

Second Circuit Rejects Presumption of Irreparable Harm in Copyright Cases, Signals Applicability of *Ebay* Injunction Standard to Trademark Infringement and Other Cases

In a ruling with significant implications for preliminary injunction motions in a variety of intellectual property and other cases, on April 30, 2010, the Second Circuit Court of Appeals held that the Supreme Court's decision in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), which articulated a four-factor test as to when a permanent injunction may issue in patent cases, and rejected any presumption of irreparable harm in the case of patent infringement, applied with equal force to preliminary injunctions in copyright cases. *Salinger v. Colting*, 2010 U.S. App. LEXIS 8956 (No. 09-2878) (2d Cir. Apr. 30, 2010). In so holding, the Court of Appeals confirmed that (1) the *eBay* injunction standard applies to preliminary injunctions as well as permanent injunctions; and (2) the Supreme Court's rejection of a presumption of irreparable harm in *eBay*, and *eBay*'s requirement that the plaintiff actually prove the threat of irreparable harm, applies to copyright claims as well as to all other claims, except those for which Congress has indicated irreparable harm may be presumed.

eBay involved the issuance of a permanent injunction after a finding of patent infringement, where the court below had applied a presumption of irreparable harm upon a showing of success on the merits, and had issued a permanent injunction. In *eBay*, the Supreme Court ruled unanimously that a four-part test must be satisfied before a permanent injunction can issue following a finding of liability: (1) that the plaintiff has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. 447 U.S. at 391. In particular, the Supreme Court rejected the application of any presumption of irreparable harm for purposes of obtaining an injunction against patent infringement.

In *Salinger*, the plaintiff moved for a preliminary injunction against publication of the defendant's work, which allegedly was an unauthorized derivative of *The Catcher in the Rye*. After finding that the plaintiff was likely to succeed on the merits of its claim for copyright infringement, the district court applied long-standing Second Circuit precedent to hold that irreparable injury was presumed in cases of copyright infringement and, accordingly, that a preliminary injunction was warranted.

The defendant appealed, arguing, *inter alia*, that it was improper for the district court to presume irreparable harm in light of *eBay*. Prior to *Salinger*, the Second Circuit had not directly addressed the scope of *eBay*, including whether it applied beyond the patent context and whether it applied to preliminary injunctions. District courts in the Second Circuit had split on *eBay*'s reach, with some decisions limiting it to patent cases and others applying it beyond patent cases to, for example, trademark infringement cases.

Vacating the district court's preliminary injunction, the Court of Appeals confirmed that *eBay* does apply to preliminary as well as permanent injunctions, and that *eBay*'s rejection of a presumption of irreparable harm applies to copyright (and, the Court suggests, most other) cases.

In so holding, the Court of Appeals noted that “nothing in the text or the logic of *eBay* suggests that its rule is limited to patent cases. On the contrary, *eBay* strongly indicates that the traditional principles of equity it employed are the presumptive standard for injunctions in any context.” Thus, the Court held, there is no basis to treat copyright cases differently than patent cases when it comes to not presuming irreparable harm and, in a footnote that apparently is intended to give the Second Circuit’s ruling broad applicability, stated there is also no basis to presume irreparable harm in most other cases. The Court of Appeals further reasoned that the *eBay* standard was not limited to permanent injunction cases, and noted the Supreme Court’s decision in *Winter v. Natural Resources Defense Council, Inc.*, 129 S. Ct. 365 (2008), where the Supreme Court applied *eBay* to an application for a preliminary injunction and held that the moving party was required to show not a mere possibility of irreparable harm, but a likelihood of such harm.

In view of *eBay* and *Winter*, the Court of Appeals held in *Salinger* that “a district court must undertake the following inquiry in determining whether to grant a plaintiff’s motion for a preliminary injunction in a copyright case[:]

First, as in most other kinds of cases in our Circuit, a court may issue a preliminary injunction in a copyright case only if the plaintiff has demonstrated ‘either (a) a likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly in the [plaintiff]’s favor.’ ...

