IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

AIRIGAN SOLUTIONS, LLC, Plaintiff, v. BELVIA, *et al*., Defendants.	Civil Action No. 20-284 (Judge Schwab) **FILED UNDER SEAL**

MEMORANDUM OF LAW IN SUPPORT OF PRELIMINARY INJUNCTION

Under attack from the online counterfeiters, Plaintiff filed this action fighting for its very life as a small business. Federal Courts presented with such issues have regularly granted preliminary injunctions freezing the counterfeiters' assets preventing the counterfeiters from secreting the assets and obviating the federal courts' orders. Margaret ("Bonnie") Tyler and Sheila Torgan are the co-owners of Airigan Solutions LLC, the owner of the patented NEGG® egg peeler exclusively manufactured in the United States by one factory. NEGG® is a registered trademark and the product is patented. *See Tyler Dec*., ¶¶7 - 8. The NEGG® is famous and distinct. *See Tyler Dec*., ¶¶ 9 -14. After Airigan began selling its product, low quality counterfeit versions began to show up on Amazon, and orders from Airigan plummeted as did profit and its reputation for quality products. *See Tyler Dec*., ¶¶ 17 - 18. *See Declaraton of Margaret Tyler ("Tyler Dec.")*, ¶¶ 18 - 19. *See Declaration of Brian Samuel Malkin* ("*Malkin Dec*."), ¶ 9. Plaintiff has already obtained a TRO and now seeks a Preliminary Injunction.

Plaintiff Has Proven all Four Factors for a Preliminary Injunction

A district court must evaluate the following four factors in deciding to enter a preliminary injunction[1]: (1) the extent to which the moving party will suffer irreparable harm without injunctive relief; (2) the likelihood that the moving party will succeed on the merits; (3) the extent to which the nonmoving party will suffer irreparable harm if the injunction is issued; and (4) the public interest. *See Clean Ocean Action v. York*, 57 F.3d 328, 331 (3d Cir. 1995).

1. Without an Injunction, Plaintiff Will Suffer Irreparable Harm

Courts may no longer presume irreparable harm upon a finding of infringement, *Salinger v. Colting,* 607 F.3d 68, 82 (2d Cir. 2010). However, lack of control over one's mark "creates the potential for damage to ... reputation[, which] constitutes irreparable injury for the purpose of granting a preliminary injunction in a trademark case." *Opticians Ass'n of Am. v. Indep. Opticians of Am.,* 920 F.2d 187, 196 (3d Cir.1990). Thus, "trademark infringement amounts to irreparable injury as a matter of law." *S & R Corp. v. Jiffy Lube Int'l, Inc.*, 968 F.2d 371, 378 (3d Cir.1992).; *see also Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 169 (3d Cir.2000 ("potential damage to ... reputation or goodwill or likely confusion between parties' marks" is irreparable injury).

Defendants' counterfeiting activities deny Plaintiff its fundamental right to control the quality of the goods sold under its marks. *See Zino Davidoff SA v. CVS Corp.,* 571 F.3d 238, 243 (2d Cir. 2009 (affirming district court's grant of preliminary injunction) (quoting *El Greco*

[1] The "standards which govern consideration of an application for a temporary restraining order are the same standards as those which govern a preliminary injunction." *Local 1814, Int'l Longshoremen's Ass'n v. N.Y. Shipping Ass'n, Inc.,* 965 F.2d 1224, 1228 (2d Cir. 1992). *See also Hall v. Johnson*, 599 F. Supp. 2d 1, 6 n. 2 (D.D.C. 2009; *accord Sterling Commercial Credit-Michigan, LLC v. Phoenix Industries I, LLC*, 762 F. Supp.2d 8 (D.D.C. 2011; *Coalition for Parity, Inc. v. Sebelius*, 709 F. Supp. 2d 6 (D.D.C. 2010. Thus, having met the standard for a temporary restraining order, it is respectfully submitted that Plaintiff meets the standard for a preliminary injunction.

Leather Products Co. v. Shoe World, Inc., 806 F.2d 392, 395 (2d Cir. 1986, *cert. denied,* 484 U.S. 817 (1987). Defendants are offering their substandard Counterfeit Products, often in wholesale quantities, at significantly below market prices with which Plaintiff cannot compete given the high-quality materials and construction necessary to manufacture the NEGG® egg peeler. *See Tyler Dec.,* ¶¶ 19 - 24; *Malkin Dec.,* ¶¶ 11 - 12 and *Groupe SEB USA v. Euro-Pro Operating LLC*, 774 F.3d 192 (3d Cir. 2014 (irreparable harm caused by large volume of sales of cheaper inferior counterfeits that would harm the trademark owner's reputation). Also, the substandard knock-offs may injure a purchaser who may then blame that injury on Plaintiff, creating civil liability and reputation damage. *See Tyler Dec.*, ¶ 24. Thus, this factor weighs heavily in Plaintiff's favor.

