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COUNTERFEITING A TRADEMARK

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No. 94-3391

IN THE
COURT OF APPEALS FOR THE PARADISE CIRCUIT
OF THE UNITED STATES
October Term, 1994

Lo-Fashion Enterprises, Inc.
Appellant,

vs.

Colafoux et Fils
Appellee.

ON APPEAL FROM
THE UNITED STATES DISTRICT COURT OF UTOPIA

BRIEF FOR APPELLEE

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QUESTIONS PRESENTED

I. WHETHER THE COURT SHOULD EXPAND THE SCOPE OF THE INJUNCTION AGAINST LO-FASHION TO INCLUDE JACKETS WITH PERMANENTLY ATTACHED LETTERS.

II. WHETHER THE COURT ERRED IN DENYING RELIEF TO COLAFOUX FOR TRADEMARK COUNTERFEITING.

III. WHETHER THE COURT ERRED IN RULING THAT COLAFOUX'S SEIZURE WAS WRONGFUL.

IV. WHETHER THE COURT ERRED IN GIVING LO-FASHION DAMAGES AS THE RESULT OF THE WRONGFUL SEIZURE.

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STATUTES INVOLVED

This case involves the statutes listed below, the relevant portions of which are set forth in Appendix A to this Brief.

1. The Trademark Act of 1946, 15 U.S.C. § 1065, *Br. App.* A-1,2
2. The Trademark Act of 1946, 15 U.S.C. § 1114, *Br. App.* A-3
3. The Trademark Act of 1946, 15 U.S.C. § 1116, *Br. App.* A-4-6
4. The Trademark Act of 1946, 15 U.S.C. § 1127, *Br. App.* A-7-9
5. Judicial Improvements and Access to Justice Act, 28 U.S.C. § 1292, *Br. App.* A-10

STATEMENT OF CASE

The appellee, Colafoux et Fils (Colafoux), is a French corporation, and the owner of the incontestable trademark, COLAFOUX, United States Registration No. 1,659,782, since 1979. The COLAFOUX mark appears on very high fashion clothing and accessories which are only sold in Colafoux owned stores. Colafoux opened its first store in New York in 1973. It currently operates stores in Chicago, Beverly Hills, Dallas, Miami and Utopia City.

Colafoux produces a very stylish black bomber jacket made of the highest quality leather. The Colafoux jacket bears the COLAFOUX trademark on the back of the jacket in three inch high sterling silver letters. Taking steps to make the mark more visible, the jacket was publicized through a very high profile "product placement" in a popular movie and conspicuously placed in advertisements for the movie. A good deal of social commentary was made about using the movie as a marketing vehicle.

The appellant, Lo-Fashion, a Utopia corporation, customizes and distributes clothing to novelty shops and retailers. Ralph Bennet, president of Lo-Fashion, had a fondness for anagrams and was struck by the fact that COLAFOUX could be rearranged to spell FAUXCOOL. Lo-Fashion purchased black leather bomber jackets which were similar to the Colafoux jacket and plastic letters of a similar type-style and size to those used on the Colafoux jacket. Although the letters could have been permanently affixed, the letters were attached with a mechanism, that allowed the letters to be easily removed from the jacket and to be rearranged to spell COLAFOUX within five minutes.

The jackets were advertised at a trade show by distributing flyers which read, "Another Lo Blow from Lo-Fashion," and featured the FAUXCOOL jacket aside the COLAFOUX jacket in a scene similar to movie advertisements. The flyer also contained a "warning" which read, "NOTE: the letters of the FAUXCOOL jacket should not be rearranged to spell COLAFOUX. That would be illegal and could subject you to liability." Lo-Fashion was aware that a number of his customers sometimes sold counterfeit or infringing merchandise. Several retailers of Lo-Fashion testified that they believed the warning to be an instruction manual on how to rearrange the letters to spell COLAFOUX. One retailer viewed the warning as the "written equivalent of a wink."

A Colafoux's salesperson saw a young man wearing a modified Lo-Fashion jacket. The salesperson asked the man where had purchased the jacket. He stated he bought it at Myron's. An investigation at Myron's followed.

At Myron's, the investigator purchased two jackets which were similar to Colafoux's jacket and which bore the mark, COLAFOUX. The owner, Myron Jackson, stated that he bought the jackets from Lo-Fashion. The investigator examined the label affixed to the jacket which read Lo-Fashion. From the culmination of this information, the investigator learned the jackets were produced by Lo-Fashion.

Finally, the investigator visited Lo-Fashion. At Lo-Fashion, the Colafoux investigator was informed by an employee that the manager was on vacation and would not be back for a week. The employee acted in an evasive manner the entire time

the investigator was there. The visit to Lo-Fashion failed to reveal any new information.

Based on the information acquired from its investigation into Lo-Fashion, Colafoux filed an application for ex parte motion for a temporary restraining and seizure order. The motions were granted to seize any counterfeit Colafoux jackets and any materials used to produce or assemble counterfeit Colafoux jackets. Colafoux posted a $50,000 bond as security for the payment of wrongful damages caused as a result of a wrongful seizure.

During the raid on Lo-Fashion, FAUXCOOL jackets, plain black leather jackets, plastic letters and documents relating to orders for Lo-Fashion jackets were seized. Fifteen other outlets were raided. At twelve of the outlets, 2,385 FAUXCOOL jackets were seized. At the other three outlets, 138 modified jackets were seized. Each of the owners where the modified jackets were seized had read the "warning" on the flyer as an instruction manual on how the letters could be rearranged rather than a warning. Also, fifteen purchasers independently modified the letters on the FAUXCOOL jacket. In total, 153 modified jackets were found.

SUMMARY OF THE CASE

Colafoux filed a suit against Lo-Fashion in United States District Court for the District of Utopia charging Lo-Fashion and others with trademark infringement under 15 U.S.C. § 1114, with unfair competition under 15 U.S.C. § 1125, and with counterfeiting under 15 U.S.C. § 1116. Lo-Fashion counterclaimed for damages caused by wrongful seizure. During the suit, Colafoux voluntarily dropped the unfair competition claim.

