

DID *EBAY* IRREPARABLY INJURE TRADEMARK LAW?

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In *eBay v. MercExchange*,¹ the Supreme Court held that patent owners were not automatically entitled to an injunction when they won their cases. Relying on the patent statute, which provides that courts “may grant injunctions in accordance with the principles of equity,”² the Court held that courts should consider four traditional equitable factors on a case-by-case basis before deciding whether to grant an injunction.³ Copyright courts quickly followed suit, applying the same four-factor test.⁴ More recently, three circuits have held that the same four factors govern the grant of trademark injunctions,⁵ pointing to statutory language similar to that in the patent and copyright statutes.⁶

A number of scholars have questioned the *eBay* result, either as a matter of history⁷ or on policy grounds.⁸ That is not my intent here. The conclusion that injunctions are not automatic seems an unexceptional reading of the relevant statutes. Even accepting the criticism that the Court cobbled

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1 *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

2 35 U.S.C. § 283 (2012).

3 *eBay*, 547 U.S. at 391.

4 *See, e.g.*, *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976 (9th Cir. 2011); *Salinger v. Colting*, 607 F.3d 68 (2d Cir. 2010). 17 U.S.C. § 502(a) (2012) provides that a court “may . . . grant injunctions . . . on such terms as it may deem reasonable.”

5 *See infra* Part I.

6 15 U.S.C. § 1116(a) (2012) provides that a court “shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable.”

7 *See, e.g.*, Eric R. Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, 22 *GEO. MASON L. REV.* 825 (2015); Mark P. Gergen et al., *The Supreme Court’s Accidental Revolution? The Test for Permanent Injunctions*, 112 *COLUM. L. REV.* 203 (2012).

8 *See, e.g.*, John M. Golden, “Patent Trolls” and Patent Remedies, 85 *TEX. L. REV.* 2111 (2007).

together the four-factor test, which wasn't well-established as a separate test, it certainly seems to capture the factors courts in equity cases have used in the past in deciding whether to grant injunctions in various areas of law.⁹ And the results in patent cases have been salutary as a policy matter, allowing courts to deny injunctions to non-practicing entities that sought injunctions only to hold up defendants while still granting injunctions to those who need it.¹⁰ I think that *eBay* was a good—indeed, great—development in patent and copyright law.

Trademark, however, is different. The purposes of trademark law—and whom it benefits—should lead us to treat trademark injunctions differently than patent and copyright injunctions. Further, trademark courts have misinterpreted *eBay*, treating each of the four factors as a requirement rather than a consideration. That is a particular problem in trademark law, where proof of future injury can be elusive. And perhaps most remarkably, courts have expanded *eBay* in trademark cases at the same time they have denied damages relief, with the result that trademark owners can and do win their case only to receive no remedy at all.¹¹ The result is a very real risk that courts will hurt rather than help consumers by allowing confusion to continue.

eBay is about the application of equity. Trademark cases should take account of the true equities of trademark cases, not simply cement the *eBay* factors into a rule. Doing so will not mean that trademark owners always win injunctions, but it should make it more common, at least in the core cases in which confusion is a real risk. And doing so will remain true to the core insight of *eBay*, which is that context matters.

I. *eBAY* AND TRADEMARK INJUNCTIONS

The decision whether to grant an injunction has long been a matter of discretion for courts of equity. Before 1938, when courts sat separately in law

9 For a general discussion of those factors, see DOUGLAS LAYCOCK, *MODERN AMERICAN REMEDIES* (4th ed. 2010). Gergen et al. point out that the four-factor test traditionally applied to preliminary, not permanent, injunctions, see Gergen et al., *supra* note 7, at 208–09, but many of the same factors in the preliminary injunction test have long been considered relevant in deciding whether to grant permanent injunctions as well.

10 See, e.g., DAN L. BURK & MARK A. LEMLEY, *THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT* 138–39 (2009) (describing *eBay* as a successful example of industry-specific policy levers); Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 10–11 (2012) (showing that practicing entities usually win injunctions after *eBay*, but that non-practicing entities rarely do); Christopher B. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 IOWA L. REV. 1949, 1949 (2016) (finding that “operating companies who compete against an infringer still obtain permanent injunctions in the vast majority of cases In contrast, non-competitors and other non-practicing entities are generally denied injunctive relief.”); cf. Christopher B. Seaman, *Ongoing Royalties in Patent Cases After eBay: An Empirical Assessment and Proposed Framework*, 23 TEX. INTEL. PROP. L.J. 203 (2015) (documenting what happens when injunctions are denied).

11 See *infra* note 82 and accompanying text.

and equity,¹² only equity courts could grant injunctive relief. Even after the merger of law and equity, the federal courts have considered various factors in deciding whether an injunction was appropriate. Those factors have included the adequacy of legal remedies in the form of damages, the hardship an injunction (or its denial) would work on both parties, and the public interest.¹³ While Doug Laycock has demonstrated that none of these factors are any longer prerequisites to injunctive relief,¹⁴ they are factors that courts have long considered in the exercise of their discretion.¹⁵

Except, that is, in IP law. IP cases before 2006 nominally applied these various equitable factors, but they almost always concluded that the equitable factors supported an injunction. Courts in patent, copyright, and trademark cases concluded that irreparable injury did not have to be shown but could be presumed from the act of infringement.¹⁶ And courts similarly concluded that as a matter of policy the public interest favored the enforcement of IP rights.¹⁷ The result was that in IP cases, if you won your case, you were entitled to an injunction—not quite as a matter of right, but as a practical matter. Between 1984 and 2006, for instance, the Federal Circuit never once denied an injunction to a prevailing patentee.¹⁸ Trademark cases similarly presumed that an injunction was the appropriate remedy in the large majority of cases.¹⁹

eBay changed that. The Supreme Court held that the patent statute meant what it said: that courts “may grant injunctions in accordance with the

12 See FED. R. CIV. P. I advisory committee’s note to 1937 rules.

13 See generally LAYCOCK, *supra* note 9.

14 See DOUGLAS LAYCOCK, *THE DEATH OF THE IRREPARABLE INJURY RULE* 118–32 (1991).

15 See generally LAYCOCK, *supra* note 9.

16 See, e.g., *McDonald’s Corp. v. Robertson*, 147 F.3d 1301, 1310 (11th Cir. 1998); *Tally-Ho, Inc. v. Coast Cmty. Coll. Dist.*, 889 F.2d 1018, 1029 (11th Cir. 1989) (“It is generally recognized in trademark infringement cases that (1) there is not [an] adequate remedy at law to redress infringement and (2) infringement by its nature causes irreparable harm.” (internal quotation marks omitted) (quoting *Processed Plastic Co. v. Warner Commc’ns*, 675 F.2d 852, 858 (7th Cir. 1982))).

17 See *Celsis in Vitro, Inc. v. CellzDirect, Inc.*, 664 F.3d 922, 931 (Fed. Cir. 2012); *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 2006).

18 See Mark A. Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 TEX. L. REV. 1991, 2036 (2007) (noting this history); see also Chien & Lemley, *supra* note 10.

