

An Analysis of the Factors That Determine *When* and *How* to Resolve a Trademark Dispute

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Cite as: Thomas J. Speiss & Stephen M. Levine, *An Analysis of the Factors That Determine When and How to Resolve a Trademark Dispute*, 11 RICH. J.L. & TECH. 1 (2004), at <http://law.richmond.edu/jolt/v11i1/article1.pdf>.

[1] Business and war have one thing in common: strategy. “Never to be undertaken thoughtlessly or recklessly, [strategy is] to be preceded by measures designed to make it easy to” obtain the desired outcome.¹ “A skilled general must be master of the complementary arts of simulation and dissimulation; while creating shapes to confuse and delude the [negotiating adversary] he conceals his true dispositions and ultimate intent.”² His actions “are designed to entice the [adversary], to unbalance him, and to create a situation favourable for a decisive counter-stroke.”³

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¹ SUN TZU, THE ART OF WAR 39 (Samuel B. Griffith ed., 1963); *see also* CLAUSEWITZ ON STRATEGY: INSPIRATION AND INSIGHT FROM A MASTER STRATEGIST 4-5 (Tiha von Ghyczy et al. eds., 2001) (“Business and war may have many elements in common, but as total phenomena they will remain separated forever by the distinct and irreconcilable nature of the forces that give rise to them and the outcomes they engender.”).

² TZU, *supra* note 1, at 41.

³ *Id.*

[2] As trademark practitioners, we must function as skilled generals, leading our clients not to victory, but to the precipice of informed decision-making. We must prepare our clients for battle — regardless of which battle they choose to enter — in order to resolve their disputes or gain a competitive advantage. Our preparation for business dispute resolution should remain the same, regardless of whether our clients desire to negotiate, mediate, or litigate their disputes to an acceptable conclusion.

[3] First, evidence must be gathered and analyzed.⁴ Second, the immediacy of the injury to our clients must be fully examined. Third, the business costs and probable outcomes of the seeking and granting of remedies must be thoroughly examined.⁵ Fourth, after fully apprising our clients of all facts related to the injury, we must counsel them to select the appropriate mechanism in order to resolve the matter.⁶ Fifth, the parties must then communicate back and forth, looking for agreement.⁷

[4] This article centers on the third stage. It provides a practical look at the litigation and non-litigation mechanisms for remedying trademark disputes.

[5] Though many brand owners desire to use the judicial process to resolve their trademark disputes, “the judicial process involves a high degree of risk and uncertainty in outcome, unpredictable delays, invasive discovery proceedings, and a substantial cost of time and money.”⁸ Typically, when a

⁴ See ROGER FISHER & WILLIAM URY, GETTING TO YES: NEGOTIATING AGREEMENT WITHOUT GIVING IN, 12 (Bruce Patton ed., 1981). As part of this process, practitioners “will want to consider the people problems of partisan perceptions, hostile emotions, and unclear communication, as well as identify [their] interests and those of the other side.” *Id.* at 12-14.

⁵ During this stage, practitioners must determine how they will handle people problems, identify the most important interests for their clients, as well as realistic objectives, and generate several options for resolving the dispute. *Id.* at 14.

⁶ *Id.*

⁷ *Id.* Practitioners that analyze the dispute solely from a litigation perspective conduct a five-step analysis. Richard Birke & Craig R. Fox, *Psychological Principles in Negotiating Civil Settlements*, 4 HARV. NEGOT. L. REV. 1 (1999). First, they ask: “[h]ow much is a case like this worth?” Second, they analyze their likelihood of success on the merits. Third, they examine the discovery process: “[h]ow much information do I need to gather,” and “[h]ow do I evaluate the strength of the information that I gather?” Fourth, they evaluate the settlements: “[w]hat constitutes a good outcome,” and “[w]hat is a fair resolution of this matter?” Finally, they analyze the negotiation process: “[s]hould I make the first offer or wait until the other side makes it;” “[i]f I make it, how extreme should it be;” “[h]ow should I frame or present my offer;” “[h]ow should I evaluate offers from the other side;” and “[h]ow can I get people to accept my offers (or counter-offers)?” *Id.*

⁸ Myer Sankary, *Legal Negotiations in Mediation Proceedings* 1 (Nov. 20, 2002) (unpublished manuscript, on file with Richmond Journal of Law & Technology).

party files a complaint and seeks injunctive relief, it is the result of a failed business negotiation. It may also stem from the desire of the well-heeled party to seek an advantage in crafting a business agreement. In filing a complaint, a brand owner may also subject themselves to antitrust claims, based upon misuse of their intellectual property assets.⁹

[6] Perhaps the single most important factor in the outcome of trademark litigation¹⁰ is whether preliminary injunctive relief is granted.¹¹ When a defendant begins using the plaintiff's mark in commerce, the impact on the plaintiff's business is often immediate and potentially devastating.¹² Each sale of the defendant's product or service takes money directly out of the plaintiff's pocket, depriving the plaintiff of goodwill benefits earned through the selection and marketing of its brand. Consumers are potentially damaged as well. They innocently purchase products or services under the mistaken belief that such products or services are affiliated with the plaintiff. Furthermore, in many cases, the defendant's products or services are inferior, and their continuing presence in the marketplace could cause more harm than the judicial system could compensate with monetary damages.

⁹ Oftentimes, an alleged infringer of intellectual property rights defends itself against an action by pointing to the culpable conduct of the rights' holder. See 15 U.S.C. § 1115(b)(7) (2000) (codification of trademark misuse); 35 U.S.C. § 271(d) (2000) (codification of patent misuse). See generally *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488 (1942) (patent misuse); *Worden v. Cal. Fig Syrup Co.*, 187 U.S. 516 (1903) (trademark misuse); *Metro-Goldwyn-Mayer Studios, Inc. v. Gorkster, Ltd.*, 269 F. Supp. 2d 1213 (C.D. Cal. 2003), *aff'd*, 380 F.3d 1154 (9th Cir. 2004) (copyright misuse). An aggressive litigation foe, however, may file a cross complaint for antitrust based upon misuse of the intellectual property assets. See generally *Grokster*, 269 F. Supp. 2d 1213 (antitrust based on copyright misuse); *Marchon Eyewear, Inc. v. Tura L.P.*, No. 98-CV-1932, 2002 U.S. Dist. LEXIS 19628 (E.D.N.Y. Sept. 30, 2002) (antitrust based on patent misuse); *Juno Online Servs., L.P. v. Juno Lighting, Inc.*, 979 F. Supp. 684 (N.D. Ill. 1997) (antitrust based on trademark misuse).

¹⁰ Although the issues discussed in this article generally apply equally to trademarks, service marks, and trade dress, in consideration of simplicity, only the terms "trademark" or "mark" are used.

¹¹ See WILLIAM W. SCHWARZER ET AL., CALIFORNIA PRACTICE GUIDE: FEDERAL CIVIL PROCEDURE BEFORE TRIAL § 13:151 (2004) ("The hearing on the application for preliminary injunction is often the single most important hearing in the case."); J. THOMAS MCCARTHY, 5 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:30 (4th ed. 2004) ("[I]f plaintiff obtains a preliminary injunction, it immediately has the upper hand in the strategy of the whole litigation.")

¹² In one court's opinion, "damages occasioned by trademark infringement are by their very nature irreparable." *Int'l Kennel Club, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1092, (7th Cir. 1988) (quoting *Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852, 858 (7th Cir. 1982)).

[7] A temporary restraining order (“TRO”) or preliminary injunction provides immediate relief to the plaintiff, preventing further use of the trademark by the infringing party. The relief allowed may also include the seizure of the infringing items. Courts, however, treat such requests by plaintiffs with extreme caution so that the defendant is not prevented from conducting its business, or some part of it, without a full hearing on the merits of the infringement claim.

[8] From a strategic standpoint, the main advantage of seeking preliminary injunctive relief is that the plaintiff can immediately prevent the defendant from using the mark, without having to wait for a trial on the merits. This can significantly disrupt the business of the defendant. Another advantage is that obtaining a preliminary injunction is likely to induce settlement. This is because the defendant must make a quick decision as to whether to appeal the grant of injunctive relief. The defendant must also assess the likelihood of overcoming the preliminary finding that the plaintiff is likely to prevail at a trial on the merits.

[9] The disadvantages of seeking injunctive relief stem from the risk of failure and the expense associated with making a request for an interim injunction. An unsuccessful attempt to obtain a preliminary injunction may weaken the plaintiff’s ability to prevail at a bench or jury trial,¹³ or obtain a favorable settlement.¹⁴ This is because the denial of the request may be the result of a judicial determination that the plaintiff’s case is weak. If interim injunctive relief is granted, but the plaintiff loses at trial, the plaintiff may have to forfeit the injunction bond. Worse yet, if the interim injunction was improperly obtained, the plaintiff may be open to a damages suit by the defendant.

¹³ Upon the filing of a complaint, the plaintiff can request either a bench or jury trial. See Fed.R. Civ.P. 38 and 39. Further, there exists a right for any party to the action to demand a jury trial. This right will be granted depending upon whether equitable relief is requested. See *Tull v. United States*, 481 U.S. 412, 417 (1987); see also *Ringling Bros—Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, 955 F. Supp. 598 (E.D. Va 1997) (jury trial was not granted to the plaintiff in trademark dilution case because under 15 U.S.C.S. Section 1125(c)(1)-(2) plaintiff was limited to injunctive relief). Historically, litigants have favored having their cases heard before the judge rather than the jury. See J. THOMAS MCCARTHY, 5 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, (4th ed. 2004) at § 32:130. However, jury trials have become much more common in trademark infringement cases. *Id.*

¹⁴ In addition, a successful defendant may choose to file a Rule 68 offer of judgment, which may put cost pressure on the plaintiffs. See *infra* note 185 and accompanying text.

[10] Furthermore, the granting of an interim injunction may require an expeditious request for relief by the plaintiff. For instance, should a party decide to move for a TRO, this will require significant preparation effort concentrated in a short period of time. Therefore, before traveling down the slippery slope of litigation, a sophisticated attorney may desire to explore non-litigation remedies, including mediation and arbitration.

[11] This article has four parts. Part I discusses the granting of interim injunctive relief. Here, the authors provide an overview of the legal framework for securing interim injunctive relief in the form of TROs and preliminary injunctions. In Part II, the practicalities of securing these forms of relief are discussed. Also included in Part II is a discussion of factors courts use in determining the appropriateness of the injunctive relief. Part III provides a discussion of the negotiation process for resolving trademark disputes in lieu of, or simultaneous with, the filing for interim injunctive relief. This process will be entered into regardless of whether interim injunctive relief is granted or denied. Part IV concludes that all clients must be fully counseled and apprised of all of the remedies, including their respective costs, available to them prior to filing litigation.

I. GARNERING INTERIM INJUNCTIVE RELIEF

A. What Is an Injunction?

[12] In the context of trademark infringement cases, injunctive relief allows the plaintiff to prevent any further use of an infringing mark by the defendant during the pendency of an action.¹⁵ *Mandatory* injunctions “order[] a responsible party to ‘take action,’” and *prohibitory* injunctions “‘restrain[]’ a responsible party from further violati[ons].”¹⁶

¹⁵ For instance, courts may, pursuant to section 34(d)(1)(A) of the Lanham Act, order the ex parte seizure of infringing goods bearing counterfeit marks. 15 U.S.C. § 1116(d)(1)(A) (2000). “Such orders may involve the seizure of goods that were produced by and belong to a foreign entity, but that are located within the United States.” *Am. Online, Inc. v. AOL.org*, 259 F. Supp. 2d 449, 456 (E.D. Va. 2003); *see, e.g., Bear U.S.A., Inc. v. Kim*, 71 F. Supp. 2d 237, 244- 45 (S.D.N.Y.1999) (describing the issuance of an ex parte seizure order directed at counterfeit parkas).

¹⁶ *Meghrig v. KFC W., Inc.*, 516 U.S. 479, 484 (1996). Preliminary injunctive relief in the context of trademark infringement is generally thought of as prohibitory, because its purpose is to prohibit further use of an infringing mark by the defendant pending a trial on the merits. *See MCCARTHY, supra* note 11, § 30:30. This distinction can be critical, since mandatory preliminary injunctions are subject to a higher level of scrutiny than prohibitory preliminary injunctions, and are therefore more difficult to obtain. *See Anderson v. United States*, 612 F.2d 1112, 1114 (9th Cir. 1980) (“Mandatory preliminary relief, which goes well

[13] In order to obtain injunctive relief in trademark actions, the movant must demonstrate irreparable injury and inadequacy of legal remedies.¹⁷ Furthermore, because injunctive relief is an equitable remedy, it will not be issued as a matter of course; courts will generally balance the potential effect of the injunction on each party as well as on the public.¹⁸ In trademark infringement cases, the Lanham Act specifically provides for injunctive relief “according to the principles of equity and upon such terms as the court may deem reasonable.”¹⁹ In fact, injunctive relief is the most commonly accepted

beyond simply maintaining the status quo pendente lite, is particularly disfavored, and should not be issued unless the facts and law clearly favor the moving party.”); *see also* *Cornwell v. Sachs*, 99 F. Supp. 2d 695, 703 (E.D. Va. 2000) (“Mandatory preliminary injunctions do not preserve the status quo and normally should be granted only in those circumstances when the exigencies of the situation demand such relief.”).

Because the distinction is based upon the effect on the party to be enjoined, it is critical for the plaintiff to frame its application for relief in *prohibitory* language, rather than *mandatory* language. *See* SCHWARZER ET AL., *supra* note 11, § 13:13. For example, a preliminary injunction ordering a party not to use a trademark pending trial would be classified as a prohibitory injunction because its effect is to prohibit the enjoined party from action, while a preliminary injunction ordering a party to pay royalties pending trial would be classified as a mandatory injunction because its effect is to compel the enjoined party to take action. *See id.*

¹⁷ *See* *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982) (“The Court has repeatedly held that the basis for injunctive relief in the federal courts has always been irreparable injury and the inadequacy of legal remedies.”). *See also* MCCARTHY, *supra* note 11, § 30:31 (citations omitted); *infra* note 34 and accompanying text.

