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December 21, 1999

BY HAND

010225-0004-999

Ms. Donna Koehnke, Secretary
U.S. International Trade Commission
500 E Street, N.W.
Washington, D.C. 20436

Re: Docket No. 2103: Complaint in *Certain Spiral Grilled Products Including Ducted Fans And Components Thereof*, USITC Inv. No. 337-TA-

Dear Ms. Koehnke:

On December 10, 1999, The Holmes Group, Inc. ("Holmes") informed the Commission that it had filed a Complaint in the U.S. District Court for the District of Kansas. On December 17, 1999, Holmes filed a Motion for Preliminary Injunction and Memorandum in support thereof asking the Court, *inter alia*, to restrain Vornado from collaterally attacking the final judgment of the U.S. Court of Appeals for the Tenth Circuit in *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, 58 F.3d 1498 (10th. Cir. 1995), *cert. denied*, 516 U.S. 1067 (1996). The Court has scheduled a hearing on Holmes' Motion for a Preliminary Injunction at 2:30 p.m. on January 3, 2000. Copies of the Motion and Memorandum are enclosed. Due to the voluminous nature of the supporting declarations and exhibits, copies are not enclosed. Holmes, however, will supply those materials upon request by the Commission. Holmes also filed a Motion for Expedited Discovery.

If there are any questions, please do not hesitate to contact me.

Respectfully submitted,

Marcia H. Sundeen

Enclosure

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF KANSAS

THE HOLMES GROUP, INC.,

Plaintiff,

vs.

VORNADO AIR CIRCULATION SYSTEMS, INC.,

Defendant.

Civil Action No. 99-1499-JTM

MOTION FOR PRELIMINARY INJUNCTION

COMES NOW the plaintiff, The Holmes Group, Inc. ("Holmes"), and moves the Court for issuance of a preliminary injunction pursuant to Fed. R. Civ. P. 65(a), 15 U.S.C. § 1116(a), and 28 U.S. 1651.

The defendant in this case, Vornado Air Circulation Systems, Inc. ("Vornado"), was the plaintiff in the case of Vornado Air Circulation Systems, Inc. v. Duracraft Corp., 58 F.3d 1498 (10th Cir. 1995), cert. denied, 516 U.S. 1067 (1996) ("Vornado I"). In Vornado I, the defendant asserted that the configuration of the grill structure depicted in Exhibit 1 hereto -- what Vornado at the time called the "Patented

AirTensity Grill" – constituted "non-functional" "trade dress" subject to regulation and injunction under Section 43(a) of the Trademark Act of 1946, 15 U.S.C. § 1125(a), commonly known as the Lanham Act.

Following a full bench trial and appeal, the Tenth Circuit rejected Vornado's claim and held that: "Because the 'Patented AirTensity Grill' is a significant inventive element of Vornado's patented fans, it cannot be protected as trade dress." 58 F.3d at 1510. On November 30, 1995, this Court entered final judgment dismissing Vornado's "trade dress" claim with prejudice and awarding costs to the prevailing defendant in that case, Duracraft Corp. (now a unit of Honeywell Inc.), which was permitted to and has continued to sell numerous models of household fans and fan-driven products incorporating air outlet grills with curved vanes similar to those at issue in Vornado I. Other U.S. manufacturers, including Holmes, have also incorporated this type of grill structure into household fan and fan-driven products since this Court's judgment in Vornado I in 1995.

On or about November 24, 1999, Vornado lodged a complaint U.S. International Trade Commission ("ITC") in Washington, D.C. (the "ITC Complaint") which falsely and maliciously accused Holmes of "infringement" of the exact same non-existent "trade dress" which was the subject of this Court's final judgment in Vornado I. Vornado made this claim in the ITC, rather than in this Court, for the specific purpose of evading the jurisdiction of this Court and the Tenth Circuit, collaterally attacking the final

judgment of this Court in Vornado I, and re-litigating an issue which was actually, necessarily, and finally decided adversely to defendant in Vornado I.

In furtherance of its attempted collateral attack or this Court's final judgment in Vornado I, Vornado has disseminated a press release and other commercial advertising which falsely and maliciously asserts that a power fan and two heater fan models currently being sold by Holmes (the "Holmes Products") assertedly infringe the exact same grill structure "trade dress" which was held to be no such thing in Vornado I. Vornado's false advertising has been disseminated with specific intent to injure Holmes and to interfere with existing and prospective relationships between Holmes and its customers.

The conduct of Holmes has caused and threatens to cause irreparable and incalculable damage to Holmes' business and reputation. Vornado timed its ITC Complaint and deceptive public relations activities so as to cause the maximum possible damage just in advance of a major housewares industry trade show set to open on January 16, 2000. Major customers have called Holmes seeking reassurances concerning "trade dress" which Holmes cannot give effectively without this Court's immediate and decisive intervention.

Plaintiff thus seeks a preliminary injunction to halt defendant's false advertising, unfair competition, and deceptive acts and practices in violation of 15 U.S.C. § 1125(a) and applicable state law. Plaintiff additionally seeks an injunction pursuant to

28 U.S.C. § 1651 to halt defendant's transparent attempt to attack collaterally the final judgment of this Court in Vornado I.

WHEREFORE, plaintiff prays that the Court issue a preliminary injunction restraining defendant Vornado, its officers, agents, servants, employees, attorneys, and all those persons in active concert or participation with them who receive actual notice of the Order by personal service or otherwise, from (a) claiming or asserting in any commercial advertising that the configuration of the "AirTensity Grill" depicted in Exhibit 1 hereto constitutes "trade dress" protected under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (b) issuing any press release, advertisement, or public statement which accuses Holmes or any Holmes Product of infringing any "trade dress" claimed by Vornado in the configuration of the "AirTensity Grill" incorporated in any Vornado fan or heater products; (c) commencing, maintaining, or supporting, directly or indirectly, any action or proceeding in which the configuration of the "AirTensity Grill" is claimed to be "trade dress" under 15 U.S.C. § 1125(a); or (d) attempting to re-litigate, in any forum including the ITC, any issue which was finally decided by the Tenth Circuit in Vornado I.

In addition, Plaintiff prays that the Court direct Vornado withdraw its ITC Complaint insofar it claims "trade dress" infringement under 15 U.S.C. § 1125(a) and further direct Vornado to issue corrective advertising on terms to be prescribed by the Court following a hearing and expedited discovery.

Plaintiff request evidentiary hearing before January 12, 2000, so that Holmes may have an opportunity to prevent irreparable injury to its business in advance of the National Housewares Manufacturers Association ("NHMA") International Housewares Show set to open on January 16, 2000.

In support of its motion, Holmes relies on the accompanying Declaration of James W. Dabney sworn to December 16, 1999, the Declaration of Paul J. Powers, Jr. sworn to December 16, 1999, and Declaration of Francis E. Marino sworn December 16, 1999, and on the accompanying Memorandum in Support of Plaintiff's Motion for Preliminary Injunction being filed herewith.

Dated December 17, 1999

Respectfully submitted

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IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF KANSAS

THE HOLMES GROUP, INC.,

Plaintiff,

vs.

VORNADO AIR CIRCULATION SYSTEMS, INC.,

Defendant.

No. 99-1499-JTM

MEMORANDUM IN SUPPORT OF PLAINTIFF'S MOTION FOR PRELIMINARY INJUNCTION

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December 17, 1999

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IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF KANSAS

THE HOLMES GROUP, INC., *Plaintiff,* *vs.* VORNADO AIR CIRCULATION SYSTEMS, INC., *Defendant.*	No. 99-1499-JTM

MEMORANDUM IN SUPPORT OF PLAINTIFF'S MOTION FOR PRELIMINARY INJUNCTION

Plaintiff The Holmes Group, Inc. ("Holmes") respectfully moves this Court, pursuant to Fed. R. Civ. P. 65(a), 15 U.S.C. § 1116(a), and 28 U.S.C. § 1651, for a preliminary injunction restraining defendant Vornado Air Circulation Systems, Inc. ("Vornado") from:

(a) disseminating literally false and defamatory advertisements accusing Holmes of "theft" or "infringement" or "misappropriation" of non-existent "trade dress"; and

(b) attempting to attack collaterally the final judgment of this Court in the case of *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, 58 F.3d 1498 (10th Cir. 1995), *cert. denied* 516 U.S. 1067 (1996) ("*Vornado I*").