The United States District Court for the District of Utopia granted summary judgment to Colafoux for trademark infringement. The court ordered Lo-Fashion permanently enjoined from selling FAUXCOOL jackets with removable letters. The District Court denied summary judgment on Colafoux's claim of counterfeiting. The District Court ruled that Colafoux's seizure was wrongful and found Colafoux liable for damages suffered by Lo-Fashion. The court limited damages to the amount of the bond.

SUMMARY OF THE ARGUMENTS

I. THE COURT ERRED IN RESTRICTING THE SCOPE OF THE INJUNCTION AGAINST LO-FASHION TO JACKETS WITH REMOVABLE LETTERS.

The similarity of the mark is only one of a number of factors to consider in determining a likelihood of confusion and should not be determinative. When the court performs the likelihood of confusion test, the factors weigh in Colafoux's favor. Thus, the district court erred in restricting the scope of the injunction to jackets with removable letters based only on the consideration of similarity of the marks. Furthermore, the appellate court has the authority to expand the injunction to include otherwise permissible acts, such as noninfringing activities.

II. THE COURT ERRED IN DENYING RELIEF TO COLAFOUX FOR TRADEMARK COUNTERFEITING

The determination of trademark infringement turns on whether copies, counterfeits, reproductions, and colorable imitation are likely to cause public confusion between the registered mark and the allegedly infringing mark. Note, counterfeit is included in this list. Courts have applied the contributory infringement analysis to copies, reproductions, and colorable imitation. Thus, the contributory infringement analysis should apply to countefeit marks and the determination of whether Lo-Fashion's mark is a counterfeit is a finding of fact relevant to the proceedings.

III. THE COURT ERRED IN RULING THAT COLAFOUX'S SEIZURE WAS WRONGFUL.

Each of the statutory requirements of the ex parte seizure order appears clearly from the facts. First, Section II above addresses that the Lo-Fashion's jackets are counterfeit. Second, immediate and irreparable harm of Colafoux's reputation and the likelihood of confusion as demonstated in Section I exists. Third because of the immediacy of the harm, there is no other adequate remedy. Fourth, because of the evasive manner of the Lo-Fashion employee, Colafoux has reason to believe Lo-Fashion will make matters inaccessible. Lastly, all the items Colafoux seized were within the statutorily allowable. As such, the court erred in ruling that Colafoux's seizure was wrongful.

IV. SINCE LO-FASHION WAS NOT ABLE TO SELL THE UNMODIFIED JACKETS AS A RESULT OF THE INJUNCTION PROPERLY GRANTED IN FAVOR OF COLAFOUX, THERE IS NO INJURY BY REASON OF THE SEIZURE, AND THE BOND SHOULD BE RETURNED.

The purpose of a bond is to entitle a person who is damaged by reason of the wrongful seizure to recover appropriate relief. As stated previously, the seizure was properly granted because the statutory requirements were meant. Thus, no damage as result of a wronful seizure has resulted. However even if the seizure was improper, there is still no injury by reason of the seizure only by reason of the injunction. Thus, the bond that Colafoux posted should be returned.

ARGUMENT

I.
THE COURT SHOULD EXPAND THE SCOPE OF THE INJUNCTION AGAINST LO-FASHION TO INCLUDE JACKETS WITH PERMANENTLY ATTACHED LETTERS.

A. The Appellate Court May Expand The Scope of An Injunction Granted By A District Court.

An appellate court has jurisdiction under 28 U.S.C. § 1292(a)(1) (1988 & Supp V) to review the grant of an injunction and all matters related to it. *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1090 (8th Cir. 1980) (citing *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 516 F.2d 846 (8th Cir. 1975), *cert. denied*, 423 U.S. 870, 96. (1975)).

B. There Is No Genuine Issue Of Material Fact As To Whether The FAUXCOOL Mark Appearing On The Faux Jackets, As Sold By Lo-Fashion, Was A Colorable Imitation Of The COLAFOUX Mark.

The standard of review of a grant of summary judgment is de novo, taking all inferences in favor of the nonmovant. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 202, 248 (1986). According to F. R. Civ. P. 56(c), summary judgment should be granted only if there is no genuine issue of material fact, and the moving party is entitled to judgment as a matter of law. A material fact is one that may affect the decision, so that a finding of that fact is relevant and necessary to the proceedings. *Tone Bros., Inc. v. Sysco Corp.*, 28 F.3d 1192, 1196 (Fed. Cir. 1994).

In the context of trademark infringement, courts examine whether the defendant's mark will likely confuse, deceive or mistake the public. 15 U.S.C. §1114. (1988 & Supp V). Though the likelihood of confusion is frequently a fairly disputed issue of fact on which reasonable minds may differ, the issue is permissible to summary judgment in appropriate cases. *Warner*

Bros. v. American Broadcasting Cos., Inc., 720 F.2d 231, 246 (2d Cir. 1983).

The record reflects that one factor to consider in determining the likelihood of confusion is the similarity between marks and similarity of appearance and suggestion. *Forum Corp. of North Am. v. Forum Ltd.*, 903 F.2d 434, 439 (7th Cir. 1990). "Similarity is based on an examination of the marks as a whole, including visual impression and sound . . . Where the products are closely related, less similarity in the trademarks is necessary to support a finding of infringement." *SquirtCo*, 628 F.2d at 1091.

In *SquirtCo*, the plaintiff appealed the district courts permanent injunction against its use of the mark, "QUIRST," on a non-carbonated lemonade drink because it infringed on SquirtCo's use of "SQUIRT" on a carbonated grapefruit drink. The court also noted that the mark, QUIRST, was an anagram of the mark SQUIRT. The court held that the presence of the strong and distinct mark, the extensive similarity between the marks and the close proximity between the products were all signs of a likelihood of confusion and affirmed the injunction. *Id.* at 1089

In this case, the COLAFOUX mark was found to be both strong and distinctive. Because Lo-Fashion and Colafoux sold "identical products, leather bomber jackets," the court found the two products were in close proximity to each other. The FAUXCOOL mark is also an anagram of COLAFOUX. However, in determining that the two marks were "dramatically different in appearance," the court compared only the two words and any literal interpretation of their meanings. When this court examines the appearance of the two marks as a whole, there is no material fact as to the similarity of the marks which remains to be determined.

