UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

ZENITH PRODUCTS CORPORATION, Plaintiff, v. CKC INTERNATIONAL, LLC; SWIFT TOWING AND SALVAGE, INC.; BOBBY'S DEPARTMENT STORE, INC.; S.W. GROUP LLC.; and JOHN DOES 1 THROUGH 5, Defendants.	)))))))))))))	Civil Action No. 09-103(DRD) **JURY TRIAL DEMANDED**

MEMORANDUM OF LAW IN SUPPORT OF PLAINTIFF'S
MOTION FOR A TEMPORARY RESTRAINING ORDER

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PRELIMINARY STATEMENT

Plaintiff Zenith Products Corporation ("Plaintiff" or "Zenith") respectfully submits this Memorandum of Law in support of its motion for a temporary restraining order. Zenith brings this action to protect its reputation and goodwill in the face of outrageous conduct by the defendants, who knowingly took inferior, defective goods bearing the Zenith trademarks, and for whose destruction Zenith had explicitly arranged, and, without authorization or knowledge of Zenith, attempted to sell those damaged goods to unsuspecting customers throughout the region at deeply discounted prices, passing them off as genuine Zenith merchandise. This action arises out of the unauthorized distribution and sale of those defective goods in violation of Section 32 of the Lanham Trademark Act, 15 U.S.C. § 1114; the use of false designations of origin, false descriptions and unfair competition in violation of Section 43(a) of the Lanham Trademark Act, 15 U.S.C. § 1125(a); federal dilution in violation of Section 43(a) of the Lanham Trademark Act, 15 U.S.C. § 1125(c); related claims of breach of contract, common law trademark infringement and unfair competition, deceptive trade practices, and injury to business reputation and dilution under applicable state law; and breach of contract.

Zenith is America's leading manufacturer of bathroom storage and organization products for the retail market. On or about September 2008, a large quantity of Zenith's products failed Zenith's stringent quality control standards due to the presence of rust on inferior quality steel. As a result of these defects, Zenith contracted with defendant Swift Towing and Salvage, Inc. ("Swift Towing"), to dispose of the inferior quality product. The parties agreed that Swift Towing would separate out the metal parts for salvage and would separately dispose of the glass and packing materials.

In December 2008, however, Zenith discovered that the inferior quality product bearing Zenith's federally registered trademarks was being sold in retail stores in New York, including in stores owned by defendants Bobby's Department Store, Inc. ("Bobby's Department Store") and S.W. Group LLC ("Shoppers World"). Confronting Swift Towing, Zenith learned that Swift Towing had, without authorization, sold the inferior quality product to one or more entities, unknown to Zenith and so designated John Doe 1 through 5, which had in turn sold the inferior quality products to defendant CKC International, LLC ("CKC"), a distributor. CKC, in turn, knowingly offered for sale and sold the inferior product at a substantially discounted price while misleading customers to believe that they were purchasing genuine Zenith products. Additionally, CKC, in at least one instance, made false and misleading statements to retailers concerning the source of the inferior quality product. These false and misleading statements injured Zenith's reputation. As a direct result of defendants' conduct, Plaintiff will be irreparably harmed unless this Court grants a temporary restraining order and preliminarily enjoins defendants from further distribution and sale of Plaintiff's defective, non-genuine products.

Plaintiff submits this memorandum of law in support of its application for a temporary restraining order pursuant to Rule 65 of the Federal Rules of Civil Procedure, the Lanham Trademark Act and the law of the States of Delaware, New Jersey and New York, enjoining defendants CKC, Swift Towing, Bobby's Department Store, and Shoppers World (collectively "defendants") from continuing to distribute and sell or cause to be sold any of the inferior quality product bearing Zenith's trademarks.