¹⁸ *See Amoco Production Co. v. Village of Gambell*, 480 U.S. 531 (1987), which states:

In each case, a court must balance the competing claims of injury and must consider the effect on each party of the granting or withholding of the requested relief. Although particular regard should be given to the public interest, “[the] grant of jurisdiction to ensure compliance with a statute hardly suggests an absolute duty to do so under any and all circumstances, and a federal judge sitting as chancellor is not mechanically obligated to grant an injunction for every violation of law.”

Id. at 542 (quoting *Weinberger*, 456 U.S. at 313).

¹⁹ 15 U.S.C. § 1116(a) (2000). The Lanham Act is the federal statutory basis for relief from trademark infringement; it provides, in pertinent part, that:

[t]he several courts vested with jurisdiction of civil actions arising under this Act shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the

remedy for trademark infringement,²⁰ the Lanham Act being simply the codification of the traditional remedy.²¹ The courts have great flexibility in fashioning injunctive relief in trademark infringement cases, allowing them to tailor the injunction to fit the facts of the action.²²

B. What Is the Primary Purpose of Interim Injunctive Relief?

[14] Although often not listed as a specific requirement for obtaining interim injunctive relief, maintaining the status quo — the snapshot of time that

registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of this section 43. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

Id.

²⁰ See MCCARTHY, *supra* note 11, § 30:1 (discussing the equitable remedy of injunction as the traditional remedy for unfair competition and trademark infringement cases).

²¹ See *Kelley Blue Book v. Car-Smarts, Inc.*, 802 F. Supp. 278, 293 (C.D. Cal. 1992).

²² According to the court in *Kelley Blue Book*:

[i]n trademark cases, the courts are given flexibility in fashioning injunctive relief, and “the scope of the injunction to be entered depends upon the manner in which plaintiff is harmed, the possible means by which that precise harm can be avoided, the viability of the defense raised, and the relative inconvenience that would be caused to defendant by each of the several means of avoidance.”

Id. at 293-94 (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:3 (2d ed. 1984)).

immediately preceded the dispute between the plaintiff and the defendant — is the primary purpose of interim injunctive relief.²³ In other words, the plaintiff must show that a TRO or preliminary injunction will restore the last non-contested state of affairs between the two parties.²⁴ Although forms of preliminary injunctive relief that would alter the status quo, such as mandatory injunctions, are not automatically denied, they carry a heavier burden of persuasion.²⁵

[15] In the context of trademark infringement cases, the status quo to be preserved by the injunction is the state of affairs that existed prior to the defendant's use of the contested trademark.²⁶ This, of course, is usually exactly what the plaintiff seeks pending a trial on the merits.

C. Forms of Interim Injunctive Relief

1. Temporary Restraining Order

[16] A TRO is a provisional remedy. It can be issued under narrow circumstances without notice to the opposing party or that party's counsel. The purpose of the TRO is to maintain the status quo and prevent irreparable harm pending a hearing on the moving party's application for preliminary injunctive relief.²⁷ A TRO is effective for a limited period of time, usually ten calendar days, unless good cause is shown or the parties agree otherwise.²⁸

²³ See *Tanner Motor Livery, Ltd. v. Avis, Inc.*, 316 F.2d 804, 808 (9th Cir. 1963) (“It is so well settled as not to require citation of authority that the usual function of a preliminary injunction is to preserve the status quo ante litem pending a determination of the action on the merits.”); see also *Six Clinics Holding Corp., II v. Cafcomp Sys., Inc.*, 119 F.3d 393, 400 (6th Cir. 1997) (“The purpose of a preliminary injunction is merely to preserve the relative positions of the parties until a trial on the merits can be held.”).

²⁴ See *Westinghouse Elec. Corp. v. Free Sewing Mach. Co.*, 256 F.2d 806, 808, (7th Cir. 1958) (“The status quo is the last uncontested status which preceded the pending controversy.”); see also *Dominion Video Satellite, Inc. v. Echostar Satellite Corp.*, 269 F.3d 1149, 1155 (10th Cir. 2001); *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1210 (9th Cir. 2000).

²⁵ See *Tom Doherty Assocs. v. Saban Entm't, Inc.*, 60 F.3d 27, 33-34 (2d Cir. 1995).

²⁶ See *Earth Tech. Corp. v. Envtl. Research & Tech., Inc.*, No. 82-6375 AWT, 1983 U.S. Dist. LEXIS 18316, at *16 (C.D. Cal. Mar. 23, 1983).

²⁷ See *Clements Wire and Mfg. Co. v. NLRB*, 589 F.2d 894, 896-97 (5th Cir. 1979); see also *Nat'l City Bank v. Battisti*, 581 F.2d 565, 567-68 (6th Cir. 1977).

²⁸ FED. R. CIV. P. 65(b); see *Granny Goose Foods, Inc. v. Bhd. of Teamsters Local 70*, 415 U.S. 423, 438-39 (1974). Upon ordering the TRO, the court will likely enter an Order to Show Cause why a preliminary injunction should issue. In addition, the restrained party is also provided an opportunity, upon notice, to move for the dissolution or modification of the

[17] A party seeking a TRO must make a persuasive showing of irreparable harm and demonstrate a likelihood of prevailing on the merits.²⁹ The single most important factor that courts examine in determining whether to grant a TRO is the exigency of the circumstances.³⁰ Exigency requires a showing that immediate and irreparable injury, loss or damage will result to the movant, unless the non-moving party is restrained.³¹ Thus, the plaintiff must show that it is acting quickly to obtain a TRO. If the plaintiff waits too long to bring suit or to seek interim relief, the court may conclude that there is not a pressing need for an immediate prohibition order.

[18] There are no set rules on how quickly the movant must file for a TRO.³² The exigency of the circumstances is decided on a case-by-case basis. Courts examine the exigency of the circumstances from the plaintiff's perspective, and from the public's perspective when concern for the public is a factor.

2. Preliminary Injunction

[19] A preliminary injunction is a provisional remedy issued prior to final disposition of the litigation. The function of a preliminary injunction is to preserve the status quo and to prevent irreparable loss of rights prior to a final judgment on the merits.³³ The requirements for preliminary injunctive relief differ in each circuit. Generally, courts consider the following factors when deciding whether to grant preliminary injunctive relief in trademark infringement cases: (1) the exigency of the circumstances, which includes the

TRO. See *Clements Wire and Mfg. Co.*, 589 F.2d at 896; see also *Nat'l City Bank*, 581 F.2d at 567.

²⁹ *New Motor Vehicle Bd. v. Orrin W. Fox Co.*, 434 U.S. 1345, 1347 n.2 (1977).

³⁰ "Exigency" is defined as "[a] state of urgency; a situation requiring immediate action." BLACK'S LAW DICTIONARY 614 (8th ed. 2004).

³¹ A TRO should not issue under Rule 65(b) unless immediate irreparable injury is threatened. See *In re Vuitton et Fils S.A.*, 606 F.2d 1, 4 (2d Cir. 1979); *Ragold, Inc. v. Ferrero, U.S.A., Inc.*, 506 F. Supp. 117, 123 n.7 (N.D. Ill. 1980).

³² See SCHWARZER ET AL., *supra* note 11, § 13:145. Still, the earlier the better:

An application for preliminary injunction may be filed at any time. However, as with TRO applications, it is always wise to request such relief as early as practicable. Delay may cause the court to conclude there is no "immediate" threat of injury and that the matter can wait until a trial on the merits.

Id.

³³ *Sierra On-Line, Inc. v. Phoenix Software, Inc.*, 739 F.2d 1415, 1422 (9th Cir. 1984); see also *Faheem-El v. Klinicar*, 841 F.2d 712, 717 (7th Cir. 1988).

plaintiff's irreparable injury; (2) the probability of success on the merits of the action at trial; (3) a determination of the parties' relative hardships that would result from the decision; (4) protection of the public interest; and (5) maintenance of the status quo *pendente lite*.³⁴ However, unlike a TRO, any *delay* in filing for preliminary injunctive relief is but one of several factors courts consider when deciding whether to grant this provisional remedy.³⁵

II. PROCEDURAL ASPECTS OF INTERIM INJUNCTIVE RELIEF

[20] Preliminary injunctive relief may be had in two forms: TRO and preliminary injunction. Although the Federal Rules of Civil Procedure provide the general rules for obtaining either a TRO or a preliminary

³⁴ See MCCARTHY, *supra* note 11, § 30:31 (discussing how the moving party must demonstrate that: (1) there is a probability of success on the merits at the ultimate trial; (2) it will be irreparably harmed unless injunction is issued; (3) interim injunctive relief will preserve status quo; (4) hardships balance in its favor; and (5) an injunction may be necessary to protect third parties); see also SCHWARZER ET AL., *supra* note 11, § 13:44-45 (discussing the "traditional test," which requires: (1) a fair chance of success on the merits; (2) a significant threat of irreparable injury; (3) a balance of hardships that tips minimally in the plaintiff's favor; and (4) that the public interest favors preliminary injunctive relief, as well as the "alternative test," which requires the moving party to show either "[a] combination of *probable* success on the merits and the *possibility* of irreparable injury; or [s]erious questions as to these matters and the balance of hardships tips *sharply* in [the] plaintiff's favor").

³⁵ See Sandra Edelman, *Delay in Filing Preliminary Injunction Motions: Update 2002*, 92 TRADEMARK REP. 647 (2002), who asserts that:

when a case is weak on the merits, the court is more likely to find the plaintiff's delay to be inexcusable, providing a clear and convenient reason for denying the relief requested. Conversely, when a defendant has acted intentionally or engaged in other egregious conduct, the court is likely to de-emphasize the issue of delay and be more tolerant of a plaintiff's failure to move promptly.

Id. at 649 (citations omitted).

injunction,³⁶ the specific procedural rules must be gleaned from case law and local rules.³⁷

A. Temporary Restraining Order

1. Generally

[21] A TRO is the quickest way for a plaintiff to halt a defendant's use of an infringing trademark.³⁸ A TRO is essentially an order from a court to a defendant to immediately cease any further use of an infringing mark; its sole purpose is to preserve the status quo pending a hearing on the plaintiff's application for a preliminary injunction.³⁹ Generally, the first step in obtaining a TRO, as is the case in any lawsuit, is to file the complaint for infringement.⁴⁰

³⁶ See FED. R. CIV. P. 65. Rule 65(a) of the Federal Rules discusses the standards for the granting of a preliminary injunction; Rule 65(b) discusses the granting of a TRO; Rule 65(c) discusses the security or bond the court must consider ordering to be posted when the TRO or injunction issues; Rule 65(d) discusses the form and scope of the TRO or injunction; and Rule 65(e) discusses the effect of Rule 65 on other statutes. *Id.* Finally, Rule 65.1 discusses surety liability. FED. R. CIV. P. 65.1.

³⁷ SCHWARZER ET AL., *supra* note 11, § 13:85. For practitioners, there are several critical steps to take when considering procedural strategy in seeking preliminary injunctive relief: first, the practitioner should become familiar with Rule 65; second, the practitioner should become familiar with the local court rules concerning preliminary injunctive relief; and third, the practitioner should contact the relevant court clerk to get informal information on the judge's procedural preferences. *Id.* § 13:85.1 to :86.

³⁸ See, e.g., *Anheuser-Busch, Inc. v. Andy's Sportswear, Inc.*, No. C-96-2783, 1996 WL 657219, at *1543 (N.D. Cal. Aug. 28, 1996) (granting BUDWEISER mark owner a TRO prohibiting defendant's use of "Buttweiser" on t-shirts); *Giacalone v. Network Solutions, Inc.*, No. C-96-20434, 1996 U.S. Dist. LEXIS 20807, at *2 (N.D. Cal. June 14, 1996) (granting owner of the website "ty.com" a TRO against Ty, Inc. on ground that defendant was unlawfully attempting to extend its scope of trademark registration to areas where it had no legal right to protection).

³⁹ See 11A CHARLES ALAN WRIGHT & ARTHUR R. MILLER, *FEDERAL PRACTICE AND PROCEDURE* § 2951 (3d ed. 1998). The distinguishing aspect of a TRO is that it is issued without affording the party to be restrained the opportunity to argue against it, and sometimes without even notice to the party that the TRO is being sought. See *id.* Foreign jurisdictions also understand the exigency of issuing a TRO. See Sandy Meng-Shan Liu, *After WTO Accession: China's Dilemma with the Trafficking of Fakes*, 93 TRADEMARK REP. 1153, 1173 (2003) ("[A] temporary restraining order can . . . be obtained to preserve pre-trial evidence if the registrant can prove that evidence may be destroyed, lost, or unlikely to be obtained in the future.") (citations omitted).

⁴⁰ See *Stewart v. United States Immigration & Naturalization Serv.*, 762 F.2d 193, 198 (2d Cir. 1985) (citing FED. R. CIV. P. 65 (a)(2)) ("Only after an action has been commenced can preliminary injunctive relief be obtained."). However, when the need for swift relief is urgent, such relief may be granted even before a complaint is filed. See, e.g., *Studebaker*

[22] The application for the TRO⁴¹ is generally filed simultaneously with the complaint.⁴² In addition to the complaint and application, the plaintiff should submit a legal brief outlining the relevant legal issues, as well as an Order to Show Cause (“OSC”) as to why a preliminary injunction should issue.⁴³ The brief should be succinct — since the court will have very little time to analyze it — yet complete, explaining in detail why relief should be granted immediately instead of following a trial on the merits.⁴⁴ Furthermore, the brief must address the relevant requirements for preliminary injunctive relief as discussed below,⁴⁵ particularly the facts showing immediate and irreparable injury.⁴⁶

[23] The plaintiff must couch its TRO request as an urgent and compelling need for *immediate* relief.⁴⁷ It must show such immediacy through “irreparable injury.”⁴⁸ Irreparable injury in trademark cases is often defined as a “high probability of confusion, [such that] injury [is] irreparable in the

Corp. v. Gittlin, 360 F.2d 692, 694 (2d Cir. 1966) (“Because of the exigencies of time usual in contests for corporate control . . . the court could properly treat the affidavit as a complaint and the order to show cause as requiring an early answer.”).

⁴¹ This application is referred to in some courts as a “motion for temporary restraining order.” See, e.g., E.D. CAL. L.R. 65-231(c).

⁴² See SCHWARZER ET AL., *supra* note 11, § 13:91. However, unlike permanent injunctions or declaratory judgments, which require prayer for relief within the complaint, preliminary injunctive relief can be requested for the first time by motion. See Dillard v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 961 F.2d 1148, 1155 (5th Cir. 1992).