Therefore, the denial of Colafoux's request for a more broad injunction was based on an improper test.

Moreover, to the extent that a finding of likelihood of confusion is based upon a comparison of two marks, the appellate court may make an independent judgment as to the similarity of the marks. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema Ltd.*, 604 F.2d 200, 204 n.7 (2d Cir. 1979). Under the *SquirtCo* analysis, there is a strong likelihood of confusion between the FAUXCOOL mark and COLAFOUX. Thus, the broader injunction as requested by Colafoux should be requested.

C. The Injunction Against Lo-Fashion Should Be Expanded To Include Jackets With Permanently Attached Letters Because None Of The Confusion Factors Alone Are Dispositive Of A Likelihood Of Confusion.

Even if the court determines that the FAUXCOOL mark, as used on the Faux Jacket, is not similar, no one factor is determinative of a finding of a likelihood of confusion. In determining the likelihood of confusion, the courts have adopted various multi-factor tests. However, the courts have emphasized that no one factor is determinative, and different factors will weigh more heavily than others. See *Metro Publishing, Ltd. v. San Jose Mercury News*, 987 F.2d 637, 640 (9th Cir. 1993) and *McGraw-Edison Co. v. Walt Disney Productions*, 787 F.2d 1163 (7th Cir. 1986).

The court below considered the following factors in determining whether a likelihood of confusion exists: (1) the strength of the mark, (2) the degree of similarity between the two marks, (3) the proximity of the products, (4) the likelihood that the senior user of the mark will bridge the gap, (5) evidence of actual confusion, (6) the junior user's intent in adopting the

mark, (7) the quality of the junior user's products, and (8) the sophistication of the relevant consumer group.

(i) Strength of the Mark

The court correctly concluded that the COLAFOUX mark was an inherently distinctive mark which is well known through out the world. When evaluating a mark's strength, the court must consider whether the mark has been declared "incontestable" under 15 U.S.C. § 1065(3). *Dieter v. B.H. Industries of Southwest Florida,* 880 F.2d 322, 328-29 (11th Cir. 1989). Since 1979, the COLAFOUX trademark has had incontestable status. Both appellant and appellee stipulate to the validity of the COLAFOUX trademark; therefore, plaintiff has shown a valid trademark.

Further, "[a] senior user's trademark, if registered, is presumptively distinctive, but proof of secondary meaning, acquired perhaps through successful ad, can only enhance the strength." *McGregor-Doniger, Inc. v. Drizzle, Inc.,* 599 F.2d 1126, 1132 (2d Cir. 1979) The COLAFOUX mark has been registered since 1973 and has been used in the United States and throughout the world for over twenty years. Colafoux has stores in the most exclusive shopping districts of some of the largest cities in the United States. In addition, many posters and newspaper ads promoted the Movie using the COLAFOUX mark, and social commentary about the use of the Movie as a marketing vehicle was generated. Thus because many people were aware of the COLAFOUX mark, the court correctly determined the COLAFOUX mark was rare and inherently distinctive.

(ii) Similarity of the mark

As stated above in Section I Part B, a question whether the marks are similar still remains. The court incorrectly determined that there was no similarity between the mark as used on the Faux Jacket and the COLAFOUX mark. However, the court did determine that the letters when rearranged made the marks identical and found for Colafoux on this factor.

In addition, the lower court concluded that Lo-Fashion had reason to know that its customers were likely to counterfeit or infringe and that the use of the "warning" labels were evidence of it. Courts have conducted contributory infringement analysis and likelihood of confusion in the same case. See *MDT Corp. v. New York Stock Exchange, Inc.*, 858 F.Supp. 1028 (C.D.Cal. 1994). Thus, the district court correctly concluded that when the letters on the Faux Jacket were rearranged the mark on the Modified Faux Jacket was identical to the plaintiff's mark and therefore confusingly similar.

(iii) Proximity of the products/Bridging the gap

The court correctly concluded that there was no gap to bridge because the parties' products are competitive and identical. "When marks would appear on virtually identical goods or services, the degree of similarity necessary to support a conclusion of likely confusion declines." *SquirtCo*, 628 F.2d at 1091 (citing *Century 21 Real Estate Corp. v. Century Life of America*, 970 F.2d 874, 877 (Fed. Cir. 1992)). Both parties sold leather bomber jackets which were identical and bore letters of identical size and color. Applying these facts to *Century 21*, the court correctly determined that the "proximity of the products" factor favors Colafoux because identical products were sold.

(iv) Intent to confuse

The district court correctly held the intent of Lo-Fashion to choose the FAUXCOOL mark with removable letters favors an intent to confuse the public not to amuse. Parody is an additional factor to consider in the likelihood of confusion analysis and not an affirmative defense to infringement. *Nike, Inc. v. "JUST DID IT" Enterprises,* 6 F.3d 1225, 1228 (7th Cir. 1993). Because Lo-Fashion knowingly supplied counterfeiters with the means to create a counterfeit, the court held the parody did not eliminate the risk of public confusion.

Many cases have followed the logic of the district court in finding that the defendant's attempt to parody was inadequate to overcome the risk of public confusion as to the source or sponsorship. *Mutual of Omaha Insurance Co. v. Novak,* 836 F.2d 397, 401 (8th Cir. 1987) (using "Mutants of Omaha" confused the public as to the source), *Grey v. Campbell Soup Co.,* 650 F.Supp. 1166, 1175, 1176 (C.D.Cal. 1986), *aff'g without op.,* 830 F.2d 197 (9th Cir 1987) (using DOGIVA with silver foil boxes to was likely to cause confusion with the mark GODIVA and its distinctive gold foil). To contrast, cases have held that some parodies do not cause confusion. *Anheuser-Busch, Inc. v. L & L Wings, Inc.,* 962 F.2d 316, 322 (4th Cir. 1992) (concluding "This Bud's for You" eliminated any risk of consumer confusion with "This Beach is for You").