As set forth fully below, the Court's immediate intervention is needed to prevent irreparable harm to Holmes' business and reputation. The defendant herein is purporting to "warn" Holmes' customers that they should not purchase certain HOLMES® brand fan and heater products, because the products supposedly embody "trade dress" owned by Vornado. The so-called "trade dress" in question is the exact same fan grill configuration which the Tenth Circuit, in *Vornado I*, specifically held "cannot be protected as trade dress." 58 F.3d at 1510.

The defendant is publishing its false "trade dress" claim to Holmes' customers for the purpose, and with the threatened effect, of undermining or destroying Holmes' supply relations with customers whose trade this defendant covets. The defendant has deliberately timed its deceptive actions so as to cause the maximum possible confusion and damage to Holmes on the eve of a major housewares industry trade show which is set to open January 16, 2000.

Meaningful relief in this case can only be granted now, before Holmes' customer relations are injured or destroyed. The type of harm which defendant is threatening to cause is inherently incapable of adequate or accurate quantification in monetary terms. Further, the injunctive relief sought by Holmes would merely preserve the status quo which existed for years before defendant commenced its attempt, in late November 1999, to reassert the "trade dress" claim which the Tenth Circuit expressly considered and rejected in *Vornado I*. The defendant has no

legitimate interest in publicizing defamatory allegations of "misappropriation" and "infringement" by Holmes which a judgment of the Tenth Circuit specifically bars.

On extensive and well-settled authority, this Court is authorized to enjoin defendant's unfair competition against Holmes and to effectuate this Court's judgment in *Vornado I* which this defendant has sought, brazenly and unabashedly, to attack collaterally in an administrative court in Washington, D.C. A preliminary injunction is clearly required, not just to prevent irreparable harm to Holmes, but to protect the legitimate, investment-backed expectations of an entire industry which has designed axial flow fan products in reliance on expired patents and this Court's final judgment in *Vornado I*.

Facts

Holmes manufactures and sells electric fans and other HOLMES® brand household products. Holmes is the owner of U.S. Reg. No. 1,898,796 for the trademark HOLMES®, U.S. Reg. No. 2,296,632 for the trademark BLIZZARD®, and numerous other trademark registrations and applications covering consumer household products. (Declaration of Paul J. Powers, Jr., sworn to December 16, 1999 [hereinafter, "Powers Decl."] ¶ 2 & Ex. 1; Declaration of Francis E. Marino, sworn to December 16, 1999 [hereinafter "Marino Decl."] ¶ 27 & Ex. 4).

Since July 1998 (Powers Decl. ¶ 4), Holmes has sold a household fan known as the HOLMES® Model HAOF-90 BLIZZARD® Oscillating Fan. The HAOF-90 Oscillating Fan incorporates an original and innovative design on which Holmes has

both design and utility patents pending (Marino Decl. ¶ 21 & Ex. 10). The product has been successfully marketed to major retailers including Sears, Staples, Office Depot, True Value, Servistar, K-Mark, Target, Eckerd Drug, Ace Hardware, Long's Drugs, QVC, Fred Meyer, Bradlees, and others (Powers Decl. ¶ 4). Photographs of the Model HAOF-90 and its current packaging appear as Exhibit 2 to the accompanying Declaration of Paul J. Powers, Jr.

Holmes also manufactures and sells two HOLMES® brand heater fan products, the Model HFH-298 Power Heater and the Model HFH-299 POWER ACCUTEMP® Bedroom Heater (Powers Decl. ¶ ¶ 5-6 & Exs. 3-40). Both products incorporate axial flow fans[1] and vane structures designed to project a breeze of warm air relatively deep into a room (Marino Decl. ¶ 20; Powers Decl. ¶ 7). The Model HFH-298 has been on the market even longer than the Model HAOF-90, having been first offered to retailers in or about December 1997 (Powers Decl. ¶ 5). The Model HFH-298 and HFH-299 are both the subject of pending design patent applications (Marino Decl. ¶ 21 & Ex. 2-3). The Model HFH-299 is also the subject of a utility patent application (*id.*). Photographs of the Model HFH-298 and the HFH-299 and their current packaging appear as Exhibits 3 and 4 to the accompanying Declaration of Paul J. Powers, Jr.

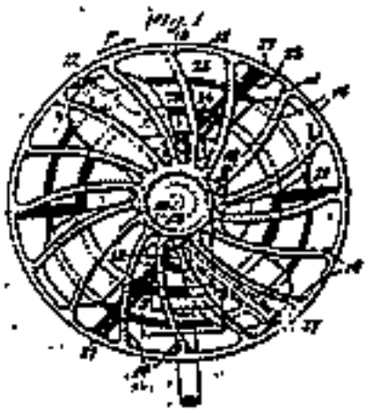
---

[1]An "axial flow" fan is one that propels air in the direction of the *axis* around which the propeller is rotating. Axial flow fans may be contrasted with "centrifugal" or "cross flow" fans in which air is propelled in a direction perpendicular to the fan's axis. A general description of axial flow fan technology appears in R. Wallis, *Axial Flow Fans and Ducts* (1993). Marino Decl. ¶ 4.

This case concerns Holmes' right to practice an 85-year-old technology, exemplified by expired U.S. Patent No. 1,062,258 issued May 20, 1913, to G.A. Schlotter (DA1358), Figure 1 of which is reproduced below (Marino Decl. ¶ 5)

Axial flow fans have a well-known tendency to waste energy by causing air to move, not just axially in the desired direction, but also tangentially or perpendicular to the axis of rotation. Designers of axial flow fans have thus long used ducts and fixed vane structures to capture energy in air moving away from an axial flow fan's axis and to convert that energy into useful axial air flow (Marino Decl. ¶ 6).

It has long been known that curved or "arcuate" vanes add energy to the low velocity core of a jet produced by an axial flow propeller, and thereby provide a more compact jet with higher axial velocity and lower rotation than conventional straight vanes. This technology was applied to a household fan guard by not later than 1936, as shown in expired U.S. Patent No. 2,110,994 to J.H. Cohen, depicted below (Marino Decl. ¶ 7):



The Vornado Improvement Patents

In or about 1989, assignors of defendant Vornado claimed to have developed "a new and improved front grill and duct structure which increases the fan's capacity and efficiency while decreasing its sound over the prior art grills or no grills at all". Vornado's assignors applied for and received two U.S. utility patents on this invention, U.S. Pat. No. 4,927,324 issued May 22, 1990 (the "'324 Patent"), and U.S. Patent No. Re. 34,551 issued February 22, 1994 (the "'551 Patent"). In *Vornado I*, Judge Brown observed that the latter patent contains "additional and broader claims concerning the grill than were stated in the '324 Patent" (Marino Decl. ¶ 8).

Figures 3 and 5 of the '551 Patent (*see* Exhibit 3 to Holmes' Complaint) sets forth "the best mode contemplated by the inventor of carrying out his invention," 35 U.S.C. § 112 ¶ 1, as follows (Marino Decl. ¶ 9):

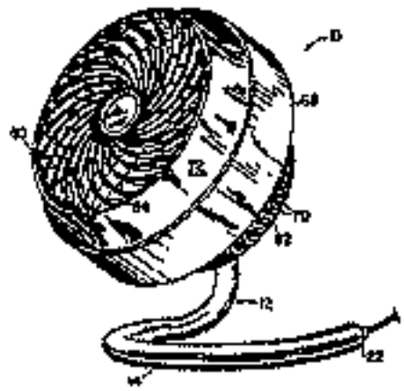


FIG 3

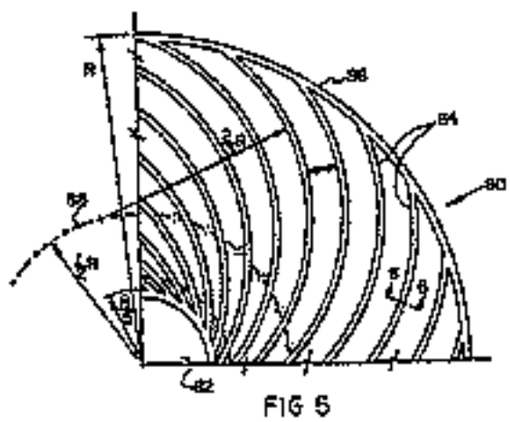


FIG 5

With reference specifically to the "curved ribs 84, depicted above, the '551 Patent recites (Marino Decl. ¶ 10):

> The longer length curved ribs 84, as compared with a conventional straight rib, provides a less rigid grill structure which can be desirable under certain circumstances such as impact shocks. In viewing Fig. 5, the fan blades not shown move in a clockwise direction from left to right, while the grill ribs 84 curve to the left from the center in the opposite direction which provides an optimum flow of air at a standard power usage.