⁴³ See SCHWARZER ET AL., *supra* note 11, § 13:92; see also J. Joseph Bainton, *Reflections on the Trademark Counterfeiting Act of 1984: Score a Few for the Good Guys*, 82 TRADEMARK REP. 1, 19-20 (1992) (explaining that if an injured party desires to move for ex parte seizure and impoundment order, it should present affidavits, evidence, and an Order to Show Cause for issuance of Temporary Restraining Order, Preliminary Injunction, and Accelerated Discovery).

⁴⁴ SCHWARZER ET AL., *supra* note 11, § 13:93. Likewise, if the defendant is provided with the opportunity to submit a brief in opposition to the issuance of the TRO, it should file a similarly succinct and complete brief as to why the TRO should *not* issue.

⁴⁵ See *infra* notes 59-75, 85-95 and accompanying text.

⁴⁶ See *infra* notes 47-58 and accompanying text.

⁴⁷ See WRIGHT & MILLER, *supra* note 39, § 2951 (“The issuance of an ex parte temporary restraining order is an emergency procedure and is appropriate only when the applicant is in need of immediate relief.”) (citations omitted); see also FED. R. CIV. P. 65(b).

⁴⁸ See *Mountain Med. Equip., Inc. v. Healthdyne, Inc.*, 582 F. Supp. 846, 848 (D. Colo. 1984) (“Although there is no black letter definition of what constitutes an irreparable injury, the essence of the concept requires a substantial threat of harm to the movant that cannot be compensated by money.”) (citations omitted).

sense that it may not be fully compensable in damages.”⁴⁹ A plaintiff can demonstrate irreparable injury by showing a likelihood of confusion between the plaintiff’s mark and the defendant’s mark.⁵⁰ In order to demonstrate a likelihood of confusion, a plaintiff can allege numerous trademark infringement claims, including false advertising,⁵¹ unfair competition,⁵²

⁴⁹ Nat’l Bd. of Young Men’s Christian Ass’ns v. Flint Young Men’s Christian Ass’n, 764 F.2d 199, 201 (6th Cir. 1985) (quoting Omega Import. Corp. v. Petri-Kine Camera Co., 451 F.2d 1190, 1195 (2d Cir. 1971)).

⁵⁰ According to Lanham Act § 32(1), 15 U.S.C. § 1114(1) (2000):

[a]ny person who shall, without the consent of the registrant — (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant

In trademark infringement, a majority of courts hold that a showing of likelihood of confusion is sufficient to demonstrate irreparable injury. See MCCARTHY, *supra* note 11, § 30:47. An immediate loss of reputation is an unquantifiable loss that is difficult, if not impossible, to compensate through an award of money damages. See Rodeo Collection, Ltd. v. W. Seventh, 812 F.2d 1215, 1220 (9th Cir. 1987) (“Once the plaintiff in an infringement action has established a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief does not issue.”). Trademark infringement injuries are presumed to be irreparable because “it is virtually impossible to ascertain the precise economic consequences of intangible harms, such as damage to reputation and loss of goodwill, caused by such violations.” Abbott Labs. v. Mead Johnson & Co., 971 F.2d 6, 16 (7th Cir. 1992). Other courts view a showing of likelihood of confusion as merely persuasive evidence of irreparable injury. See, e.g., Am. Bd. of Psychiatry & Neurology, Inc. v. Johnson-Powell, 129 F.3d 1, 4 n.4 (1st Cir. 1997) (“We say merely that such evidence does not amount to a legal presumption; it is proof that, like other factual evidence, may be rebutted by other facts and circumstances.”).

⁵¹ See 15 U.S.C. § 1125(a)(1)(A)-(B) (2000). In order to make a colorable claim for false advertising, a plaintiff must plead and prove that the defendant uses a designation or false designation of origin in interstate commerce, and in connection with goods or services, when the designation is likely to cause confusion, deception or mistake as to: “[(1)] the affiliation, connection, or association of [defendant] with another person, or [(2)] as to the origin, sponsorship, or approval of [defendant’s] goods, services, or commercial activities by another person,” and the plaintiff has been or is likely to be damaged by these acts. *Id.* “Remedies for false advertising include: a preliminary and final injunction; corrective advertising; and monetary recovery.” See MCCARTHY, *supra* note 11, § 27:13 (citations omitted).

⁵² “The law of unfair competition generally protects consumers and competitors from deceptive or unethical conduct in commerce.” Mars, Inc. v. Kabushiki-Kaisha Nippon

dilution,⁵³ incontestability of the right to use the mark under certain conditions,⁵⁴ and breach of contract, all of which would cause the plaintiff to lose control of its reputation as to the goods or services improperly marked by the defendant.

[24] Once the court determines that a plaintiff can lay claim to a likelihood of confusion, the court then examines whether the plaintiff has established that it has a likelihood of success on the merits in the underlying lawsuit sufficient to establish irreparable injury.⁵⁵ When trademark infringement is at issue, this showing is easily made in those jurisdictions following the rule that a demonstration of likely confusion or dilution creates a presumption of irreparable harm.⁵⁶

Conlux, 24 F.3d 1368, 1373 (Fed. Cir. 1994). “Unfair competition is a commercial tort.” MCCARTHY, *supra* note 11, § 1:8. It includes within its spectrum claims for the infringement of the right of publicity, which is the legal right to control the commercial use of an individual’s identity. *Id.* § 28:1. The infringement of the right of publicity is both a commercial tort and a form of unfair competition. *Id.*

⁵³ See 15 U.S.C. § 1125(c)(1)(A)-(H) (2000). In *Twentieth Century Fox Film Corp. v. Marvel Enterprises, Inc.*, 277 F.3d 253 (2d Cir. 2002), a motion picture studio that produced a film based on a particular set of comic book characters brought an action against the studio’s licensor, publishers of comic books, and producers of a related television series based on them. It unsuccessfully sought an injunction on the basis that the television series violated the studio’s contractual rights and its rights under the Lanham Act. *Id.* at 257-60.

⁵⁴ See 15 U.S.C. § 1065 (2000); see, e.g., *Re/Max N. Cent., Inc. v. Cook*, 272 F.3d 424, 433 (7th Cir. 2001) (granting plaintiff a preliminary injunction against the franchisee for its continued use of the Re/Max mark upon the expiration of the franchise agreement).

⁵⁵ See Perry Viscounty et al., *Arguing Likelihood of Confusion: The Importance of Trademark Experience and Forensic Skill*, CLIENTTIMES (Thomson & Thomson, North Quincy, Mass.), Dec. 2003, at 3 (“Although various courts and trademark examiners may believe they are employing the same tests in determining whether there is a likelihood of confusion, their analysis is inherently subjective. For that reason, different decision makers often reach contrary results, even when presented with the same or similar facts.”).

⁵⁶ 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.”); *Microsoft Corp. v. Action Software*, 136 F. Supp. 2d 735, 739 (N.D. Ohio 2001) (“Irreparable harm is . . . presumed in actions for . . . trademark infringement.”); *Villanova Univ. v. Villanova Alumni Educ. Found.*, 123 F. Supp. 2d 293, 310 (E.D. Pa. 2000) (“Irreparable injury follows a showing of likelihood of confusion ‘as a matter of course.’”) (quoting *Opticians Assoc. of Am. v. Indep. Opticians of Am.*, 920 F.2d 187, 195 (3d Cir. 1990)); *Davidoff & CIE SA v. PLD Int’l Corp.*, No. 00-2635, 2000 U.S. Dist. LEXIS 19243, at *14 (S.D. Fla. 2000) (“Irreparable injury is presumed for trademark infringement.”); *Deborah Heart & Lung Ctr. v. Children of the World Found., Ltd.*, 99 F. Supp. 2d 481, 493 (D.N.J. 2000) (“Since infringement of trademark deprives the owner of control over its goodwill, the injury to goodwill is by its nature irreparable . . .”).

[25] The court may also balance the harm suffered by the defendant if the order were issued against the injury the movant would suffer if the application for the TRO were denied.⁵⁷ In addition, it may be appropriate for the court to consider the effect of the requested order on the public interest.⁵⁸ As such, a plaintiff moving for injunctive relief must painstakingly prepare its papers, including a complete marshalling of the facts and accompanying declarations. In some circumstances, a plaintiff must also be prepared to present its witnesses to the court, should the matter be heard.

[26] However, the more complex the matter, the less inclined the court will be to grant a TRO, due to the factual analysis that must be undertaken. When the plaintiff presents an exhaustive discussion of the facts in its TRO papers, the court will be more inclined to issue an OSC. Therefore, the plaintiff's presentation of its application for a TRO must be succinct, compelling, and without a lengthy factual discussion.

2. Supporting Evidence

[27] Along with the complaint, application, and brief, the plaintiff should submit any relevant evidence supporting its brief, particularly if the plaintiff is seeking a TRO without notice to the party to be restrained.⁵⁹ Generally, detailed declarations and affidavits are the most effective means of providing

⁵⁷ WRIGHT & MILLER, *supra* note 39, § 2951 (“This balancing of the hardships approach is fairly common, particularly when one of the parties is a governmental unit.”) (citations omitted).

⁵⁸ *Id.* (citing Jackson v. NFL, 802 F. Supp. 226 (D. Minn. 1992)).

⁵⁹ FED. R. CIV. P. 65(b) states, in relevant part, that:

[a] temporary restraining order may be granted without written or oral notice . . . only if (1) it clearly appears from specific facts shown by affidavit or by the verified complaint that immediate and irreparable injury, loss, or damage will result to the applicant before the adverse party or the party's attorney can be heard in opposition, and (2) the applicant's attorney certifies to the court in writing the efforts, if any, which have been made to give the notice and the reasons supporting the claim that notice should not be required.

But see Ziegman Prods., Inc. v. City of Milwaukee, 496 F. Supp. 965, 967 (E.D. Wis. 1980) (holding that a TRO may be denied on the grounds that inadequate effort was made to notify the non-moving party).

factual support.⁶⁰ For example, affidavits from consumers showing actual confusion as to the marks can be an effective way of showing likelihood of confusion.⁶¹ In addition, because of the time constraints involved, courts are generally lenient in accepting various forms of evidence, such as deposition testimony or counsel declarations, including evidence that would be inadmissible under the Federal Rules of Evidence.⁶² However, the court has discretion to determine the weight such evidence will carry, and tends to look upon inadmissible evidence with skepticism, especially where no notice is provided to the defendant.⁶³ Therefore, the affidavit must be based on

⁶⁰ For instance, in *LTT International Development and Trading Corp. v. ABC Distributing, Inc.*, No. CV 00-00776 (C.D. Cal. Oct. 3, 2000) (unreported case in which Mr. Speiss, co-author, participated as counsel), both the plaintiff and defendant were juvenile toy and home furnishing manufacturers. The plaintiff alleged trademark and copyright infringement, as well as violations of state unfair competition laws due to the unauthorized creation of knock-off children's stuffed bear, duck, and elephant toy stools. The plaintiff moved for a TRO. In support of its application, it filed declarations evidencing actual confusion, including the testimony of a distributor that purchased the defendant's products, believing them to be associated with the plaintiff. The plaintiff also filed declarations from corporate executives regarding their conversations with wholesalers who exhibited confusion between the products. These executives discussed the loss of goodwill in their products due to the "cheap" quality of the defendant's products. As a result, the court granted the TRO.

⁶¹ See, e.g., *Safeway Stores, Inc. v. Safeway Props., Inc.*, 307 F.2d 495, 498, 500 (2d Cir. 1962) (upholding the lower court's grant of a preliminary injunction based on consumer affidavits showing confusion as to affiliation).

⁶² See *Sierra Club v. Fed. Deposit Ins. Corp.*, 992 F.2d 545, 551 (5th Cir. 1993) ("[A]t the preliminary injunction stage, the procedures in the district court are less formal, and the district court may rely on otherwise inadmissible evidence, including hearsay evidence."); see also *Flynt Distrib. Co. v. Harvey*, 734 F.2d 1389, 1394 (9th Cir. 1984) ("The urgency of obtaining a preliminary injunction necessitates a prompt determination The trial court may give even inadmissible evidence some weight, when to do so serves the purpose of preventing irreparable harm before trial.").

Likewise, in defending against the issuance of a TRO, a defendant may submit deposition testimony or counsel declarations, including evidence that would be inadmissible under the Federal Rules of Evidence. It is best to consult all appropriate Federal and local rules, as well as case law, that govern the submission of evidence prior to submission.

⁶³ See SCHWARZER ET AL. *supra* note 11, § 13:107. WRIGHT & MILLER, *supra* note 39, § 2952, discusses the use of affidavits in support of a TRO:

There does not seem to be any case law defining the applicable standards for judging the quality and character of an affidavit offered in support of a motion under Rule 65(b). Since a temporary restraining order generally is sought on short notice, in a situation of pressing need, and Rule 65(b) expressly permits its issuance on the presentation of a verified complaint, it probably is unsound to hold the affidavits to too rigorous a standard. Thus for

personal knowledge and state the facts supporting the position of the movant clearly and specifically.⁶⁴

[28] A TRO may also be issued on the basis of a verified complaint.⁶⁵ This is not a recommended strategy, however, since pleadings are generally too conclusion-driven and generalized in scope.⁶⁶ In addition, rather than file for a TRO, a movant may decide to informally provide the non-moving party with the evidence it intends to file in support of the application for a TRO, so that the non-moving party can evaluate whether it desires to immediately initiate settlement discussions.⁶⁷

3. The Movant Should Submit a Proposed TRO, Including a Provision for a Bond to be Posted

[29] The movant should also submit a proposed TRO, including a provision for a bond. The proposed TRO, according to Rule 65, should set forth the reason for its issuance and specify the exact actions to be enjoined, or items to be seized.⁶⁸ These provisions are meant to protect the enjoined “by

example, it would be inappropriate to apply the standard for an affidavit offered on a summary judgment motion that is prescribed by Rule 56(e).

⁶⁴ See SCHWARZER ET AL. *supra* note 11, § 13:107.

⁶⁵ See FED. R. CIV. P. 65(b) (“A temporary restraining order may be granted . . . only if (1) it clearly appears from specific facts shown by affidavit or by the *verified complaint*”) (emphasis added); *cf.* *Brown v. Bernstein*, 49 F. Supp. 497, 499 (D.C. Pa. 1943) (holding that an affidavit alleging facts was sufficient to constitute irreparable injury and met the requirement of Rule 65(b) even though the complaint was not verified).

