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## VI. Remedies

### A. Injunctive Relief

#### **Lanham Act § 34(a), 15 U.S.C. § 1116(a)**

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title.

The primary remedy that most trademark and false advertising plaintiffs seek is injunctive relief, often in the form of a preliminary injunction. Though the circuits' criteria for a preliminary (or permanent) injunction vary somewhat, most circuits have traditionally required the plaintiff to show: (1) a likelihood of success on the merits, (2) a likelihood of irreparable harm in the absence of the injunction, (3) that the balance of the hardships tip in the movant's favor, and (4) that the injunction would not be adverse to the public interest. The Second Circuit, by contrast, has formulated a different test: "A party seeking a preliminary injunction must establish (1) irreparable harm and (2) either (a) a likelihood of success on the merits or (b) a sufficiently serious question going to the merits and a balance of hardships tipping decidedly in the moving party's favor." *Brennan's, Inc. v. Brennan's Rest., L.L.C.*, 360 F.3d 125, 129 (2d Cir. 2004). (As we will see below, however, at least one district court in the Second Circuit has formulated a revised test in light of the Second Circuit copyright case *Salinger v. Colting*, 607 F.3d 68 (2d Cir.2010)).

Most circuits have traditionally held that a showing of a likelihood of confusion triggers a presumption of irreparable harm. See, e.g., *Federal Exp. Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 174 (2d Cir. 2000) ("[P]roof of a likelihood of confusion would create a presumption of irreparable harm, and thus a plaintiff would not need to prove such harm independently"); *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1209 (9th Cir. 2000) ("From our analysis of the *Sleekcraft* factors, we conclude that GoTo has demonstrated a likelihood of success on its claim that Disney's use of its logo violates the Lanham Act. From this showing of likelihood of success on the merits in this trademark infringement claim, we may presume irreparable injury.").

However, as the following two opinions show, the Supreme Court’s decision in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), has significantly complicated this line of doctrine.

***North American Medical Corp. V. Axiom Worldwide, Inc.***  
**522 F.3d 1211 (11th Cir. 2008)**

ANDERSON, Circuit Judge:

...

[1] [Plaintiff] NAM designs and manufactures physiotherapeutic spinal devices, commonly known as traction devices, which are used, for example, to treat lower back pain. Adagen is an authorized distributor of NAM’s devices. Axiom, a competitor of NAM’s, manufactures a physiotherapeutic device known generally as the DRX 9000.... In the present lawsuit, NAM and Adagen allege that Axiom engaged in unfair competition by infringing NAM’s trademarks and by issuing false advertising regarding the DRX 9000.

[2] The trademark infringement claims stem from Axiom’s use of two of NAM’s registered trademarks: the terms “Accu-Spina” and “IDD Therapy.” Axiom included these terms on its website within meta tags.\* Although Axiom’s website never displayed NAM’s trademarked terms to visitors and never mentioned NAM or NAM’s products, Axiom nonetheless included the terms within its meta tags to influence Internet search engines. For instance, evidence in this case indicated that, before Axiom removed these meta tags from its website, if a computer user entered the trademarked terms into Google’s Internet search engine, Google listed Axiom’s website as the second most relevant search result. In addition, Google provided the

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\* Meta tags consist of words and phrases that are intended to describe the contents of a website. These descriptions are embedded within the website’s computer code. Although websites do not display their meta tags to visitors, Internet search engines utilize meta tags in various ways. First, when a computer user enters particular terms into an Internet search engine, the engine may rank a webpage that contains the search terms within its meta tags higher in the list of relevant results. Second, when a particular webpage is listed as a relevant search result, the search engine may use the meta tags to provide the searcher a brief description of the webpage. *See Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1045 (9th Cir.1999).

searcher with a brief description of Axiom’s website, and the description included these terms and highlighted them.

[3] The false advertising claims stem from certain statements that Axiom made about its product, the DRX 9000. In particular, two representations by Axiom are relevant to this appeal. First, Axiom represented in various ways that an affiliation exists between NASA and Axiom or between NASA and the DRX 9000. Second, Axiom asserted in advertisements that the DRX 9000 is FDA “approved.”