Vornado's contribution to the stator vane art lay not in the use of curved vanes per se, but in moving the point of maximum lateral spacing between curved vanes inboard from the outer radius of a grill structure, so that the point of maximum spacing between vanes was located at the impeller blade's point of maximum power. The '551 Patent explains (Marino Decl. ¶ 11).

> The maximum lateral spacing between any pair of ribs 84 is inwardly from the outer radius 86 of the grill at a point approximate dimension X, as shown in FIG. 5. The impeller blade's point of maximum power is located at approximately 0.6 times its radius. This places the maximum power in a region of the grill wherein the rib spacing is at its maximum.

Because prior art vane structures, such as those disclosed in the Cohen and Schlotter patents depicted above, taught that use of arcuate vanes improved the efficiency of axial flow fans, Vornado was required to "limit" its patent claims so as to leave the public—including Holmes—free to practice the technology taught in the prior art. In each of the claims in Vornado's '324 and '551 Patents wherein the "arcuate shaped ribs" were the apparent point of novelty, Vornado "limited" its patent protection to vane structures whose "maximum lateral spacing is inboard from said outer radius" (Marino Decl. ¶ 12).

Claim 11 of Vornado's '551 Patent is representative and recites, in very precise language, the extent of Vornado's rights in the vane structure disclosed in that patent (Marino Decl. ¶ 13).

> *a circular grill having* an outer radius attached to the discharge end of the inner cowling, the grill including a center hub and *a series of arcuate shaped ribs* extending outwardly from the hub and *curving in the opposite direction of*

rotation from said blades to said outer radius, and each rib being equally spaced from each other around the hub, the *maximum lateral spacing between the ribs is inboard from said outer radius* (emphasis added).

Vornado has manufactured and sold VORNADO® brand fans which precisely embody the invention of Vornado's '324 and '551 Patents (Declaration of James W. Dabney, sworn to December 16, 1999 [hereinafter, "Dabney Decl."] ¶¶ 15-16 & Exs. 11-12). The front grill structure of VORNADO® fans has been heavily advertised as being the "Patented AirTensity™ Grill," as being "[a] true achievement in aerodynamic efficiency", as being "the result of determinant ergonomic design," and as being "[u]niquely functional" (Marino Decl. ¶ 14).

Following are samples of advertising statements which Vornado made prior to this litigation concerning the "Patented AirTensity Grill" (Marino Decl. ¶ 15; emphasis added):

> An integral part of the total air circulation system and *the result of determinant ergonomic design*, the AirTensity Grill accomplishes *a high degree of safety and functionality*.
>
> * * *
>
> Circumspect attention to detail has made the AirTensity™ Grill an integral part of the total system. Careful application of determinant ergonomics has accomplished *a high degree of safety and functionality*.
>
> * * *
>
> Another example of how every design aspect enhances performance is the grill. Most grills are designed merely to meet federal safety requirements. While providing necessary protection, they also impede the flow of air. Vornado's engineers took the time and effort to solve that design problem. *Their patent-pending AirTensity grill* doesn't just meet safety standards, it *actually amplifies the vortex for better, more efficient operation.*

* * *

While the deep pitch propeller forces large volumes of air, *the patented AirTensity grill precisely focuses the air stream. A true achievement in aerodynamic efficiency, the AirTensity grill is specifically designed to amplify and enhance the naturally occurring vortex* created by the propeller.

* * *

Vornado is *form defined by function* . . . . The last element in the Vornado system of air movement is *the AirTensity™ Grill, a patented design.* The eye-catching spiral *performs a critical function.* Counter to propeller spin, the AirTensity Grill slows the rotation of the vortex and focuses it into a "beam" of air. Bounce the beam of air off the walls or ceiling and it will excite all the room air into gentle, thorough and continuous motion." . . . There you have it—the basics of Vornado air movement. Beautifully simple. *Uniquely functional.*

* * *

This unique design is intended to meet all applicable safety requirements while *minimizing the negative effect of placing a restriction over the air outlet.* The grill is designed to amplify and reinforce the naturally occurring vortex created by the propeller, so no energy is lost in "redirecting air." Again, the purpose is to circulate air, so *Vornado engineered a way to enhance what in other designs is a built-in performance flaw.* The result is a powerful, smooth, quiet vortex.

* * *

Perhaps one of the most unique elements of the Vornado is *the patented Air Tensity™ grill. This feature is not "window dressing".* Vornado's anti-clockwise grill design, (relative to propeller spin), slows the rotation of the vortex created by the propeller. *This allows for deeper penetration of the air stream into the room* and, ultimately, thorough circulation of room air.

* * *

The AirTensity Grill accomplishes a high degree of safety and functionality. The grill design enhances vortex action of the Vornado by slowing rotation of the vortex. The result is a deep penetrating "beam" of air which excites all the room air into motion and creates complete air circulation".

* * *

The grill is designed to amplify and reinforce the naturally occurring vortex created by the propeller, *so no energy is lost in `redirecting' air.* Again, the purpose is to circulate air, so *Vornado engineered a way to enhance what in other designs is a built-in performance flaw.*

* * *

The grill design of the Vornado achieves both safety and functional requirements. The reverse spiral vanes enhance vortex action of the Vornado by slowing rotation of the vortex. The result is a penetrating beam of air that excites room air into continuous and thorough circulation.

* * *

An integral part of the total air circulation system and the result of determinate ergonomic design, *the AirTensity Grill accomplishes a high degree of safety and functionality without introducing aerodynamic drag.*

The Vornado I Litigation

On November 6, 1992, Vornado commenced an action in this Court entitled *Vornado Air Circulation Systems, Inc. v. Duracraft Corp.*, Civil Action No. 92-1543-WEB (D.Kan.) (*"Vornado I"*). Vornado's complaint asserted that the curved vanes used in the "Patented AirTensity Grill" were "non functional" "trade dress," notwithstanding the representations made by Vornado in the '324 and '551 patents. Judge Brown had the following to say about Vornado's shift of positions (Marino Decl. ¶ 16; emphasis added):

> Clearly, Vornado formerly claimed that the spiral grill was functional but has now changed its position and is claiming that the grill is non-functional.

* * *

> The '551 patent reinforces the court's finding that Vornado has made inconsistent representations concerning the spiral grill. . . . It is enough to say that in the court's view Vornado has represented—and continues to represent—in connection with its patent applications that the spiral grill has functional characteristics that are *superior* to prior art grills. Such representations are inconsistent with Vornado's position in this case; indeed, they are inimical to the assertion that the spiral grill is nonfunctional for purposes of trade dress protection (emphasis in original).

On or about March 4, 1994, Judge Brown issued a 71-page opinion and a permanent injunction which, had it not been stayed and reversed, would have enjoined Duracraft from making or selling household fans incorporating an arcuate or "spiral" outlet grill vane structure. On July 12, 1994, the U.S. Court of Appeals for the Tenth Circuit issued a stay of Judge Brown's judgment pending appeal. On July 5, 1995, the Tenth Circuit reversed Judge Brown's decision and rendered judgment for Duracraft in a decision reported at 58 F.3d 1498 which concluded (Dabney Decl. ¶ 8 & Ex. 5):

> Vornado included the arcuate grill vane structure as an element of its patent claims and described the configuration as providing "an optimum air flow." Then, after the first patent issued and Vornado subsequently found evidence that other grill structures worked as well as or better than the spiral grill, Vornado did not repudiate or disclaim in any way the grill element of its patent. Instead, Vornado sought and received a reissued patent that expanded its claims with respect to the grill.
>
> Even if we discount entirely Vornado's extensive advertising campaign emphasizing the importance of the "AirTensity Grill," this patent history on its face obviates any need for a remand on the question of inventive significance. We simply take Vornado at its word. Because the "Patented AirTensity Grill" is a significant inventive element of Vornado's patented

fans, it cannot be protected as trade dress. The district court's order is REVERSED.