⁶⁶ SCHWARZER ET AL., *supra* note 11, § 13:104.

⁶⁷ See *City Fin. v. Citigroup, Inc.*, No. 99-CV-1323 (C.D. Cal., Oct. 26, 1999) (unreported case in which Mr. Speiss, co-author, participated as counsel). In *City Financial*, the plaintiffs alleged that their mark, CITY FINANCIAL, which had a California State Trademark registration and use over a twenty-year-period, was being infringed through the use of the CITIFINANCIAL mark by the defendants. The plaintiffs produced several declarations from confused customers, as well as declarations from company employees concerning their receipt of telephone calls from employees of Citigroup, who mistakenly believed they were contacting CITIFINANCIAL. The plaintiffs also retained Michael J. Wagner, a damages expert, who prepared a report that was utilized as part of the settlement discussions. The action settled shortly after it was filed.

⁶⁸ See FED. R. CIV. P. 65(d), which requires that every order granting a restraining order:

shall set forth the reasons for the issuance; shall be specific in terms; shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained; and

informing them of what they are called upon to do or refrain from doing in order to comply with the injunction or [TRO].”⁶⁹

[30] The court must expressly consider the posting of a bond prior to the issuance of a TRO.⁷⁰ The bond protects the defendant from damages that

is binding only upon the parties to the action, their officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise.

⁶⁹ WRIGHT & MILLER, *supra* note 39, § 2955 (citing *Schmidt v. Lessard*, 414 U.S. 473 (1974)).

⁷⁰ FED. R. CIV. P. 65(c) states that:

[n]o restraining order or preliminary injunction shall issue except upon the giving of security by the applicant, in such sum as the court deems proper, for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained;

This requirement leaves open the amount of the bond, if any, to be posted. See FED. R. CIV. P. 65(c). In addition, many district courts have local rules interpreting this requirement. See, for example, C.D. CAL. L.R. 65-3, which states that:

[n]o bond or undertaking requiring third-party sureties will be approved unless it bears the names and addresses of third-party sureties and is accompanied by a declaration by the surety stating that: (a) [t]he surety is a resident of the State of California; (b) [t]he surety who intends to deed real property as security owns the real property within the State of California; (c) [t]he security posted by the surety is worth the amount specified in the bond or undertaking, over and above just debts and liabilities; and (d) [t]he property, real or personal, which is to be conveyed as security, is not exempt from execution and prejudgment attachment.

In one recent action, the TRO was granted but was not in effect for several months because the plaintiff failed to post the requisite bond. In *Seven Lives, Inc. v. Montoya*, No. 00-CV08851 (C.D. Cal., Aug. 21, 2000) (unreported case in which Mr. Speiss, co-author, participated as counsel), the plaintiff, a regional gourmet cookie and gingerbread house designer and manufacturer, filed suit against a former employee and his employer, Regal Baking Company. Both the plaintiff and the defendant bake and “private label” cookies for specialty coffee companies, major department stores, and catalog companies. The complaint

may be incurred if it is later determined that the injunction was issued wrongfully.⁷¹ However, the court does have discretion to excuse the bond in “exceptional” cases.⁷²

[31] The amount of the bond is “such sum as the court deems proper, for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained.”⁷³

alleged that the defendants had violated the trade dress and copyrights contained in the cookie and ginger bread house designs made by the plaintiff because they made similar-looking Christmas and Chanukah holiday cookies, as well as other holiday-themed cookies. The plaintiff moved for, and received, a TRO. The court simultaneously issued an Order to Show Cause why a preliminary injunction would not issue. The TRO, however, was not in effect until December 7, 2000, because the plaintiff did not post the required \$3,000 bond until that date.

⁷¹ See *Ty, Inc. v. Publ'ns Int'l, Ltd.*, 292 F.3d 512, 516 (7th Cir. 2002) (stating that the purpose of a bond, in the event that the defendant prevails on the merits, is to compensate him for harm caused by an injunction entered before the final decision); see also *WRIGHT & MILLER*, *supra* note 39, § 2954 (“The purpose of this provision is to enable a restrained or enjoined party to secure indemnification for the costs, usually not including attorney’s fees, and pecuniary injury that may accrue during the period in which a wrongfully issued equitable order remains in effect.”) (citations omitted).

⁷² *SCHWARZER ET AL.*, *supra* note 11, § 13:194. “But these [cases] are few and far between: ‘The instances in which a bond may not be required are so rare that the requirement is almost mandatory.’” *Id.* (citing *Frank’s GMC Truck Ctr., Inc. v. Gen. Motors Corp.*, 847 F.2d 100, 103 (3d Cir. 1988)). “However, other courts are more liberal, treating Rule 65(c)’s language ‘in such sum as the court deems proper’ as making the bond requirement *entirely* discretionary, allowing the court to waive the bond requirement in any case.” *Id.* § 13:194; accord *Moltan Co. v. Eagle-Picher Indus., Inc.*, 55 F.3d 1171, 1176 (6th Cir. 1995) (holding that no bond was required where the trial court found strength in the applicant’s action and strong public interest was involved); *Pharm. Soc’y, Inc. v. N.Y. State Dep’t of Soc. Servs.*, 50 F.3d 1168, 1174-75 (2d Cir. 1995) (finding that the public interest was served by ensuring that the state complied with federal law); *Scherr v. Volpe*, 466 F.2d 1027, 1035 (7th Cir. 1972) (finding that the plaintiffs’ likelihood of success was particularly strong); *Orantes-Hernandez v. Smith*, 541 F. Supp. 351, 385 (C.D. Cal. 1982) (granting an injunction in an action brought by an indigent plaintiff).

⁷³ FED. R. CIV. P. 65(c). *WRIGHT & MILLER*, *supra* note 39, claims that:

[a]s a result of this passage, the discretion permitted a federal court sitting in equity is available to a court in setting the amount of security that is required by Rule 65(c).

Accordingly, the judge usually will fix security in an amount that covers the potential incidental and consequential costs as well as either the losses the unjustly enjoined or restrained party will suffer during the period he is prohibited from engaging in

Specifically, that sum is whatever amount the court deems necessary to cover the costs and damages likely to be incurred by the party being restrained between the date of the issuance of the TRO and the date of the hearing on the preliminary injunction.⁷⁴ If unforeseen costs or damages arise after the preliminary injunction has been issued, the court may increase the amount of required security on its own or at the request of the enjoined party.⁷⁵

4. Notice

[32] The plaintiff must attempt to give the party to be restrained notice of the impending application in order to allow said party the chance to be present and argue its case when the application is heard.⁷⁶ The notice, either written or oral, should inform the party to be restrained of: (1) the plaintiff's intention to apply for a TRO; (2) the date and time of the application hearing, along with any changes that may occur; and (3) the nature of the relief requested.⁷⁷ If no notice is given, the plaintiff must submit, along with the complaint, application, legal brief, supporting evidence, and proposed TRO, a certified account of efforts to notify either the defendant or its counsel of the application for a TRO.⁷⁸

certain activities or the complainant's unjust enrichment caused by his adversary being improperly enjoined or restrained.

Id. § 2954 (citations omitted).

⁷⁴ SCHWARZER ET AL., *supra* note 11, § 13:122.

⁷⁵ *Id.* § 13:201.

⁷⁶ See *Arvida v. Sugarman*, 259 F.2d 428, 429 (2d Cir. 1958) ("The reason underlying the rule is that failure to give notice and a chance to be heard offends our customary notions of fair play and violates the spirit and the letter of the Federal Rules, except in the extraordinary cases therein provided for."). From a strategic standpoint, notice should not be given until the moving papers are as close to prepared as possible, if not fully prepared.

⁷⁷ See WRIGHT & MILLER, *supra* note 39, § 2952 ("The method of giving the written notice referred to in [Rule 65(b) of the Federal Rules] is not described in the rule itself. However, Rule 5(b) provides a general procedure for serving papers on opposing parties subsequent to [filing] the original complaint and the practice under that rule should be applicable to . . . Rule 65(b) . . .").

⁷⁸ See FED. R. CIV. P. 65(b) which states, in relevant part, that:

[a] temporary restraining order may be granted without written or oral notice . . . only if . . . (2) the applicant's attorney certifies to the court in writing the efforts, if any, which have been made to give the notice and the reasons supporting the claim that notice should not be required.

[33] Most local rules make it clear that, absent extraordinary circumstances, a TRO will not be issued without either actual notice or a sufficient showing of attempted notice.⁷⁹ Extraordinary circumstances include situations where notice is impossible, such as when the opposing party cannot be found, or where such notice would render the litigation “fruitless,” such as when the opposing party has a history of disposing of evidence.⁸⁰ An inadequate showing of attempted notice can prevent the granting of an otherwise meritorious TRO application.⁸¹ Therefore, such attempts should be made repeatedly and in good faith, and should be meticulously documented for the court.⁸²

5. Order to Show Cause

[34] When a TRO is sought, even if not granted, the preliminary injunction hearing is generally set by an OSC, rather than through the usual method of notice of motion for preliminary injunction.⁸³ An OSC is “[a]n order

The plaintiff must also submit supporting evidence as discussed *supra* notes 59-67 and accompanying text. *See also* Gen. Motors Corp. v. Buha, 623 F.2d 455, 457-58 (6th Cir. 1980); WRIGHT & MILLER, *supra* note 39, § 2951.

⁷⁹ *See* SCHWARZER ET AL., *supra* note 11, § 13:98.

⁸⁰ *Id.* In order to demonstrate that the defendant has a history of disposing of evidence:

[the] plaintiffs must show that [the] defendants would have disregarded a direct court order and disposed of the goods within the time it would take for a hearing.

The applicant must support such assertions by showing that the adverse party has a history of disposing of evidence or violating court orders or that persons similar to the adverse party have such a history.

First Tech. Safety Sys., Inc. v. Depinet, 11 F.3d 641, 650-51 (6th Cir. 1993); *see also* Fimab-Finanziara Maglificio Biellese Fratelli Fila S.P.A. v. Helio Imp./Exp., Inc. 601 F. Supp. 1, 2-3, 7-9 (S.D. Fla. 1983) (finding that where the disappearance of counterfeit goods and related records was possible if notice of the proceedings were to be given, an ex parte TRO was available and would be granted).

⁸¹ *See* Ziegman Prods., Inc. v. City of Milwaukee, 496 F. Supp. 965, 967 (E.D. Wis. 1980) (finding that efforts to notify only two deputy city attorneys was inadequate because notice could have been given to any of the twenty-five attorneys in the office).

⁸² In addition, the restrained party must be informed of the issuance of the notice as soon as possible. WRIGHT & MILLER, *supra* note 39, § 2951.

⁸³ SCHWARZER ET AL., *supra* note 11, § 13:124. Many district courts have local rules interpreting this rule. *See, e.g.*, C.D. CAL. L.R. 65-1 (“If the TRO is denied, the Court may

directing a party to appear in court and explain why the party took (or failed to take) some action or why the court should or should not grant some relief.”⁸⁴ In other words, the plaintiff should submit, along with other paperwork, a proposed OSC with blanks for fixing the time and date for a hearing on the motion for preliminary injunction.

6. Procedure for Application

[35] Because of its urgent nature, a TRO application should be filed immediately upon learning of the infringement of the mark in question. Any delay may result in some question as to the urgency or irreparable nature of the injury.⁸⁵ When the TRO application is filed along with the complaint, generally the complaint and accompanying paperwork (as discussed above) are filed with the district court clerk after attempts to give notice have been made.⁸⁶

[36] File-stamped copies are then taken to the courtroom clerk or secretary of the judge to whom the case has been assigned.⁸⁷ If the opposing counsel has appeared, copies are given to them as well.⁸⁸ If the case has already been filed, the assigned clerk or secretary should be contacted before filing the application so that they can determine when the application may be considered.⁸⁹ In this case, notice should be attempted when such time is first known.⁹⁰ The clerk or secretary should be consulted with any questions as to availability of the judge.⁹¹

[37] Generally, *ex parte* matters are heard in between other matters, so counsel for both sides should be prepared to wait at the courthouse until the court has time to consider the application.⁹² When that time comes, the judge

set the hearing on the order to show cause without regard to the twenty-one (21) days notice of motion requirement of L.R. 6-1.”).

⁸⁴ BLACK’S LAW DICTIONARY 1130 (8th ed. 2004).

⁸⁵ *But see* Ryan v. Volpone Stamp Co., 107 F. Supp. 2d 369, 404 (S.D.N.Y. 2000) (finding that a delay of “slightly over two months” was insufficient to bar relief).

⁸⁶ *See* SCHWARZER ET AL., *supra* note 11, § 13:109. Many district courts have local rules interpreting this requirement. *See, e.g.*, C.D. CAL. L.R. 65-1 (“A party seeking a temporary restraining order (“TRO”) must submit an application, a proposed TRO, and a proposed order to show cause why a preliminary injunction should not issue.”).

⁸⁷ SCHWARZER ET AL., *supra* note 11, § 13:109.

⁸⁸ *Id.*

⁸⁹ *Id.* § 13:110.

⁹⁰ *See id.*

⁹¹ *See id.* § 13:111.

⁹² *Id.* § 13:112.

will normally ask counsel into chambers to discuss the application after reviewing the papers.⁹³ Some judges require the matter to be heard by a law clerk or magistrate who reports their recommendations. Other judges will review the matter solely on the paperwork, and still others will give the application a full hearing in open court.⁹⁴ Of course, in an oral argument the plaintiff should explain the immediate and irreparable harm it will suffer *prior* to the preliminary injunction hearing.⁹⁵

7. Issuance and Duration

[38] When a TRO is issued without notice, it expires automatically within the time set out in the order, not to exceed ten days.⁹⁶ If no date is fixed in the order itself, the duration is deemed to be ten days.⁹⁷ This duration may be extended for an additional equal term upon a showing of good cause or by consent of both parties.⁹⁸ “Good cause” may exist when: “(1) plaintiff has been unable to serve defendant with the TRO; (2) it is not possible to obtain a hearing date within the [ten]-day period; or (3) discovery needed for the preliminary injunction cannot be completed within the [ten]-day period.”⁹⁹

[39] Despite any such showing of good cause, a TRO cannot remain in effect for more than twenty days without the consent of the enjoined party.¹⁰⁰

⁹³ *Id.* § 13:113.