[4] The district court issued a preliminary injunction in favor of NAM and Adagen, prohibiting Axiom from using NAM’s trademarks within meta tags and prohibiting Axiom from making the challenged statements about the DRX 9000. Among other things, the district court specifically found that Axiom’s use of NAM’s trademarks created a likelihood of confusion, and the court also found that Axiom’s advertising statements are literally false and material to consumers’ purchasing decisions.

*[The court reviewed and affirmed the district court’s trademark infringement and false advertising rulings].*

### C. Presumptions of Irreparable Harm

[5] Even though we hold that NAM and Adagen have established a substantial likelihood of success on the merits of their trademark infringement and false advertising claims, we must still evaluate whether NAM and Adagen have demonstrated, with respect to each claim, that they will suffer irreparable harm in the absence of an injunction. In reaching its conclusion that NAM and Adagen satisfied this element of the preliminary injunction test, the district court relied on two presumptions, one regarding the infringement claims and one regarding the false advertising claims. For the reasons that follow, we vacate the preliminary injunction with respect to both the trademark claims and the false advertising claims.

#### 1. Irreparable Harm in False Advertising Cases

[6] The district court erred when it presumed that NAM and Adagen would suffer irreparable harm in the absence of a preliminary injunction merely because Axiom’s advertisements are literally false. The district court cited a case out of the Northern District of Georgia, *Energy Four, Inc. v. Dornier Medical Systems, Inc.*, 765 F.Supp. 724, 734 (N.D.Ga. 1991), for the following proposition: “In false advertising cases, ‘[p]roof of falsity is sufficient to sustain a finding of irreparable injury for purposes of a preliminary injunction.’” This quote, however, is an incomplete

statement of the law. Proof of falsity is generally only sufficient to sustain a finding of irreparable injury when the false statement is made in the context of comparative advertising between the plaintiff's and defendant's products. *See* McCarthy, § 27:37 ("Where the challenged advertising makes a misleading comparison to a competitor's product, irreparable harm is presumed. But if the false advertising is non-comparative and makes no direct reference to a competitor's product, irreparable harm is not presumed." (internal footnotes omitted)). Although some cases, such as the one cited by the district court, employ language that may suggest a more expansive presumption, such quotes take the original principle out of context without explanation.

[7] Once this presumption is properly stated, it becomes evident that NAM and Adagen are not entitled to the presumption's benefits because Axiom's statements, although false, do not mention NAM's products by name or in any way compare Axiom's products with NAM's products.<sup>†</sup> This is not to say that NAM and Adagen could not demonstrate, absent the presumption, that they will suffer irreparable harm from Axiom's false advertising, but the district court abused its discretion by relying solely on the presumption to find irreparable harm. Accordingly, we vacate the preliminary injunction to the extent it proscribes Axiom's false advertising, and we remand to the district court to determine whether NAM and Adagen will suffer irreparable harm in the absence of a preliminary injunction.

## 2. Irreparable Harm in Trademark Infringement Cases

[8] Regardless of whether NAM deserves a presumption of irreparable harm on its false advertising claims, our prior cases do extend a presumption of irreparable harm once a plaintiff establishes a likelihood of success on the merits of a trademark infringement claim. Our circuit has acknowledged as much on several occasions. *See, e.g., Tally-Ho, Inc. v. Coast Cmty. Coll. Dist.*, 889 F.2d 1018, 1029 (11th Cir. 1989) ("It is generally recognized in trademark infringement cases that (1) there is not [an] adequate remedy at law to redress infringement and (2) infringement by its nature causes irreparable harm." (quoting *Processed Plastic Co. v. Warner Commc'ns*, 675 F.2d 852, 858 (7th Cir. 1982))); *McDonald's Corp. v. Robertson*, 147 F.3d 1301, 1310 (11th Cir. 1998).