On January 8, 1996, the Supreme Court of the United States denied a petition by Vornado for review of the Tenth Circuit's *Vornado I* decision. This Court subsequently entered final judgment dismissing with prejudice, on the merits, the "trade dress" claim which Vornado had asserted in *Vornado I*, and awarded costs against Vornado.

Aftermath of the Vornado I Decision

By the time of the trial in *Vornado I*, the defendant in that case, Duracraft Corp. ("Duracraft"), had sold more than 1.7 million fans embodying curved or "spiral" grill structures (Dabney Decl. ¶ 5 & Ex. 2 at 12). Following the judgment in *Vornado I*, Duracraft and its successor, Honeywell Inc. ("Honeywell"), incorporated the reverse curving vane technology into numerous other DURACRAFT® and HONEYWELL® fan product models and other manufacturers, including Holmes, did likewise (Powers Decl. ¶ 8 & Ex. 5; Marino Decl. ¶ ¶ 19, 26).

As noted above, the HOLMES® Model HFH-298 heater fan was first offered to retailers in or about December 1997 and has been on sale nationally in leading retail stores since August 1998 (Powers Decl. ¶ 5). The HOLMES® Model HAOF-90 BLIZZARD® power fan was first offered to retailers in or about July 1998 and has been on sale nationally in many retail stores since January 1999 (Powers Decl. ¶ 4). The HOLMES® Model HFH-299 is a line extension of the HFH-298 and was first

offered to retailers in or about December 1998 (Powers Decl. ¶ 6). All three products (the "Holmes Products") were designed in reliance on the public records of the U.S. Patent and Trademark Office (the "PTO") and the final judgment of the Court in *Vornado I* (Marino Decl. ¶ 22). Prior to this litigation Vornado never voiced any objection to Holmes concerning any of the Holmes Products.

Vornado's Attempt to End Run the Judgment in Vornado I

On or about November 24, 1999, Vornado lodged a complaint with an administrative agency in Washington, D.C., known as the International Trade Commission (the "ITC"). In its ITC complaint, Vornado claimed to be the owner of a "trade dress" comprised of a "spiral grill design" embodied in certain Vornado fan and heater products. The so-called "trade dress" alleged in defendant's ITC complaint was and is the exact same mechanical configuration which was the subject of the *Vornado I* litigation and which the Tenth Circuit held "cannot be protected as trade dress." 58 F.3d at 1510; *see* Dabney Decl. ¶¶ 15-18 & Exs. 11-12.

By its complaint lodged with the ITC, the defendant openly and brazenly seeks to attack collaterally the final judgment of the Tenth Circuit and this Court in *Vornado I*. Defendant's purported basis for this attack—that a 1999 decision of the Court of Appeal for the Federal Circuit somehow "trumps the Tenth Circuit in Vornado Air Circulation Syst., Inc. v. Duracraft Corp., 58 F.3d 1498 (10th Cir. 1995)" (Dabney Decl. ¶ 14 & Ex. 10 at ¶ 83)—is patently frivolous. The Court of Appeals for

the Federal Circuit has no power to, and has never purported to, "trump" or impair a final judgment rendered by a co-equal Circuit Court of Appeals.[2]

Vornado seeks relief in the ITC which is clearly and explicitly barred by this Court's and the Tenth Circuit's final judgment in *Vornado I*. Defendant further seeks to put Holmes through the same type of extremely costly, complex, and unpredictable type of "trade dress" litigation which occupied this Court, the Tenth Circuit, and the Supreme Court of United States for more than three (3) years in *Vornado I*. It would be difficult to imagine a clearer case for the issuance of a relitigation injunction pursuant to 28 U.S.C. § 1651 (Part II, *infra*).

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[2]*See, e.g., In re Roberts*, 846 F.2d 1360, 1362 (Fed. Cir. 1988) ("This court is a co-equal member of a system of thirteen appellate courts arranged in a single tier. It is not a superior member possessed of jurisdiction to review and reverse the judgments of the other twelve."); *United States v. Carson*, 793 F.2d 1141, 1147 (10th Cir. 1986), cert. denied, 479 U.S. 917 (1986) ("It is well settled that the decisions of one circuit court of appeals are not binding upon another circuit. . . While we often rely upon the analysis and decisions of other circuit courts of appeals ... we are not bound by their decisions or modifications of those decisions."). *See also Yamaha Corp. v. United States*, 961 F.2d 245, 254, 258 (D.C. Cir. 1992), *cert. denied*, 506 U.S. 1078 (1993) ("In issue preclusion, it is the prior judgment that matters, not the court's opinion explicating the judgment. . .The doctrine of issue preclusion counsels us against reaching the merits in this case. . . regardless of whether we would reject or accept our sister circuit's position." (citing *Nat'l Post Office Mail Handlers v. American Postal Workers Union*, 907 F.2d 190, 194 (D.C. Cir. 1990)).

Defendant's False and Deceptive Advertising Campaign

Notwithstanding the patently frivolous character of its "trade dress" claim in the ITC, defendant issued a press release dated November 24, 1999, which trumpeted the false allegations which defendant had made in its ITC complaint. The release stated in part (Powers Decl. ¶ 10 & Ex. 7; emphasis added):

> Vornado Air Circulation Systems, Inc. has requested that the International Trade Commission file an action stemming from an *infringement on* its existing patent and *its trade dress covering the company's fan products*.
>
> The complaint alleges that The *Holmes* Group infringed Vornado's patent and *misappropriated the design of the renowned spiral grill* which Vornado designed. While the initial action has been lodged against Holmes, the Commission . . . may take similar steps against other manufacturers found to be bringing "look-alike" products to the U.S. market from offshore.
>
> If *the Commission* validates the complaint, it *can order seizure of inventories* of offending companies at point of entry.

The above-quoted release is literally false. Contrary to Vornado's assertion, Holmes has not committed any "infringement" of any "trade dress" or "misappropriated" any "design" in which defendant has any legal interest. The defendant's press release is directly contrary to the holding and judgment of this Court and the Tenth Circuit in *Vornado I*. The "trade dress" claim made in the Vornado press release was and is highly likely to cause confusion on the part of prospective purchasers as to Holmes' right and ability to sell the Holmes Products mentioned in the ITC complaint (Powers Decl. ¶¶ 12-16); and indeed, such confusion has already occurred.

On December 13, 1999, a leading trade magazine for the housewares industry, *HFN*, ran a story dealing with defendant's complaint lodged with the ITC. The article characterizes Vornado's complaint as charging Holmes with "thefts" and republishes Vornado's false and defamatory allegations that Holmes committed "infringement" and "misappropriated" "trade dress" supposedly subsisting in some supposedly "renowned spiral grill" (Powers Decl. ¶ 11 & Ex. 8). Apparently on the basis of information supplied by defendant, the *HFN* article characterizes the Tenth Circuit's judgment in *Vornado I* as "an overruled decision" which supposedly "was reversed by the federal circuit court" (*id.*).

Defendant's actions have caused significant confusion and doubt with regard to Holmes' ability to supply the Holmes Products to retailers on time or at all. Purchasing agents of major retail store chains have contacted Holmes seeking reassurance with regard to defendant's renewed "trade dress" claim. Holmes cannot effectively provide the reassurances sought because of the disinformation Vornado has put out and the nebulous and highly unpredictable nature of product configuration "trade dress" claims generally (Powers Decl. ¶ 12).

Holmes has further received a report that one or more of Vornado's sales representatives are directly "warning" retailers not to purchase the Holmes Products in view of the allegations made in defendant's ITC complaint. This report is fully consistent with defendant's known and evident strategy to publicize its "trade dress" claim as a means of discouraging retailers from doing business with Holmes.