The court below found Lo-Fashion's use of detachable letters, which could be rearranged in five minutes, and the instructional "warning" appearing on the flyer were evidence of bad intent on the part of Lo-Fashion. Knowingly supplying a counterfeiter with

the means of making a counterfeit further demonstrates Lo-Fashion's bad intent and does not eliminate the risk of public confusion. *Id.* Thus, Lo-Fashion's intent was to confuse and not to amuse.

(v) Quality of the products

Lo-Fashion's jackets are of lower quality than Colafoux's. The lower court found that the discrepancy in quality helps to distinguish the parties products. However, the court below stated that persons who have only seen the genuine jacket by virtue of its appearance in the Movie, would not necessarily know the Modified Faux Jacket they saw at a mass market retailer was not the jacket worn in the Movie. Colafoux contends that because of the exclusive nature of their clothing, including the jacket, most people seeing the Lo-Fashion jacket on the street are not likely to be aware of the differences in quality. Thus, this factor is inapplicable under the circumstances and should be given no weight.

(vi) Channels of trade\Sophistication of the purchasers

The court determined that the factors of channels of trade and the sophistication of the purchasers slightly weigh in favor of Lo-Fashion. As stated above, persons who have only seen the genuine jacket by virtue of its appearance in the Movie, would not know the Modified Faux Jacket they saw at a mass market was not the jacket worn in the Movie. The majority of people who have only seen the genuine jacket by virtue of its appearance in the Movie would be unable to determine an authentic from an inauthentic jacket.

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A trademark holder is harmed when potential purchasers of its goods see unauthentic goods and identify the with the trademark holder. This harm is no less serious when potential purchasers encounter these goods in a post-sale context. *U.S. v. Yamin*, 868 F.2d 130, 132 (5th Cir. 1989).

Also, the court noted that the differences in channels of trade may be less likely to confuse purchasers, but they do not prevent post-sale confusion of third parties. "Consideration of post-sale confusion in determining likelihood of confusion is not inconsistent with . . . trademark law. . . . In so concluding, we are persuaded by the widespread recognition by so many other circuits of the importance of post-sale confusion." *Payless Shoesource, Inc. v. Reebok Intl. Ltd.*, 998 F.2d 985, 989 (Fed. Cir. 1993). In the present case the district court found that the friends, family and unrelated third parties who encounter Modified Faux Jackets will mistakenly conclude that the jackets are Colafoux's.

D. Otherwise Permissible Practices Connected With Illegal Acts Can Be Enjoined.

An injunction can be therapeutic as well as protective. *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368 (5th Cir. 1977). "To ensure . . . that relief is effectual, otherwise permissible practices connected with the acts found to be illegal must sometimes be enjoined." *United States v. Loews Inc.*, 371 U.S. 38, 53 (1962). Thus in fashioning a remedy against a party who has violated a law, "a court of equity is free to proscribe activities that, standing alone, would have been unassailable." *KFC Corp.*, 549 F.2d at 390.

In *KFC*, the court stated that numerous cases have enjoined future violations though the violators has told the court that it will never violate the rule again. *Id.* at 390 n. 29 (citing *United States v. W.T. Grant Co.*, 345 U.S. 629 (1953)). Here, defendants gathered buyers for its low quality imitations of KFC supplies by making inaccurate and misleading statements. Hence, the court stated that the defendant's use of the trademark contributed to the confusion, and, as such "regardless of whether the use of the marks, standing alone, would have created confusion," the court held it was proper to enjoin not only infringing activities associated with chicken but also to paper products. *Id.* at 390.

Also in *Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145 (5th Cir. 1985), the defendant continued to use the images and words, like the "the Savage," to sell their pizzas even after the plaintiff had made the defendant aware the trademark. The court stated "we assumed without deciding that absent its conduct the defendant would have been entitled to use the allegedly confusing marks but that its history of improper behavior justified a broad injunction." *Id.* at 154. For example, improper behavior includes considering whether an infringing defendant may try to "skirt the line or permissible conduct." *Id.* at 154. Thus, even though the court held that the defendant did not adopt the mark to pass it off as the plaintiff's, they prohibited the defendant from ever using any semblance of the CONAN THE BARBARIAN theme in restaurants or the use the word, "the Savage."

This court should carefully consider the words in *Conan* to determine whether Lo-Fashion will slightly modify his behavior to

"skirt the line" of permissible conduct. The scrambling of the letters may constitute skirting the line. Here, Lo-Fashion has made no steps to tell its customers that the jackets they are selling are not real. When the investigator inquired whether the jacket at Myron's was genuine, the response was not a direct "no." Instead, the clerk made a joke out of the inquiry. Hence, even if Lo-Fashion was originally entitled to use the jackets in unmodified form, the history of Lo-Fashion's improper behavior of confusing the public should allow for a broadening of the injunction.

E. Because Lo-Fashion Contributorily Infringed Colafoux's Trademark, The Injunction As Ordered By The Court, Was Correct.

A showing of likelihood of confusion alone will suffice to support a grant of injunctive relief in trademark infringement action. *Schutt Mfg. Co. v. Riddell, Inc.*, 673 F.2d 202, 206 (7th Cir. 1982) (citing *Black Hills Jewelry Mfg. Co. v Gold Rush, Inc.*, 633 F.2d 746, 753-54 (8th Cir. 1980). Although the Lanham Act does not use the term "contributory infringement," the concept does find expression in § 1114(1)(b) making the imitation of a mark and its application to goods actionable when another intends to use it in commerce. Iver P. Cooper, *Trademark Aspects of Pharmaceutical Product Design*, 70 Trademark Rep. 1, 40 (1980). Contributory infringement has also been widely applied by the courts. *Upjohn Co. v. Schwartz*, 246 F.2d 254 (2d Cir. 1957) and *Schutt Mfg Co.*, 673 F.2d 202.

The Supreme Court, in *Inwood Labs, Inc. v. Ives Labs, Inc.*, 456 U.S. 844 (1982), sets out the test for contributory infringement by stating:

> [i]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer is contributorily responsible for any harm done as a result of the deceit.

Id. at 853, 854. In the context of this case, the determination of contributory infringement thus depends on Lo-Fashion's intent in adopting the mark and Lo-Fashion's knowledge that the retailers that they distribute the jackets to engage in wrongful activities.