STATEMENT OF FACTS[1]

A. Zenith's Business in the Bathroom Accessories Market

Zenith sells bath and storage cabinets and bathroom accessories such as metal furniture including floor stands and space savers, bath caddies, soap dishes, shower rods and toothbrush holders under the trademark ZENITH and other related federally registered and common law trademarks (the "Marks"). Zenith's federally registered trademarks are the subjects of United States Trademark Registration Numbers 1602321, 2236008, 2409231, 2691444, 2767281, 2803171, 2845855, 3212192 and 3265217. The registrations are valid and subsisting, uncancelled and unrevoked, and Zenith is the owner of them. The Zenith Marks are arbitrary and fanciful marks that are associated with Zenith in the minds of consumers, the public and the trade. These Marks have been used by Zenith and its predecessors for many years on and in connection with Zenith products and identify high quality products originating with Zenith. The high quality of Zenith products are a result, in part, of the exacting quality control measures, as discussed, *infra*, which Zenith employs.

As a result of Zenith's extensive advertising, sales and the wide popularity of Zenith's products, the Zenith Marks have acquired secondary meaning so that any product and advertisement bearing these marks is immediately associated by consumers, the public and the trade as being a product and affiliate of Zenith. Zenith has gone to great lengths to protect its name and enforce the Zenith Marks. Zenith has been in business for 50 years, and today sells its product to the nation's largest retailers, including Wal-Mart, Home Depot, Lowe's and Target. Zenith pays these and other major retailers to advertise Zenith products throughout the year.

[1] All facts set forth herein are authenticated in the Certifications of Stephen A. Wolff, dated January 8, 2009, and Richard Reiss, dated January 9, 2009, and Ronald D. Coleman, Esquire, dated January 9, 2009, and filed herewith, and the Verification of Joseph J. Mahon, attached to the Verified Complaint.

Zenith also sells to many independent bath store chains in New York, including chains that have been solicited by defendant CKC, as referenced further below. Zenith's products are sold nationwide, as well as in Mexico and Canada, through tens of thousands of retail stores. In 2007, Zenith's gross sales were in excess of $200 Million. The merchandise sold by Zenith and bearing the ZENITH trademark and other Marks is manufactured by Zenith as well as by various manufacturers according to close specifications provided by Zenith.

In order to maintain Zenith's reputation of supplying high quality products, Zenith maintains and enforces rigorous quality standards for the products that bear its ZENITH Marks. Before authorizing the shipment of any products received from its contract manufacturers to its retail customers, Zenith inspects and tests a percentage of the product for overall appearance and quality in accordance with Zenith's standards. If this inspection reveals any departures from Zenith's specifications, Zenith then inspects and tests a higher percentage of the product. Following these cycles of inspection, Zenith separates good product from bad, and releases only the merchandise meeting its quality control standards to distributors and retailers for resale to consumers. Because the product is custom made for Zenith and bears the Zenith Marks, Zenith is particular to insure that the rejected product that does not meet Zenith's quality control standards does not enter into the stream of commerce. As a matter of policy, Zenith arranges for rejected product to be destroyed, sold for salvage or otherwise disposed of in a manner that prevents any compromise among the purchasing public and the trade of the high value of the Zenith Marks. This procedure of selling superficially saleable merchandise for the nominal value of salvage material is costly to Zenith, but Zenith makes this investment in order to maintain the reputation of its merchandise and to protect the Zenith Marks.

B. Certain Batches of Zenith Products Do Not Pass Quality Control

Beginning in or about September 2008, Zenith discovered that certain batches of metal products included merchandise with rust dust inside the tubes that was clearly visible when opening the packages, rendering them unacceptable for sale bearing the Zenith Marks ("Defective Product"). In humid bathroom settings where Zenith's products are used, the Defective Products would quickly rust on the outside, almost certainly resulting in consumer complaints, dissatisfaction and demands for refund or replacement. As a result, Zenith determined that the poor quality of the Defective Product would be highly relevant to consumers deciding whether to purchase the product, and thus that marketing the Defective Product bearing Zenith Marks would injure Zenith's goodwill. For these reasons, the Defective Product was materially different from genuine Zenith merchandise, although it appeared superficially similar.