⁹⁴ *Id.*

⁹⁵ *See id.* § 13:114.

⁹⁶ FED. R. CIV. P. 65(b).

⁹⁷ *Id.*; *see* Fireman’s Fund Ins. Co. v. Myers, 439 F.2d 834, 836 (3d Cir. 1971).

⁹⁸ FED. R. CIV. P. 65(b); *see* Hudson v. Barr, 3 F.3d 970, 973-74 (6th Cir. 1993).

⁹⁹ SCHWARZER ET AL., *supra* note 11, § 13:129. Compare *id.* with WRIGHT & MILLER, *supra* note 39, § 2953, which states:

Although there does not seem to be any case law on what constitutes “good cause” for purposes of extending a Rule 65(b) order, a showing that the grounds for originally granting the temporary restraining order continue to exist should be sufficient. The text of Rule 65(b) seems to exclude any possibility that a temporary restraining order can remain in force beyond twenty days.

¹⁰⁰ *See* FED. R. CIV. P. 65(b). Consent may be express or implied. SCHWARZER ET AL., *supra* note 11, § 13:131. For example, consent is implied by the enjoined party’s consent to a continuance of the motion for preliminary injunction hearing date. *Id.*; *see* Fernandez-Roque v. Smith, 671 F.2d 426, 430 (11th Cir. 1982). However, refusal of such continuance will limit the TRO to its twenty-day maximum. *See* Hudson, 3 F.3d at 974-75.

If the court does continue the TRO beyond the twenty-day limit without the consent of the enjoined party, the TRO should be treated as a preliminary injunction and will likely be immediately appealed by the enjoined party.¹⁰¹

[40] Rule 65 does not set time limits for TRO's issued with notice, though most courts simply adopt the same time limits for TRO's issued without notice.¹⁰² Other courts are subject to local rules, and still others impose a twenty-day limit.¹⁰³

8. Appeal

[41] Ordinarily, an appeal does not lie from an order granting (or denying) a TRO.¹⁰⁴ However, if the TRO has been extended beyond the twenty-day limit, it is treated as a preliminary injunction and may be appealed,¹⁰⁵ even if the enjoined party consented to the extension.¹⁰⁶ Furthermore, when a TRO

¹⁰¹ See *Sampson v. Murray*, 415 U.S. 61, 86-88 (1974). Unlike a TRO, a preliminary injunction is appealable. See *infra* notes 104-10 and accompanying text (discussing appeals of TROs). Appealing such an improperly extended TRO is the proper course of action, since violating even an improperly extended TRO may subject the violating party to contempt. See *Levine v. Comcoa, Ltd.*, 70 F.3d 1191, 1193 (11th Cir. 1995) (holding the violating party in contempt after notice and an opportunity to be heard). Note that where there has been no notice to the parties and no hearing on the various factors involved in considering a preliminary injunction, a TRO continued past the time limit automatically ceases. *Id.* at 1193 n.7.

¹⁰² See, e.g., *Granny Goose Foods, Inc. v. Bhd. of Teamsters Local 70*, 415 U.S. 423, 433 n.7 (1974).

¹⁰³ See, e.g., *Horn Abbot, Ltd. v. Sarsaparilla, Ltd.*, 601 F. Supp. 360, 370 n.12 (1984) (“[W]here . . . notice has been given *and* a hearing has been held, the court may in its discretion impose the order for twenty days initially, pending a prompt hearing on a preliminary injunction within that time.”).

¹⁰⁴ See *Miller v. Lehman*, 736 F.2d 1268, 1269 (9th Cir. 1984).

¹⁰⁵ See 28 U.S.C. § 1292(a)(1) (2000); see also *supra* note 101 and accompanying text (indicating that TROs are treated as preliminary injunctions when extended beyond twenty days).

¹⁰⁶ See *In re Arthur Treacher's Franchise Litig.*, 689 F.2d 1150, 1153-54 (3d Cir. 1982). It can be said that:

when a temporary restraining order is extended far beyond its statutory limits, even though it is authorized by the consent of the party against whom it is directed, such an order begins to lose its character as a temporary restraining order and begins taking on characteristics of a preliminary injunction order which, under 28 U.S.C. 1292(a)(1), is appealable.

effectively decides the merits of the case, it is again treated as a preliminary injunction and is therefore appealable.¹⁰⁷ This argument would likely be difficult to make in a trademark infringement case unless temporary loss of use of the mark in question would effectively prevent *any* further use.

[42] Notwithstanding any issues as to appeal, the restrained party may move to dissolve or modify the TRO even before the preliminary injunction hearing.¹⁰⁸ If the parties are adequately prepared, such a hearing may be treated as an application for a preliminary injunction.¹⁰⁹ In such a hearing, the burden is on the party seeking the injunction to establish the need for such relief.¹¹⁰

B. Preliminary Injunction

1. Generally

[43] A preliminary injunction is generally sought when a plaintiff seeks to halt a defendant's use of an infringing trademark while awaiting a trial on the merits, but has either elected not to seek a TRO or was denied a TRO, usually because the threat of irreparable harm could not be shown to be sufficiently immediate. Additionally, when a TRO has been issued, courts often issue an OSC.¹¹¹ Like a TRO, a preliminary injunction is essentially an

Id.

¹⁰⁷ See *Romer v. Green Point Sav. Bank*, 27 F.3d 12, 15 (2d Cir. 1994) (discussing the serious ramifications of a TRO preventing a planned stock conversion within the time allotted by law).

¹⁰⁸ See FED. R. CIV. P. 65(b), which states:

[o]n [two] days notice to the party who obtained the temporary restraining order without notice or on such shorter notice to that party as the court may prescribe, the adverse party may appear and move its dissolution or modification and in that event the court shall proceed to hear and determine such motion as expeditiously as the ends of justice require.

¹⁰⁹ See *Granny Goose Foods, Inc. v. Bhd. of Teamsters Local 70*, 415 U.S. 423, 441 (1974).

¹¹⁰ See *id.* (“[T]he party seeking the injunction would bear the burden of demonstrating the various factors justifying preliminary injunctive relief, such as the likelihood of irreparable injury to it if an injunction is denied and its likelihood of success on the merits.”).

¹¹¹ See *supra* Part II.A.5.

order from a court to a defendant to immediately cease any further use of an infringing mark for the purpose of preserving the status quo.¹¹²

[44] When an OSC¹¹³ has been issued, the moving papers supporting the TRO application, along with any additional declarations or memoranda responding to points raised in the defendant's papers, are generally used as the moving papers supporting the application for a preliminary injunction.¹¹⁴ If no TRO was applied for, then the moving papers generally should include "[a] Notice of Application and Application for Preliminary Injunction; [a] Memorandum of Points and Authorities in Support of [the] Motion; [any] Affidavits and/or Declarations in Support of [the] Motion; [and a] Proposed Order Granting [the] Motion."¹¹⁵ Local rules may require additional moving papers.

[45] The plaintiff must couch its request for a preliminary injunction as one based upon a strong showing that: (1) it is likely to prevail on the merits at trial; and (2) it will continue to suffer irreparable injury if the preliminary injunction is not granted.¹¹⁶ For instance, in *Ty, Inc. v. Jones Group, Inc.*, a

¹¹² See *Sierra On-Line, Inc. v. Phoenix Software, Inc.*, 739 F.2d 1415, 1422 (9th Cir. 1984).

¹¹³ See *supra* Part II.A.5.

¹¹⁴ See SCHWARZER ET AL., *supra* note 11, § 13:153.

¹¹⁵ See *id.*, § 13.154; see also *Welker v. Cicerone*, 174 F. Supp. 2d 1055, 1059 (C.D. Cal. 2001) (stating that "declarations and evidence supporting [a preliminary injunction motion] need not conform to the standards for a summary judgment motion or to the Federal Rules of Evidence," due to "the urgency involved and the limited time that a preliminary injunction remain [sic] in effect").

¹¹⁶ Each circuit has its own formulation of this standard. See, e.g., *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 33 (1st Cir. 1998) (holding that a preliminary injunction will issue if there is a likelihood of success on merits, irreparable harm will occur if the injunction does not issue, the threat of injury to the movant outweighs any harm the injunction may inflict on the non-movant, and granting the preliminary injunction will not violate public interest); see also *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1013 (9th Cir. 2001) (holding that an injunction will issue if there exists either a likelihood of success on merits and the threat of irreparable injury or if serious questions are raised and the balance of hardships tips in favor of the movant); *Fed. Express Corp. v. Fed. Espresso, Inc.*, 201 F.3d 168, 173 (2d Cir. 2000) (holding that an injunction will issue if there exists irreparable injury and either likelihood of success on the merits or sufficiently serious questions going to the merits to make them fair grounds for litigation). The Federal Circuit reviews procedural matters under the law of the regional circuit in which the district court sits. See *Payless Shoesource, Inc. v. Reebok Int'l, Ltd.*, 998 F.2d 985, 987-88 (Fed. Cir. 1993) (holding that the Federal Circuit defers to the law of the circuit in which the district court sits in reviewing a lower court's decision to grant or deny a request for injunctive relief).

manufacturer of small, plush animals filled with plastic pellets sold under the BEANIE BABIES mark brought suit against a competitor.¹¹⁷ The competitor, a licensee of NASCAR, began manufacturing and selling BEANIE RACERS, which are bean-filled replicas of NASCAR racing cars.¹¹⁸ The plaintiff moved for a preliminary injunction.¹¹⁹ In affirming the grant of preliminary injunctive relief, the circuit court employed a sliding scale analysis which found that “the more likely the plaintiff will succeed on the merits, the less the balance of irreparable harms need favor the plaintiff’s position.”¹²⁰

[46] In order to employ this sliding scale analysis, the court first must determine whether the plaintiff has some likelihood of success on the merits of the underlying action.¹²¹ In order to demonstrate a likelihood of success on the merits, the plaintiff must establish: “(1) that it has a protectible trademark, and (2) a likelihood of confusion as to the origin of the defendant’s product.”¹²² The burden of proof, however, does not rise to a full trial on the merits; rather, at the preliminary injunction stage, the plaintiff need only demonstrate “that it has a ‘better than negligible’ chance of succeeding on the merits so that injunctive relief would be justified.”¹²³

The remaining circuits articulate a standard based upon likelihood of success on the merits and irreparable injury. See *Pappan Enters., Inc. v. Hardee’s Food Sys., Inc.*, 143 F.3d 800, 803 (3d Cir. 1998); *In re Microsoft Corp. Antitrust Litig.*, 333 F.3d 517, 526 (4th Cir. 2003); *Sugar Busters, LLC v. Brennan*, 177 F.3d 258, 265 (5th Cir. 1999); *Taubman Co. v. Webfeats*, 319 F.3d 770, 774 (6th Cir. 2003); *AM Gen. Corp. v. DaimlerChrysler Corp.*, 311 F.3d 796, 803 (7th Cir. 2002); *Hubbard Feeds, Inc. v. Animal Feed Supplement, Inc.*, 182 F.3d 598, 601 (8th Cir. 1999); *SCFC ILC, Inc. v. Visa USA, Inc.*, 936 F.2d 1096, 1098 (10th Cir. 1991); *Int’l Cosmetics Exch., Inc. v. Gapardis Health & Beauty, Inc.*, 303 F.3d 1242, 1246 (11th Cir. 2002).

¹¹⁷ *Ty, Inc. v. Jones Group, Inc.*, 237 F.3d 891 (7th Cir. 2001).

¹¹⁸ *Id.* at 895.

¹¹⁹ *Id.*

¹²⁰ *Id.* “A party seeking to obtain a preliminary injunction must demonstrate: (1) its case has some likelihood of success on the merits; (2) that no adequate remedy at law exists; and (3) it will suffer irreparable harm if the injunction is not granted.” *Id.* (citing *Abbott Labs. v. Mead Johnson & Co.*, 971 F.2d 6, 11 (7th Cir. 1992)). If these first three conditions are met, then the court must: (4) “consider the irreparable harm that the nonmoving party will suffer if preliminary relief is granted;” and (5) “consider the public interest.” *Id.* (citing *Storck USA, L.P. v. Farley Candy Co.*, 14 F.3d 311, 314 (7th Cir. 1994)).

¹²¹ *Id.* at 896.

¹²² *Id.* at 897 (citing *Int’l Kennel Club, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1084 (7th Cir. 1988)). To demonstrate that it has a protectible trademark, the movant must show that “it has a better than negligible chance of proving that the mark has acquired secondary meaning.” *Id.*

¹²³ *Id.* Likelihood of confusion is determined through consideration of the following factors:

[47] In *Ty, Inc.*, the district court previously determined that four of the confusion factors were in favor of the defendant: (1) the degree of care; (2) the strength of the marks; (3) actual confusion; and (4) lack of intent to palm off the goods of the plaintiff.¹²⁴ The district court determined, and the appellate court affirmed, however, that the manner of the BEANIE mark and Jones' BEANIE RACERS mark created a better than negligible chance of a likelihood of confusion.¹²⁵ The court also determined that the harm to the movant would be more significant if a preliminary injunction did not issue.¹²⁶ Thus, the appellate court affirmed the granting of the preliminary injunction.¹²⁷

[48] Once the plaintiff demonstrates a colorable claim, it must then demonstrate that the hardship to the plaintiff in denying the injunction outweighs the defendant's burden should the injunction be granted.¹²⁸ In

(1) the similarity of the marks; (2) the similarity of the goods; (3) the relationship between the parties' channels of trade; (4) the relationship between the parties' advertising; (5) the classes of prospective purchasers; (6) evidence of actual confusion; (7) the defendants' intent in its adopting mark; and (8) the strength of the plaintiff's mark.

I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 43 (1st Cir. 1998). In considering whether products are closely related for the purposes of likelihood of confusion, "[a] 'closely related' product is one 'which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner.'" *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 958 (7th Cir. 1992).

Each circuit has its own formulation of the above mentioned factors for determining likelihood of confusion. See *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961); *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir. 1983); *Resorts of Pinehurst v. Pinehurst Nat'l Corp.*, 148 F.3d 417, 422-23 (4th Cir. 1998); *Sunbeam Prods., Inc. v. West Bend Co.*, 123 F.3d 246, 257 (5th Cir. 1997); *Frisch's Rests., Inc. v. Elby's Big Boy, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982); *Smith Fiberglass Prods., Inc. v. Ameron, Inc.*, 7 F.3d 1327, 1329 (7th Cir. 1993); *Minn. Mining & Mfg. Co. v. Rauh Rubber, Inc.*, 130 F.3d 1305, 1308 (8th Cir. 1997); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979); *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1089-90 (10th Cir. 1999); *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 972 (11th Cir. 1983); *In re E. I. DuPont De Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973).