Although the alleged "infringement" claimed by Vornado relates to HOLMES® products which have been on sale at retail nationally since August 1998, the defendant timed the filing of its ITC complaint and the issuance of its press release so that the "story" would receive widespread attention just prior to one of the most important selling opportunities Holmes has each year, the International Housewares Show sponsored annually in January by the National Housewares Manufacturers Association (Powers Decl. ¶ 9 & Ex. 6). The forthcoming International Housewares Show is scheduled to open on January 16, 1999, in Rosemont, Illinois (id). Holmes' ability to conduct business at that show will be seriously and irretrievably damaged in the absence of the requested preliminary injunctive relief.

Holmes has requested a hearing before January 12, 2000, and limited expedited discovery so that the Court can frame an appropriate injunction and remediate at least some of the confusion and damage which defendant has sought to cause with its false and frivolous "trade dress" claim. As set forth below, the law clearly entitles Holmes to the preliminary injunctive relief sought.

Argument

In deciding whether to grant preliminary injunctive relief, the Court's discretion is informed by the consideration of four factors:

(1) a substantial likelihood that the movant will eventually prevail on the merits;

(2) the movant will suffer irreparable injury unless the injunction issues;

(3) the threatened injury to the movant outweighs any harm the proposed injunction may cause the opposing party; and

(4) the injunction would not be contrary to the public interest.

Kiowa Indian Tribe of Okla. v. Hoover, 150 F.3d 1163, 1171 (10th Cir. 1998).

In the present case, plaintiff seeks two forms of preliminary injunctive relief. First, plaintiff seeks a preliminary injunction restraining Vornado from misrepresenting that Holmes' or its customers' sale of the Holmes Products infringes "trade dress" rights of Vornado under 15 U.S.C. § 1125(a). Second, plaintiff seeks a preliminary injunction restraining defendant from seeking to attack collaterally the final judgment of this Court and the Tenth Circuit in *Vornado I*.

As set forth below, the Court should grant both forms of preliminary injunctive relief so as to prevent irreparable harm to Holmes' business and to effectuate its prior judgment in Vornado I.

I. *Defendant Should Be Enjoined from Making False Claims of "Trade Dress" "Infringement"*

A. *Holmes Is Highly Likely to Succeed on the Merits of Its Claim for False Advertising and Unfair Competition*

Preliminary injunctions are readily granted where, as here, a party's commercial promotion and advertising is literally false and misleading. *See, e.g., Castrol Inc. v. Quaker State Corp.*, 977 F.2d 57 (2d Cir. 1992) (affirming grant of preliminary injunction against false advertising); *King v. Innovation Books*, 976 F.2d 824 (2d Cir. 1992) (affirming grant of preliminary injunction against false advertising); *Camel Hair and Cashmere Inst. of America, Inc. v. Assoc. Dry Goods Corp.*, 799 F.2d 6 (1st Cir. 1986) (reversing denial of preliminary injunction against false advertising).

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides in relevant part:

> Any person who, on or in connection with any goods or services. . .uses in commerce any. . . false or misleading description of fact, or false or misleading representations of fact, which. . .in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services or commercial activities, shall be liable to a civil action by any person who believes that he or she is likely to be damaged by such act.

Thus, a defendant violates Section 43(a) where it (1) makes material false or misleading representations of fact in connection with commercial advertising and promotion, (2) in commerce, (3) that are likely to cause confusion or mistake as to the characteristics of the goods or services, and (4) injure the plaintiff. *See Cottrell, Ltd. v. Biotrol Int'l, Inc.*, 191 F.3d 1248, 1252 (10th Cir. 1999).

Similarly, the law of Massachusetts[3] makes unlawful unfair methods of competition and unfair or deceptive acts or practices in the conduct of any trade or commerce. Mass. Gen. L. ch. 93A § 2(a). The Code of Massachusetts Regulations provides that:

> No statement or illustration shall be used in any advertisement which creates a false impression of the grade, quality, make, value, currency of model, size, color, usability, or origin of the product offered, or which may otherwise misrepresent the product in such a manner that later, on disclosure of the true facts, there is a likelihood that the buyer may be switched from the advertised product to another.

Mass. Regs. Code 940, § 3.02(2) (promulgated pursuant to Mass. Gen. L. ch. 93A § 2(c)). Additionally, Mass. Regs. Code 940, § 3.05 prohibits claims or representations which directly, or by implication, or by failure to adequately disclose additional relevant information, have a capacity or tendency to deceive buyers or prospective buyers in any material respect.

False representations in a press release or similar communication are actionable under both Section 43(a) and the Massachusetts statute, as are false statements about pending litigation or about the scope or status of intellectual property rights. *See, e.g., M. Eagles Tool Warehouse Inc. v. Fisher Tooling Co.*, 52 U.S.P.Q. 2d 1748, 1756 (D.N.J. 1999) (false representation of product as patented or "patent

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[3]Kansas applies the rule of lex loci delicti to choice of law for tort claims, such that the law of the state where the tort occurred is applied to the substantive rights of the parties. *See, e.g., Brown v. Kleen Kut Mfg. Co.*, 238 Kan. 642, 644-45, 714 P.2d 942, 944 (1986) (citing *McDaniel v. Sinn*, 194 Kan. 625, 400 P.2d 1018 (1965)). *See also St. Paul Furniture Mfg. Co. v. Bergman*, 935 F. Supp. 1180, 1187 (D. Kan. 1996) (the tort is deemed to have occurred where the wrong was felt). In this case, the injury, and the tort, has occurred where plaintiff is located, namely, Massachusetts.

pending" held actionable under Section 43(a)); *Semco, Inc. v. Amcast, Inc.*, 52 F.3d 108, 111-13 (6th Cir. 1995) (trade publication article); *Garland Co. Inc. v. Ecology Roof Sys. Corp.*, 895 F. Supp. 274, 279 (D. Kan. 1995) (citing *Gordon and Breach Science Pubs. S.A. v. American Inst. of Physics*, 859 F. Supp. 1521 (S.D.N.Y. 1994)) (communication must "involve a notion of the public dissemination of information"); *Brandt Consol., Inc. v. Agrimar Corp.*, 801 F. Supp. 164 (C.D. Ill. 1992) (false representation as to scope of patent raised false impression that defendants were the only authorized source of product); *Datacomm Interface, Inc. v. Computerworld, Inc.*, 396 Mass. 760, 489 N.E.2d 185 (1986) (false statement in complaint that trademark was exclusively identified with plaintiff, resulting in TRO which plaintiff used in promotional plans, violated ch. 93A).

Furthermore, under Section 43(a):

> [B]ad faith is not an element of this cause of action .... The well-settled rule is that there is no requirement under the Lanham Act that a false representation be made willfully or with the intent to deceive. A mistake is not a defense to an action under Section 43(a).

Brandt, 801 F. Supp. at 174 (citing *Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641, 648 (3d Cir. 1958)).

In the present case, Vornado has publicly accused Holmes of having allegedly "misappropriated" and committed "infringement" of "trade dress" alleged by defendant to subsist in the vane structure which was the subject of this Court's and the Tenth Circuit's judgments in *Vornado I* (see Dabney Decl. Exs. 11-12).

Defendant has published and disseminated these accusations in at least one press release targeted at Holmes' customers and the housewares industry in general.

Holmes is highly likely, if not certain, to prevail on the merits of its claim against defendant for false advertising under 15 U.S.C. § 1125(a) and Mass. Gen. L. ch. 93A § 2(a). The final judgment of this Court and the Tenth Circuit in *Vornado I* conclusively establish that defendant has no protectable "trade dress" interest in the so-called "spiral" grill configuration incorporated in certain Vornado fan and heater models. Defendant's contrary representation to Holmes' customers and the trade is literally and patently false; is highly likely to cause confusion of Holmes' customers; and should be enjoined.