In *Inwood Labs.*, the court held that there was no contributory liability for a manufacturer who sold generic drugs in gelatin capsules identical to plaintiff's. The court concluded that where defendant did not knowingly sell to infringing pharmacists, the defendant cannot be liable. To contrast in *Warner & Co. v. Lily & Co.*, 265 U.S. 526, 530 (1924), contributory infringement was found where defendants salesmen suggested to retailers that defendant's "Quin-Coco" could be sold as plaintiffs more expensive "Coco-Quinine."

In this case, the district court stated that use of the "warning" labels were evidence of Lo-Fashion's intent because it knew of the risk of counterfeiting and nevertheless provided the means to its customers. All of the owners where the Modified Faux Jackets were sold testified that they were aware of the warning on the flyer, but they interpreted it as an instruction manual rather than warning. The incomplete success of the warning to deter infringement demonstrated Lo-Fashion actually was aware with the possibility of its distributors rearranging the letters and selling the goods as counterfeit. Thus, the warning demonstrates Lo-Fashion's intent to confuse the public.

Furthermore, the district court correctly concluded that Lo-Fashion knew or had reason to know that its customers were likely to infringe because Lo-Fashion was aware that some of its distributors had counterfeited trademarks. The court reasoned that, as a manufacturer with many years of experience in the garment industry, Lo-Fashion plainly had reason to know that its customers were likely to infringe. Since the district court correctly found that Lo-Fashion contributorily infringed on Colafoux's mark, a grant of injunctive relief was properly supported.

II.
THE COURT ERRED IN DENYING RELIEF TO COLAFOUX FOR TRADEMARK COUNTERFEITING.

A. Because A Counterfeit Is A Type Of Infringement Under 15 U.S.C. § 1114(1)(a), Contributory Infringement Should Have Been Applied To The Trademark Counterfeit Analysis.

The Lanham Act defines a counterfeit as a "spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127 (1988). A counterfeit is recognized statutorily as one of several terms used to describe the broad scope of infringing activity. Under 15 U.S.C. §1114(1),

> any person who shall. . . use in commerce any reproduction, counterfeit, copy, colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods on or in connection with such use is likely to cause confusion, or to cause mistake, or to deceive shall be liable in a civil action by the registrant for remedies hereinafter provided.

Section I Part E states that contributory infringement is applicable to copies, reproduction, and colorable imitations under § 1114. See *Inwood Labs, Inc.*, 465 U.S. 844, *MDT Corp.*, *Ferrari v.*

McBurnie, 11 U.S.P.Q.2d 1843 (S.D. Cal. 1987), *Warner & Co, Sealy, Inc. v. Easy Living, Inc.*, 743 F.2d 1378, 1381 (9th Cir. 1984). Because counterfeit is included in § 1114(1), it logically follows that cases involving counterfeit activity should also apply the contributory infringement analysis. Thus, persons who use, reproduce, counterfeit, copy or colorably imitate registered marks in violation of 15 U.S.C. §1114(1) have a cause of action for contributory infringement. *Polo Ralph Lauren Corp. v. Chinatown Gift Shop*, 855 F.Supp 648 (S.D.N.Y 1994).

In *Polo Ralph Lauren Corp.*, a complaint was brought claiming a landlord was contributorily liable under the Lanham Act for knowingly failing to prevent the sale of counterfeit goods on their property. The defendant in that case argued that the Act did not provide a cause of action for damages against someone who indirectly aids the violation of the statute. The court found that although there was no explicit language in 15 U.S.C. § 1114(1), a judicial precedent that interprets the statute as including a cause of action for contributory infringement of trademarks exists in *Inwood Labs, Inc.* The court found that the plaintiff pled a legally sufficient cause of action for contributory liability on the counterfeit claim. *Polo Ralph Lauren Corp.*, 855 F.Supp at 650 and *Polymer Technology Corp. v. Mimran*, 37 F.3d 74 (2d Cir. 1994).

In another case, *Hard Rock Cafe Licensing Corp. v. Concession Servs.*, 955 F.2d 1143 (7th Cir. 1992), plaintiff was attempting to show defendant incurred contributory and vicarious liability for counterfeit products sold on its premises. In analyzing the contributory liability issue, the court recognized that "it is well established that "if a manufacturer or distributor

intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit." *Hard Rock Cafe Licensing Corp,* 955 F.2d at 1143 (citing *Inwood Labs*). Thus, the court recognized that the doctrine of contributory infringement applied to counterfeit issues.

In the present case, the court below found that Modified Faux Jackets were counterfeit, or "substantially indistinguishable from" Colafoux's registered mark. As stated above based on § 1114(1), contributory infringement analysis should be applied to counterfeiting. Because the lower court below refused to apply a contributory infringement analysis to the counterfeiting issues, the court erred in granting summary judgment to Lo-Fashion.

B. The Question Of Whether A Counterfeit Exists Is A Genuine Issue of Material Fact.

A Congressional report noted that a mark need not be absolutely identical to a genuine mark in order to be considered counterfeit. The definition of "substantially indistinguishable" will need to be elaborated on a case-by-case basis by the courts. 130 Cong. Rec. H12078 (Daily Ed. Oct 10, 1983). Thus, the lower court should have considered whether a mark is substantially identical on a case by case basis and should not have granted summary judgment in favor of Lo-Fashion.

Furthermore, the determination of finding infringement of a counterfeit mark is the same as for other types of infringement. In *General Electric Co. v. Speicher*, 877 F.2d 531 (7th Cir. 1989),

the appellate court reversed the lower court's determination that the defendant had not counterfeited plaintiff's trademark and therefore did not violate 15 U.S.C. § 1114(1)(a) (1988 & Supp V). The words, reproduction, copy, and colorable imitation, suggest more clearly than "counterfeiting," the aim is broader: to prohibit the use of your trademark on someone else's product without your authorization. "The usual violator of this prohibition copies, reproduces, imitates -- or if you will "counterfeits" -- the trademark." *General Electric Co.*, 877 F.2d at 534.