Because the Defective Product did not pass Zenith's quality control standards, Zenith arranged for its disposal through an agreement with defendant Swift Towing. Swift Towing represented itself to Zenith as a steel scrap dealer. It agreed to purchase the Defective Product from Zenith for salvage and assured Zenith that it would separate the metal from the paper and plastic, salvage the steel and dispose of the rest. It paid only fractions of pennies on the dollar compared to the cost of Zenith product in marketable condition. Between approximately September 5, 2008 and November 25, 2008, Zenith sold approximately thirty (30) truckloads of Defective Product to Swift Towing. Because of the crash in the world market for recycled steel during that time frame, after the fifteenth load Zenith and Swift Towing reduced the contract price for the Defective Product from $0.12 per pound to only $0.03 per pound. In contrast, Zenith sells its marketable product per unit and not per pound, but a rough estimate of the value of Zenith's marketable product on a per pound basis would be at least $8 per pound.

C. Zenith Discovers the Unauthorized Sale of Defective Product in Retail Stores

On or about December 9, 2008, Zenith learned that Defective Product was being sold in the New York City area by several retail stores, including stores operated by defendants Shoppers World and Bobby's Department Store. The Shoppers World price stickers indicated that the vendor was defendant CKC. In an effort to determine how the Defective Product had been introduced into the stream of commerce, Zenith personnel confronted Swift Towing's principal, Ronald Bennett. Mr. Bennett confirmed that Swift Towing had sold four (4) truckloads of Defective Product to a product wholesaler in Pittsburgh, Pennsylvania. Mr. Bennett was unwilling to identify the buyer, which is designated herein as defendants John Doe 1 through 5.

Zenith immediately demanded that Swift Towing sell no more of the Defective Product and produce an accounting of the model numbers and quantities sold. Mr. Bennett agreed that Swift Towing would not sell the remaining Defective Product and would provide an accounting of what had been sold, but to date, Zenith has not received such an accounting and believes that Swift Towing continues to possess and control approximately twenty-six (26) truckloads of Defective Product. Defendant Doe knew well that the Defective Product was not genuine Zenith product and had been sold for salvage, but it nevertheless sold the Defective Product to defendant CKC for resale to consumers. Defendant CKC also was well aware that the Defective Material had been sold for salvage and not for resale, as evidenced when CKC first lied to the buyer at Conway Stores about the product's origin and later admitted that the material came from Swift Towing. On information and belief, Doe remains in possession of at least part of one truckload of Defective Product.

D. Defendant CKC's Unauthorized Distribution of Defective Product

Defendant CKC is a distributor of products that compete in the market with genuine Zenith products. CKC was well aware that the Defective Product was not genuine Zenith product. Nevertheless, CKC marketed and sold such products to retail stores for resale to consumers, among others, defendants Shoppers World and Bobby's Department Store, which in turn have sold or attempted to sell Defective Product to consumers. Defendant CKC falsely and fraudulently represented to one of Zenith's retail customers, Conway Stores, that it had purchased the Defective Product from a "public warehouse" where Zenith allegedly had stored the product but failed to pay its bills, and whose owner was selling the Defective Product to satisfy Zenith's obligation.

E. Defendants' Continued Infringement

Zenith, through its attorneys, sent cease and desist letters to defendant Swift Towing on December 15, 2008 and to defendants CKC, Bobby's Department Store and Shoppers World on December 16, 2008. Despite the communications from Zenith's counsel, defendants have continued their infringing conduct in violation of federal and state laws and have refused to cease such activities.