[9] Nonetheless, although established law entitles NAM and Adagen to this presumption in the trademark infringement context, a recent U.S. Supreme Court

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<sup>†</sup> In reaching this conclusion, we need not address whether this conclusion is also indicated by *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

case calls into question whether courts may presume irreparable harm merely because a plaintiff in an intellectual property case has demonstrated a likelihood of success on the merits. *See generally eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). In *eBay*, after a jury had found patent infringement by the defendant, the district court denied the plaintiff’s motion for permanent injunctive relief. *Id.* at 390–91. In so doing, the district court “appeared to adopt certain expansive principles suggesting that injunctive relief could not issue in a broad swath of cases.” *Id.* at 393. On appeal, the Federal Circuit reversed the denial of injunctive relief, articulating a categorical rule that permanent injunctions shall issue once infringement is established. *Id.* at 393–94. The Supreme Court reversed the Federal Circuit and admonished both the district and appellate courts for applying categorical rules to the grant or denial of injunctive relief. *Id.* at 394. The Court stressed that the Patent Act indicates “that injunctive relief ‘may’ issue only ‘in accordance with the principles of equity.’ ” *Id.* at 393. Because the Court concluded “that neither court below correctly applied the traditional four-factor framework that governs the award of injunctive relief, [it] vacated the judgment of the Court of Appeals, so that the District Court may apply that framework in the first instance.” *Id.* at 394. The Supreme Court held that while “the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, ... such discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards.” *Id.*

[10] Although *eBay* dealt with the Patent Act and with permanent injunctive relief, a strong case can be made that *eBay*’s holding necessarily extends to the grant of preliminary injunctions under the Lanham Act. Similar to the Patent Act, the Lanham Act grants federal courts the “power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable.” 15 U.S.C. § 1116(a) (2006). Furthermore, no obvious distinction exists between permanent and preliminary injunctive relief to suggest that *eBay* should not apply to the latter. Because the language of the Lanham Act—granting federal courts the power to grant injunctions “according to the principles of equity and upon such terms as the court may deem reasonable”—is so similar to the language of the Patent Act, we conclude that the Supreme Court’s *eBay* case is applicable to the instant case.

[11] However, we decline to express any further opinion with respect to the effect of *eBay* on this case. For example, we decline to decide whether the district court was correct in its holding that the nature of the trademark infringement gives rise to a presumption of irreparable injury. In other words, we decline to address

whether such a presumption is the equivalent of the categorical rules rejected by the Court in *eBay*. We decline to address such issues for several reasons. First, the briefing on appeal has been entirely inadequate in this regard. Second, the district court has not addressed the effect of *eBay*. Finally, the district court may well conclude on remand that it can readily reach an appropriate decision by fully applying *eBay* without the benefit of a presumption of irreparable injury, or it may well decide that the particular circumstances of the instant case bear substantial parallels to previous cases such that a presumption of irreparable injury is an appropriate exercise of its discretion in light of the historical traditions. *See eBay*, 547 U.S. at 394–97 (concurring opinions of Chief Justice Roberts and Justice Kennedy, representing the views of seven Justices). Accordingly, we also vacate the preliminary injunction as it applies to the trademark infringement claim, and remand to the district court for further proceedings not inconsistent with this opinion, and with *eBay*.

[On remand, the district court scheduled various submissions, after which the case history ceases.]

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***Juicy Couture, Inc. v. Bella Int'l Ltd.***  
**930 F. Supp. 2d 489 (S.D.N.Y. 2013)**

RONNIE ABRAMS, District Judge:

[Apparel and accessories company Juicy Couture, Inc. owns several federally registered marks (the “Juicy Marks”), including the word marks JUICY, JUICY COUTURE, JUICY GIRL, CHOOSE JUICY, JUICY BABY, and BORN IN THE GLAMOROUS USA, and the following image marks:



Plaintiff’s “best known product is a velour tracksuit, which was introduced in 2001 and has since been worn by celebrities including Madonna, Jennifer Lopez and

Gwyneth Paltrow, as have many of its other products. Juicy products generated over \$1.5 billion in sales from 2009 through 2011.” *Id.* at 495.

Defendants, based primarily in Hong Kong with sales primarily to China but also to the U.S., sell apparel under the word marks JUICY GIRL, JUICYLICIOUS and JG, and the following image mark:



Though the court did not address the issue, plaintiff Juicy Couture apparently qualifies as the senior user in the U.S. with respect to all relevant marks.

