 1934) ("[A]dvantages built upon a deliberately plagiarized make-up do not seem to us to give the borrower any standing to complain that his vested interests will be disturbed.") More recently, courts have held that any disadvantage the defendant would face by being forced to discontinue its business based on infringement was not legally cognizable and would not be taken into account in balancing the harms. See *WPIX Inc. v. ivi Inc*., 2011 U.S. Dist. Lexis 17654, *74 (SDNY 2011), Cf. *Mint Inc. v. Amad*, 2011 U.S. Dist. Lexis 49813, * 10-11. Thus, here again, the additional requirement of showing that the "bal-

ance of hardships" favors an injunction in most cases is easily met.

One notable exception, however, is where the infringing elements that the defendant has copied are only a small component of a whole, and the balance consists of a substantial amount of non-infringing product or work. Such a fact pattern was presented in the famous BlackBerry patent case (*NTP Inc. v. Research in Motion, Ltd.*), where the plaintiff held a patent on technology incorporated into the BlackBerry product, but which had many other components as well.

More recently, a copyright case from another circuit also presented such a fact pattern. In *Whitmill v. Warner Bros. Ent.*, (No. 11-Civ.-752) (E.D.Mo. 2011), the Eastern District of Missouri denied a preliminary injunction on balance of hardship grounds, even though it found a likelihood of success on the merits. The copyrighted work was a face tattoo the plaintiff designed and imprinted on Mike Tyson's face, which was then allegedly copied onto a character's face in the movie "The Hangover Part II." The court denied the preliminary injunction because while the appearance of the copyrighted tattoo was likely an infringement, the tattoo itself was only a small part of the movie as a whole. Further, enjoining release of the movie at the last minute would cause substantial harm not only to the movie studio, but also to hundreds of movie theaters throughout the country. The defendant had a substantial and legitimate interest in the rest of the movie that would be greatly burdened by an injunction.

Public Interest

This factor seems to have minimal impact on whether to grant a preliminary injunction in copyright and trademark cases. Often, courts simply recite that it is in the public interest to enforce these laws, see *Mint Inc. v. Amad*, 2011 U.S. Dist. Lexis 49813, * 11, or that there is a public interest in avoiding consumer deception that generally accompanies trademark infringement. See *New York City Triathlon*, 704 F.Supp.2d at 344.

In *Salinger*, the Second Circuit noted that the aims of copyright law align the public's interest with that of the plaintiff: "The object of copyright law is to promote the store of knowledge available to the public. But to the extent it accomplishes this end by providing individuals a financial incentive to contribute to the store of knowledge, the public's interest may well be already accounted for by the plaintiff's interest." 607 F.3d at 82.

The *Salinger* court did warn that an injunction acts as a prior restraint and thus implicates First Amendment rights and the public's interest in full and free expression of ideas. But generally such is not a significant concern in a copyright (or trademark case):

> The public's interest in free expression, however, is significant and is distinct from the parties' speech interests. [citation omitted] By protecting those who wish to enter the marketplace of ideas from government attack, the First Amendment protects the public's interest in receiving information. Every injunction issued before a final adjudication on the merits risks enjoining speech protected by the First Amendment. Some uses, however, will so patently infringe another's copyright, without giving rise to an even colorable fair use defense, that the likely First Amendment value in the use is virtually nonexistent.

Salinger, 607 F.3d at 82-83.

It follows that for copyright cases where there is a substantial fair use defense—e.g., those involving criticism or parody—then the "public interest" prong of *eBay* may make a difference. Generally, however, the public's interest is aligned with the plaintiff's interest in rigorous enforcement of its intellectual property rights.

The First Amendment argument is also weakened by another copyright doctrine: the idea-expression dichotomy. The Supreme Court has recognized that the denial of copyright in ideas in the Copyright Act is a "built in First Amendment accommodation[]" of copyright law. *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003). By definition, an injunction in a copyright case only limits use of the copyright holder's expression; "every idea, theory and fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication." Id. Thus, just as a defendant in a trademark case is free to sell a competing product with a different trademark, so a defendant in a copyright case is free to express the same ideas using a different expression. This generally is sufficient to satisfy any First Amendment concerns.

Conclusion

The effect of the new *Salinger* standard for preliminary injunctions in copyright and trademark cases appears to be less than what would appear at first glance. A plaintiff seeking such relief should still concentrate on showing a strong likelihood of success on the merits. Once shown, in most cases the case will fit easily into the rationales of the prior decided cases which found all four *Salinger* factors.

1. In contrast, they are not very common in patent cases. The U.S. Court of Appeals for the Federal Circuit has held that even in patent cases, it will apply the law of the regional circuit to set the standard required for a preliminary injunction. See *Mikohn Gaming Corp. v. Acres Gaming Inc.,* 165 F.3d 891, 894 (Fed.Cir. 1998). Thus a change in Second Circuit preliminary-injunction law could affect patent cases brought in the Second Circuit.