ARGUMENT

I. ZENITH IS ENTITLED TO A TEMPORARY RESTRAINING ORDER

To be entitled to a temporary restraining order, a plaintiff must establish that, absent such relief, there is a threat of "imminent, irreparable injury." *Emerald Partners v. Berlin*, 712 A.2d 1006, 1008 n.5 (1997), *aff'd*, 726 A.2d 1215 (Del. 1999). In order to secure a preliminary injunction, a plaintiff must demonstrate that: (1) he is likely to succeed on the merits of his claims; (2) he will suffer irreparable harm if a preliminary injunction is not granted; (3) any harm that defendants may suffer is outweighed by the harm to plaintiff if no preliminary injunction is issued; and (4) the public interest is advanced by the grant of the preliminary injunction. *Bennington Foods LLC v. St. Croix Renaissance Group, LLP*, 528 F.3d 176, 179 (3d Cir. 2008); *Clean Ocean Action v. York*, 57 F.3d 328, 331 (3d Cir. 1995); *Opticians Ass'n of America v. Independent Opticians of America*, 920 F.2d 187, 191-92 (3d Cir. 1990); *Marsellis-Warner Corp. v. Rabens*, 51 F. Supp. 2d 508, 520 (D.N.J. 1999).

A. Zenith Is Likely to Succeed on the Merits of Its Claim(s)

1. Infringement of Federally Registered Trademarks Under 15 U.S.C. § 1114

Zenith will likely succeed on its claim of trademark infringement under 15 U.S.C. § 1114(1),[2] because defendants' actions have caused direct confusion in the marketplace.

> A plaintiff's trademark is protected by federal law against infringement by use of colorable imitations of the mark which are likely to cause confusion, or to cause mistake, or to deceive. The central inquiry is whether there is a likelihood of confusion, a likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question, or that there may be confusion as to plaintiff's sponsorship or endorsement of the junior mark.

Hormel Foods Corp. v. Jim Henson Prods., 73 F.3d 497, 502 (2d Cir. 1996) (internal citations and quotations omitted); *Freedom Card, Inc. v. JPMorgan Chase & Co.*, 432 F.3d 463, 469 (3d Cir. 2005) (holding that trademark law protects the exclusive use of the trademark by the owner

[2] Section 32(1) of the Lanham Act pertaining to trademark infringement states in pertinent part

> 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 or any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; … shall be liable in a civil action by the registrant. …

15 U.S.C. § 1114(1)(a).

where use of such mark would cause confusion); *Sanofi-Aventis, Inc. v. Advancis Pharm. Corp.*, 453 F. Supp. 2d 834, 847 (D. Del. 2006) (same). The Third Circuit has articulated certain elements a plaintiff must establish in order to succeed on a trademark infringement claim: "(1) the mark is valid and legally protectable; (2) the mark is owned by the plaintiff; and (3) the defendant's use of its mark is likely to create confusion concerning the origin of the goods or services." *Freedom Card*, 432 F.3d at 470; *see also Sanofi-Aventis*, 453 F. Supp. 2d at 847.

The Third Circuit has analyzed claims for trademark infringement under the ten-factor *Lapp* test in order to determine the likelihood of confusion in the marketplace. *Sanofi-Aventis*, 453 F. Supp. 2d at 847. The ten factors are:

1. the degree of similarity between the owner's mark and the alleged infringing mark;

2. the strength of the owner's mark;

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 arising;

5. the intent of the defendant in adopting the mark;

6. the evidence of actual confusion;

7. whether the goods, competing or not competing, are marketed through the same channels of trade and advertised through the same media;

8. the extent to which the targets of the parties' sales efforts are the same;

9. the relationship of the goods in the minds of the consumers, whether because of the near-identity of the products, the similarity of function, or other factors; and

10. other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market, or expect a prior owner is likely to expand into the defendant's market.

Freedom Card, 432 F.3d at 470-71; *Sanofi-Aventis*, 453 F. Supp. 2d at 847-48. No one factor is determinative, each factor should be weighed and balanced together and not all of the factors need to be present to succeed on a claim for trademark infringement. *Freedom Card,* 432 F.3d at 471; *Sanofi-Aventis*, 453 F. Supp. 2d at 848. "The essence of a direct confusion claim is that a junior user of a mark attempts to free-ride on the reputation and goodwill of the senior user by adopting a similar or identical mark." *Freedom Card*, 432 F.3d at 470 (3d Cir. 2005).