Second, the court may issue the injunction only if the plaintiff has demonstrated ‘that he is likely to suffer irreparable injury in the absence of an injunction.’ ... The court must not adopt a ‘categorical’ or ‘general’ rule or presume that the plaintiff will suffer irreparable harm (unless such a ‘departure from the long tradition of equity practice’ was intended by Congress) Instead, the court must actually consider the injury the plaintiff will suffer if he or she loses on the preliminary injunction but ultimately prevails on the merits, paying particular attention to whether the ‘remedies available at law, such as monetary damages, are inadequate to compensate for that injury.’ ...

Third, a court must consider the balance of hardships between the plaintiff and defendant and issue the injunction only if the balance of hardships tips in the plaintiff’s favor

Finally, the court must ensure that the ‘public interest would not be disserved’ by the issuance of a preliminary injunction.”

In *Salinger*, the Second Circuit has made clear that, after *eBay*, “courts must not simply presume irreparable harm Rather, plaintiffs must show that, on the facts of their case, the failure to issue an injunction would actually cause irreparable harm.” At the same time, the Court of Appeals observed that “it may well be the case,” “as an empirical matter,” that most copyright plaintiffs who have shown a likelihood of success on the merits *will* be irreparably harmed absent preliminary injunctive relief. Plaintiffs, however, must prove such irreparable harm, and cannot rely on any presumptions in that regard.

As noted above, in *Salinger*, the Second Circuit also signaled in a footnote that the *eBay* standard, and its rejection of a presumption of irreparable harm, applies not only in copyright cases, but also in just about every other type of claim, unless Congress has enacted a different standard. “[A]lthough our holding here is limited to preliminary injunctions in the context of copyright cases, *eBay*’s central lesson is that, unless

Congress intended a ‘major departure from the long tradition of equity practice,’ a court deciding whether to issue an injunction must not adopt ‘categorical’ or ‘general’ rules or presume that a party has met an element of the injunction standard Therefore, although today we are not called upon to extend *eBay* beyond the context of copyright cases, we see no reason that *eBay* would not apply with equal force to an injunction in *any* type of case.” Clearly, the Second Circuit expects *eBay* to be applied to Lanham Act cases going forward.

Also of significance, the Second Circuit’s injunction standard set forth in *Salinger* continues to allow for a showing of less than an absolute likelihood of success on the merits in some cases. Thus, under the Second Circuit’s long-standing preliminary injunction test, a party must demonstrate, in addition to irreparable harm, *either* a likelihood of success on the merits, *or* a serious question going to the merits to make them a fair ground for trial, with a balance of hardships tipping decidedly in the plaintiff’s favor. The Second Circuit specifically addressed this aspect of its preliminary injunction standard in March 2010, when it reaffirmed the “serious questions” alternative standard and rejected the argument that recent Supreme Court decisions abrogated that standard. *See Citigroup Global Mkts., Inc. v. VCG Special Opportunities Master Fund Ltd.*, 598 F.3d 30 (2d Cir. 2010). In *Citibank*, the Court of Appeals explained that its “serious questions” standard is essentially another way to assess the moving party’s likelihood of success in cases where the court cannot determine with certainty the probability of success on the merits. In defense of its five-decade-old standard, the Court of Appeals emphasized the need for district courts to have “flexibility” in making rulings on preliminary injunctions, and concluded that the standard imposed at least as heavy a burden as the “likelihood of success” standard. Without citing *Citigroup*, the Court in *Salinger* has indicated that the “serious questions” alternative standard remains the law in the Second Circuit.

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The rejection of a presumption of irreparable harm in preliminary injunction cases in copyright (and, presumably, trademark infringement and false advertising cases under the Lanham Act) cases is of potentially great significance, although the real-world impact of the ruling will only become clear in time. Litigants and courts routinely presume irreparable harm when a copyright or trademark plaintiff has shown a likelihood of success on the merits of an infringement claim, and, relying on this presumption, plaintiffs often put in evidence of irreparable harm that is, at best, *pro forma*. *Salinger* should cause many litigants to focus greater efforts on the issue of irreparable harm, both in proving its threat and in refuting claims of such harm. *Salinger* does not, however, provide guidance as to the nature and quantum of evidence that will suffice to establish a threat of irreparable harm. The decision likely will result in an expansion in litigation over such proof, but it remains to be seen whether the decision will significantly affect the frequency with which courts find a likelihood of irreparable harm in preliminary injunction cases.

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