Juicy Couture sought a preliminary injunction barring the defendants from using their marks in connection with the sale of apparel and accessories in the U.S. and China, and barring, in particular, the defendants’ operation of the website [www.juicygirl.com.hk](http://www.juicygirl.com.hk), which is maintained in and served from Hong Kong.]

## II. Preliminary Injunction Standard

[1] “A preliminary injunction is an extraordinary remedy.” *Winter v. Natural Res. Def. Council*, 555 U.S. 7, 24 (2008). A party seeking a preliminary injunction must show: (1) a likelihood of success on the merits; (2) a likelihood of irreparable harm in the absence of the injunction; (3) that the balance of hardships tips in the movant’s favor; and (4) that the public interest is not disserved by the issuance of the injunction. *Salinger v. Colting*, 607 F.3d 68, 79–80 (2d Cir. 2010); *Bulman v. 2BKCO, Inc.*, 882 F.Supp.2d 551, 557 (S.D.N.Y. 2012). A court can also grant a preliminary injunction “in situations where it cannot determine with certainty that the moving party is more likely than not to prevail on the merits of the underlying claim, but where the costs outweigh the benefits of not granting the injunction.” *Citigroup Global Mkts., Inc. v. VCG Special Opportunities Master Fund Ltd.*, 598 F.3d 30, 35 (2d Cir. 2010). The party seeking the injunction must demonstrate “by a clear



showing” that the necessary elements are satisfied. *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997).

### III. Discussion

#### A. Likelihood of Success on the Merits

[*The court applied the Polaroid factors to find a likelihood of confusion between the plaintiff's and defendants' marks.*]

#### B. Irreparable Harm to Plaintiff Absent Injunctive Relief

[2] “A showing of irreparable harm is ‘the single most important prerequisite for the issuance of a preliminary injunction.’” *Faiveley Transp. Malmo AB v. Wabtec Corp.*, 559 F.3d 110, 118 (2d Cir. 2009) (quoting *Rodriguez v. DeBuono*, 175 F.3d 227, 234 (2d Cir. 1999)). “To satisfy the irreparable harm requirement, plaintiff [ ] must demonstrate that absent a preliminary injunction [it] will suffer an injury that is neither remote nor speculative, but actual and imminent, and one that cannot be remedied if a court waits until the end of trial to resolve the harm.” *Id.* (alterations and internal quotation marks omitted). Furthermore, a plaintiff must show “that there is a continuing harm which cannot be adequately redressed by final relief on the merits and for which money damages cannot provide adequate compensation.” *Kamerling v. Massanari*, 295 F.3d 206, 214 (2d Cir. 2002) (internal quotation marks omitted).

[3] “Irreparable harm exists in a trademark case when the party seeking the injunction shows that it will lose control over the reputation of its trademark ... because loss of control over one’s reputation is neither ‘calculable nor precisely compensable.’” *U.S. Polo Ass’n, Inc. v. PRL USA Holdings Inc.*, 800 F.Supp.2d 515, 540 (S.D.N.Y. 2011); *NYC Triathlon*, 704 F.Supp.2d at 343 (“Prospective loss of ... goodwill alone is sufficient to support a finding of irreparable harm.”) (citing *Tom Doherty Associates v. Saban Entm’t, Inc.*, 60 F.3d 27, 37–38 (2d Cir. 1995)). Plaintiff has invested substantial effort and resources in developing the goodwill associated with the Juicy Marks. Defendants’ infringement in the United States puts that goodwill at risk by limiting Plaintiff’s ability to control its brand. *See Stern’s Miracle-Gro Prods., Inc. v. Shark Prods., Inc.*, 823 F.Supp. 1077, 1094 (S.D.N.Y. 1993) (plaintiff’s expenditure of \$100 million establishing its brand contributed to potential hardship if defendant was not enjoined from further use of the “Miracle Gro” mark); *Bulman*, 882 F.Supp.2d at 564 (likelihood of “future confusion” and “prospective loss of goodwill” despite no claim of “lost business, sales or revenues”

sufficient to establish irreparable harm). Furthermore, although irreparable harm may not be presumed upon a showing of likelihood of success on the merits, see *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 393 (2006), a party's demonstration of a likelihood of success on an infringement claim often foretells a finding of irreparable harm. See *Marks Org.*, 784 F.Supp.2d at 334 (“[A]lthough a likelihood of confusion does not create a presumption of irreparable injury, a particularly strong likelihood of confusion should weigh in favor of finding irreparable injury.”). The Court finds that to be the case here.