Zenith has placed in the record a more than adequate factual basis for this Court to conclude that it will likely prevail on its claim of trademark infringement. There can be no question as to Zenith's ownership of the Marks, and it is clear under the facts set forth in the record on this motion that retail consumers would be confused as to the sponsorship of the Defective Product and erroneously would believe that the Defective Product was genuine, authorized Zenith merchandise. Additionally, the price disparity – and hence opportunity for great profit – plus the record of deliberate misrepresentation here demonstrate that defendants' actions were willful and deliberate and were done with an intent to reap the benefit of Zenith's goodwill. In addition to the loss of goodwill, Zenith would incur a substantial cost in replacing the Defective Product when consumers called to complain and request replacement.

2. Contributory Infringement of Federally Registered Trademarks

Zenith will likely prevail on its contributory infringement claim, as the facts demonstrate that defendants Swift Towing, Doe and CKC supplied Defective Product to distributors or retailers, including defendants Shoppers World and Bobby's Department Store, with the knowledge or intent that such distributors or retailers, or their customers, would infringe Zenith's exclusive rights in the Marks. *See Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854 (1982) ("[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 or distributor is contributorily responsible for any harm done as a result of the deceit."). Zenith has suffered and, unless the conduct is enjoined, will continue to suffer irreparable harm as a result of such conduct.

3. False Designations of Origin, False Representations and Unfair Competition Under 15 U.S. C. § 1125(a)

By selling or attempting to sell the Defective Product as if it were genuine Zenith merchandise, defendants have confused and deceived the public into believing that Zenith permitted this conduct and thereby endorsed, sponsored or otherwise approved of the sale of Defective Product. Accordingly, Section 43(a) of the Lanham Trademark Act, 15 U.S.C. § 1125(a), provides an additional and independent ground for granting preliminary injunctive relief. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28-29 (2003).

Defendants clearly made false or misleading representations when they presented Defective Product as genuine Zenith merchandise. These false and misleading statements actually deceived, and are likely to deceive, customers as to the affiliation, connection or association of defendants with Zenith, or as to whether Zenith had sponsored, approved or authorized defendants' sale of the Defective Product. Such false and misleading statements are material, in that they have influenced and are likely to influence customer purchasing decisions.

Section 43(a) of the Lanham Trademark Act pertaining to unfair competition states in relevant part

> Any person who, on or in connection with any goods or services, … uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, … shall be liable in a

> civil action by any person who believes that he or she is or is likely to be damaged by such act. …

15 U.S.C. § 1125(a). In order to succeed on an unfair competition claim under Section 43 of the Lanham Trademark Act, a plaintiff must establish that:

> (1) the defendant made a false or misleading statement of fact in commercial advertising or promotion about the plaintiff's goods or services; (2) the statement actually deceives or is likely to deceive a substantial segment of the intended audience; (3) the deception is material in that it is likely to influence purchasing decisions; (4) the defendant caused the statement to enter interstate commerce; and (5) the statement results in actual or probable injury to the plaintiff.

Accenture Global Services GMBH v. Guidewire Software Inc., C.A. No. 07-826-SLR, 2008 U.S. Dist. LEXIS 79958, at *29 (D. Del. Oct. 8, 2008).

Zenith is likely to succeed on its claim under 15 U.S.C. § 1125(a) based on the facts presented in the verified complaint. *See A&H Sportswear, Inc., v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 210 (3d Cir. 2000) (noting that federal trademark infringement claims and unfair competition claims are measured under the same standard). CKC made false or misleading statements to customers concerning Defective Product, leading certain customers to believe that the products that CKC was offering for sale were genuine Zenith products. The verified complaint further establishes that CKC falsely represented to one of Zenith's retail customers, Conway Stores, that it had purchased the Defective Product from a "public warehouse" where Zenith had stored the product but had failed to pay its bills, and whose owner was thus selling the Defective Product to satisfy Zenith's obligation.

4. Federal Dilution Under 15 U.S. C. § 1125(c)

Zenith will likely succeed in proving its claims of dilution under 15 U.S.C. § 1125(c), which states in pertinent part:

> The owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by…tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

15 U.S.C. § 1125(c)(1). The dilution doctrine, as explained by the Third Circuit, "is founded upon the premise that a gradual attenuation of the value of a famous trademark, resulting from another's unauthorized use, constitutes an invasion of the senior user's property rights in its mark and gives rise to an independent commercial tort for trademark dilution." *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 163 (3d Cir. 2000).