19 See, e.g., *Brennan’s, Inc. v. Brennan’s Rest., L.L.C.*, 360 F.3d 125, 129 (2d Cir. 2004) (“[P]roof of a likelihood of confusion establishes both a likelihood of success on the merits and irreparable harm.” (citing *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 73 (2d Cir. 1988))); *Circuit City Stores, Inc. v. CarMax, Inc.*, 165 F.3d 1047, 1056 (6th Cir. 1999) (finding that injunctions were essentially automatic upon a showing of trademark infringement); *S & R Corp. v. Jiffy Lube Int’l*, 968 F.2d 371, 378 (3d Cir. 1992) (“[T]rademark infringement amounts to irreparable injury as a matter of law.” (citing *Opticians Ass’n of Am. v. Indep. Opticians of Am.*, 920 F.2d 187, 196 (3d Cir. 1990))); *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (9th Cir. 1988) (referring to injunctive relief as “the remedy of choice” in trademark cases). For a discussion of the history, see Peter J. Karol, *Trademark’s eBay Problem*, 26 FORDHAM INTELL. PROP., MEDIA & ENT. L.J. 625 (2016).

principles of equity.”²⁰ “May” is not “must.” Accordingly, the Court held that injunctions in patent cases were not automatic. Rather, whether a patentee should receive an injunction should depend on a case-by-case analysis of four traditional factors: (1) whether the plaintiff would suffer irreparable injury if the infringement continued; (2) whether the plaintiff had an adequate remedy at law; (3) the balance of the hardships imposed by granting or denying the injunction; and (4) the public interest.²¹ Courts could not simply presume that a factor favored the patentee; patentees had to provide evidence on the factors. While some commentators have (correctly) observed that this four-factor test was not traditional in equity,²² each of the factors the Court identified were in fact traditional considerations courts use in deciding whether to grant injunctions in other areas of law.²³

While *eBay* was a patent case, its reasoning was not limited to patent law. Several circuits have applied *eBay* to copyright cases, based on a copyright statute that did not specifically invoke equity but that made it clear courts had discretion whether to grant injunctions.²⁴

The Lanham Act remedies statute is a hybrid of the patent and copyright statutes. It provides that a court “shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable.”²⁵ So it is not all that surprising that three circuits have similarly applied *eBay*’s four-factor test to trademark law. In *North American Medical Corp. v. Axiom Worldwide, Inc.*,²⁶ the Eleventh Circuit in vacating a preliminary injunction in a trademark case noted:

Although *eBay* dealt with the Patent Act and with permanent injunctive relief, a strong case can be made that *eBay*’s holding necessarily extends to the grant of preliminary injunctions under the Lanham Act. . . . Because the language of the Lanham Act . . . is so similar to the language of the Patent

20 35 U.S.C. § 283 (2012).

21 *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

22 See Gergen et al., *supra* note 7, at 207–14.

23 See generally LAYCOCK, *supra* note 9, at 233–361.

24 See, e.g., *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976, 981 (9th Cir. 2011); *Salinger v. Colting*, 607 F.3d 68, 77 (2d Cir. 2010). 17 U.S.C. § 502(a) (2012) provides that a court “may . . . grant . . . injunctions on such terms as it may deem reasonable.” Cf. Jiarui Liu, *Copyright Injunctions After eBay: An Empirical Study*, 16 LEWIS & CLARK L. REV. 215 (2012) (documenting the effects of *eBay* in copyright cases). Even before *eBay*, the Supreme Court had signaled on several occasions that injunctions might not always be the appropriate remedy for copyright infringement. See *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 n.10 (1994); *Abend v. MCA, Inc.*, 863 F.2d 1465, 1479 (9th Cir. 1988), *aff’d sub nom. Stewart v. Abend*, 495 U.S. 207 (1990).

25 15 U.S.C. § 1116(a) (2012). For an argument that despite the similarity in language, the legislative history of the trademark statute counsels a different result than in patent, see Karol, *supra* note 19, at 669–86.

26 522 F.3d 1211 (11th Cir. 2008).

Act, we conclude that the Supreme Court's *eBay* case is applicable to the instant case.²⁷

Nonetheless, the court did not expressly hold that *eBay* applied, instead remanding the issue for consideration by the district court in the first instance.

The Ninth Circuit actually held that *eBay* applied to preliminary trademark injunctions in *Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.*²⁸ Quoting *eBay*, the Court said:

The same principle applies to trademark infringement under the Lanham Act. Just as “[n]othing in the Patent Act indicates that Congress intended such a departure,” so too nothing in the Lanham Act indicates that Congress intended a departure for trademark infringement cases. Both statutes provide that injunctions may be granted in accordance with “the principles of equity.”²⁹

The Ninth Circuit went further in dictum, suggesting that its rule applied to permanent injunctions as well: “[W]e held that likely irreparable harm must be demonstrated to obtain a preliminary injunction in a copyright infringement case and that actual irreparable harm must be demonstrated to obtain a permanent injunction in a trademark infringement action.”³⁰

The Third Circuit has followed *Herb Reed* in a Lanham Act false advertising case, rejecting the presumption of irreparable harm as inconsistent with *eBay*.³¹ The First Circuit has also followed suit in a preliminary injunction case, although arguably in dictum.³²

Judge Wallace, concurring in *Herb Reed*, emphasized that the case applied only to preliminary, not permanent, injunctions.³³ Nonetheless, the Ninth Circuit has taken the applicability of *eBay* to permanent injunctions as

27 *Id.* at 1228 (citation omitted). Curiously, the Court did not reach the same conclusion in the false advertising portion of the case, applying a presumption of irreparable harm there. *See id.* at 1226–27.

28 736 F.3d 1239 (9th Cir. 2013).

29 *Id.* at 1249 (first quoting *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391–92 (2006); then quoting 35 U.S.C. § 283 (2012); and then quoting 15 U.S.C. § 1116(a) (2012)).

30 *Id.* The Court said that this conclusion was required by two cases, *Flexible Lifeline Systems, Inc. v. Precision Lift, Inc.*, 654 F.3d 989, 998 (9th Cir. 2011), and *Reno Air Racing Ass’n v. McCord*, 452 F.3d 1126, 1137–38 (9th Cir. 2006). In fact, however, neither case actually held that proof of actual irreparable harm was required for a trademark injunction.

31 *See Ferring Pharm., Inc. v. Watson Pharm., Inc.*, 765 F.3d 205, 206 (3d Cir. 2014).

32 *See Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.*, 645 F.3d 26, 33 (1st Cir. 2011) (“[W]e see no principled reason why [*eBay*] should not apply in the present case.” (citing *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1228 (11th Cir. 2008))).

33 *See Herb Reed*, 736 F.3d at 1251 (Wallace, J., concurring).

settled law.³⁴ The Second Circuit has, without mentioning *eBay*, applied some of its factors to permanent injunctions, noting that “the competing equities do not always favor a senior user that has shown infringement,” particularly if the defendant acted in good faith and an injunction would destroy its own goodwill (the balance of the hardships factor).³⁵ And the logic of *Axiom* and *Herb Reed* seems to apply equally to preliminary and permanent injunctions after *eBay*. *eBay* itself involved a permanent injunction, after all. The Tenth Circuit has noted but refused to decide the question.³⁶ No circuit courts have refused to apply *eBay* in trademark cases, though some district courts have done so.³⁷ The Supreme Court in *Winter* seemed to think *eBay* applied to all cases, whether or not they involved IP.³⁸ *eBay* seems to be here to stay in trademark law.