[4] Defendants argue that Plaintiff's delay in seeking a preliminary injunction precludes a finding of irreparable harm. Delay in seeking a preliminary injunction can weaken a claim of irreparable harm because “the failure to act sooner undercuts the sense of urgency that ordinarily accompanies a motion for preliminary relief.” *Tough Traveler, Ltd. v. Outbound Prods.*, 60 F.3d 964, 968 (2d Cir. 1995). Prior to the Second Circuit's decision in *Salinger*, a finding of delay defeated the presumption of irreparable harm. See, e.g., *Weight Watchers Int'l. Inc. v. Luigino's, Inc.*, 423 F.3d 137, 144 (2d Cir. 2005). Now that courts may not presume irreparable harm, however, the effect of a finding of delay is uncertain. See *Marcy Playground, Inc. v. Capitol Records, Inc.*, 6 F.Supp.2d 277, 282 (S.D.N.Y.1998) (“[T]he Court of Appeals has not yet held that unexcused delay alone necessarily defeats a preliminary injunction motion.”); *New Look*, 2012 WL 251976, at \*10 (“[Delay] is now simply one factor to be considered in determining whether a plaintiff will, in fact, suffer irreparable harm in the absence of a preliminary injunction.”); *Marks Org.*, 784 F.Supp.2d at 333 (“[*Salinger*] leaves open the question of what effect Plaintiff's delay should have on the Court's determination of irreparable injury.”). Courts recognize, however, that a plaintiff's good faith efforts to investigate infringement can justify delay. *Tough Traveler*, 60 F.3d at 968.

[5] Plaintiffs have known about Defendants' sales to the United States since at least July 16, 2012 and perhaps as early as April 2012. Plaintiff represents that from this time until the filing of the motion it was continuing to investigate the extent of Defendants' domestic activities. While Plaintiff's delay may call into question its sense of urgency, the Court does not find the amount of time Plaintiff took to move for preliminary relief to be unreasonable. See, e.g., *Bulman*, 882 F.Supp.2d at 564–65 (delay of several months did not preclude finding of irreparable harm); *Marks Org.*, 784 F.Supp.2d at 332–36 (granting preliminary injunction despite nearly sixteen-month delay between learning of infringing conduct and filing of motion).

### C. Balancing the Hardships

[6] A court must also “consider the balance of hardships between the plaintiff and defendant and issue the injunction only if the balance of hardships tips in the plaintiff’s favor.” *Salinger*, 607 F.3d at 80. If Defendants continue to sell their products in the United States, Plaintiff faces potential loss of sales, goodwill and control over its reputation. By contrast, enjoining Defendants from using the Juicy Marks in connection with sales or advertising in the United States would not present significant hardship because their current sales in the United States are minimal, particularly in comparison to their sales in Hong Kong, Macao, and the People’s Republic of China. Such an injunction would not affect the mainstay of Defendants’ business. Thus, the balance of hardships tips in Plaintiff’s favor with regard to a carefully tailored injunction.

#### D. Public Interest

[7] Finally, the Court must “ensure that the ‘public interest would not be disserved’ by the issuance of a preliminary injunction.” *Salinger*, 607 F.3d at 80 (quoting *eBay*, 547 U.S. at 391). The Second Circuit has long held that there is a “strong interest in preventing public confusion.” *ProFitness Phys. Therapy Ctr. v. Pro-Fit Ortho. and Sports Phys. Therapy P.C.*, 314 F.3d 62, 68 (2d Cir. 2002). Plaintiff has established that Defendants’ actions are likely to cause consumer confusion. Therefore, the public interest would not be disserved by the issuance of a preliminary injunction.

*[The court went on to issue a preliminary injunction but declined to apply it extraterritorially to the defendant’s conduct in China or to the defendants’ website.]*

### B. Plaintiff’s Damages and Defendant’s Profits

#### **Lanham Act § 35, 15 U.S.C. § 1117**

##### (a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111\* and 1114† of this title, and subject to the principles of

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\* [15 U.S.C. § 1111 reads as follows: “Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark

equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

...