The allegations in the verified complaint support the elements necessary to establish a *prima facie* claim of federal dilution, which are:

> (1) The plaintiff is the owner of a mark that qualifies as a "famous" mark in light of the totality of the eight factors listed in § 1125(c)(a), (2) The defendant is making commercial use in interstate commerce of a mark or trade name, (3) defendant's use began after the plaintiff's mark became famous, and (4) Defendant's use causes dilution by lessening the capacity of the plaintiff's mark to identify and distinguish goods or services.

Times Mirror Magazines, 212 F.3d at 163.

As demonstrated in the verified complaint, the ZENITH trademark has become popular, is recognized nationally, and by reason of Zenith's extensive advertising and use thereof, is highly distinctive of Zenith's products. This trademark is also famous as defined by 15 U.S.C. § 1125(c).[3] Zenith has no control over defendants' use of the ZENITH trademark, and

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[3] The eight non-exclusive factors, as defined by 15 U.S.C. § 1125(c), in determining whether a trademark is "famous" are

(A) the degree of inherent or acquired distinctiveness of the mark;
(Continued …)

because of the inferior quality of the Defective Product, defendants' unauthorized use has diluted or is likely to dilute the distinctive quality of the ZENITH trademark and has caused or is likely to cause injury to Zenith's business reputation. *See Hormel Foods*, 73 F.3d at 506 ("Dilution is grounded on the idea that a trademark can lose its 'ability . . . to clearly and unmistakably distinguish one source' through unauthorized use." (quoting 3 *McCarthy on Trademarks and Unfair Competition* § 24.13[1][a] at 24-106 (3d ed. 1995)).

Specifically, Zenith will likely be successful in proving dilution by tarnishment, because the Defective Product did not meet Zenith's quality control standards and are of "shoddy quality." Because of this poor quality, the ZENITH trademark "is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods." *Hormel Foods*, 73 F.3d at 507. Additionally, defendants' unauthorized use of the ZENITH trademark has caused, and will cause, Zenith to "suffer negative associations through defendant[s'] use." *Id.*

(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
(C) the duration and extent of advertising and publicity of the mark;
(D) the geographical extent of the trading area in which the mark is used;
(E) the channels of trade for the goods and services with which the mark is used;
(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;
(G) the nature and extent of use of the same or similar marks by third parties; and
(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

Times Mirror Magazines, 212 F.3d at 163.

5. Trademark Infringement and Unfair Competition Under State Law

Zenith has made a *prima facie* showing sufficient to support the likelihood that Zenith will prevail on its state law trademark infringement and unfair competition claims. *See, e.g., Sanofi-Aventis v. Advancis Pharm. Corp.*, 453 F. Supp. 2d 834, 855 (D. Del. 2006) (trademark infringement demonstrated under the Delaware Trademark Act where a trademark has acquired distinctiveness as per the Lanham Act and a likelihood of dilution exists); *Gold Cross Safety Corp. v. PHH Vehicle Mgmt.*, C.A. No. 07-cv-2401 (WJM), 2008 U.S. Dist. LEXIS 50354, at *18 (D.N.J. June 27, 2008) ("Under New Jersey law, the key element of common law trademark infringement or unfair competition based upon trademark infringement is the likelihood of consumer confusion"); *Yurman Studio, Inc. v. Castaneda*, 07 Civ. 1241 (SAS), 07 Civ. 7862 (SAS), 2008 U.S. Dist. LEXIS 63158, at *24 (S.D.N.Y. Aug. 19, 2008) ("Under New York law, [t]he elements necessary to prevail on common law causes of action for trademark infringement mirror the Lanham Act claims." (quoting *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 340 F. Supp. 2d 415, 436 (S.D.N.Y. 2004)). Defendants' unauthorized acts, as discussed more fully herein and in the verified complaint, constitute willful and intentional trademark infringement and unfair competition under the common and statutory laws of the States of Delaware, New Jersey and New York.