I. Vornado is Collaterally Estopped from Relitigating Whether the Configuration of the "AirTensity Grill" is Eligible for Protection as "Trade Dress"

The doctrine of collateral estoppel precludes a party from relitigating an issue which it previously litigated and lost in litigation with another defendant. *See Parklane Hosiery Co. v. Shore* 439 U.S. 322, 329 (1979); *Sil-Flo, Inc. v. SFHC, Inc.*, 917 F.2d 1507, 1520 (10th Cir. 1990). The doctrine of collateral estoppel is applied with special rigor where as here, alleged intellectual property has been held invalid or unprotectable. *See Blonder-Tongue Labs., Inc. v. Univ. of Ill. Foundation* 402 U.S. 313, 329 (1971).

In *Blonder-Tongue,* the Supreme Court held that a patentee was collaterally estopped from relitigating the validity of a patent which had been held invalid in a

previous litigation with a different defendant. 402 U.S. at 349-50. The same reasoning has been applied in numerous cases to bar claims of trademark or "trade dress" infringement where, as here, the alleged trademark or "trade dress" had been ruled unprotectable in previous litigation. *See A.J. Canfield Co. v. Vess Beverages, Inc.*, 859 F.2d 36 (7th Cir. 1988) (prior determination by Third Circuit that plaintiff's claimed trademark CHOCOLATE FUDGE is generic and not protectable collaterally estopped plaintiff from asserting trademark rights against different defendant); *Miller Brewing Co. v. Falstaff Brewing Corp.*, 655 F.2d 5 (1st Cir. 1981) (prior determination by Seventh Circuit that plaintiff's claimed trademark LITE is generic and not protectable collaterally estopped plaintiff from asserting trademark rights against different defendant); *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990 (7th Cir. 1979), *cert. denied* 444 U.S. 1102 (1980) (same); *Whimsicality, Inc. v. Battat*, 27 F. Supp. 2d 456 (S.D.N.Y. 1998) (prior determination by different federal district court that plaintiff's claimed copyright in costume was not copyrightable subject matter collaterally estopped plaintiff from asserting copyright against different defendant); *Aerogroup Int'l, Inc. v. Shoe Show, Inc.* 966 F. Supp. 175 (W.D.N.Y. 1997) (prior determination by different federal district court that plaintiff's claimed trade dress rights in shoe sole configuration was not subject to protection collaterally estopped plaintiff from asserting trade dress rights against different defendant); *Lukens Inc. v. Vesper Corp.*, 1 U.S.P.Q.2d 1299 (T.T.A.B. 1986) (prior determination by federal district court that

asserted trademark in steel plate product configuration is functional collaterally estopped applicant from seeking registration of product configuration).

In general, collateral estoppel, or issue preclusion, applies where:

> (1) the issue previously decided is identical with the one presented in the action in question; (2) the prior action has been finally adjudicated on the merits; (3) the party against whom the doctrine is invoked was a party or in privity with a party to the prior adjudication; and (4) the party against whom the doctrine is raised had a full and fair opportunity to litigate the issue in the prior action.

Matosantos Commercial Corp. v. Applebee's Int'l, Inc., 64 F. Supp. 2d 1105, 1108 (D. Kan. 1999).[4] Each element is clearly met in this case.

a. The "Trade Dress" Issue Decided in Vornado I is Identical to the Threshold Issue Raised in This Case

The so-called "trade dress" which defendant has accused Holmes of "infringing" is said by defendant to be comprised of the "spiral grill design" embodied in certain Vornado fan and heater products exemplified by the current Vornado Model 550G "compact" fan. This product is depicted in Exhibit 5 to defendant's ITC Complaint (Dabney Decl. ¶ 15 & Ex. 11).

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[4] The Tenth Circuit's judgment in *Vornado I* was rendered pursuant to 15 U.S.C. § 1125(a), the very statute under which defendant now once again asserts "trade dress" rights. It is well settled that federal law governs the preclusive effect of a federal court determination of a federal question of law. *See generally* 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 4466 (1st ed. 1981). *See also Petromanagement Corp. v. Acme-Thomas Joint Venture*, 835 F.2d 1329, 1332-32 (10th Cir. 1988) (federal preclusion rules apply in federal question cases); *Matosantos*, 64 F. Supp. 2d at 1108 (federal preclusion rules apply in diversity cases) (citing *Augustine v. Adams*, 169 F.R.D. 664, 668 (D. Kan. 1996); *Scheufler v. General Host Corp.*, 881 F. Supp. 492, 495 (D. Kan. 1995)).

The so-called "spiral grill design" in which defendant now claims "trade dress" protection is the exact same mechanical configuration which the Tenth Circuit held in *Vornado I* "cannot be protected as trade dress." 58 F.3d at 1510. Pages from the record in *Vornado I* depicting what defendant then called its Model 180 "Compact" air circulator product are attached to the accompanying Declaration of James W. Dabney as Exhibit 12. As can be seen from a comparison of Dabney Decl. Exs. 11 and 12, the vane structure of the product referred to in defendant's ITC Complaint—the so-called "trade dress at issue"—is identical in configuration to the vane structure which was the subject of the *Vornado I* litigation (Dabney Decl. ¶ 16).

In *Vornado I*, the Tenth Circuit specifically considered and decided the issue of whether the arcuate or "spiral" grill configuration embodied in Vornado fan and heater products was subject matter eligible for protection as "trade dress" under § 43(a) of the Trademark Act of 1946, 15 U.S.C. § 1125(a). By its complaint in the ITC, defendant seeks to relitigate this identical issue which was actually, necessarily, and finally decided adversely to defendant in *Vornado I*, and to do so in a tribunal beyond the appellate review of the Tenth Circuit (Dabney Decl. ¶ 18).

b. Vornado I was Finally Adjudicated on the Merits

Vornado I was tried before the Honorable Senior Judge Wesley N. Brown over five (5) days between October 18 and October 22, 1993 (Dabney Decl. ¶ 2-4 & Exs. 1A-1G). On the basis of this extensive record, the Tenth Circuit held that Vornado had no protectable interest in the grill vane configuration which Vornado now

claims, once again, constitutes protectable "trade dress". Vornado petitioned the Supreme Court to issue a writ of certiorari to review the Tenth Circuit's decision. The petition was denied on January 8, 1996. This Court entered final judgment against Vornado on November 30, 1995, dismissing the trade dress (and other) claims of Vornado on the merits and with prejudice (Dabney Decl. ¶¶ 5-13 & Exs. 2-9).

c. Vornado was the Plaintiff in Vornado I

The defendant in this present action was the plaintiff in Vornado I and is the plaintiff in the ITC proceeding (Dabney Decl. ¶ 2).

d. Vornado Fully Litigated the Trade Dress Issue in Vornado I

Vornado had a full and fair opportunity to litigate the issue of the protectability of its alleged "trade dress" in *Vornado I*. Vornado chose this Court as the forum for *Vornado I*. Defendant had every incentive to litigate the merits of whether the grill structure of Vornado fan products was eligible for protection as "trade dress" under 15 U.S.C. § 1125(a). "Whatever the litigation strategy that motivated [Vornado]," Vornado "assumed the risk that the decision might determine the results of [other cases] through stare decisis or. . .through collateral estoppel. The effect of an adverse determination on other cases could not have come as a surprise to [Vornado]." Miller, 605 F.2d at 992-93.

The protectability of Vornado's asserted "trade dress" was a necessary, threshold element of its claim for trade dress infringement under 15 U.S.C. §1125(a) in *Vornado I*. That issue was the primary and, in the end, the only issue decided by the

Tenth Circuit on appeal. The protectability of Vornado's "trade dress" was also the only issue that Vornado briefed in its unsuccessful petition to the Supreme Court for review of the Tenth Circuit's decision in *Vornado I*.

A voluminous record was created in the trial of *Vornado I* concerning whether the configuration of the "AirTensity Grill" incorporated in Vornado for products was eligible for protection as "trade dress", including expert reports, wind tunnel test results, drop test results, expert testimony, and fact testimony. Vornado was not deprived of any opportunity to present all evidence and call all witnesses that it considered necessary to establish its case in *Vornado I* and it never suggested otherwise on appeal.