(d) Statutory damages for violation of section 1125(d)(1)

In a case involving a violation of section 1125(d)(1) of this title, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just.

Trademark doctrine on recovery of defendant's profits and plaintiff's damages varies randomly across the circuits—and within the circuits. McCarthy characterizes the situation as follows:

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Office, may give notice that his mark is registered by displaying with the mark the words "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration."]

† [15 U.S.C. § 1114 provides safe harbors for publishers and distributors of physical and electronic media, including those in which infringing advertisements appear, when they qualify as "innocent infringers".]

The case law on monetary recovery in trademark infringement cases is a confusing melange of common law and equity principles, sometimes guided (and misguided) by analogies to patent and copyright law, and finding little statutory guidance in the Lanham Act. The courts have balanced several factors such as: whether defendant was willful, negligent, or innocent; whether plaintiff suffered losses in any provable amount; whether there is proof of actual confusion of some customers; and whether defendant realized profits from its infringing actions. In various cases, different courts have given widely disparate emphasis to one or more of these factors, making predictability of result a dangerous undertaking. In various cases, different courts have given widely disparate emphasis to one or more of these factors, making predictability of result a dangerous undertaking. In modern cases, courts have occasionally awarded monetary recovery on the rationales of preventing unjust enrichment and/or deterrence of defendant and others.

MCCARTHY § 30:58. *See also* BRIAN E. BANNER, TRADEMARK INFRINGEMENT REMEDIES (2012). As a practical matter, any trademark litigator must focus on the most recent doctrine within her own circuit and cannot rely on generalizations about trademark law nationally. She must also be aware of special exceptions in certain circumstances in certain circuits, such as when the parties are directly competing or when they are engaged in a licensee or franchisee relationship.

Given this state of affairs, what follows briefly below is only a highly schematic review of certain “highlights” of the doctrine various courts have adopted in deciding whether to award defendant’s profits or plaintiff’s damages.

## 1. Recovery of Defendant's Profits

*Willful Intent and Profits.* Most circuits have traditionally required that in order to obtain an accounting of the defendant's profits, the plaintiff must show that the defendant acted with willful intent. See, e.g., *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 753 (2d Cir. 1996) ("In order to recover an accounting of an infringer's profits, a plaintiff must prove that the infringer acted in bad faith"); *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 968 (D.C. Cir. 1990) ([A]n award based on a defendant's profits requires proof that the defendant acted willfully or in bad faith.").

However, in 1999, Congress amended Lanham Act § 35(a), 15 U.S.C. § 1117(a), so that the phrase "a violation under section 1125(a) of this title, or a willful violation under section 1125(c) of this title" replaced the phrase "or a violation under section 1125(a)." (The relevant phrase was subsequently amended to its present form: "a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title"). In *Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338 (5th Cir. 2002), the Fifth Circuit interpreted this 1999 amendment as indicating that willfulness was a threshold requirement for monetary recovery only with respect to violations of the Lanham Act's antidilution section, § 43(c), 15 U.S.C. § 1125(c). See *Quick Technologies*, 313 F.3d at 349 ("It is obvious from our cases that willful infringement is an important factor which must be considered when determining whether an accounting of profits is appropriate. In accordance with our previous decisions, and in light of the plain language of § 1117(a), however, we decline to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits." (footnote omitted)). In *Quick Technologies*, the Fifth Circuit reaffirmed its "factor-based approach", which includes intent as the first among six factors, to determine if an award of profits is appropriate:

The factors to be considered include, but are not limited to (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off.

*Id.*

Certain other circuits have followed the Fifth Circuit's multifactor approach. See, e.g., *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168 (3d Cir. 2005); *Synergistic*

*Intern., LLC v. Korman*, 470 F.3d 162 (4th Cir. 2006). See also *Powerhouse Marks, LLC v. Chi Hsin Impex, Inc.*, No. 04 Civ. 73923, 2006 U.S. Dist. LEXIS 4021 (E.D. Mich. Feb. 2, 2000).