2. Plaintiff is Likely to Prevail on the Merits of its Lanham Act Claims

In order to establish a likelihood of success on trademark infringement claims, a plaintiff must show: (1) that its marks are valid and entitled to protection, and (2) that defendants' use of plaintiff's marks is likely to cause confusion. In order for a party to prevail on a claim of trademark or service mark infringement under Section 1114 and the common law, the party must establish that (1) the mark is valid and legally protectable, (2) the mark is owned by the plaintiff and (3) use of the same mark by the defendant is likely to create confusion among the relevant consumers. *See, e.g., Clean Ocean Action v. York*, 57 F.3d 328, 331 (3d Cir. 1995). *See also Fisons Horticulture, Inc. v. Vigoro Indus., Inc.,* 30 F.3d 466, 472 (3d Cir.1994.

To begin, the Plaintiff's federal trademark registration provides *prima facie* evidence of both the validity and Plaintiff's ownership. 15 U.S.C. § 1057(b). In the Third Circuit, likelihood of confusion is assessed by the so-called *Lapp* factors first enunciated in *Scott Paper Co. v. Scott's Liquid Gold, Inc.,* 589 F.2d 1225, 1229 (3d Cir. 1978. Here, each of the factors favor Plaintiffs: (1)

the strength of Plaintiffs' Marks; (2) the degree of similarity between the Plaintiffs' Marks and Defendants' marks; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time the defendant has used the mark without evidence of actual confusion; (5) the intent of the defendant in adopting the mark; (6) actual confusion; (7) the similarity of the channels of trade; (8) the extent to which the targets of the parties' sales efforts are similar; (9) the relationship of the goods in the minds of consumers; and (10) other factors suggesting that consumers might expect the trademark owner to manufacture both products, or manufacture a product in the defendant's market.

To establish federal trademark counterfeiting, the record must show that (1) the defendants infringed a registered trademark in violation of the Lanham Act, 15 U.S.C. § 1114(1)(a), and (2) intentionally used the trademark knowing it was counterfeit or was [sic] willfully blind to such use." *Louis Vuitton Malletier and Oakley, Inc. v. Veit,* 211 F. Supp. 2d 567, 580–81 (E.D. Pa. 2002 (citing *Playboy Enter., Inc. v. Universal Tel–A–Talk, Inc.,* 1998 WL 767440, *7 (E.D.Pa., Nov. 3, 1998).

Moreover, courts repeatedly hold that, "where counterfeit marks are involved, it is not necessary to perform the step-by-step examination of each factor because counterfeit marks are inherently confusing." *Lorillard Tobacco Co. v. Jamelis Grocery, Inc.,* 378 F. Supp. 2d 448, 455 (S.D.N.Y. 2005; *see also Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003. A counterfeit mark is defined in the Lanham Act as a "spurious mark which is identical with, or substantially indistinguishable from, a registered mark" on the Principal Register of the U.S. Patent and Trademark Office, used by an unauthorized producer. *See* 15 U.S.C. §§ 1116(d) and 1127. Plaintiffs have established that: (1) the marks used by Defendants on the Infringing Websites to sell their Counterfeit Products are identical to or substantially indistinguishable from Plaintiffs' Mark; and (2) Defendants' use of Plaintiffs' Marks to sell their Counterfeit Products is not authorized by Plaintiffs. Consumers are being deceived by unwittingly purchasing the lower-quality

Counterfeit Products. As such, Plaintiffs have demonstrated that consumers are likely to be confused as to the source of Defendants' Counterfeit Products and that consumers are actually being confused by Defendants' sale of Counterfeit Products on the Infringing Websites.

Finally, because Plaintiff has shown that it is likely to prevail on its trademark counterfeiting and trademark infringement claims, Plaintiff has also shown that it will likely prevail on its claims for false designation of origin, passing off and unfair competition. Trademark infringement claims under § 32(1) of the Lanham Act, and federal unfair competition claims under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a, are considered under the same standard. The analysis of common law trademark infringement is governed by the same standards as federal trademark infringement. *A &H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 201-11 (3d Cir. 2000). Like other courts, the Third Circuit Court of Appeals recognizes that such behavior violates § 43(a) of the Lanham Act, 15 U.S.C. § 1125 (a.). *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.,* 269 F.3d 270, 294–95 (3d Cir. 2001). This particular type of passing off, "initial interest confusion," is prohibited by the Lanham Act because without such protection, "an infringer could use an established mark to create confusion as to a product's source thereby receiving a 'free ride on the goodwill' of the established mark." *Id.*