B. Holmes is Threatened with Irreparable Injury

Proof of falsity is sufficient to sustain a finding of irreparable injury for purposes of a preliminary injunction. *See, e.g., King v. Innovation Books,* 976 F.2d at 831; *Energy Four, Inc. v. Dornier Med. Sys., Inc.,* 765 F. Supp. 724, 734 (N.D. Ga. 1991) (false statements that plaintiff's lithotripsy machine lacked FDA approval). Once a plaintiff has shown that the defendant's representations are false or tend to mislead the public so as to affect their purchasing decisions, the likelihood of injury can be demonstrated by showing that the parties are competitors. *Energy Four,* 765 F. Supp. at 734 (citing *Johnson & Johnson v. Carter Wallace, Inc.,* 631 F.2d 186, 190 (2d Cir. 1980)). A misleading statement about a specific competing product necessarily

diminishes that product's value in the minds of purchasers. *See McNeilab, Inc. v. American Home Products Corp.*, 848 F.2d 34, 38 (2d Cir. 1988) (false statements about effectiveness and safety of plaintiff's product); *Coors Brewing Co. v. Anheuser-Busch Cos., Inc.*, 802 F. Supp. 965, 968 (S.D.N.Y. 1992) (false statements about plaintiff's manufacturing process). The resulting injury is presumed to be irreparable and such false and misleading statements are consistently enjoined. In this case, the presumption of irreparable injury is borne out by the facts.

The U.S. household fan and heater business is extremely competitive. Relatively small differences between product offerings and supplier reliability can make the difference between making and not making a sale. The timeliness and reliability of the supplier is also critical to commercial success in the household fan and heater business. Major retailers such as K-Mart and Wal-Mart require suppliers to be able to meet delivery commitments made months in advance (Marino Decl. ¶¶ 28-29).

The HOLMES® products at issue in this case are manufactured overseas and imported into the United States. Any doubt created concerning Holmes' ability to continue importing these products would have a major and irreparable impact on Holmes' ongoing and existing relations with retail purchasers. There is no way that Holmes could quantify in monetary terms, or precisely, the impact on its business and goodwill that could flow from false charges that the Holmes Products purportedly infringe unregistered so-called "trade dress" rights whose contours could

not be known until a conclusion of protracted litigation and appeals (Marino Decl. ¶ 29).

The Vornado press release is highly likely to cause potential purchasers of the Holmes Products to have doubts about Holmes' ability to supply those products. Indeed, the release appears intentionally calculated and intended to interfere with, poison, and damage Holmes' customer relations and create doubt on the part of retailers concerning the Holmes' ability to deliver the products in question on time or at all. Furthermore, the *HFN* story, which repeats highly derogatory and damaging allegations attacking Holmes and suggesting that the U.S. Government may embargo the Holmes Products, is a dramatic demonstration of the questions and doubts which Vornado has already succeeded in creating about the Holmes Products and a prior judgment of this Court. Not surprisingly, buyers for major customers have already called and expressed concern over Vornado's allegations. The damage this is causing to Holmes' business and reputation is incalculable (Powers Decl. ¶¶ 12-13).

Moreover, Holmes representatives are having difficulty trying to reassure their customers with respect to the "trade dress" claim being made by Vornado. Unlike claims of patent infringement, which can be assessed against specific claim language, the existence or non-existence of the type of "trade dress" rights Vornado is claiming (for a second time) is not registered or recorded anywhere and is said by Vornado to depend on, among other things, the mental states of large numbers of consumers and

other factors which are not easily or certainly determinable absent protracted litigation and appeals (Powers Decl. ¶ 12; Marino Decl. ¶ 30).

Vornado's allegations that Holmes has assertedly committed "an infringement on . . . its [Vornado's] trade dress", and that Holmes has assertedly "misappropriated the design of the renowned spiral grill", are highly likely to cause injury to Holmes' business and reputation in ways it would be impossible to quantify adequately and accurately in monetary terms. This is particularly so given that Vornado's actions have been timed in such a way that the questions it seeks to raise concerning Holmes' ability to manufacture, import, and sell the product in question are likely to be at their height just prior to the commencement of the winter selling season and the International Housewares Show set to open on January 16, 2000 (Powers Decl. ¶ 14).

Finally, the Holmes Products in question are relatively young and have novelty value which will recede over time. To the extent that retailers reduce or cancel orders for the Holmes Products as a result of false accusations and claims made by Vornado, Holmes likely will never be able to recover ground lost now even if it were to succeed in establishing, months or years from now, that the Holmes Products do not infringe any so-called "trade dress" claimed by Vornado (Powers Decl. ¶ 15).

C. *The Threatened Injury to Holmes Outweighs any Potential Injury to Vornado*

The requested relief would cause no harm to defendant. A defendant has absolutely no legitimate interest in making false statements about a competitor's product. *See, e.g., W.L. Gore & Assoc., Inc. v. Totes Inc.*, 788 F. Supp. 800, 812 (D. Del. 1992) ("The defendant appears to operate under the belief that falsity is expected in the marketplace and that is just how the advertising industry works ... However, this Court disagrees and, by enacting Section 43(a), the Congress disagrees as well.").

Defendant also can have no legitimate interest in publicizing defamatory allegations made in the ITC prior to any determination of the truth or falsity of those allegations. The Holmes Products in question have been on the market for as long as two years (Powers Decl. ¶¶ 4-6). Prior to its filing with the ITC on November 24, 1999, Vornado never once voiced to Holmes any objection concerning the Holmes Products. The requested relief would merely restore a status quo which defendant acquiesced in for many, many months prior to November 1999.

D. *Preliminary Injunctive Relief Will Serve the Public Interest*

It is clear that the public has an interest in being free of false, deceptive and misleading advertisements. *See, e.g., U-Haul Int'l, Inc. v. Jartran, Inc.*, 522 F. Supp. 1238, 1242 (D.Ariz. 1981), *aff'd* 681 F.2d 1159 (9th Cir. 1982); *W.L. Gore & Assoc., Inc. v. Totes Inc.*, 788 F. Supp. at 813-14; *Alternative Pioneering Sys., Inc. v. Direct Innovative Prod., Inc.*, 822 F. Supp. 1437, 1444-45 (D. Minn. 1993) (consumers have a right to accurate information in order to assess the quality of a product and choose a product

that is in accordance with their preferences; false or misleading advertising deprives the public of that information and may lead them to make purchases they might not otherwise make if they were supplied with truthful information).

The public has an equally important interest in the practice of technology in the public domain. In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), the Supreme Court reaffirmed "the federal policy, found in Art. I § 8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain." 489 U.S. at 153 (quoting *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964)). More importantly, the Supreme Court held that federal patent law created "a federal right to copy and to use" ideas from expired patents and potentially patentable ideas which are fully exposed to the public. 489 U.S. at 165.

To the extent that Vornado were to succeed in scaring retail buyers into not carrying the Holmes Products, retailers and ultimately consumers will be deprived of the right to choose products that they prefer. Holmes has shipped more than 400,000 units of the Holmes Products to date, including to major retailers like Sears who are not known for attempting to "confuse" their customers. The Holmes Products meet consumer demand for innovative, high quality products at reasonable prices. The HOLMES® Model HA0F-90 BLIZZARD® Oscillating Fan, for example, is apparently the only commercially available fan which is designed to provide both a columnated air flow in conjunction with an oscillation feature. Holmes has both

design and utility patents pending on this product. The public interest would be disserved by retailers not stocking or offering this product to consumers as a result of doubt over wether the basic design of the product constituted some kind of "trade dress" whose sale could expose retailers to infringement liability or supply interruptions (Powers Decl. ¶ 16).

Similarly, the two HOLMES® heater fan products which Vornado has accused of "trade dress" infringement offer features and benefits not available in competing products at all, or are available only in products costing considerably more. Unlike conventional space heaters which rely mainly on convection or radiant heating, the HOLMES® Model HFH-298 and the HOLMES® Model HFH-299 heater fans incorporate propeller fans and project a breeze of warm air into a room. The Model HFH-299 additionally incorporates a programmable electronic thermostat and digital temperature read out not found in other space heater products. Holmes has design patents pending on the configuration of both the HFH-298 and the HFH-299, and a utility patent pending on novel aspects of the latter model (Powers Decl. ¶ 17).