6. Deceptive Trade Practices Under State Law

Zenith will likely succeed on its state deceptive trade practices claim, because it has sufficiently demonstrated facts showing that defendants have represented and continue to represent Defective Product as genuine Zenith product, and such actions have caused, and are likely to cause, confusion or misunderstanding in violation of the Delaware Uniform Deceptive

Trade Practices Act, 6 Del. C. §§ 2531 et seq.,[4] New Jersey Consumer Fraud Act, N.J. Stat. Ann. §56:8-2, and New York Deceptive Trade Practices Laws, N.Y. Gen. Bus. Law §349. *See, e.g.*, *Edix Media Group, Inc. v. Mahani*, No. Civ. A. 2186-N, 2006 Del. Ch. LEXIS 207, at *44 2006 WL 3742595, at *11 (Del. Ch. Dec. 12, 2006). ("The essential element separating unfair competition from legitimate market participation . . . is an unfair action on the part of defendant by which he prevents plaintiff from legitimately earning revenue"); *In re Samsung Elecs. Am., Inc.*, C.A. No. 08-0663 (JAG), 2008 U.S. Dist. LEXIS 105199, at *6 (D.N.J. Dec. 31, 2008) ("To state a claim under the [Consumer Fraud Act], a plaintiff must allege each of three elements: (1) unlawful conduct by a defendant; (2) an ascertainable loss on the part of the plaintiff; and (3) a causal relationship between the defendant's unlawful conduct and the plaintiff's ascertainable loss."); *Champion Home Builders Co.v. ADT Security Servs., Inc.*, 179 F. Supp. 2d 16, 27 (N.D.N.Y. 2001) ("The essential elements of a violation of Section 349 are (1) proof that a 'consumer-oriented' practice was deceptive or misleading in a material respect, and (2) proof that plaintiffs were injured thereby").

7. Injury to Business Reputation and Dilution Under State Law

Based on the facts demonstrated by Zenith, Zenith will likely succeed on its state law claims of dilution and injury to its business reputation. Delaware and New York law provide that a party is entitled to injunctive relief where there is a "likelihood of injury to business reputation or of dilution of the distinctive quality of a mark … notwithstanding the absence of competition between the parties, or the absence of confusion as to the source of goods or

[4] The Delaware Uniform Deceptive Trade Practices Act ("DTPA") "prohibits conduct that disparages the goods, services, or business of another by false or misleading representation of fact or that generally creates a likelihood of confusion or of misunderstanding." *Accenture Global Services*, 2008 U.S. Dist. LEXIS 79958, at *27 (quoting 6 Del. C. §§ 2532(a)(8) & (12)).

services." 6 Del. C. § 3313; N.Y. Gen. Bus. Law § 368-d. New Jersey law provides that a party is entitled to injunctive relief where

> The owner of a mark which is famous in this State shall be entitled, subject to the principles of equity, to an injunction, commencing after the owner's mark becomes famous, against another person's use of the mark which causes dilution of the distinctive quality of the owner's mark, and to obtain other relief provided in this section.

N.J. Stat. Ann. § 56:3-13.20.

The allegations set forth in the verified complaint sufficiently show that defendants' acts are likely to dilute the distinctive quality of its ZENITH trademark. Thus, Zenith is entitled to injunctive relief based on the allegations set forth in the verified complaint.

B. Zenith Will Suffer Imminent Irreparable Harm Absent Injunctive Relief.

Zenith has been irreparably harmed by the unauthorized actions of defendants and faces imminent, irreparable harm if the remainder of the Defective Product in defendants' possession floods the market at severely discounted prices. It is painfully clear that, by refusing to cease and desist from their infringing activities, defendants are intending to continue offering for sale and selling the Defective Product to an unsuspecting public. In fact, the evidence demonstrates that defendant CKC is continuing to make sales calls to retailers around the New York area.