a. Plaintiff's Marks are Strong and Distinctive

In determining the strength of a mark, the Third Circuit has repeatedly applied a two-prong test of (1) the distinctiveness or conceptual strength of the mark; and (2) the commercial strength or marketplace recognition of the mark." *A & H Sportswear,* 237 F.3d at 221; *Fisons, 30 F.3d at 478-79*. The Plaintiff's Marks are distinct as applied to the goods with which they are associated and as used in connection with Plaintiff's NEGG® product, which has achieved

recognition and fame. *See Tyler Dec.,* ¶¶ 9 - 14. Additionally, Plaintiff's federal trademark registrations for its NEGG® mark further demonstrate the strength of the same. *See id. See also Lois Sportswear,* U.S.*A., Inc. v. Levi Strauss & Co.,* 799 F.2d 867, 871 (2d Cir. 1986). Thus, this factor weighs in Plaintiff's favor since Plaintiff owns a trademark registration.

b. Defendants' are Using Virtually Identical Marks on Their Knock-Offs

As demonstrated in the record, Defendants are using Plaintiff's Mark on the knock-off products and/or Defendants' User Accounts and Merchant Storefronts. Defendants' Counterfeit Products look as much like the Plaintiff's Products as possible, without the quality and workmanship of the Plaintiff's Products. This factor weighs in favor of Plaintiff.

c. Defendants' Products Directly Compete with the Plaintiff's Product

In considering the proximity of the products in the market, the concern is "competitive proximity," meaning "whether and to what extent the two products compete with each other." *Cadbury Beverages Inc. v. Cott Corp.,* 73 F.3d 474, 480 (2d Cir. 1996). In assessing the proximity of the parties' products, courts "look to the nature of the products themselves and the structure of the relevant market. Among the considerations germane to the structure of the market are the class of customers to whom the goods are sold, the manner in which the products are advertised, and the channels through which the goods are sold." *Id.* (citations and internal quotations omitted). "[T]he closer the secondary user's goods are to those the consumer has seen marketed under the prior user's band, the more likely that the consumer will mistakenly assume a common source." *Virgin Enterprises v. Nawab,* 335 F.3d 141, 150 (2d Cir. 2003. Here, the Defendants and Plaintiff are selling to the same class of consumer.

Further, Defendants are offering for sale and selling products that are virtually identical in kind, but not in quality to the Plaintiff's Products, bearing counterfeit and/or infringing marks in the same class of goods under which Plaintiff sells its products, they are already in competitive proximity. Thus, likelihood of confusion is inevitable, when, as in this case, the identical mark is used concurrently by unrelated entities. *See also* 2 *McCarthy,* § 23:3 ("Cases where a defendant uses an identical mark on competitive goods hardly ever find their way into the appellate reports. Such cases are 'open and shut' and do not involve protracted litigation to determine liability for trademark infringement.").

d. Actual Confusion Can Be Inferred

Seeing as Defendants are offering for sale and/or selling knock-offs under the Plaintiff's Mark, or a confusingly similar mark, actual confusion can be inferred. *Ray Dec*., ¶ 2 and Composite Exhibit 1. Moreover, actual confusion exists in this case. *See Tyler Dec.* ¶ 24. Notwithstanding, only a likelihood of confusion is required to obtain equitable relief. *See Opticians Ass'n of America,* 920 F.2d 187, 195 (citations omitted). *See also Warner Bros., Inc. v. Gay Toys, Inc.,* 658 F.2d 76, 79 (2d Cir. 1981) ("To obtain an injunction in a trademark case the plaintiff need show 'only a likelihood of confusion or deception ... in order to obtain equitable relief'").

e. Defendants Acted in Bad Faith

Given that Defendants are using virtually identical marks to the Plaintiff's Mark for for sale of virtually identical products, it can be presumed that Defendants intended to trade off the goodwill and reputation of Plaintiff, its NEGG® Product and its Mark. *See Kraft Gen. Foods, Inc. v. Allied Old English, Inc.,* 831 F. Supp. 123, 132 (S.D.N.Y. 1993) ("When a company

appropriates an identical mark that is well known and has acquired a secondary meaning, an inference can be drawn that the company intends to capitalize on the goodwill and reputation of the mark as well as any confusion that might result concerning the common origin of that mark and the senior user's product.").