Still other circuits, such as the Second, Seventh, and Ninth, have not apparently explicitly addressed the impact of the 1999 amendment. Cf. *Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 988 (9th Cir. 1995) (“Adray argues on appeal that the district court erred in instructing the jury that it must find willful infringement before awarding defendant's profits to Adray. An instruction that willful infringement is a prerequisite to an award of defendant's profits may be error in some circumstances (as when plaintiff seeks the defendant's profits as a measure of his own damage, *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1407–09 (9th Cir.1993)), but was appropriate on the record in this case [in which plaintiff seeks profits under an unjust enrichment theory]”). Within the Second Circuit, at least one district court has endorsed the Fifth Circuit approach, *Nike, Inc. v. Top Brand Co. Ltd.*, No. 00 CIV 8179, 2005 WL 1654859, at \*9 (S.D.N.Y. July 13, 2005), while several others have adhered to the traditional rule that profits will be awarded only upon a showing of willful intent. See, e.g., *Malletier v. Dooney & Bourke, Inc.*, 500 F. Supp. 2d 276, 280-81 (S.D.N.Y. 2007); *de Venustas v. Venustas Int'l, LLC*, No. 07 Civ. 4530, 2008 WL 619028, \*1 (S.D.N.Y. Mar. 5, 2008).

*Actual Confusion and Profits.* Most circuits do not require a showing of actual confusion to trigger a disgorgement of defendant's profits. See, e.g., *Web Printing Controls Co., Inc. v. Oxy-Dry Corp.*, 906 F.2d 1202, 1205 (7th Cir. 1990) (“These remedies [including a recovery of defendant's profits] flow not from the plaintiff's proof of its injury or damage, but from its proof of the defendant's unjust enrichment or the need for deterrence, for example.... To collapse the two inquiries of violation and remedy into one which asks only of the plaintiff's injury, as did the district court, is to read out of the Lanham Act the remedies that do not rely on proof of ‘injury caused by actual confusion.’ And this, of course, is improper.”); *Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000) (“[A] showing of actual confusion is not necessary to obtain a recovery of profits.”).

The Second Circuit, by contrast, is generally understood to require a showing of actual confusion for defendant's profits to be awarded to the plaintiff. See MCCARTHY § 30:63 (“The Second Circuit has indicated, albeit with less than perfect clarity or adequate explanation, that some evidence of actual confusion is needed to recover profits.”). See also *Banff, Ltd. v. Colberts, Inc.*, 996 F.2d 33, 35 (2d Cir. 1993) (“As stated in *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1538 (2d Cir.), ‘[a] profits award, premised on a theory of unjust enrichment requires a showing of

actual consumer confusion, or at least proof of deceptive intent, so as to raise the rebuttable presumption of consumer confusion.”).

*Apportionment.* Note that Lanham Act § 35(a) provides that: “In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed.”

## 2. Recovery of Plaintiff's Damages

*Actual Confusion and Damages.* Courts typically require a showing of actual confusion for damages to be awarded. *See, e.g., Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 523 (10th Cir. 1987) (“Likelihood of confusion is insufficient; to recover damages plaintiff must prove it has been damaged by actual consumer confusion or deception resulting from the violation.... Actual consumer confusion may be shown by direct evidence, a diversion of sales or direct testimony from the public, or by circumstantial evidence such as consumer surveys.”); *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 753 (2d Cir. 1996) (“Proof of actual confusion is ordinarily required for recovery of damages for pecuniary loss sustained by the plaintiff.”). “Such damages may include compensation for (1) lost sales or revenue; (2) sales at lower prices; (3) harm to market reputation; or (4) expenditures to prevent, correct, or mitigate consumer confusion.” *Id.*

*Intent and Damages.* Court typically do not require a showing of defendant's willful intent for damages to be awarded. *See, e.g., Gen. Elec. Co. v. Speicher*, 877 F.2d 531, 535 (7th Cir. 1989) (“[E]ven if he is an innocent infringer he ought at least reimburse the plaintiff's losses.”).