¹²⁴ *Ty, Inc.*, 237 F.3d at 898.

¹²⁵ *Id.* at 901.

¹²⁶ *Id.* at 901-02.

¹²⁷ *Id.* at 904.

¹²⁸ See *infra* notes 116-23 and accompanying text.

other words, the plaintiff must show that the hardships it would endure if such relief is not granted are greater than the hardships the defendant would endure if such relief is granted.

[49] In the context of a trademark infringement case, the plaintiff will naturally point out the hardships of sacrificing the marketing of its mark and the loss of sales due to consumer confusion as to the plaintiff's affiliation with the defendant's goods or services. On the other hand, the defendant will argue the hardship of losing its right to do business under its chosen mark, which may represent its very business identity and existence. The balance of hardships, then, may depend upon a comparison of the length of time the plaintiff and the defendant have been using the mark and the amount of resources each has invested in the mark. Any delay by the plaintiff in bringing the infringement action may be used against it, as the defendant will argue that its hardship increases with the passage of time.¹²⁹

[50] Once the court determines the benefits and burdens of deciding to grant or deny a request for injunctive relief, it must then look to the public's best interests.¹³⁰ In the context of trademark infringement cases, the relevant public entity is the consumer.¹³¹ In other words, courts seek to protect the public interest in trademark infringement cases by protecting the buying public in regards to whatever goods or services are the subject of the mark in dispute.¹³²

[51] Generally, the plaintiff will argue that protection of consumers includes protection from the deception of a confusingly similar mark.¹³³ If the ever

¹²⁹ See, e.g., *Stokely-Van Camp, Inc. v. Coca-Cola Co.*, No. 86-C-6159, 1987 WL 6300, at *3 (N.D. Ill. Jan. 29, 1987) (holding that the plaintiff's three month delay in bringing suit increased the balance of hardships in the defendant's favor and contributed to the court's decision to deny preliminary injunction).

¹³⁰ See *PACCAR, Inc. v. TeleScan Techs., L.L.C.*, 115 F. Supp. 2d 772, 780 (E.D. Mich. 2000).

¹³¹ See *Standard & Poor's Corp. v. Commodity Exch., Inc.*, 683 F.2d 704, 712 (2d Cir. 1982) (upholding an injunction against the defendant enjoining any further trading of futures contracts based upon the plaintiff's stock index which made use of the plaintiff's name, marks, and reputation).

¹³² See *Dentsply Int'l, Inc. v. Great White, Inc.* 132 F. Supp. 2d 310, 324 (M.D. Pa. 2000) ("Where a likelihood of confusion arises out of the concurrent use of an infringing mark, the infringer's use damages the public interest by spawning confusion in the market.").

¹³³ See *United States v. Washington Mint, L.L.C.*, 115 F. Supp. 2d 1089, 1105 (D. Minn. 2000) ("The public interest favors injunctive relief in the trademark infringement context when confusion in the marketplace as to the origin of the defendant's products has occurred.").

important likelihood of confusion can be established, then the plaintiff can argue that it naturally follows that preliminary injunctive relief is necessary to protect consumers from such confusion.¹³⁴ This argument is particularly important when the balance of hardships is relatively even, possibly tipping the scales in favor of preliminary injunctive relief.¹³⁵

[52] On the other hand, the defendant may argue that protecting the public interest includes giving consumers a competitive free market, which would be adversely affected by imposition of preliminary injunctive relief on the defendant's use of the disputed mark.¹³⁶ Because the consumer protection arguments of both the plaintiff and the defendant are valid, satisfying this requirement may well come down to a balancing of these two considerations,¹³⁷ and the court's determination will likely turn on the strength of the plaintiff's case.¹³⁸

2. Supporting Evidence

[53] The remedy of a preliminary injunction does not involve as great a degree of exigency as does a TRO. Therefore, because the time constraints

¹³⁴ See, for example, *Opticians Ass'n of America v. Lenox Laboratories, Inc.*, 920 F.2d 187 (3d Cir. 1990), which states that:

[p]ublic interest can be defined a number of ways, but in a trademark case, it is most often a synonym for the right of the public not to be deceived or confused. Having already established that there is a likelihood of consumer confusion created by the concurrent use of the [marks at issue], it follows that if such use continues, the public interest would be damaged. Conversely, a prohibition upon [further] use of the marks would eliminate that confusion.

Id. at 197-98 (citations omitted).

¹³⁵ See MCCARTHY, *supra* note 11, § 30:51-52.

¹³⁶ See, e.g., *Calvin Klein Cosmetics Corp. v. Lenox Labs., Inc.*, 815 F.2d 500, 505 (8th Cir. 1987) ("By the very nature of a trademark action, the value placed on free competition must be weighed against any individual's property interest in that trademark, so that the analytic focus should also be on the consumer's ability to obtain the lowest priced goods.").

¹³⁷ See, e.g., *Aveda Corp. v. Evita Mktg.*, 706 F. Supp. 1419, 1431-32 (D. Minn. 1989) ("[The public interest factor] involves balancing of the interest in protecting the public from confusion or deception with the interest in a competitive market.").

¹³⁸ See, e.g., *Waldmann Lighting Co. v. Halogen Lighting Sys., Inc.*, No. 91-C-3491, 1993 WL 243388, at *5 (N.D. Ill. June 30, 1993) ("[T]he question of whether the 'public interest' will be served by one result or the other hinges on the merits of the case.").

are not as strict, a detailed evidentiary showing should be provided to the court, including detailed factual and expert declarations. The factual declarations can be from consumers that were confused between the marks of the movant and the non-movant, as well as declarations from company executives concerning expansion of product lines, other instances of actual confusion, and the monetary and non-monetary damage to the mark.¹³⁹

[54] Depending upon the size of the litigation and the potential for damage, a movant may desire to designate several consultants upon the filing of the action, including consultants with specialties in corrective advertising, damages, licensing, linguistics, the expansion of the products, trademark law, and surveys.¹⁴⁰ Experts can be retained based upon the findings within each consultant report.¹⁴¹ These experts can then generate reports that would be

¹³⁹ Two unreported cases in which Mr. Spiess, co-author, participated as counsel address the form that factual declarations may take. See *LTT Int'l Dev. & Trading Corp. v. ABC Distrib., Inc.*, No. CV 00-00776 (C.D. Cal. Oct. 3, 2000); *City Fin. v. Citigroup, Inc.*, No. 99-CV-1323 (C.D. Cal., Oct. 26, 1999).

¹⁴⁰ For instance, in *Trovan, Ltd. v. Pfizer, Inc.*, No. CV 98-00094 LGB (C.D. Cal., Jan. 7, 1998), the plaintiffs filed suit over Pfizer's use of the identical TROVAN mark. The plaintiffs retained several consultants, six of whom were later designated as experts: Weston Anson, Nancy J. Budd, Dr. Jacob Jacoby, Neil A. Smith, Michael J. Wagner, and David Yerkes. The offices of Mr. Anson prepared a report regarding the potential for the licensing of the TROVAN mark. Nancy Budd prepared a report regarding corrective advertising. Jacob Jacoby commissioned a consumer survey, sampling physicians. Neil Smith prepared a declaration regarding trademark law. Michael Wagner prepared a report regarding damages. David Yerkes prepared a report regarding the origin of the word "Trovan."

At about this same time, Pfizer filed a motion for summary judgment. See *Trovan, Ltd. v. Pfizer, Inc.*, Case No. CV 98-00094 LGB (C.D. Cal., Sept. 22, 1998). With the assistance of these experts, at least one of whom filed a declaration in support of the opposition to summary judgment, Trovan was able to defeat the motion. See *Trovan, Ltd. v. Pfizer, Inc.*, Case No. CV 98-00094 LGB (C.D. Cal., Feb. 24, 1999) (under seal). A trial was then held on the merits. The majority of these experts testified at trial. See *generally* *Trovan, Ltd. v. Pfizer, Inc.*, 2000 WL 709149 (C.D. Cal. 2000). The plaintiffs subsequently moved for a new trial and appealed the denial of the granting of a permanent injunction. See *Trovan, Ltd. v. Pfizer, Inc.*, 2001 WL 1346020 (9th Cir. 2001).

After appellate procedure, the Lanham Act claim — the only claim remaining — was dismissed by the district court. See *Trovan, Ltd. v. Pfizer, Inc.*, Case No. CV 98-00094 LGB (C.D. Cal., July 28, 2003). The case is currently pending on appeal.

¹⁴¹ See *supra* notes 67, 140 and accompanying text. A variety of experts can be retained. For instance, in *Seven Lives, Inc. v. Montoya*, Case No. 00-CV-8851 CBM (C.D. Cal. Aug. 21, 2000) (unreported case in which Mr. Spiess, co-author, participated as counsel), the plaintiff moved for, and received, a TRO, though the TRO did not go into effect until December 7, 2000, because plaintiffs did not post required bond until that date. The defendants then retained an expert in the gourmet cookie industry. Through her declaration, the defendants were able to show that the cookie designs the defendants were enjoined from

provided to the non-movant, who may then seek to depose the experts or designate both rebuttal experts and their own experts.¹⁴²

3. Notice

[55] In contrast to TROs, preliminary injunctions must be issued with notice.¹⁴³ Such notice must be given to the “adverse party,” including opposing parties and any nonparties who will be directly affected by the preliminary injunction.¹⁴⁴ The amount of notice required varies from court to court. Some courts require a five-day notice, while other courts require notice adequate under the totality of circumstances.¹⁴⁵

making were not the original creations of the plaintiffs, but rather were in the public domain. The motion for preliminary injunction was denied.

According to at least one expert, however, “an adverse inference for failure to present survey evidence of confusion is never appropriate on an application for a temporary restraining order or preliminary injunction motion.” Sandra Edelman, *Failure to Conduct a Survey in Trademark Infringement Cases: A Critique of the Adverse Inference*, 90 TRADEMARK REP. 746, 766 (2000). Edelman goes on to say that:

The burden of amassing the necessary evidentiary showing in a compressed period of time is onerous enough without expecting the movant to have conducted a survey. In many instances, if a plaintiff acts promptly, the defendant's products or sales material may not yet be publicly available, making it quite difficult to use the product or material in a survey. In any event, the movant for preliminary injunctive relief need only show a probability of success at trial; it should not, therefore, be necessary for the movant to put forward its entire case at such an early stage of the proceedings.

Id.

¹⁴² See, e.g., Anthony L. Fletcher & David J. Kera, *The Fiftieth Year of Administration of the Lanham Trademark Act of 1946*, 87 TRADEMARK REP. 741, 789 (1997). If the non-moving party designates its own experts, the moving party may desire to designate its own rebuttal experts. If an expert report is not rebutted, the court may infer that it was due to the strength of the report, and not the cost of retaining a rebuttal expert.

¹⁴³ FED. R. CIV. P. 65(a)(1).

¹⁴⁴ See *Parker v. Ryan*, 960 F.2d 543, 545 (5th Cir. 1992).

¹⁴⁵ Compare *id.* (listing only “two exceptional circumstances under which compliance with [the five-day requirement] is not required), with *Rosen v. Siegel*, 106 F.3d 28, 32 (2d Cir. 1997) (requiring such notice as to give the adverse party “fair opportunity” to prepare for and respond to a request for preliminary injunction).

[56] If a TRO has been sought, notice of the preliminary injunction is effected by service of the TRO (if issued), the OSC, the summons, and the complaint (if not already served).¹⁴⁶ The OSC will set forth the requirements for notice.¹⁴⁷ Otherwise, notice is generally effected by service of a notice of motion.¹⁴⁸ Again, local rules may apply.

4. Procedure and Bond

[57] As with TROs, applications for preliminary injunctions should be filed as soon as is practical under the circumstances.¹⁴⁹ Any delay may result in some question as to the urgency or irreparable nature of the injury, and may result in prejudicial reliance on the part of the defendant.¹⁵⁰ Some local rules require a conference before filing a motion for a preliminary injunction in order to allow opposing counsel the opportunity to discuss the substance of the motion and a possible resolution.¹⁵¹ If a TRO has been sought, the time

¹⁴⁶ SCHWARZER ET AL., *supra* note 11, § 13:152.10.

¹⁴⁷ *See id.*

¹⁴⁸ *Id.* § 13:152.11.

¹⁴⁹ *See* Edelman, *supra* note 35, at 649-50. For example, the following generalizations apply to cases within the Second Circuit Court of Appeals:

(1) [a] delay of less than three months is usually acceptable; (2) [b]etween three and six months, the decisions vary; (3) [f]or cases in which the delay is between six and twelve months, there is a significant risk that the motion will be denied; and (4) [i]n light of the above, any plaintiff should carefully consider the high risks and attendant extra fees and costs of seeking preliminary injunctive relief from a New York federal court when the delay is greater than one year.

Id. at 650-51 (citations omitted).

¹⁵⁰ *See, e.g.,* Ideal Indus., Inc. v. Gardner Bender, Inc., 612 F.2d 1018, 1025 (7th Cir. 1979) (discussing “whether the [fact that the] defendant had been lulled into a false sense of security or had acted in reliance on the plaintiff’s delay” influences whether the court will find that the plaintiff’s decision to delay in moving for a preliminary injunction is acceptable); *c.f.* Edelman *supra* note 35, at 654-55 (“The lack of uniformity among the various circuit courts as to the relevance of the defendant’s prejudicial reliance continues to be shown in cases [recently] reported . . .”).