II. THE LIMITS OF ANALOGY: WHEN IS A TRADEMARK NOT LIKE A PATENT?

The courts that have applied *eBay* to trademark cases have taken the similarity of the patent, copyright, and trademark remedies statutes and the fact that they are all IP laws as a reason the same rules should apply. And at one level that makes sense. The statute does not provide that injunctions should be mandatory. Rather, it suggests that traditional equitable rules should govern the decision. And that is all that *eBay* really holds.

eBay is supposed to be about case-by-case analysis that is sensitive to the context of the demand for an injunction. But the courts that have extended *eBay* to trademark cases have not paid sufficient attention either to the case-specific nature of the *eBay* rule or to the ways trademark law differs from patent and copyright law. Four such differences are apparent in the cases.

A. *They're More Guidelines than Actual Rules*³⁹

First, the courts that have refused to apply a presumption of irreparable injury in trademark cases in the wake of *eBay* have not stopped there. Rather than merely conclude that a plaintiff must produce evidence of irreparable injury *in order to show irreparable injury*, they have taken a significant further step, concluding that a plaintiff must produce evidence of irreparable injury *in order to obtain an injunction*. *Herb Reed* is most explicit on this point, hold-

34 See *San Miguel Pure Foods Co. v. Ramar Int'l Corp.*, 625 F. App'x 322, 327 (9th Cir. 2015). Full disclosure: I represented Ramar in this case, which is now concluded.

35 See *Guthrie Healthcare Sys. v. ContextMedia, Inc.*, 826 F.3d 27, 49 (2d Cir. 2016).

36 See *Lorillard Tobacco Co. v. Engida*, 213 F. App'x 654, 655–57 (10th Cir. 2007).

37 As noted *infra*, however, some circuits have found ways for the presumption of irreparable injury to survive despite *eBay*. For detailed discussion of the application in district courts, see Karol, *supra* note 19, at 636–51.

38 See *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008).

39 Cf. *PIRATES OF THE CARIBBEAN: THE CURSE OF THE BLACK PEARL* (Walt Disney Pictures 2003).

ing that “irreparable harm must be demonstrated to obtain a permanent injunction in a trademark infringement action.”⁴⁰

The difference may seem subtle, but it is critical. A four-factor balancing test, properly understood, is one in which the courts would collect evidence on four different factors, consider which factors favor each side, and then weigh the overall factors together to reach a decision in the case as a whole. That’s what happens in copyright’s fair use doctrine, for instance—another four-factor test in IP cases.⁴¹ A party might win a fair use case despite having prevailed on only two or three of the four factors.⁴² But that is not what *Herb Reed* does. It converts irreparable injury—and, by implication, each of the other four *eBay* factors—into a requirement for injunctive relief. A plaintiff in the Ninth Circuit that wants an injunction must show that it wins on all four of the factors or it will lose.

That’s not what *eBay* had in mind. True, the opinion does say, perhaps infelicitously, that a plaintiff “must demonstrate” that it satisfies each of the four factors.⁴³ But the Court went on to criticize not only the Federal Circuit for refusing to apply those factors, but the district court for applying them in a rigid, categorical way. As the Court put it, “traditional equitable principles do not permit such broad classifications.”⁴⁴ Instead, the Court was explicit that courts should decide entitlement to an injunction based on a case-by-case consideration of the relevant factors, and that there were no hard-and-fast rules. That was confirmed more clearly in *Winter v. Natural Resources Defense Council, Inc.*,⁴⁵ where the Court insisted on weighing each of the four equitable factors against each other. *Herb Reed* converts what were meant to be guidelines into actual rules. In doing so, it precludes injunctions even when both the balance of the hardships and the public interest strongly favor them. It reintroduces irreparable injury as a gatekeeper requirement, something equity courts have spent two decades moving away from.⁴⁶ And as I

40 *Herb Reed Enters., LLC v. Fla. Entm’t Mgmt., Inc.*, 736 F.3d 1239, 1249 (9th Cir. 2013) (first citing *Flexible Lifeline Sys., Inc. v. Precision Lift, Inc.*, 654 F.3d 989, 998 (9th Cir. 2011); then citing *Reno Air Racing Ass’n v. McCord*, 452 F.3d 1126, 1137–38 (9th Cir. 2006)); see also *Wreal, LLC v. Amazon.com, Inc.*, 840 F.3d 1244, 1248 (11th Cir. 2016) (“Because Wreal must meet all four prerequisites to obtain a preliminary injunction, failure to meet even one dooms its appeal.” (citing *Siegel v. LePore*, 234 F.3d 1163, 1176 (11th Cir. 2000) (en banc) (per curiam))); *Ferring Pharm., Inc. v. Watson Pharm., Inc.*, 765 F.3d 205, 206 (3d Cir. 2014) (plaintiff must “demonstrate that irreparable harm is likely” in order to obtain an injunction); *7-Eleven, Inc. v. Sodhi*, No. 13-3715 (MAS) (JS), 2016 WL 541135, at *5–6 (D.N.J. Feb. 9, 2016).

41 See 17 U.S.C. § 107 (2012).

42 See, e.g., Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549 (2008); David Nimmer, “*Fairest of Them All*” and Other Fairy Tales of Fair Use, 66 L. & CONTEMP. PROBS. 263, 279–81 (2003) (analyzing courts’ treatment of the four-factor test in leading cases).

43 *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

44 *Id.* at 393.

45 555 U.S. 7 (2008).

46 See LAYCOCK, *supra* note 9.

note below, it opens up the possibility that a prevailing plaintiff will receive no remedy at all.

B. *Problems of Proof*

Herb Reed's elevation of irreparable injury from a consideration into a requirement is made even more problematic by the difficulty trademark owners will have in providing evidence of irreparable injury.

Irreparable injury is a slippery concept to begin with, not least because *eBay* suggests it ought to be distinguished somehow from the second factor, the absence of an adequate remedy at law. I confess that I don't see any logical way to distinguish these two. An "irreparable" injury is one that cannot be undone or compensated for. If money damages are an adequate legal remedy, the injury is not irreparable—it can be repaired. Conversely, if the injury cannot be compensated, it is irreparable.⁴⁷ For that reason, in practice the two factors tend to stand or fall together in patent and copyright cases.

But how are we to know whether money damages provide an adequate remedy? In tort law some injuries may truly be irreparable (death or maiming, for instance). But that seems less likely in business cases. I doubt there are very many circumstances in which an IP owner whose rights had been infringed wouldn't be satisfied with *some* amount of money. Does that mean that no IP injuries are truly irreparable? In practice, patent and copyright cases have tended to focus not on whether there was any amount of money that would satisfy the plaintiff, but instead on whether circumstances make it hard to accurately calculate the right amount of money. Thus, patent courts tend to grant injunctions in suits between competitors, not because it is impossible to compensate for infringement by competitors but because it is very hard to reconstruct what would have happened in the but-for world in which infringement did not occur.⁴⁸ Patent trolls, by contrast, tend not to be able to show irreparable injury because their interest in enforcing the patent is financial, and so can be satisfied by money.⁴⁹ When copyright courts grant

47 One possible point of distinction is the limitation of the second factor to adequate remedy *at law*. If we take that language literally as a modern reinvocation of the law-equity distinction, rather than as a bit of history that justified the jurisdiction of the equity rather than law courts, one can imagine circumstances in which monetary but equitable remedies like restitution or unjust enrichment are sufficient to repair the injury, but because they are equitable there is no adequate remedy "at law." But that strikes me as hair-splitting, and I don't know of any courts since *eBay* that have distinguished the traditional nature of the monetary remedy in considering the second factor.

