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.

Herb Reed (1928-2012) is at the 3 o'clock position.

Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.
763 F.3d 1239 (9th Cir. 2013)

McKeown, Circuit Judge:

[1] "The Platters"—the legendary name of one of the most successful vocal performing groups of the 1950s—lives on. With 40 singles on the Billboard Hot 100 List, the names of The Platters' hits ironically foreshadowed decades of litigation—"Great Pretender," "Smoke Gets In Your Eyes," "Only You," and "To Each His Own." Larry Marshak and his company Florida Entertainment Management, Inc. (collectively "Marshak") challenge the district court's preliminary injunction in favor of Herb Reed Enterprises ("HRE"), enjoining Marshak from using the "The Platters" mark in connection with any vocal group with narrow exceptions. We consider an issue of first impression in our circuit: whether the likelihood of irreparable harm must be established—rather than presumed, as under prior Ninth Circuit precedent—by a plaintiff seeking injunctive relief in the trademark context. In light of Supreme Court precedent, the answer is yes, and we reverse the district court's order granting the preliminary injunction.

Background

[2] The Platters vocal group was formed in 1953, with Herb Reed as one of its founders. Paul Robi, David Lynch, Zola Taylor, and Tony Williams, though not founders, have come to be recognized as the other "original" band members. The group became a "global sensation" during the latter half of the 1950s, then broke up in the 1960s as the original members left one by one. After the break up, each member continued to perform under some derivation of the name "The Platters."

[3] Litigation has been the byproduct of the band's dissolution; there have been multiple legal disputes among the original members and their current and former managers over ownership of "The Platters" mark. Much of the litigation stemmed from employment contracts executed in 1956 between the original members and Five Platters, Inc. ("FPI"), the company belonging to Buck Ram, who became the group's manager in 1954. As part of the contracts, each member assigned to FPI any rights in the name "The Platters" in exchange for shares of FPI stock. According to Marshak, FPI later transferred its rights to the mark to Live Gold, Inc., which in turn transferred the rights to Marshak in 2009. Litigation over the validity of the contracts and ownership of the mark left a trail of conflicting decisions in various jurisdictions, which provide the backdrop for the present controversy.

…

[4] Last year brought yet another lawsuit. HRE commenced the present litigation in 2012 against Marshak in the District of Nevada, alleging trademark infringement and seeking a preliminary injunction against Marshak's continued use of "The Platters" mark…. The district court found that HRE had established a likelihood of success on the merits, a likelihood of irreparable harm, a balance of hardships in its favor, and that a preliminary injunction would serve public interest. Accordingly, the district court granted the preliminary injunction and set the bond at $10,000. Marshak now appeals from the preliminary injunction.

…

III. Preliminary Injunction

[5] To obtain a preliminary injunction, HRE "must establish that [it] is likely to succeed on the merits, that [it] is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in [its] favor, and that an injunction is in the public interest." *Winter v. Natural Res. Def. Council, Inc*., 555 U.S. 7, 20 (2008)….

B. Likelihood of Irreparable Harm

[6] We next address the likelihood of irreparable harm. As the district court acknowledged, two recent Supreme Court cases have cast doubt on the validity of this court's previous rule that the likelihood of "irreparable injury may be *presumed* from a showing of likelihood of success on the merits of a trademark infringement claim." *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.,* 174 F.3d 1036, 1066 (9th Cir.1999) (emphasis added). Since *Brookfield,* the landscape for benchmarking irreparable harm has changed with the Supreme Court's decisions in *eBay Inc. v. MercExchange, L.L.C.,* 547 U.S. 388, in 2006, and *Winter* in 2008.