¹⁵¹ *See e.g.,* C.D. CAL. L.R. 7-3 (requiring such conference at least twenty days before filing of the motion). Such a requirement effectively postpones any hearing on the motion for a significant amount of time. Under C.D. CAL. L.R. 7-3, for example, a hearing on the motion is postponed for at least forty-one days—the twenty-day waiting period is added to the twenty-one-day notice of motion period. SCHWARZER ET AL., *supra* note 11, § 13:145.6.

for filing opposing papers will generally be set by the OSC; otherwise, the time requirements for such papers are the same as for motions generally.¹⁵²

[58] Discovery may be necessary to prepare for the preliminary injunction hearing. Generally, discovery may not be conducted until the parties meet to confer about the case.¹⁵³ However, either party may seek an order permitting immediate discovery by showing an urgent need for information.¹⁵⁴ In addition, the party seeking injunctive relief must be prepared to post a bond of the injunctive relief if granted. As with granting a TRO, the court must expressly consider the posting of a bond prior to the issuance of a preliminary injunction.¹⁵⁵

5. Hearing

[59] When a TRO has been issued, the OSC generally sets the date for the hearing of the preliminary injunction.¹⁵⁶ If the TRO was issued without notice, the hearing date must be set for the “earliest possible time.”¹⁵⁷ Local rules may further specify time limits, regardless of notice.¹⁵⁸ If no TRO has issued, an application for a preliminary injunction is generally treated like other motions regarding procedure.¹⁵⁹ However, local rules may again specify time limits based on various circumstances.¹⁶⁰

[60] The nature of the hearing on the motion for preliminary injunction is entirely up to the court’s discretion.¹⁶¹ In fact, the court has discretion to

¹⁵² SCHWARZER ET AL., *supra* note 11, § 13:156.

¹⁵³ See FED. R. CIV. P. 26(d).

¹⁵⁴ See *Stanley v. Univ. of S. Cal.*, 13 F.3d 1313, 1326 (9th Cir. 1994).

¹⁵⁵ See *WRIGHT & MILLER*, *supra* note 39, § 2954 (citing *Kraft Gen. Foods, Inc. v. Allied Old English, Inc.*, 831 F. Supp. 123 (S.D.N.Y. 1993) (\$100,000 bond posted); *Storck USA, L.P. v. Farley Candy Co.*, 797 F. Supp. 1399 (N.D. Ill. 1992) (\$1.5 million bond posted)); see also *supra* notes 68-75 and accompanying text. In *Ty, Inc. v. Jones Group, Inc.*, 237 F.3d 891, 903-04 (7th Cir. 2001), the appellate court found that the magistrate judge did not leave the defendant in a vulnerable position prior to a hearing on the merits. The judge “provided for a bond of \$50,000, which he believed would adequately compensate [the defendant] for any harm that may result from the preliminary injunction.” *Id.* at 903.

¹⁵⁶ SCHWARZER ET AL., *supra* note 11, § 13:146.

¹⁵⁷ FED. R. CIV. P. 65(b).

¹⁵⁸ See *SCHWARZER ET AL.*, *supra* note 11, § 13:148.

¹⁵⁹ See *SCHWARZER ET AL.*, *supra* note 11, § 13:149.

¹⁶⁰ See, e.g., C.D. CAL. L.R. 65-1 (stating that where a TRO is sought but denied, a hearing may be set without regard to the twenty-one-day notice of motion normally required).

¹⁶¹ See *MCCARTHY*, *supra* note 11, § 30:54.

decide the matter relying entirely on affidavits.¹⁶² Most courts, however, permit hearings, at least when material facts are in dispute.¹⁶³ Of course, the burden of persuasion remains with the party seeking injunctive relief.¹⁶⁴

[61] Generally, evidence is presented to the court in the form of declarations or affidavits.¹⁶⁵ Although the court has discretion to allow live testimony,¹⁶⁶ such testimony is rarely allowed.¹⁶⁷ As with TROs, the court has discretion to allow even inadmissible evidence when hearing a preliminary injunction.¹⁶⁸

[62] Courts also have the discretion to order an advancement of the trial on the merits and consolidate the trial with the hearing on the application for the preliminary injunction.¹⁶⁹ This is particularly likely when live testimony is being allowed.¹⁷⁰

6. Order and Duration

[63] If the preliminary injunction is granted, the court will generally base its order on the moving party's Proposed Order Granting the Motion, or at least adopt those sections that it finds adequate.¹⁷¹ As with a TRO, the proposed order should specifically describe the reasons for its issuance and the acts to be enjoined, or items to be seized.¹⁷² Furthermore, the proposed order should direct the injunction to all persons sought to be enjoined.¹⁷³ Whether or not

¹⁶² FED. R. CIV. P. 43(e).

¹⁶³ See, e.g., *Landmark Land Co., Inc. v. Office of Thrift Supervision*, 990 F.2d 807, 812 (5th Cir. 1993) (finding that an evidentiary hearing is only necessary when the parties dispute material facts and that otherwise a hearing on the basis of briefs and affidavits is sufficient).

¹⁶⁴ See *W. Point-Pepperell, Inc. v. Donovan*, 689 F.2d 950, 956 (11th Cir. 1982).

¹⁶⁵ See SCHWARZER ET AL., *supra* note 11, § 13:165.

¹⁶⁶ See FED. R. CIV. P. 43(e).

¹⁶⁷ See, e.g., *Stanley v. Univ. of S. Cal.*, 13 F.3d 1313, 1326 (9th Cir. 1994) (refusing to allow oral testimony when the parties had been given a full opportunity to submit written testimony and argue the matter). *But see McDonald's Corp. v. Robertson*, 147 F.3d 1301, 1311-12 (11th Cir. 1998) (finding that live testimony should be allowed when facts are bitterly disputed and credibility determinations are necessary).

¹⁶⁸ See *Flynt Distrib. Co. v. Harvey*, 734 F.2d 1389, 1394 (9th Cir. 1984). Note, however, that courts are likely to give inadmissible evidence its proper weight of authority.

¹⁶⁹ FED. R. CIV. P. 65(a)(2).

¹⁷⁰ SCHWARZER ET AL., *supra* note 11, § 13:171.

¹⁷¹ *Id.* § 13:182.

¹⁷² See *supra* notes 68-75 and accompanying text; see also *Granny Goose Foods, Inc. v. Bhd. of Teamsters Local 70*, 415 U.S. 423, 444 (1974).

¹⁷³ See SCHWARZER ET AL., *supra* note 11, § 13:187.1.

the preliminary injunction is granted, the court must set forth, either in writing or orally, the findings of fact and conclusions of law upon which it is basing its decision.¹⁷⁴

[64] The court has discretion to decide when the injunction becomes effective.¹⁷⁵ If the court requires the movant to post a bond, however, the injunction cannot become effective until the bond is secured.¹⁷⁶ If there is danger of irreparable harm occurring before the appropriate paperwork can be filed and the bond secured, the court may either orally restrain the parties to be enjoined or extend a previously issued TRO for a reasonable period.¹⁷⁷

[65] Although a preliminary injunction is considered a final order for the purposes of appeal, “the [issuing] court retains the power to modify or dissolve the injunction at any time on consideration of new facts,” or when there has been a final decision on the merits and a permanent injunction issues.¹⁷⁸

7. Appeal

[66] “The opposing party has the right to appeal the granting of a preliminary injunction.”¹⁷⁹ This order can be appealed “only when it is directed to a party, is enforceable by contempt, and grants (or denies) part or

¹⁷⁴ FED. R. CIV. P. 52(a); see *Ciena Corp. v. Jarrard*, 203 F.3d 312, 321 (4th Cir. 2000); *Bradley v. Pittsburgh Bd. of Educ.*, 910 F.2d 1172, 1178-79 (3d Cir. 1990).

¹⁷⁵ SCHWARZER ET AL., *supra* note 11, § 13:184.

¹⁷⁶ See FED. R. CIV. P. 65(c); see also *supra* notes 68-75 and accompanying text. SCHWARZER ET AL., *supra* note 11, § 13:191, states that:

[e]xcept for the United States, no party may be granted a TRO or preliminary injunction without first posting security “*in such sum as the court deems proper for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined.*”

Id. (quoting FED. R. CIV. P. 65(c)).

¹⁷⁷ SCHWARZER ET AL., *supra* note 11, § 13:185.

¹⁷⁸ *Id.* § 13:212.

¹⁷⁹ *Id.* § 13:1.1; see 28 U.S.C. § 1292(a)(1) (2000); SCHWARZER ET AL., *supra* note 11, § 13:10 (“In recognition of their impact, a right of appeal exists from orders granting, denying, modifying or dissolving preliminary injunctions.”); see also *Dayton Area Visually Impaired Pers., Inc. v. Fisher*, 70 F.3d 1474, 1480 (6th Cir. 1995).

all of the ultimate relief sought in the suit.”¹⁸⁰ From the entry of a preliminary injunction a party has thirty days to file a notice of appeal.¹⁸¹ In addition, the “[f]ailure to appeal the grant or denial of a preliminary injunction does not preclude appeal of a later grant or denial of a permanent injunction.”¹⁸²

III. THE NEGOTIATION PROCESS FOR RESOLVING TRADEMARK DISPUTES

[67] There are many forms of civil dispute negotiations, including mediation, alternative dispute resolution, and arbitration. These forms of negotiation can all occur in lieu of the filing of a lawsuit, or at any time *during* the pendency of the suit.¹⁸³ These negotiations differ from transactional negotiations in that one or more parties believe they have rights against the other that are legally enforceable.¹⁸⁴ These rights may be real or

¹⁸⁰ *Chronicle Publ’g. Co. v. Hantzis*, 902 F.2d 1028, 1030 (1st Cir. 1990). In addition, “[t]he order need not be labeled as an injunction” in order to be appealed; “[o]rders having the ‘practical effect’ of an injunction may be appealable under § 1292(a)(1) if they have *potentially irreparable* consequences, and can effectively be challenged only by an immediate appeal.” SCHWARZER ET AL., *supra* note 11, § 13:215.1 (quoting *Carson v. Am. Brands, Inc.*, 450 U.S. 79, 84 (1981)).

¹⁸¹ SCHWARZER ET AL., *supra* note 11, § 13:216; *see id.* (explaining that the period may be extended upon a showing of good cause or excusable neglect).

¹⁸² *Id.* § 13:215.10.

¹⁸³ Upon the filing of an action, most district courts require that the parties conduct an early meeting of counsel. During this early meeting of counsel, the parties are more often than not required to select a forum in which to participate in settlement discussions. *See* FED. R. CIV. P. 26(f) (“[T]he parties must, as soon as practicable . . . confer to consider . . . the possibilities for a prompt settlement or resolution of the case . . .”). The local rules of the district court in which the lawsuit is filed may specify the mediation procedures that can be used. For example, C.D. CAL. L.R. 16-14, states:

[i]t is the policy of the Court to encourage disposition of civil litigation by settlement when such is in the best interest of the parties. The Court favors any reasonable means to accomplish this goal. . . . The parties are urged first to discuss and to attempt to reach settlement among themselves without resort to these procedures. It is also the policy of the Court that unless an alternative settlement procedure is selected by the parties, the judge assigned to preside over the civil case (the trial judge) may participate in facilitating settlement.

¹⁸⁴ Sankary, *supra* note 8, at 1. The goals of business negotiation are as follows: (1) “[t]o achieve business and financial objectives;” (2) “[t]o maintain business relationships;” (3) “[t]o reduce risks and liability;” (4) “[t]o foresee and avoid problems;” (5) “[t]o provide

perceived. For instance, the grant or denial of a TRO or preliminary injunction will provide clarity as to whether these rights are in fact real, or merely fictional. In addition, the defendant may choose to file a Rule 68 offer of judgment in order to put settlement pressure on the plaintiff.¹⁸⁵ Based upon these rights, the parties will predict the probable trial outcome and assign a dollar value to the dispute.¹⁸⁶

[68] Regardless of how negotiations are to proceed, the parties must *communicate* with each other in order to resolve the dispute successfully.¹⁸⁷ Each party must listen actively, acknowledge what is being said, speak to be

for consequences arising from obligations set forth in [the] agreement;” and (6) “[t]o provide an efficient and cost-effective method of resolving disputes.” *Id.* at 2.

¹⁸⁵ A Rule 68 offer of judgment “provides a procedure by which defendants may be able to put cost pressure on plaintiffs.” *See* SCHWARZER ET AL., *supra* note 11, at § 15:150.

[U]p to 10 days before trial, defendant may serve plaintiff with an offer to allow judgment to be taken against the defendant for a specified amount of money or property with costs then accrued; [i]f plaintiff accepts, and the offer and notice of acceptance are filed with the court, the clerk must enter judgment accordingly; [i]f the offer is not accepted within 10 days after service, it is deemed withdrawn. Evidence thereof is inadmissible at trial. But if the judgment recovered by plaintiff at trial is not “more favorable” than the defendant’s offer, *plaintiff must pay defendant’s costs incurred* after the offer was made.

Id. “Rule 68 applies only to offers made by defendants. No similar procedure is provided for settlement demands by plaintiff[s].” *Id.* at § 15:150.1 (citing *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 350 (1981)). It is recommended that the defendant file such an offer prior to entering into settlement negotiations.

¹⁸⁶ Sankary, *supra* note 8, at 1. Based upon perceived leverage, negotiations ensue in order to settle the dispute. *See generally* ROY J. LEWICKI ET AL., *ESSENTIALS OF NEGOTIATION* 132-61 (2d ed. 2001) (discussing how parties should find and use leverage in the negotiation process). Seeking leverage in negotiation usually arises from a perceived inequity of positions. *Id.* at 132-33. In these instances, a negotiator believes one of two things: she has less leverage than the opposing party, or she needs more leverage than the opposing party to increase the probability of securing a desired outcome. *Id.*

¹⁸⁷ *See* FISHER & URY, *supra* note 4, at 33. There are three problems in communication: first, the negotiators may not be talking to each other in a way to be understood, i.e. they may be talking to impress their clients; second, a negotiating partner may not be paying attention to what is being said; and third, the parties may misinterpret what is being said. *Id.* at 33-34.

understood, speak about the needs and motivations of its own client, and speak for a purpose.¹⁸⁸

A. Strategy Development

[69] It is helpful to develop a negotiation strategy outline prior to conducting the negotiation. Negotiators must anticipate what they want to achieve in a negotiation and prepare for these events in advance.¹⁸⁹ A negotiation strategy should include a prioritization of the client's goals, contingency plans, the best alternative to a negotiated agreement ("BATNA"), and procedural concerns dealing with agendas and bargaining histories.¹⁹⁰ It should also contain a facilitation section, which discusses the client's mindset, as well as an anticipatory outline of the opposing party's mindset.¹⁹¹

[70] Practitioners must then seek to define the issues. This process is called framing the negotiation.¹⁹² There are many different types of frames, including: (1) substantive, or what the conflict is about; (2) conflict management process; (3) characterization, or how the parties define themselves and who their opponent is; and (4) loss-gain, or how the parties view the risks associated with particular outcomes.¹⁹³

¹⁸⁸ *Id.* at 35-37.