48 See Chien & Lemley, *supra* note 10, at 9–12 (analyzing how practicing companies are far more likely to receive an injunction than patent assertion entities).

49 See *id.* at 11–13. That does beg the question of whether we are any better at calculating reasonable royalties for licenses than we are at reconstructing the but-for world. For discussion of this issue, see for example Daralyn J. Durie & Mark A. Lemley, *A Structured Approach to Calculating Reasonable Royalties*, 14 LEWIS & CLARK L. REV. 627 (2010); Mark A. Lemley, *Distinguishing Lost Profits from Reasonable Royalties*, 51 WM. & MARY L. REV. 655 (2009).

injunctions in non-competitor cases, it is generally because they believe there is some sort of reputational harm to the plaintiff, the value of which would be hard to determine.⁵⁰

It might seem that both of those factors are present in most trademark cases. The typical trademark case involves a suit against a competitor in which the plaintiff proves that consumers are likely to be confused in a way that affects either their purchasing decisions or at least the plaintiff's reputation. That confusion cannot be undone by the payment of money damages. And while there might be an amount of money sufficient to compensate the plaintiff for lost customers or reputational injury, it is hard to know how to begin calculating that amount.⁵¹

Further, the problems of proof are greater in trademark cases than they tend to be in patent and copyright cases. The whole concept of goodwill is extremely hard to quantify. By definition, many consumers who are confused don't know they are confused. That means that it can be hard to know exactly how much damage infringement has caused, either in terms of diverted sales or in injury to reputation. We can't just assume all of a defendant's sales result from confusion, because that will often be untrue. Nor can we assume that the harm to the plaintiff's reputation from confusion is limited to diverted sales, because some people may be confused about source in a way that affects their perceptions of the brand even though they don't ultimately change their purchasing decisions.⁵²

So it might seem that proof of consumer confusion—at least product or source confusion—is pretty good evidence of injury to the plaintiff that will be hard to calculate and compensate for.⁵³ Nonetheless, some (though not all) courts have been unwilling to use the fact of consumer confusion as evi-

50 See, e.g., *Warner Bros. Entm't Inc. v. RDR Books*, 575 F. Supp. 2d 513, 552–53 (S.D.N.Y. 2008).

51 See David H. Bernstein & Andrew Gilden, *No Trolls Barred: Trademark Injunctions After eBay*, 99 TRADEMARK REP. 1037, 1054–55 (2009) (“These harms to producers and consumers stemming from a likelihood of consumer confusion are not merely monetary in nature, but they are more fundamentally reputational and difficult to quantify.”); J. Thomas McCarthy, *Are Preliminary Injunctions Against Trademark Infringement Getting Harder to Achieve?*, 14 INTELL. PROP. L. BULL. 1, 4–5 (2009) (“[T]rying to use dollars to ‘compensate’ after the fact for damage to business goodwill and reputation cannot constitute fair or full compensation. Damage to business reputation and good will is inherently ‘irreparable.’” (footnote omitted)).

52 Elsewhere I have been skeptical of many claims of confusion as to sponsorship or affiliation. See Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010). But the fact that many instances of confusion as to affiliation don't affect consumer purchasing decisions doesn't mean that none do, nor that confusion as to product source can't have more significant effects. *But cf. id.* at 427–37 (discussing studies of consumer confusion and finding that “any harm to producers from confusion about . . . affiliation is quite attenuated”); Mark P. McKenna, *Testing Modern Trademark Law's Theory of Harm*, 95 IOWA L. REV. 63 (2009) (discussing marketing studies that show less importance of source confusion than one might expect).

53 See Bernstein & Gilden, *supra* note 51, at 1050–51. *But see* Sandra Rierison, *IP Remedies After eBay: Assessing the Impact on Trademark Law*, 2 AKRON INTELL. PROP. J. 163, 165,

dence of irreparable injury. The Ninth Circuit again takes the strongest position. *Herb Reed* held that proof of consumer confusion alone was insufficient without separate evidence of irreparable injury.⁵⁴ It did agree that “[e]vidence of loss of control over business reputation and damage to goodwill could constitute irreparable harm,” but demanded factual findings to support that evidence beyond the proof of consumer confusion necessary to establish liability.⁵⁵ Otherwise, the court worried that “[t]he practical effect of the district court’s conclusions, which included no factual findings, is to reinsert the now-rejected presumption of irreparable harm based solely on a strong case of trademark infringement.”⁵⁶

Other courts disagree, however. The Eleventh Circuit held in *Commodores Entertainment Corp. v. McClary*⁵⁷ that evidence of consumer confusion could also support a finding of irreparable injury:

[T]he Supreme Court in *eBay* did not hold that the same evidence proffered to support a likelihood of success on the merits cannot be proffered to determine a likelihood of irreparable harm. Rather, it held that the district court should grant injunctions consistent with “traditional principles of equity.”

In the present case, the district court went beyond merely presuming irreparable harm; it also made a factual finding. The district court relied on CEC’s previously proffered evidence as to a likelihood of confusion to support a finding that there was a likelihood of irreparable harm. Specifically, the district court found that CEC “demonstrated a sufficient likelihood of consumer confusion, evidenced by the general public mistaking [Appellants’] band with the Grammy award winning Commodores and the venue’s Executive Director thinking he hired the Grammy award winning Commodores when he in fact hired [Appellants’] band.” That the district court relied on this same evidence of a likelihood of confusion to support a finding of a likelihood of irreparable harm does not violate *eBay*.⁵⁸

173–75 (2008) (arguing that while valuing goodwill is hard, that doesn’t mean it isn’t compensable in money damages).

54 *Herb Reed Enters., LLC v. Fla. Entm’t Mgmt., Inc.*, 736 F.3d 1239, 1250 (9th Cir. 2013).

55 *Id.* at 1247, 1250.

56 *Id.* at 1250; *accord* *San Miguel Pure Foods Co. v. Ramar Int’l Corp.*, 625 F. App’x. 322, 327 (9th Cir. 2015); *Brandywine Prod. Grp. v. Universal Distrib. Ctr., LLC*, No. 2:16-cv-02248, 2016 WL 5402744, at *3 (D.N.J. Sept. 27, 2016) (requiring proof of actual irreparable injury, not merely potential damage to reputation and brand loyalty); *Café Found., Inc. v. Seeley*, No. 16-cv-00628, 2016 WL 1258624, at *7 (N.D. Cal. Mar. 31, 2016) (“[P]ast consumer confusion does not demonstrate a likelihood of future harm.”).

57 648 F. App’x 771 (11th Cir. 2016) (per curiam).

58 *Id.* at 777 (alterations in original) (citations omitted) (first quoting *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006); then quoting Order Granting Plaintiff’s Motion for Temporary Restraining Order, Preliminary Injunction and Memorandum in Support of Law, *Commodores*, 648 F. App’x 771 (No. 6:14-cv-1335)); *cf.* *Hoop Culture, Inc. v. GAP Inc.*, 648 F. App’x 981 (11th Cir. 2016) (per curiam) (noting but not resolving the question of how *eBay* affected the prior presumption of irreparable injury).