The only purpose of Vornado's dissemination of false and deceptive misinformation about the Holmes Products on the eve of the International Housewares Show is to place a cloud over the Holmes Products and to chill retailer interest and purchases. The resulting restraint of trade and use of a public domain technology is not in the public interest.

II. Vornado Should Be Enjoined from Collaterally Attacking the Final Judgment in Vornado I

A district court retains jurisdiction to enforce the judgments it enters. *Local Loan Co. v. Hunt*, 292 U.S. 234 (1934); *Dietzsch v. Huidekoper*, 103 U.S. 494 (1880). Further, under the All Writs Act, 28 U.S.C. § 1651(a):

> The Supreme Court and all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law.

It is well settled that the All Writs Act permits federal courts to prevent relitigation of "an issue that previously was presented to and decided by the federal court" where such injunction is "necessary to protect or effectuate the court's judgment." *Chick Kam Choo v. Exxon Corp.*, 486 U.S. 140, 147 (1988). *See also New York Life Ins. Co. v. Deshotel*, 142 F.3d 873, 878 (5th Cir. 1998) ("Under the All Writs Statute, a federal court has the power to enjoin a party before it from attempting to relitigate the same issues or related issues precluded by the principles of res judicata and collateral estoppel in another federal court."); *TBG, Inc. v. Bendis*, 36 F.3d 916, 936 n15 (10th Cir. 1994) (federal court has equitable jurisdiction to enter injunction preventing litigation of its decrees); *Farmers Bank v. Kittay*, 988 F.2d 498, 499 (4th Cir.), *cert. denied* 510 U.S. 864 (1993) (All Writs Act "empowers a federal court to enjoin parties before it from attempting to relitigate decided issues and to prevent collateral attack of its judgments"); *In re G.S.F.*, 938 F.2d 1467, 1474 (1st Cir. 1991) (a valid original judgment provides the federal court with the power to issue a relitigation injunction); *Wood v. Santa Barbara Chamber of Commerce, Inc.*, 705 F.2d

1515, 1524 (9th Cir. 1983), *cert. denied* 465 U.S. 1081 (1984) (injunction under 28 U.S.C. §1651 is expedient method for applying collateral estoppel and permits district courts to reinforce the effects of the doctrine of collateral estoppel by issuing an injunction against repetitive litigation); *Brown v. McCormick*, 608 F.2d 410, 416 (10th Cir. 1979) (an injunction is proper for actions relitigating matters litigated and adjudicated by a valid decree duly entered); *Redac Project 6426, Inc. v. Allstate Ins. Co.*, 412 F.2d 1043 (2d Cir. 1969) (even if judgment made available defenses of res judicata or collateral estoppel in any future suit, judge was not required to remit defendant to that protection alone; injunction affirmed).

This Court clearly is in the best position to determine the scope of its own prior judgment. In *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 552 F.2d 601 (5th Cir. 1977), the Fifth Circuit reversed a decision denying a relitigation injunction where, as here, the judgment-rendering court was most familiar with what had transpired in the initial proceeding:

> The issues involved in these cases [trademark infringement, unfair competition and antitrust claims] are complicated. The trial judge in the Florida district court is the judge most familiar with what transpired in the initial proceeding .... He is best able, therefore, to determine what claims would be precluded in the Kentucky action. There is no good reason to put KFC to the harassment of an expensive, time-consuming procedure to prove its res judicata or estoppel claims in another court. A great deal of time and money was spent in the initial litigation. The misguided action in the Kentucky district court strikes us as a vexatious attempt to relitigate legal issues already decided. *Id.* at 603.

In this case, it is the open, avowed purpose of Vornado to collaterally attack the judgment rendered by this Court in *Vornado I*. This Court is not only in the best

position to determine the res judicata of its own judgment, but it also has a vested interest in ensuring that its judgment is given effect. Vornado should be enjoined from pursuing its "trade dress" claim in the ITC.

Conclusion

For the reasons set forth above, Holmes' motion for a preliminary injunction against false advertising and relitigation of Vornado I by defendant should be granted.

Dated December 17, 1999

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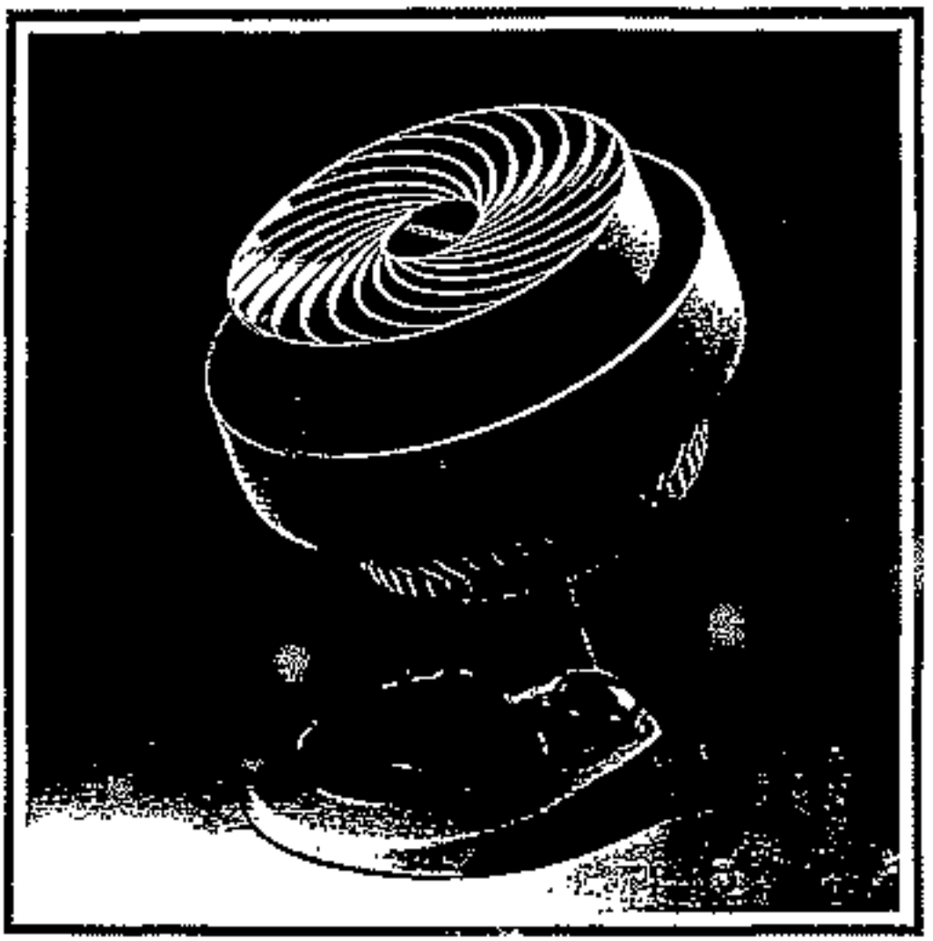
EXHIBIT 1

ITC COMPLAINT EXHIBIT

Vornado 550G



Vornado Vortex Action surrounds you in comfort by circulating all the air in the room from anywhere in the room. • Powerful yet compact, table or desk-top circulator. • Infinitely variable speed control for year-round circulation needs. • Perfect table top circulator for average to smaller size rooms...kitchen, bath, bedroom or office. • Fully directable air flow. • Vornado quiet operation.

VORNADO I TRIAL EXHIBIT

VORNADO

THE COMFORT REVOLUTION

Compact MODEL 183C AIR CIRCULATOR

FiveYear

D 100A

VORNADO

THE COMFORT REVOLUTION

FEATURES

Variable Speed... Not 2 or 3.

Directable Air Flow... Doesn't Have to Slow On You

Removable Grill... For Easy Cleaning

Saves Energy... Money!

Built To Last... Five Year Warranty.

Engineered For Quiet Comfort

Powerful Silently™ Grill

Air Guide Duct

Deep Pitched Propeller

Whisper Quiet Motor

Nothing Looks or Works Like a Vornado

Vornado's revolutionary air dynamics creates a beam of air that maintains its shape up to 75', sending all room air into continuous motion for year-round comfort.

Compact MODEL 130C AIR CIRCULATOR

FiveYear

MADE IN USA

D 100A