### C. Attorney's Fees

In *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967), the Supreme Court held that the Lanham Act did not provide for the award of attorney's fees to the prevailing party. In 1975, Congress amended Lanham Act § 35(a), 15 U.S.C. 1117(a), by adding the sentence: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." As with monetary recovery doctrine in trademark law, the doctrine relating to recovery of attorney's fees varies randomly across the circuits. See *Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC*, 626 F.3d 958 (7th Cir. 2010) (Posner, J.) (reviewing the "jumble" of the circuits' tests for an award of attorney's fees). The circuits generally require bad faith or willful infringement or bad faith, vexatious, or "oppressive" litigation. See *Eagles, Ltd. v. American Eagle Foundation*, 356 F.3d 724, 728 (6th Cir.2004) (defining "oppressive" litigation). Some circuits apply different evidentiary and substantive standards depending on whether the prevailing party is the plaintiff or the defendant. See *Nightingale Home Healthcare*, 626 F.3d at 961.

Based on a 1981 study, McCarthy suggests that attorney's fees are awarded "with some regularity," but there is no recent empirical evidence to support—or contradict—this claim. See MCCARTHY § 30:100.

### D. Counterfeiting Remedies

#### **Lanham Act § 35(b) & (c), 15 U.S.C. § 1117(b) & (c)**

##### (b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) for any violation of section 1114(1)(a) of this title or section 220506 of Title 36, in a case involving use of a counterfeit mark or designation (as defined in section 1116(d) of this title), the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee, if the violation consists of

(1) intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services; or

(2) providing goods or services necessary to the commission of a violation specified in paragraph (1), with the intent that the recipient of

the goods or services would put the goods or services to use in committing the violation.

In such a case, the court may award prejudgment interest on such amount at an annual interest rate established under section 6621(a)(2) of Title 26, beginning on the date of the service of the claimant's pleadings setting forth the claim for such entry of judgment and ending on the date such entry is made, or for such shorter time as the court considers appropriate.

(c) Statutory damages for use of counterfeit marks

In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of--

(1) not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than \$2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

Lanham Act § 34(d)(1)(B), 15 U.S.C. § 1116(d)(1)(B), defines the term “counterfeit mark”:

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

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

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 220506 of Title 36;

but such term does not include any mark or designation used on or in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

Lanham Act § 45, 15 U.S.C. § 1127, provides a definition of “counterfeit”: “A ‘counterfeit’ is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.”

Courts have not hesitated to grant substantial statutory damages awards. *See, e.g., Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936, 946 (9th Cir. 2011) (affirming jury award of \$10.5 million in statutory damages for contributory trademark infringement); *State of Idaho Potato Com'n v. G & T Terminal Packaging, Inc.*, 425 F.3d 708 (9th Cir. 2005) (\$100,000 in statutory damages against licensee of certification mark whose continued use was deemed to be counterfeit use); *Nike Inc. v. Variety Wholesalers, Inc.*, 274 F. Supp. 2d 1352, 1373 (S.D. Ga. 2003) (\$900,000 in statutory damages; \$100,000 for nine categories of counterfeit goods; awarded instead of \$1,350,392 profits).

## **E. Federal Criminal Penalties for Counterfeiting**

In 1984, Congress for the first time made trademark counterfeiting a federal crime. Congress has enhanced criminal penalties for counterfeiting with amendments in 1996, 2006, and 2008. *See* MCCARTHY § 30:116. The criminal penalty regime is set forth in 18 U.S.C. § 2320. The first offense by an individual may result in a fine of not more than \$2,000,000 and/or imprisonment of not more than 10 years (for corporations, which are unimprisonable persons, the fine may not exceed \$5,000,000). A second offense by an individual may result in a fine of not more than \$5,000,000 (for corporation, \$15,000,000) and imprisonment of not more than 20 years. Individuals whose counterfeiting conduct results in a “serious bodily injury or death” face significantly enhanced penalties. “Whoever knowingly or recklessly causes or attempts to cause serious bodily injury” from counterfeiting conduct faces up to 20 years in prison. “Whoever knowingly or recklessly causes or attempts to cause death” from counterfeiting conduct faces up to life in prison. Finally, individuals who engage in counterfeiting of “military goods or services” and pharmaceuticals also face enhanced penalties—for a first offense, not more than 20

years in prison and a fine of not more than \$15,000,000; for a second offense, not more than 30 years in prison and a fine of not more than \$30,000,000.