The Sixth Circuit has gone further, holding in an unpublished decision after *eBay* that while the plaintiff must show irreparable injury, “a likelihood of confusion or possible risk to the requesting party’s reputation satisfies the irreparable injury requirement.”⁵⁹ That approach would always establish irreparable injury in a trademark infringement case.⁶⁰

The Ninth Circuit’s worry seems driven by the fact that trademark law requires proof of consumer confusion as part of the liability case, while patent and copyright law don’t. It is true that the same evidence needed to show infringement in a trademark case is also evidence that supports irreparable injury. But that fact shouldn’t cause us to ignore or discount that evidence when it comes to remedy.⁶¹ And if we do discount evidence of likely consumer confusion, plaintiffs will end up having a very hard time showing irreparable injury. After all, the thing that makes the injury hard to calculate and compensate is the fact that consumers are confused. Take that away, and it is not clear what a plaintiff can show that will meet the Ninth Circuit’s standard.⁶²

Allowing that evidence to suffice might in fact create an effective presumption of irreparable injury in some trademark cases. But that might not be a bad thing.⁶³ If the evidence is of actual confusion as to product or source, rather than dubious evidence about beliefs as to affiliation, that evidence likely does establish an injury that is hard to calculate or compensate with money damages.⁶⁴ Limiting the evidence of irreparable injury to strong rather than borderline cases of confusion would be consistent with the original intent of *eBay*, which was to create a balancing test rather than separate

59 *Lucky’s Detroit, LLC v. Double L, Inc.*, 533 F. App’x 553, 555 (6th Cir. 2013) (citing *Wynn Oil Co. v. Am. Way Serv. Corp.*, 943 F.2d 595, 608 (6th Cir. 1991)).

60 The Fifth Circuit seemingly endorsed the presumption of irreparable injury after *eBay*, despite the fact that it had no such presumption before *eBay*. See *Abraham v. Alpha Chi Omega*, 708 F.3d 614, 626–27 (5th Cir. 2013). But because that case involved laches, not an affirmative case for injunctive relief, the statement was dictum. *Id.* at 618.

61 See *Claeys*, *supra* note 7, at 827 (noting the complex, “symbiotic” relationship between IP rights and IP remedies). Even Sandy Rierison, who believes *eBay* properly eliminated the presumption of irreparable injury, acknowledges that “[i]n 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.” Rierison, *supra* note 53, at 165. Her concern, which I share, is with the expansion of trademark law beyond those bounds. *Id.* For more on this see *infra* Part III.

62 See, e.g., *Wells Fargo & Co. v. ABD Ins. & Fin. Servs., Inc.*, No. C 12–3856, 2014 WL 4312021 (N.D. Cal. Aug. 28, 2014) (refusing to find irreparable injury based on loss of control over the mark despite the fact that the defendants used the identical mark for identical services).

63 See Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2150 (2004) (defending the presumption of irreparable injury on the basis of asymmetric error costs).

64 By contrast, I have argued elsewhere that more attenuated theories of confusion should be accompanied by proof of injury before a finding of liability. See Lemley & McKenna, *supra* note 52.

factors.⁶⁵ Here, the strength of the merits case can be considered in the mix.⁶⁶ Focusing on the type of confusion and the strength of the evidence may also provide a way to lessen the harm done by overreaching trademark laws without changing the substantive law itself. Even if trademark law's definition of confusion has gotten out of control,⁶⁷ the law of remedies can still distinguish between strong trademark cases and more dubious ones.

C. *Does Every Wrong Have a Remedy?*

As noted above, the concepts of irreparable injury and the lack of an adequate remedy at law are inextricably intertwined. At a minimum, therefore, the idea that the plaintiff has not suffered irreparable injury and has an adequate remedy at law seems to presuppose that the plaintiff will actually receive that legal remedy. The question is not a fatuous one—*could* a court provide a remedy to the plaintiff?—but a practical one: will it?

Trademark law is, however, much more reluctant to award damages than any other area of IP law. The patent statute requires that a successful plaintiff receive no less than a reasonable royalty,⁶⁸ and the Federal Circuit has held that that cannot be a nominal amount.⁶⁹ Design patent law requires disgorgement of the defendant's entire profits from infringement.⁷⁰ Copyright and trade secret law permit the plaintiff to recover either their own

65 See *supra* Section II.A.

66 That is expressly done at the preliminary injunction stage, where the four-factor test incorporates the plaintiff's likelihood of success on the merits in the injunction analysis. See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392 (2006). One difference between preliminary and permanent injunctions is that preliminary injunctions involve the same judge assessing both likelihood of success and harm, so they may be more likely to stand or fall together. A permanent injunction may issue after a jury finding of confusion, by contrast, and it is possible that the judge and the jury see the likelihood of injury-causing confusion differently. Cf. Jeanne C. Fromer & Mark A. Lemley, *The Audience in Intellectual Property Infringement*, 112 MICH. L. REV. 1251 (2014) (noting the different approaches judges and juries take to assessing confusion in trademark cases).

67 See, e.g., William McGeeveran & Mark P. McKenna, *Confusion Isn't Everything*, 89 NOTRE DAME L. REV. 253 (2013); Mark P. McKenna, *A Consumer Decision-Making Theory of Trademark Law*, 98 VA. L. REV. 67 (2012); Sandra L. Rierson, *Towards a More Coherent Doctrine of Trademark Genericism and Functionality: Focusing on Fair Competition* 3 (Thomas Jefferson School of Law, Research Paper No. 2896915, 2017), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2896915.

68 35 U.S.C. § 284 (2012).

69 *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286 (Fed. Cir. 2014) (reversing a district court decision that denied a patent owner both damages and injunctive relief and noting that damages must be available to prevailing patentees in all cases), *overruled on other grounds by Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015) (en banc).

70 35 U.S.C. § 289 (2012). The Supreme Court has held that "the infringing article" for which profits are to be awarded may sometimes be less than an entire product. See *Samsung Elecs. Co. v. Apple Inc.*, 137 S. Ct. 429, 435–36 (2016). But in either event an award of some profits is mandatory. See Mark A. Lemley, *A Rational System of Design Patent Remedies*, 17 STAN. TECH. L. REV. 219 (2013) (discussing the history of § 289, which was written to reject an award of only nominal damages in design patent cases).

losses or the defendant's gains from infringement, whichever is greater.⁷¹ And copyright law also often permits a plaintiff that has a hard time proving significant damages to choose instead to recover a set minimum in the form of statutory damages.⁷²

Trademark law, by contrast, does not treat recovery of either plaintiff's losses or defendant's gains as an automatic entitlement. A plaintiff that can prove identifiable lost sales from trademark infringement can generally recover the losses occasioned by those sales, though a significant majority of successful trademark cases nonetheless deny an award of damages.⁷³ But showing lost sales requires proof of actual, not merely likely, confusion.⁷⁴ An award of defendant's profits is traditionally limited to cases in which the defendant is adjudged a willful infringer.⁷⁵ That is still the rule in most circuits, though some circuits have read a change in the damages statute when trademark dilution law was added to inadvertently overturn that rule.⁷⁶

71 Defend Trade Secrets Act, Pub. L. No. 114-153, § 2(b)(3)(B), 130 Stat. 376, 380 (to be codified at 18 U.S.C. § 1836(b)(3)(B)) (trade secret); UNIF. TRADE SECRETS ACT (NAT'L CONFERENCE OF COMM'RS ON UNIFORM STATE LAWS 1985); *see also* 17 U.S.C. § 504(b) (2012) (copyright).