f. Defendants' Counterfeit Products Are of Inferior Quality

The Plaintiff's NEGG® egg peeler is manufactured with high quality materials. *See Tyler Dec.* ¶ 15. Plaintiff has not granted any of the Defendants the right to use its mark nor to sell knock-offs of its egg peeler. *See Tyler Dec.* ¶ 23. Hence, Defendants have encroached on Plaintiff's right to control the quality of the goods manufactured and sold under the Mark. *See Groupe SEB USA v. Euro-Pro Operating LLC*, 774 F.3d 192 (3d Cir. 2014). In light of the above, this factor further supports a finding of likelihood of confusion.

g. The Sophistication of Purchasers

Ordinary "retail customers," (i.e., the consumers of Plaintiff's and Defendants' products), "are not expected to exercise the same degree of care as professional buyers, who are expected to have greater powers of discrimination." *See Virgin Enterprises,* 335 F.3d at 151) (quoting district court); *Fisons,* 30 F.3d at 478–79. Thus, this factor favors Plaintiff's likelihood of success on its Lanham Act claims.[2]

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[2] Because Plaintiff has shown a likelihood of success on its Lanham Act claims, Plaintiff has also shown a likelihood of success on its common law deceptive trade practices, false advertising, unfair competition and unjust enrichment claims. *Mateson Chemical Corp.,* 2000 WL 680020, at *5 n. 7. *See also Advance Magazine Publrs. Inc.*, 123 F. Supp. 2d at 795 (citing *A &H Sportswear, Inc.*, 237 F.3d at 201-11.

4. Plaintiff is Likely to Prevail on its Patent Infringement Claim

Plaintiff has established a likelihood of success on patent infringement. Section 271(a) of the Patent Act provides "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the U.S. or imports into the U.S. any patented invention during the term of the patent therefor, infringes the patent." 35 U.S.C. § 271(a).

Plaintiff owns a U.S. patent for its unique NEGG® product, U.S. Patent No. 9,968,211 ("the '211 patent"). *Tyler Dec.*, ¶ 8. "Each issued patent carries with it a presumption of validity under 35 U.S.C. § 282." *Tinnus Enters., LLC v. Telebrands Corp.*, 846 F.3d 1190, 1205 (Fed. Cir. 2017). "This presumption is sufficient to establish a likelihood of success on the validity issue, absent a challenge by the accused infringer." *Id.* To show infringement, Plaintiff submits a detailed infringement claim chart for Plaintiff's '211 patent. *Ference Dec*., Ex. 1. Thus, Plaintiff has shown it is likely to prevail on its patent infringement claims.

5. The Balance of Hardships Favors Plaintiff

The balance of hardships unquestionably and overwhelmingly favors Plaintiff in this case. Here, as described above, Plaintiff has suffered, and will continue to suffer, irreparable harm to its business, the value, goodwill and reputation built up in and associated with the Plaintiff's Mark and to its reputation as a result of Defendants' willful and knowing sales of substandard imitations of the Plaintiff's NEGG® Product. *See Tyler Dec.,* ¶¶ 25 - 29. Any harm to Defendants would be the loss of Defendants' ability to offer their Counterfeit Products for sale, or, in other words, the loss of the benefit of being allowed to continue to unfairly profit from their illegal and infringing activities. "Indeed, to the extent defendants 'elect[] to build a business on products found to infringe[,] [they] cannot be heard to complain if an injunction

against continuing infringement destroys the business so elected." *Windsurfing Intern, Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986); *Philip Morris USA Inc. v. 5 Bros. Grocery Corp.,* No. 13-cv-2451- DLI/SMG, 2014 U.S. Dist. LEXIS 112274 (E.D.N.Y. Aug. 5, 2014).

6. Entering the Injunction Will Serve the Public Interest

The public interest will be served by the issuance of a preliminary injunction. In a trademark case, public interest is most often a synonym for the right of the public not to be deceived or confused. *See Bill Blass, Ltd. v. Saz Corp.,* 751 F.2d at 156 (there is a public interest in the protection of the trademark and to avoid confusion in the public). Here, the public has an interest in being able to rely on the high quality of the Plaintiff's Products bearing and/or sold in connection with the NEGG® Marks. Since Defendants have willfully and knowingly inserted substandard Counterfeit Products into the marketplace, the public would benefit from a preliminary injunction halting any further sale and distribution of Defendants' Counterfeit Products. *See Tyler Dec.,* ¶¶ 25 - 29.

CONCLUSION

For the reasons set forth above, Plaintiff respectfully requests that the Court enter the preliminary injunction against Defendants, Amazon Payments, Inc. d/b/a Amazon Pay and Amazon Services LLC d/b/a Amazon.com.

Respectfully submitted,
FERENCE & ASSOCIATES LLC

Dated: March 3, 2020

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