¹⁸⁹ LEWICKI ET AL., *supra* note 186, at 32.

¹⁹⁰ See Michael W. Coombs, Strategy Outline II: Union-Management Negotiation 1 (2003) (unpublished manuscript, on file with Richmond Journal of Law & Technology); see also LEWICKI ET AL., *supra* note 186, at 32 (defining goals to include tangibles, such as "rate, price, specific terms, contract language, [and] fixed packages," as well as intangibles, "such as maintaining a certain precedent, defending a principle, or getting an agreement regardless of cost"). According to Robert H. Mnookin, "[t]he BATNA indicates what [the] negotiator can do away from the table if no deal is reached. The BATNA must be translated into a reservation value — the amount at which the bargainer is indifferent between reaching a deal and walking away to his BATNA." Robert H. Mnookin, *Strategic Barriers to Dispute Resolution: A Comparison of Bilateral and Multilateral Negotiations*, 8 HARV. NEGOT. L. REV. 1, 5 (2003).

¹⁹¹ Coombs, *supra* note 190, at 1. Professor Coombs also suggests that negotiators should develop a list of: (1) "talking points" to enhance the credibility of their client; (2) items they should say in favor of their client; and (3) a series of open-ended questions which should be used to start and lead the negotiation. *Id.* at 1-2. In addition, the list should include strategic options, including *how* to negotiate. *Id.* at 1. Some strategies include the non-engagement strategy, as well as strategies of competition, collaboration and accommodation. See LEWICKI ET AL., *supra* note 186, at 36-40.

¹⁹² See LEWICKI ET AL., *supra* note 186, at 22 ("framing is the means by which the parties in a negotiation . . . define the problem").

¹⁹³ *Id.* at 25-26.

[71] Most importantly, in developing the negotiation strategy and framing it to their clients and opponents, negotiators should look toward developing options for mutual gain that can be proposed to all parties present.¹⁹⁴ This will allow them to maintain flexibility in the negotiation, and simultaneously convey a clear theme of what outcome the client desires. If this theme is properly developed, the parties will be able to focus on interests, rather than on positions.¹⁹⁵

B. The Negotiation Process

[72] The client or person with full settlement authority should be physically present at the negotiation.¹⁹⁶ Presence conveys symbolic importance. It allows all parties to reason with, persuade, and guide one another towards resolution of the matter.¹⁹⁷

[73] During the negotiation, in order to focus on interests rather than on positions, the parties must use objective criteria, meaning criteria that are practical and based on fact.¹⁹⁸ In order to negotiate with objective criteria, the negotiators must: (1) continue to employ a framing technique, characterizing “each issue as a joint search for objective criteria;” (2) “[r]eason and be open to reason;” and (3) “[n]ever yield to pressure, only to principle.”¹⁹⁹

[74] In practice, the negotiators must create a free flow of information.²⁰⁰ Together with their clients, the negotiators must make a true effort to understand what the other side desires to achieve.²⁰¹ Specifically, the

¹⁹⁴ See *id.* at 31.

¹⁹⁵ See FISHER & URY, *supra* note 4, at 41-57.

¹⁹⁶ Arthur Nakazato, Tips from the Bench on Handling Intellectual Property Cases (Aug. 27, 2003) (unpublished manuscript, on file with Richmond Journal of Law & Technology). If physical presence is not possible, however, the parties should take steps to create a face-to-face relationship prior to the negotiation.

¹⁹⁷ See KATHLEEN KELLEY REARDON, PERSUASION IN PRACTICE 2-3 (1991).

¹⁹⁸ FISHER & URY, *supra* note 4, at 81-94.

¹⁹⁹ *Id.* at 88; see *id.* at 89 (“Insisting that an agreement be based on objective criteria does not mean insisting that it be based solely on the criterion *you* advance. One standard of legitimacy does not preclude the existence of others.”).

²⁰⁰ See LEWICKI ET AL., *supra* note 186, at 99. “[E]ffective information exchange promotes the development of good integrative solutions. For the necessary exchange to occur, negotiators must be willing to reveal their true objectives and to listen to each other carefully.” *Id.* at 96-97.

²⁰¹ See *id.* at 97 (suggesting that negotiators must be careful not to form predispositions about their negotiating partners, and be mindful of the cognitive bias formed by themselves

negotiators must identify and define the problem in a way that is mutually acceptable to both sides, depersonalize it, and then understand it.²⁰² The negotiators must be firm about their client's primary interests and needs, but flexible about the manner in which these needs are met.²⁰³ They must also seek to form all communications with regard to content, structure, and delivery style.²⁰⁴

C. Obstacles to Settlement

[75] There are four major obstacles to achieving a successful settlement. These barriers are: (1) strategic barriers; (2) principal and agent problems; (3) cognitive and psychological barriers; and (4) reactive devaluation or compromises and concessions.²⁰⁵

1. Strategic Barriers

[76] Strategic barriers arise from the "tension between the desire for distributive gain — getting a bigger slice of the pie — and the opportunity for joint gains — finding ways to make the pie bigger."²⁰⁶ The players in this game are often in an awkward position: "[t]hey want to make the most favorable agreement that they can, while avoiding the risk of making no agreement at all; and, to certain extent [sic], these goals are contradictory."²⁰⁷

and their opponents); see also HERB COHEN, *YOU CAN NEGOTIATE ANYTHING: HOW TO GET WHAT YOU WANT*, 150 (1994) (arguing that negotiators must practice a win-win style, and seek to understand before being understood).

²⁰² See LEWICKI ET AL., *supra* note 186, at 98-101.

²⁰³ See *id.* at 98.

²⁰⁴ See *id.* at 159. The content of the message should be focused on: (1) how to make the offer attractive to the other party; (2) how to frame the messages so the other party will say yes; (3) how to make messages normative; and (4) how to obtain agreements in principle. *Id.* at 159-60.

²⁰⁵ Robert H. Mnookin, *Why Negotiations Fail: An Exploration of Barriers to the Resolution of Conflict*, 8 OHIO ST. J. ON DISP. RESOL. 235, 239-47 (1993).

²⁰⁶ Mnookin, *supra* note 190, at 4. Further, "strategic barriers are those that can cause rational, self-interested disputants to act in a manner that proves to be both individually and collectively disadvantageous." *Id.* at 2; see also LEWICKI ET AL., *supra* note 186, at 118 ("Those who believe in the mythical fixed pie assume that the possibility for integrative settlements and mutually beneficial trade-offs doesn't exist, and they suppress efforts to search for such settlements or trade-offs.").

²⁰⁷ Mnookin, *supra* note 190, at 7. It can also be said that:

[i]f one party indicates a willingness to settle for any terms, even if the gain is only marginal, he or she will likely arrive at an agreement, but not a very attractive

“In sum, hard-bargaining tactics that may be rational for self-interested parties concerned with maximizing the size of their own slice of the pie can sometimes lead to inefficient outcomes.”²⁰⁸

[77] It goes without saying that “[t]hose subjected to such tactics often respond in kind.” At the very best, the result is “additional costs of the dispute resolution process, and, at worst, failure to consummate a mutually beneficial agreement.”²⁰⁹ Therefore, “accurate information about each negotiator’s goals, priorities, preferences, resources, and opportunities is essential to reach agreements that offer optimal ‘gain from trade.’”²¹⁰

2. *Principal and Agent Problems*

[78] A corporate officer or director has a duty of care owed to the corporation. First, “a director or officer must ‘perform his functions . . . with the care that an ordinarily prudent person would reasonably be expected to exercise in a like position and under similar circumstances.’”²¹¹ Second is the “‘business judgment rule,’ which describes the standard by which courts evaluate whether a director or officer has discharged his obligation.”²¹²

one. On the other hand, if he takes a hard position and sticks to it, he is likely to reach a favorable agreement if he reaches any agreement at all—but he stands a good chance of being left out in the cold.

Id. “Strategic barriers . . . reflect models of human behavior premised on rational, self-interested parties seeking to maximize their own interests.” Ronald J. Gilson & Robert H. Mnookin, *Business Lawyering and Value Creation for Clients: Symposium on Business Lawyers and Value Creation for Clients*, 74 OR. L. REV. 1, 12 (1995).

²⁰⁸ Mnookin, *supra* note 190, at 7.

²⁰⁹ *Id.*

²¹⁰ *Id.* at 14. Keep in mind, however, that “total frankness and ‘full disclosure’ — or simply greater frankness and fuller disclosure than practiced by the other side of the negotiation — leave one side vulnerable in the distributive aspect of bargaining.” *Id.*

²¹¹ Robert H. Mnookin & Robert B. Wilson, *Rational Bargaining and Market Efficiency: Understanding Pennzoil v. Texaco*, 75 VA. L. REV. 295, 317 (1989) (quoting PRINCIPLES OF CORPORATE GOVERNANCE: ANALYSIS AND RECOMMENDATIONS § 4.01(a) (Tentative Draft No. 4, 1985)).

²¹² *Id.* “The purpose of the business judgment rule is to protect officers and directors ‘from risks inherent in hindsight reviews of their unsuccessful decisions, and to avoid the risk of stifling innovation and venturesome business activity.’” *Id.* (quoting PRINCIPLES OF CORPORATE GOVERNANCE: ANALYSIS AND RECOMMENDATIONS § 4.01(a) cmt. d (Tentative Draft No. 4, 1985)).

[79] However, a corporate officer may be held personally liable despite the business judgment rule if they “fail[] to inform themselves of ‘all information reasonably available to them and relevant to their decision.’”²¹³ Therefore, “[b]ecause it is impossible to ascertain exactly how much information a court may require a director to have obtained in order” to become informed, corporate executives may be discouraged from settling a matter before they have exhausted all litigation remedies so as to avoid personal liability.²¹⁴ Faced with settling a matter prior to litigation and possibly incurring the wrath of a shareholder action, or litigating a matter that should have been settled, a corporate officer may choose the latter.²¹⁵

[80] In addition, practitioners may be “a barrier to the efficient resolution of business disputes through early settlement.”²¹⁶ For instance, defense lawyers may prolong an action that could be settled in their clients’ favor in order to continue to collect fees.²¹⁷ Likewise, because plaintiffs’ lawyers are sometimes paid on a contingency basis, settlement might result despite the fact that it is not in their clients’ best interests, since the plaintiff’s counsel himself, due to the contingency fee agreement, may bear the costs of investigators, expert witnesses and trial.²¹⁸

3. Psychological Barriers

[81] Practitioners “tend to share and apply a rational, economically-grounded analysis to determine whether to settle and upon what terms” in order to “facilitate[] distributive negotiation, rational decision making, and a higher rate of settlement.”²¹⁹ Disputants, on the other hand, are influenced more by cognitive and social-psychological occurrences that may hinder their ability to rationally analyze expected financial values.²²⁰ “Psychological barriers, which are cognitive and perceptual in nature, prevent disputants

²¹³ *Id.* at 319 (quoting *Smith v. Van Gorkom*, 488 A.2d 858, 873 (Del. 1985)).

²¹⁴ *Id.* at 320-22.

²¹⁵ *See id.* at 317-22.

²¹⁶ Gilson & Mnookin, *supra* note 207, at 11.

²¹⁷ *See id.* at 12.

²¹⁸ *See id.*

²¹⁹ Nancy A. Welsh, *Making Deals In Court — Connected Mediation: What’s Justice Got to Do with It?*, 79 WASH. U. L.Q. 787, 804 (2001) (citing Russell Korobkin & Chris Guthrie, *Psychology, Economics and Settlement: A New Look at the Role of the Lawyer*, 76 TEX. L. REV. 77, 82-83, 95-112, 122 (1997)).

²²⁰ *Id.* (citing Korobkin & Guthrie, *supra* note 219, at 88-121).

from acting in a value-maximizing, utilitarian manner.”²²¹ These barriers include, but are not limited to, “the framing of settlement offers, personal animus and equity seeking, and the reactive devaluation of offers proposed by the adversary.”²²² Because of these psychological barriers, a party may begin to incorrectly and unjustifiably assume the motives and intentions of the other party.²²³

4. Reactive Devaluation or Compromises and Concessions

[82] Reactive devaluation is the “tendency to evaluate proposals less favorably after they have been offered by one’s adversary.”²²⁴ It stems from the belief that what is good for one side must be bad for the other side.²²⁵ However, negotiations are rarely fixed-sum.²²⁶ In order to overcome reactive devaluation, it may be helpful to either: (1) have the client determine in advance what outcomes are acceptable to them; or (2) have the parties work together so that the solution is jointly initiated, or even appears as if it was the opposing party’s idea.²²⁷

IV. CONCLUSION

[83] Most clients seek the advice of counsel when they have only a general knowledge of a few of the items that are available on the legal buffet table, and they are often operating under prices that are several years old. As trademark practitioners, we must deploy the following five-step approach when presented with a conflict.

[84] First, we must gather and analyze all evidence immediately available to our clients, and at our own disposal. Second, we must then fully examine the immediacy of the injury to our clients. Third, we must survey the buffet table, and provide our clients with detailed information regarding those items

²²¹ Russell Korobkin & Chris Guthrie, *Psychological Barriers to Litigation Settlement: An Experimental Approach*, 93 MICH. L. REV. 107, 117 (1994).

²²² *Id.*

²²³ See SANKARY, *supra* note 8, at 3; see also Chris Guthrie et al., *Inside the Judicial Mind*, 86 CORNELL L. REV. 777, 817-18 (2001) (arguing that judges share many of same cognitive biases as others, including lawyers, but show less bias in some areas).

²²⁴ Birke & Fox, *supra* note 7, at 48. “Fixed-pie bias (i.e., the assumption that what is good for my counterpart must be bad for me) may contribute to reactive devaluation”
Id.

²²⁵ *Id.* at 49.

²²⁶ *Id.*

²²⁷ *Id.* at 49-50.

that we believe may fulfill their needs. Simultaneous with this selection process, we must provide a budget analysis of the fees and costs associated with each item. Fourth, after fully appraising our clients of all of the options available to them, we must counsel them to select an appropriate option. Fifth, we must be fully prepared for battle — to gather, analyze, stake appropriate claims, and then skillfully resolve the matter.