72 17 U.S.C. § 504(c) (2012).

73 *See* J. THOMAS MCCARTHY, 5 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:58 (4th ed. 2016) (collecting cases); Karol, *supra* note 19, at 683.

74 *See, e.g.,* Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., 80 F.3d 749, 753 (2d Cir. 1996) ("Proof of actual confusion is ordinarily required for recovery of damages"); *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400 (9th Cir. 1993); *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 525 (10th Cir. 1987) ("Likelihood of confusion is insufficient; to recover damages plaintiff must prove it has been damaged by actual consumer confusion or deception resulting from the violation.").

75 *See, e.g.,* Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc., 778 F.3d 1059, 1073-74 (9th Cir. 2015); *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012); *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005); *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 555 (5th Cir. 1998); *Lindy Pen*, 982 F.2d at 1405; *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1540 (2d Cir. 1992); *Playboy Enters., Inc. v. Baccarat Clothing Co.*, 692 F.2d 1272, 1274 (9th Cir. 1982); MCCARTHY, *supra* note 73, § 30:58.

76 Before 1996, 15 U.S.C. § 1117(a) provided:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

15 U.S.C. § 1117(a) (1994). As noted above, courts had uniformly interpreted that statute to permit an award of profits only in cases of willful infringement. *See supra* note 75 and accompanying text.

When Congress passed the new Federal Trademark Dilution Act in 1996, it expressly limited damages in dilution to cases of willful infringement. *See* Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, § 3, 109 Stat. 985, 985 (codified as amended at 15 U.S.C. § 1117(a)). It changed the statute to its current form, adding only the phrase "or a willful violation under section 1125(c) of this title" after the reference to § 1125(a). *See* 15 U.S.C. § 1117(a) (2012). (Section 1125(c) contains the newly added dilution statute.)

Trademark dilution law itself is even more explicit, allowing monetary recovery only if infringement was willful.⁷⁷

That means that in trademark cases, unlike other IP cases, it is not only possible but common to win your case and still not be awarded money.⁷⁸ Indeed, a recent report by Lex Machina evaluating all trademark cases since 2009 finds that damages are rare in contested cases.⁷⁹ Thus, even if injury to the plaintiff could be calculated, courts applying the *eBay* framework cannot simply assume the plaintiff has an adequate remedy at all. Quite often they don't.

Unfortunately, courts applying *eBay* in trademark cases have not taken account of this difference. Courts deny injunctive relief without considering whether or not the plaintiff will be entitled to recover money damages instead. That is the approach in the Ninth Circuit, for instance, since adequate remedy at law need not be considered unless the plaintiff can show evidence of irreparable injury beyond mere proof of consumer confusion. The result is that sometimes plaintiffs win their cases but are awarded exactly nothing—no damages and no injunction.⁸⁰ As the leading scholar on reme-

The resulting statute reads:

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, *or a willful violation under section 1125(c) of this title*, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

15 U.S.C. § 1117(a) (2012) (emphasis added). Despite the fact that there is no reason to believe Congress intended to change the law of trademark infringement damages, which were not the subject of the FTDA, several circuits have since concluded that because the statute now says profits are available only for willful dilution, but does not list dilution as a requirement for trademark infringement, profits must be available even for innocent infringement. *See, e.g.,* Synergistic Int'l, LLC v. Korman, 470 F.3d 162 (4th Cir. 2006); Banjo Buddies, Inc. v. Renosky, 399 F.3d 168 (3d Cir. 2005); Quick Techs., Inc. v. Sage Grp. PLC, 313 F.3d 338, 349 (5th Cir. 2002). *But see* Romag Fasteners, Inc. v. Fossil, Inc., 817 F.3d 782 (Fed. Cir. 2016) (rejecting this new rule); Merck Eprova AG v. Gnosis S.p.A., 760 F.3d 247, 261 (2d Cir. 2014); Gucci Am., Inc. v. Daffy's, Inc., 354 F.3d 228 (3d Cir. 2003) (not resolving the question, but concluding that the district court did not abuse its discretion in requiring willfulness).

⁷⁷ 15 U.S.C. § 1117(a) (2012).

⁷⁸ *See* Karol, *supra* note 19, at 684–85.

⁷⁹ *See* BRIAN C. HOWARD & JASON MAPLES, LEX MACHINA TRADEMARK LITIGATION REPORT 2016 ii (2016) (“Damages in trademark litigation come almost entirely from default judgments, and majority of the rest come from consent judgments.”). Of the 7821 cases that reached the remedy phase, only a minority resulted in any monetary relief. 1497 default judgments and 597 consent judgments included a monetary award. By contrast, only 184 bench trials and 58 jury trials led to damage awards, less than three percent of the cases the plaintiff won. Search of Lex Machina database, Oct. 2016.

⁸⁰ This happened in the *San Miguel Pure Foods*, for example. *See* San Miguel Pure Foods Co. v. Ramar Int'l Corp., 625 F. App'x 322, 327 (9th Cir. 2015); *see also* Stone Creek

dies put it, “To deny *all* remedy is to deny the right itself.”⁸¹ That wasn’t the purpose of *eBay*.

D. *Perpetuating Confusion*

If a prevailing plaintiff can nonetheless get neither an injunction nor damages in a significant number of trademark cases, one might wonder why they should bother filing suit against trademark infringement. If trademark owners won’t have any remedy against non-willful infringement, they may stop bringing such suits altogether. And that points to the final problem with the application of *eBay* in trademark cases: it is not just trademark owners but also the public who stand to lose from the current interpretations of the *eBay* rule.

Trademark owners are the only ones given standing to enforce the law because they have the most concentrated interest in doing so. But they are not the intended beneficiaries of the law, or at least not the only ones. The point of trademark law is to prevent consumers from being confused.⁸² The purpose of doing that, in turn, is to promote the orderly functioning of markets by preventing consumer confusion that undermines confidence in product quality and purchasing decisions.⁸³

The public interest in not being confused presents the most significant conflict between *eBay* and trademark law. If patent and copyright law ultimately serve the public interest, they do so by compensating creators and therefore leading to more creation. Rewarding patent and copyright owners within reasonable bounds is the point of those statutes. Trademark law, by contrast, is not about rewarding trademark owners or encouraging the creation of new marks. It is about preventing consumers from deception.⁸⁴

Inc. v. Omnia Italian Design Inc., No. CV-13-00688, 2015 WL 6865704 (D. Ariz. Nov. 9, 2015).

81 DAN B. DOBBS, *DOBBS LAW OF REMEDIES: DAMAGES, EQUITY, RESTITUTION* § 2.10, at 248 (1993).

82 For a discussion of that history, see Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777 (2004). For a different view, see Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839 (2007) (arguing that trademark law was traditionally directed at preventing unfair competition).