Thus, the pivotal question under § 1114(1)(a) is whether there is a likelihood of confusion, mistake, or deception between the registered mark and the allegedly infringing mark. To determine if a counterfeit is likely to confuse, the court should use the factors normally considered in determining likelihood of confusion. See *Ross Bicycles, Inc. v. Cycles USA, Inc.*, 765 F.2d 1502, 1503 (11th Cir. 1985) and *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 972 (11th Cir. 1983). Thus, the factors considered in Section I Part C will also be applicable to the counterfeit analysis.

The court below held the Faux Jackets, as produced by Lo-Fashion, were not counterfeits based only on their previous analysis for the colorable imitation under the "similarity of the mark" factor. Whether a mark is counterfeit is relevant to the determination of the summary judgment finding; as such, the determination is a material fact. Thus, because of the similarity in the jackets and the size, type style, placement and color of the letters, a genuine of issue of whether Lo-Fashion's mark is a counterfeit of Colafoux's has been raised.

Furthermore, each of the elements of a likelihood of confusion analysis should be applied and not merely the courts preliminary finding on one of the likelihood of confusion factors. Because of the court's incomplete analysis of whether Lo-Fashion's mark was a counterfeit of COLAFOUX, the court erred.

III.
THE COURT ERRED IN GRANTING WRONGFUL SEIZURE ON SUMMARY JUDGMENT.

A. In View Of Section II Part B, Lo-Fashion's Jackets Are Counterfeit.

There are seven requirements that must be met in order to obtain an ex parte seizure order under § 1116(d)(4). When a court finds that it "clearly appear from the specific facts" that *inter alia*:

> (i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 1114 of this title;
> . . .
> (vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person[,]

15 U.S.C. §1116(d)(4)(B) (1988 & Supp. V), the court may grant an application for a seizure order.

Section 1116(d)(1)(B) defines a counterfeit mark slightly differently than § 1127. In addition to the requirement that the mark be counterfeit, as defined under § 1127, the mark must also be registered on the Principal Register and be in use. Knowledge of the registration on the part of the counterfeiters is immaterial.

Colafoux has filed the appropriate papers to achieve incontestable status on the Principal Register as of 1979 and has used the mark since 1973 in the United States. Moreover, as Section II Part B illustrates, the goods that Colafoux seized were counterfeit. As such, an appellate review is allowed to review a district court's finding on a seizure order to determine if there has been a clear mistake of fact. *Vuitton v. White,* 945 F.2d 569, 574 (3d Cir. 1991). Thus, the court made a clear mistake of fact as whether the goods were counterfeit.

Furthermore, the district court applied the wrong legal standard to determine whether the seizure was wrongful. The appropriate analysis is not whether the goods are counterfeit, but whether Colafoux was likely to succeed in showing that Lo-Fashion used a counterfeit mark in connection with the distribution of the jackets. Because the lower court applied the wrong legal standard, there is an occasion when the appellate court is allowed to review the district court's findings. *Id.* at 574.

In this case, the investigator's discoveries and the evasive behavior of Lo-Fashion's employee created reasonable suspicions that Lo-Fashion was dealing in a counterfeit COLAFOUX mark. This evidence demonstrated to a judge that Colafoux was likely to succeed in showing the jackets were counterfeit. Thus, because the court only used the similarity factor to determine the mark was not a counterfeit instead of using the likely to succeed standard, the court erred in finding the seizure wrongful.

Finally, Vuitton states that an appellate court can review a district court's finding to determine whether there has been an abuse of discretion. *Vuitton,* 945 F.2d at 574. In *Vuitton,* the court states that a lack of explanation of how another order would

alter the defendant's behavior is an abuse of discretion and remanded the case for finding on that issue. *Id.* at 575. Similarly in this case, the court made a conclusory determination that a TRO would have been more appropriate without a explanation of how this would alter defendant's behavior. Thus, the court abused its discretion, and the appellate court should remand.

B. The Court Made A Clear Mistake Of Fact With Its Determination Of The Other Requirements Of 15 U.S.C. § 1116(d)(4).

The court erred in finding that even if the goods were counterfeit that Colafoux failed to satisfy certain requirements of § 1116(d)(4). One requirement that the court addresses is whether an immediate and irreparable injury will occur if the seizure is not ordered. For this requirement the principles of F. R. CIV. P. 65 can be applied. *Id.* at 572, 573. In terms of demonstrating immediate and irreparable injury, evidence that the goods are likely to be distributed or substantial likelihood of confusion is satisfactory. *In Re Vuitton et Fils S.A.*, 606 F.2d 1, 4 (2d Cir. 1979). Also, potential damage to the plaintiff's reputation can constitute irreparable harm. *Vuitton*, 945 F.2d at 576.

In this case, the lower court correctly held that Lo-Fashion had infringed on the COLAFOUX jacket. Thus, strictly on this basis, Colafoux can demonstrate irreparable harm. Furthermore, Colafoux did a full investigation of the jackets before requesting a seizure order. Myron Jackson, owner of Myron's, stated that the jackets were selling like "hotcakes." Thus since the jackets were selling quickly, it would have been extremely detrimental for Colafoux to wait for any other remedy. Injury to Colafoux's

reputation was imminent. Thus, the court made a clear mistake of fact.

Another requirement that the court discusses is whether an order other than an ex parte seizure order is not adequate to achieve the purposes of 15 U.S.C. § 1114. The purpose behind granting such orders is to preserve the status quo and to prevent irreparable harm just so long as is necessary to hold a hearing. *Granny Goose Foods, Inc. v. Teamster,* 415 U.S. 423, 438-39 (1974). The court below held that a TRO would have been appropriate to Colafoux's situation. However, Colafoux maintains that a seizure order was the only remedy that would protect consumer confusion and Colafoux's reputation.

Moreover in *Fimab-Fianziaria Maglificio Biellese Fratelli Fila, S.p.A v. Kitchen,* 548 F.Supp. 248 (S.D. Fla. 1982), the court describes occasions where seeking a TRO and a seizure order are appropriate. One reason given is that providing notice would be likely to result in the disappearance or transferring of counterfeit goods. The case further states that the plaintiff provided the court with "burgeoning" case law which recognizes and approves "as both appropriate and necessary judicial relief the granting of temporary restraining orders without notice . . . and immediate seizure . . . of counterfeit goods." *Id.* at 249. Colafoux's situation emanates these case.