In addition to deceiving customers directly, the defendants' actions are threatening even graver, indirect harm to Zenith, because some retailers that have been customers of Zenith are refusing to buy genuine Zenith products, claiming that they are being undersold by the presence in the market of the Defective Product, which is indistinguishable to the consumer from the outside of the packaging. Thus defendants' actions have caused Zenith to lose customers and market share. A party may prove irreparable harm if it can demonstrate a loss of market share. *See e.g.*, *IDT Telecom, Inc. v. CVT Prepaid Solutions, Inc.*, No. 07-2544, 2007 U.S. App. LEXIS 23709, at *7-8 (3d Cir. Oct. 9, 2007); *Freedom Holdings, Inc. v. Spitzer*, 408 F.3d 112, 114 (2d Cir. 2005) ("An anticipated loss of market share growth may suffice as an irreparable harm") (citations omitted); *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co.*, 290 F.3d 578, 596 (3d Cir. 2002) ("We are satisfied that this loss of market share constitutes irreparable harm").

Additionally, consumers are, and are likely to be, confused about whether the Defective Product is a genuine Zenith product. Such confusion is likely to lead consumers to believe that the defects in the Defective Product are attributable to the Zenith brand's "poor quality," causing Zenith to lose its good reputation with the public. Such loss of reputation irreparable . *See Jacobson & Co., Inc. v. Armstrong Cork Co.*, 548 F.2d 438, 444-445 (3d Cir. 1977) (plaintiff would face "immeasurable harm" from the loss of "good will and customers, both present and potential, neither of which could be rectified by monetary damages"). Furthermore, the diminished goodwill associated with the Zenith Marks in the market cannot be remedied by money damages and constitutes irreparable harm. *Ecolab Inc. v. Paolo*, 753 F. Supp. 1100, 1110 (E.D.N.Y. 1991) ("Loss of good will constitutes irreparable harm which cannot be compensated by money damages."); s*ee also Ecolab Inc. v. K.P. Laundry Mach. Inc.*, 656 F. Supp. 894, 899 (S.D.N.Y. 1987).

C. The Harm Zenith Will Suffer Outweighs Any Possible Harm To Defendants If Injunctive Relief Is Not Granted

As demonstrated, *supra*, Zenith will suffer imminent, irreparable harm if this Court does not grant the injunctive relief requested. The continued harm to Zenith's reputation, diminished goodwill and loss of market share cannot be compensated by money damages.

To the extent that defendants could suffer any harm as a result of the Court issuing an injunction, they have brought such harm upon themselves as a result of their purposeful and dishonest actions. Further, any loss in trade to the defendants would be due only to the fact that they will no longer be unlawfully trading on Zenith's good will and reputation. Thus, the harm Zenith will suffer without the relief it requests far outweighs any possible harm defendants may suffer if the injunctive relief is granted. *Pappan Enters., Inc. v. Hardee's Food Sys., Inc.*, 143 F.3d 800, 804 (3d Cir. 1998) ("[O]nce the likelihood of confusion caused by trademark infringement has been established, the inescapable conclusion is that there was also irreparable injury").

D. Injunctive Relief Will Further The Public Interest

The public interest weighs in favor of injunctive relief because the public is best served by the protection of trademarks and avoiding consumer confusion. *See Bill Blass, Ltd. v. Saz Corp.*, 751 F.2d 152, 156 (3d Cir. 1984). The public interest generally favors a preliminary injunction where the moving party has demonstrated a likelihood of success because "the public is . . . interested in fair competitive practices and clearly opposed to being deceived in the marketplace. *Estate of Presley v. Russen*, 513 F. Supp. 1339, 1382 (D.N.J. 1981); citing *McNeil Laboratories, Inc. v. American Home Products Corp.*, 416 F. Supp. 804, 809 (D.N.J. 1976). Thus, the granting of injunctive relief here will further the public interest.

CONCLUSION

For the foregoing reasons, Plaintiff's Motion for a Temporary Restraining Order and Preliminary Injunction should be granted.

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