83 See, e.g., WILLIAM LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* (2003); Stacey L. Dogan & Mark A. Lemley, *A Search-Costs Theory of Limiting Doctrines in Trademark Law*, 97 TRADEMARK REP. 1223 (2007); McKenna, *supra* note 67, at 113; Rierison, *supra* note 67. For an argument that the law has moved beyond a focus on consumers (though not a defense of that move), see Deven R. Desai, *The Chicago School Trap in Trademark: The Co-Evolution of Corporate, Antitrust, and Trademark Law*, 37 CARDOZO L. REV. 551 (2015).

84 See Bernstein & Gilden, *supra* note 51, at 1038–39; cf. McKenna, *supra* note 82 (arguing that unfair competition, not consumer protection, animated most trademark cases a century ago). While McKenna’s theory doesn’t focus explicitly on consumers, they are at the heart of the unfair competition theory as well as the consumer protection theory.

Denying injunctive relief in trademark cases, then, is significantly worse for the public than denying it in patent or copyright cases.⁸⁵ If a patentee or copyright owner wins her case but doesn't get an injunction, she gets money damages instead, and she therefore recoups her investment in creation. Others are encouraged to create, and the work itself is more widely disseminated than if an injunction were in place. By contrast, if a trademark owner wins its case but doesn't get an injunction, as noted above, it might or might not get money damages. But even if it does, the defendant gets to keep confusing consumers. Consumers continue to make purchases under false pretenses and either blame the trademark owner or become less likely to trust anything in the market thereafter. The public loses even if the courts find a way to compensate the trademark owner for the loss of its goodwill.⁸⁶

The same is true of preliminary injunctions, which are more important in trademark cases than they are in most other types of IP.⁸⁷ If a plaintiff has a strong case, allowing the defendant to continue using the mark pending trial will not only cause harm that may never be compensated and confuse more consumers, but may actually create divergent beliefs in different sets of consumers. If two different companies are allowed to call their shirts Azalea for years, for instance, those who buy from the defendant may come to associate the mark with the defendant, not the plaintiff. Even if the court orders a permanent injunction after trial, preventing further confusion among new consumers or the plaintiff's existing consumers, doing so may actually increase confusion among the defendant's consumers. That is one reason that preliminary injunctions are often the main focus of trademark cases.⁸⁸

Application of the *eBay* factors in trademark cases seems focused on the past—requiring proof of likely future harm based on proof of past harm. But trademark injunctions should be forward-looking, not backward-looking. The goal of trademark law is to prevent ongoing confusion. A focus on past harm isn't consistent with that.

The thing that makes competition unfair, rather than just competition, is the deception of consumers that diverts sales to the infringer.

85 The Second Circuit recognized this in *Guthrie Healthcare System v. ContextMedia, Inc.*, 826 F.3d 27, 50 (2d Cir. 2016), noting:

[T]he equitable interests to be considered in fashioning an injunction are not only those of the parties to the litigation. An important beneficiary of the trademark system is the public. The public has a great interest in administration of the trademark law in a manner that protects against confusion. . . . The public interest would undoubtedly be better served by the elimination of this confusion.

86 See Bernstein & Gilden, *supra* note 51, at 1057–59. Courts before *eBay* recognized this. See, e.g., *Kos Pharm., Inc. v. Andrx Corp.*, 369 F.3d 700, 731–32 (3d Cir. 2004).

87 Trade secrets are a notable exception. I am not aware of cases considering whether *eBay* applies to trade secrets cases. Because trade secrecy was until May 2016 exclusively an area of state law, courts in those cases may not feel bound by *eBay* in the same way. But the passage of the federal Defend Trade Secrets Act in May 2016 may present the issue anew.

88 See McCARTHY, *supra* note 73, § 30.47 (noting that plaintiffs will treat a preliminary injunction as a win in most cases).

III. WHAT IS TO BE DONE?

The trademark statute, like the patent and copyright statutes, invokes traditional principles of equity and the discretion of the courts in deciding whether to grant injunctions. *eBay* sets out the modern understanding of what those principles of equity entail. But trademark law is not like patent or copyright law in important respects. The question is what (if anything) should the law do to take account of those differences?

Some—notably Tom McCarthy and Peter Karol—have suggested that we should not apply *eBay* to trademark cases at all, returning to the presumption of irreparable injury.⁸⁹ Trademark law has always sat uneasily within the canon of IP regimes. Its purposes and approaches are different than patent, copyright, and trade secret law.⁹⁰ So maybe we should treat *eBay* as an IP-specific rule and simply declare trademark law a different thing than other forms of IP.⁹¹ Presumably this approach would still consider things such as the balance of hardships and the public interest, at least in preliminary injunction cases. I confess Karol's approach has its attractions as a matter of history and trademark policy. But I think it is unlikely to work in practice. The strong trend in the circuits is to apply *eBay* in trademark cases, and the facts that the statute is so similar to the patent statute and the equitable factors are ones that were theoretically always being applied mean that courts are unlikely to buck that trend. While Karol makes a pretty good case that Congress didn't intend to deny injunctive relief in trademark cases,⁹² I think he is fighting an uphill battle.

Applying *eBay* to trademark cases need not mean, however, that courts need to ignore the fundamental differences between trademarks and other

89 See *id.* § 30.47.70; Bernstein & Gilden, *supra* note 51; Karol, *supra* note 19, at 688; McCarthy, *supra* note 51; Jeffrey M. Sanchez, Comment, *The Irreparably Harmed Presumption? Why the Presumption of Irreparable Harm in Trademark Law Will Survive eBay and Winter*, 2011 BYU L. REV. 535, 555–65; *cf.* Bone, *supra* note 63, at 2155 (defending the presumption on the theory that the costs of erroneous denials of injunctive relief are greater than those of erroneous grants). But see Aurelia Hepburn-Briscoe, Comment, *Irreparable Harm in Patent, Copyright, and Trademark Cases After eBay v. MercExchange*, 55 How. L.J. 643, 668–73 (2012) (arguing that *eBay* eliminated the presumption of irreparable injury in trademark cases).

90 See generally 1 MARK A. LEMLEY ET AL., *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE*: 2016 ch. V (2016).

91 Richard Epstein makes a form of this argument, though ironically in trying to argue that all IP is like real property. He points out that “[p]utting a strong brand into the public domain destroys its source-associative function, and thus its value, without any offsetting benefit to rivals or the public. Thus, like real property, trademarks best keep their value in private hands.” Karol, *supra* note 19, at 658 n.136 (citing Richard A. Epstein, *The Disintegration of Intellectual Property? A Classical Liberal Response to a Premature Obituary*, 62 STAN. L. REV. 455, 484–85 (2010)). Epstein correctly distinguishes patents and copyrights from trademarks in this regard. While I think he is wrong to believe this argument somehow proves the equivalence of trademarks to real property, it does point to a significant difference between trademarks and other forms of IP.

92 See *id.* at 669–79.

forms of IP. Far from it. The whole point of *eBay* was that courts should consider the circumstances of each case in deciding whether to grant an injunction. Applying *eBay* as it was meant to be applied means taking account of those differences, not ignoring them.