Finally, the court specifically addressed the requirement that the person against whom seizure would be ordered would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice. The district court states that this requirement is meant to deal only with thwarting the bad faith efforts of the "fly-by-night" company

to move or destroy their goods. However in *General Electric Co.*, 877 F.2d at 533, 535, an ex parte seizure order was upheld against a small reputable businessman enjoying a spotless record and worth about one million in annual sales because he had been selling imitation '570' inserts and pretending that they were genuine. This was enough for the court to find that the applicant would make matters inaccessible to the court.

Moreover based on Colafoux's investigation, Lo-Fashion would not answer inquiries and acted evasively. Based on these facts, Colafoux had a reasonable belief that Lo-Fashion would be likely to make the counterfeit marks inaccessible if Colafoux had proceeded on notice. Thus, Colafoux was maintaining the status quo by obtaining the seizure to preserving evidence until a hearing. *Granny Goose,* 415 U.S. at 438-39. The court made a clear mistake of fact as to issue. *Vuitton,* 945 F.2d at 574.

C. All Items Seized Were Within The Scope Of The Order And Are Allowed By Section 1116(d)(1)(A).

A seizure is limited to the scope of the order, and thus, anything seized outside the scope of the order, such as places not mentioned, is excessive. *General Electric Co.*, 877 F.2d at 537 and *Major League Baseball Promotion Corp. v. Colour-Tex, Inc.*, 729 F.Supp. 1035, 1048 (D.N.J. 1990) These case also include items seized which are legitimate or noninfringing items as wrongful. *Id.*

Section 1116(d)(1)(A) states that the court may provide for an order, ex parte, for the seizure of "goods and counterfeit marks involved in [a § 1114] violation *and the means of making such marks.*" 15 U.S.C. §1116(d)(1)(A) (emphasis added). This

language indicates that Congress did not only intend for the seizure of counterfeit marks but also intended the means of making such marks and good in violation of § 1114 to be acceptable to seize.

In *General Electric Co.*, the plaintiff also seized the inserts marked '570' and General Electric boxes along with counterfeit goods. Under § 1116(d)(1)(A), the court allowed seizure of the goods. These goods were either violating § 1114 or a means for making counterfeit marks. Thus, although the court found that the order was very broad, they held that every item seized was within the scope of the order and that the order was only as broad as the statute allows.

Consistent with this reasoning, the scope of the order in this case was to seize "any and all counterfeit COLAFOUX Jackets, any and all articles used in connection with the assembly or manufacture of such counterfeit COLAFOUX Jackets, and any and all documents or records relating or referring thereto." This order was no broader than what the statutes allows. As discussed in section II Part A, the jackets were counterfeit. Thus, the items seized did not exceed the scope.

Moreover, all items seized were within the scope, since all goods were the means of making counterfeit marks. Thus, there was nothing wrong with the scope of the seizure, and the court erred in holding that the seizure was wrong. Furthermore, since the goods seized satisfy the requirements of § 1116(d) and were within the scope of the order, Colafoux did not extend the scope of the order, and no part of the seizure was wrongful.

IV.

SINCE LO-FASHION WAS NOT ABLE TO SELL THE UNMODIFIED JACKETS AS A RESULT OF THE INJUNCTION PROPERLY GRANTED IN FAVOR OF COLAFOUX, THERE IS NO INJURY BY REASON OF THE SEIZURE, AND THE BOND SHOULD BE RETURNED.

Section 1116(11) states that "[a] person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate.". 15 U.S.C. § 1116(11).. Moreover, section 1116(d)(4)(A) states that an adequate bond is required for payment of damages as a result of a wrongful seizure. See also H. R. REP. NO. 997, 98th Cong., 2d Sess., 23 (1984). Thus, to make a defendant whole as a result of a wrongful seizure, the person must suffer injury by reason of the wrongful seizure.

Typically, general principles of equity limit damages as the result of a wrongful order to the bond. *First-Citizen Bank & Trust Co. v. Camp*, 432 F.2d 481 (4th Cir. 1970). In cases of seizure orders if the injured party wants an expansion on the bond, they will request it at the post seizure hearing. There is no evidence that Lo-Fashion requested such an expansion at the hearing. As such, the court can infer that they did not feel that their damages were more than the bond set at the hearing.

As stated previously, the seizure that Colafoux performed was not wrongful. More importantly, there is no additional injury that has resulted because of the seizure. Regardless of whether the jackets are counterfeits, Lo-Fashion was not allowed to the sell jackets with removable letters because they infringe the COLAFOUX mark, and the court granted an injunction. Thus beyond the injunction, there was no additional damage. Additionally, Lo-

Fashion did not have the equipment to permanently affixed jackets. Colafoux should not be held liable for damages resulting from a bad business decision.

Moreover, seeking the seizure order was not done in bad faith or as a litigious strategy. In *Skierkewiecz v. Gonzalez*, 711 F.Supp. 931 (N.D. Ill. 1989), the court held that in order to obtain punitive damages an abuse of process, that is using the order beyond the intended purpose of the order by the applicant, must be shown. For example in *Skierkewiecz*, evidence of abuse is using the order for a tactical advantage in litigation or to disrupt the business. *Skierkewiecz*, 911 F.Supp at 935. Here, Colafoux merely used the order to prevent the sales of counterfeit goods. There is no evidence that Colafoux used the order for litigious strategy or to disrupt the business of Lo-Fashion.

CONCLUSION

For the foregoing reasons, the judgment of the district court as to the summary judgment of the infringement claim should be affirmed. However, the scope of the injunction should be modified to include permanently affixed FAUXCOOL jackets.

The judgment of the district court as to summary judgment of the counterfeit claim should be reversed, and the issue as to whether the Lo-Fashion's unmodified jackets are counterfeit should be determined in favor of Colafoux.

Finally, the district court determination of the wrongful seizure should be reversed. As such, the bond should be returned to Colafoux.

Respectfully Submitted,

Team TQ65
Counsel for Appellee

APPENDIX A

STATUTES

UNITED STATES CODE
TITLE 15. COMMERCE AND TRADE
CHAPTER 22--TRADEMARKS
SUBCHAPTER I--THE PRINCIPAL REGISTER

s 1065. Incontestability of right to use mark under certain conditions

Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: Provided, That--

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name of the goods or services or a portion thereof, for which it is registered.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Commissioner within one year after the expiration of any period of five Consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 1062 of this title.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

SUBCHAPTER III--GENERAL PROVISIONS

s 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any 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; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of 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 for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this subsection, the term "any person" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

s 1116. Injunctive relief

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter 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 registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under section 1125(a) of this title. 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.

. . .

(d) Civil actions arising out of use of counterfeit marks

(1)(A) In the case of a civil action arising under section 1114(1)(a) of this title or section 380 of Title 36 with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in such violation.

(B) As used in this subsection the term "counterfeit mark" means--

(i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 380 of Title 36;

but such term does not include any mark or designation used on or in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in

question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

. . .

(4) The court shall not grant such an application unless--

(A) the person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

(B) the court finds that it clearly appears from specific facts that--

(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 1114 of this title;

(ii) the applicant has not publicized the requested seizure;

(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

(v) the matter to be seized will be located at the place identified in the application;

(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

(vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

. . .

(11) A person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate, including damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee. The court in its discretion may award prejudgment interest on relief recovered under this paragraph, at an annual interest rate

established under section 6621 of Title 26, commencing on the date of service of the claimant's pleading setting forth the claim under this paragraph and ending on the date such recovery is granted, or for such shorter time as the court deems appropriate.

s 1127. Construction and definitions; intent of chapter

In the construction of this chapter, unless the contrary is plainly apparent from the context--

The United States includes and embraces all territory which is under its jurisdiction and control.

The word "commerce" means all commerce which may lawfully be regulated by Congress.

The term "principal register" refers to the register provided for by sections 1051 to 1072 of this title, and the term "supplemental register" refers to the register provided for by sections 1091 to 1096 of this title.

The term "person" and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this chapter includes a juristic person as well as a natural person. The term "juristic person" includes a firm, corporation, union, association, or other organization capable of suing and being sued in a court of law.

The term "person" also includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

The terms "applicant" and "registrant" embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

The term "Commissioner" means the Commissioner of Patents and Trademarks.

The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.

The terms "trade name" and "commercial name" mean any name used by a person to identify his or her business or vocation.

The term "trademark" includes any word, name, symbol, or device, or any combination thereof--

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to

indicate the source of the goods, even if that source is unknown.

The term "service mark" means any word, name, symbol, or device, or any combination thereof--

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

The term "certification mark" means any word, name, symbol, or device, or any combination thereof--

(1) used by a person other than its owner, or

(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this chapter, to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

The term "collective mark" means a trademark or service mark--

(1) used by the members of a cooperative, an association, or other collective group or organization, or

(2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, and includes marks indicating membership in a union, an association, or other organization.

The term "mark" includes any trademark, service mark, collective mark, or certification mark.

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce--

(1) on goods when--

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such

placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

A mark shall be deemed to be "abandoned" when either of the following occurs:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of that mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

The term "registered mark" means a mark registered in the United States Patent and Trademark Office under this chapter or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase "marks registered in the Patent and Trademark Office" means registered marks.

The term "Act of March 3, 1881", "Act of February 20, 1905", or "Act of March 19, 1920," means the respective Act as amended.

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

Words used in the singular include the plural and vice versa.

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations.

UNITED STATES CODE ANNOTATED
TITLE 28. JUDICIARY AND JUDICIAL PROCEDURE
PART IV--JURISDICTION AND VENUE
CHAPTER 83--COURTS OF APPEALS

s 1292. Interlocutory decisions

(a) Except as provided in subsections (c) and (d) of this section, the courts of appeals shall have jurisdiction of appeals from:

(1) Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court;

APPENDIX B

FEDERAL RULES OF CIVIL PROCEDURE

Rule 56 Summary Judgment

(c) Motion and Proceedings Thereon. The motion shall be served at least 10 days before the time fixed for the hearing. The adverse party prior to the day of hearing may serve opposing affidavits. The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. A summary judgment, interlocutory in character, may be rendered on the issue of liability alone although there is a genuine issue as to the amount of damages.

Rule 65. Injunctions

(a) Preliminary Injunction.

(1) Notice. No preliminary injunction shall be issued without notice to the adverse party.

(2) Consolidation of Hearing with Trial on Merits. Before or after the commencement of the hearing of an application for a preliminary injunction, the court may order the trial of the action on the merits to be advanced and consolidated with the hearing of the application. Even when this consolidation is not ordered, any evidence received upon an application for a preliminary injunction which would be admissible upon the trial on the merits becomes part of the record on the trial and need not be repeated upon the trial. This subdivision (a)(2) shall be so construed and applied as to save the parties any rights they may have to trial by jury.

(b) Temporary Restraining Order; Notice; Hearing; Duration. A temporary restraining order may be granted without written or oral notice to the adverse party or that party's attorney 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 that 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. Every temporary restraining order granted without notice shall be indorsed with the date and hour of issuance; shall be filed forthwith in the clerk's office and entered of record; shall define the injury and state why it is irreparable and why the order was granted without notice; and shall expire by its terms within such time after entry, not to exceed 10 days, as the court fixes, unless within the time so fixed the order, for good cause shown, is extended for a like period or unless the party against

whom the order is directed consents that it may be extended for a longer period. The reasons for the extension shall be entered of record. In case a temporary restraining order is granted without notice, the motion for a preliminary injunction shall be set down for hearing at the earliest possible time and takes precedence of all matters except older matters of the same character; and when the motion comes on for hearing the party who obtained the temporary restraining order shall proceed with the application for a preliminary injunction and, if the party does not do so, the court shall dissolve the temporary restraining order. On 2 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.

(c) Security. No 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. No such security shall be required of the United States or of an officer or agency thereof.

The provisions of Rule 65.1 apply to a surety upon a bond or undertaking under this rule.

(d) Form and Scope of Injunction or Restraining Order. Every order granting an injunction and every restraining order shall set forth the reasons for its 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 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.

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