To begin, the Ninth Circuit's "you must show evidence of all four factors" approach has to go. It isn't how we apply any other multifactor test in IP law. Copyright defendants don't have to win all four fair use factors to prevail on the defense, and no court has said that trademark plaintiffs lose unless they prove that each and every factor supports them. It is inconsistent with *eBay* and with the history of equity jurisprudence, and it leads courts to refuse injunctions when they are clearly the best option. No other circuit should follow *Herb Reed*, and the Ninth Circuit should revisit it at the earliest opportunity. If it doesn't, the Supreme Court will likely reject the Ninth Circuit's approach out of hand when it next considers the issue.⁹³

Once we understand that the four *eBay* factors really are factors to consider, not requirements, courts can and should take account of the considerations I discussed in the last section.⁹⁴ They should be open to evidence of consumer confusion, loss of goodwill, and likely diverted sales as proof of irreparable injury. Indeed, they might even be willing to treat harm to consumers rather than to the plaintiff as the irreparable harm on which the law should focus. They should not simply assume trademark law will compensate for lost sales when the evidence suggests otherwise. And most importantly, they should recognize that trademark law is ultimately designed to serve public, not simply private, interests, and that the public interest in not being confused often demands injunctive relief.⁹⁵

Those considerations all tend to support granting injunctions in traditional trademark cases. So my approach shares much with Karol's suggestion that the courts simply not apply *eBay*. Much, but not all. Applying *eBay* properly has the advantage that courts can consider individual circumstances that make a trademark injunction inappropriate. Courts might decide, particularly at the preliminary injunction stage, that the hardship to interrupting an existing advertising campaign is too great, particularly if the plaintiff's case looks weak. They can use the irreparable injury doctrine as a vehicle to consider whether a particular use of a mark injures the trademark owner at all. That is especially important in sponsorship and affiliation cases, where the

93 See *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24, 32 n.5 (2008) ("In each case, courts 'must balance the competing claims of injury and must consider the effect on each party of the granting or withholding of the requested relief.' . . . We find that th[e] defendant's] interests, and the documented risks to national security, clearly outweigh the harm on the other side of the balance." (quoting *Amoco Prod. Co. v. Vill. of Gambell*, 480 U.S. 531, 542 (1987))).

94 See *supra* Section II.D.

95 Arguably courts are in practice taking these lessons to heart. Peter Karol finds no drop in the percentage of cases granting injunctive relief after *eBay*. Karol, *supra* note 19, at 651–52. Because the adoption of *eBay* has been uneven, however, it is hard to know how much to make of this data. Widespread adoption of *Herb Reed*, for instance, could well result in a significant decline in trademark injunctions.

claim often boils down to “you made reference to me” rather than “you confused consumers with respect to something they care about.”⁹⁶ And they can consider not only the public interest in not being confused, but also the public interest in fair competition by non-confusing marks and its interest in having access to parodies, commentaries, satires, and games that make reference to trademarks in popular culture. *eBay* provides a lever courts can use to reduce the burden an expansive vision of trademark law imposes on speech about popular culture. The result might be that injunctions are common in classic-style consumer confusion cases involving plaintiffs and defendants selling similar or related goods, but much less common when the parties are in widely divergent markets or where the defendant is engaged in speech about a trademark.⁹⁷ Injunctions might also be less common in dilution cases for similar reasons.⁹⁸ I think that result would align well with good trademark policy.

True, in the latter two cases it would be better if trademark law didn’t overreach at all, as I and others have argued elsewhere.⁹⁹ But if trademark law is to reach, as it currently does, uses of a mark that don’t actually do harm to the trademark owner or that have significant value as speech, *eBay* may reduce the harm overreaching trademark owners do by denying injunctions in those cases.¹⁰⁰ The key, however, is to prevent rote application of the *eBay*

96 See Lemley & McKenna, *supra* note 52; McKenna, *supra* note 52 (citing evidence that people’s views of a brand are not much affected by unsuccessful brand extensions into new markets); Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507 (2008) [hereinafter Tushnet, *Gone in Sixty Milliseconds*] (same); Rebecca Tushnet, *What’s the Harm of Trademark Infringement?*, 49 AKRON L. REV. 627 (2016) [hereinafter Tushnet, *What’s the Harm*] (questioning evidence of harm from dilution and brand extension).

97 See McKenna, *supra* note 52; Tushnet, *What’s the Harm*, *supra* note 96.

98 See Tushnet, *Gone in Sixty Milliseconds*, *supra* note 96. Compare *Purdum v. Wolfe*, No. C-13-04816, 2014 WL 171546 (N.D. Cal. Jan. 15, 2014) (refusing to grant an injunction against tarnishment based on lack of evidence that defendant’s goods would hurt plaintiff’s reputation), with *Uber Promotions, Inc. v. Uber Techs., Inc.*, 162 F. Supp. 3d 1253, 1277 (N.D. Fla. 2016) (holding that Uber Promotions would be injured by association “with a company that has inspired protests in cities around the world”), and *E. & J. Gallo Winery v. Grenade Beverage LLC*, No. 1:13-cv-00770, 2014 WL 4073241 (E.D. Cal. Aug. 15, 2014) (finding reputational harm because defendants sold energy drinks and plaintiffs opposed mixing energy drinks with alcoholic beverages).

99 See *Uber Promotions*, 162 F. Supp. 3d at 1277; *E. & J. Gallo Winery*, 2014 WL 4073241; Stacey L. Dogan & Mark A. Lemley, *Parody as Brand*, 47 U.C. DAVIS L. REV. 473 (2013); Karol, *supra* note 19, at 688; Mark A. Lemley & Mark P. McKenna, *Owning Mark(et)s*, 109 MICH. L. REV. 137 (2010); McGeveran & McKenna, *supra* note 67; cf. Michael Grynberg, *Things Are Worse than We Think: Trademark Defenses in a “Formalist” Age*, 24 BERKELEY TECH. L.J. 897 (2009) (arguing that courts should create common law defenses in such cases but are unlikely to do so); John L. Brennan, Note, *Determining Trademark Standing in the Wake of Lexmark*, 90 NOTRE DAME L. REV. 1691, 1707–08 (2015) (arguing that courts should impose a materiality requirement on weak trademark claims though *Lexmark’s* standing requirement).

100 Thus, I am in closer agreement with Sandy Rierson, who argued immediately after *eBay* that courts might reasonably distinguish between more traditional trademark cases, in

factors from interfering with the legitimate purposes of trademark law. To do that, courts need to apply *eBay* with sensitivity to the ways trademark law differs from the rest of IP.

which a presumption of irreparable injury was appropriate, and newer or more controversial theories based on marks as property rights, which might require proof of injury to the trademark owner. See Rieron, *supra* note 53, at 165; cf. Mark P. McKenna, *Back to the Future: Rediscovering Equitable Discretion in Trademark Cases*, 14 LEWIS & CLARK L. REV. 537 (2010) (arguing that courts could use equity factors, not to decide whether or not to grant an injunction, but to tailor the injunctions they do grant in these sorts of cases). Bernstein and Gilden, by contrast, take the position that cases in which the public interest is in continued use of the challenged marks will be rare. See Bernstein & Gilden, *supra* note 51, at 1058. That may once have been true, but there is now so much overreaching in trademark law that it no longer is. For discussion of these problems, see for example Leah Chan Grinvald, *Shaming Trademark Bullies*, 2011 WIS. L. REV. 625; Lemley & McKenna, *supra* note 52.