[7] In *eBay,* the Court held that the traditional four-factor test employed by courts of equity, including the requirement that the plaintiff must establish irreparable injury in seeking a permanent injunction, applies in the patent context. 547 U.S. at 391. Likening injunctions in patent cases to injunctions under the Copyright Act, the Court explained that it "has consistently rejected ... a rule that an injunction automatically follows a determination that a copyright has been

infringed," and emphasized that a departure from the traditional principles of equity "should not be lightly implied." *Id.* at 391–93 (citations omitted). The same principle applies to trademark infringement under the Lanham Act. Just as "[n]othing in the Patent Act indicates that Congress intended such a departure," so too nothing in the Lanham Act indicates that Congress intended a departure for trademark infringement cases. *Id.* at 391–92. Both statutes provide that injunctions may be granted in accordance with "the principles of equity." 35 U.S.C. § 283; 15 U.S.C. § 1116(a).

[8] In *Winter,* the Court underscored the requirement that the plaintiff seeking a preliminary injunction "demonstrate that irreparable injury is *likely* in the absence of an injunction." 555 U.S. at 22 (emphasis in original) (citations omitted). The Court reversed a preliminary injunction because it was based only on a "possibility" of irreparable harm, a standard that is "too lenient." *Id. Winter*'s admonition that irreparable harm must be shown to be likely in the absence of a preliminary injunction also forecloses the presumption of irreparable harm here.

[9] Following *eBay* and *Winter,* we held that likely irreparable harm must be demonstrated to obtain a preliminary injunction in a copyright infringement case and that actual irreparable harm must be demonstrated to obtain a permanent injunction in a trademark infringement action. *Flexible Lifeline Sys. v. Precision Lift, Inc.,* 654 F.3d 989, 998 (9th Cir.2011); *Reno Air Racing Ass'n, Inc., v. McCord,* 452 F.3d 1126, 1137–38 (9th Cir.2006). Our imposition of the irreparable harm requirement for a permanent injunction in a trademark case applies with equal force in the preliminary injunction context. *Amoco Prod. Co. v. Village of Gambell, AK,* 480 U.S. 531, 546 n. 12 (1987) (explaining that the standard for a preliminary injunction is essentially the same as for a permanent injunction except that "likelihood of" is replaced with "actual"). We now join other circuits in holding that the *eBay* principle—that a plaintiff must establish irreparable harm—applies to a preliminary injunction in a trademark infringement case. *See N. Am. Med. Corp. v. Axiom Worldwide, Inc.,* 522 F.3d 1211, 1228–29 (11th Cir.2008); *Audi AG v. D'Amato,* 469 F.3d 534, 550 (6th Cir.2006) (applying the requirement to a permanent injunction in a trademark infringement action).

[10] Having anticipated that the Supreme Court's decisions in *eBay* and *Winter* signaled a shift away from the presumption of irreparable harm, the district court examined irreparable harm in its own right, explaining that HRE must "establish that remedies available at law, such as monetary damages, are inadequate to compensate" for the injury arising from Marshak's continuing allegedly infringing use of the mark. *Herb Reed Enters., LLC v. Fla. Entm't Mgmt., Inc.,* No. 2:12–cv–00560–MMD–GWF, 2012 WL 3020039, at *15 (D.Nev. Jul. 24, 2012). Although the district court identified the correct legal principle, we conclude that the record does not support a determination of the likelihood of irreparable harm.

[11] Marshak asserts that the district court abused its discretion by relying on "unsupported and conclusory statements regarding harm [HRE] *might* suffer." We agree.

[12] The district court's analysis of irreparable harm is cursory and conclusory, rather than being grounded in any evidence or showing offered by HRE. To begin, the court noted that it "cannot condone trademark infringement simply because it has been occurring for a long time and may continue to occur." The court went on to note that to do so "could encourage wide-scale infringement on the part of persons hoping to tread on the goodwill and fame of vintage music groups." Fair enough. Evidence of loss of control over business reputation and damage to goodwill could constitute irreparable harm. *See, e.g., Stuhlbarg Int'l Sales Co., Inc. v. John D. Brush and Co., Inc.,* 240 F.3d 832, 841 (9th Cir.2001) (holding that evidence of loss of customer goodwill supports finding of irreparable harm). Here, however, the court's pronouncements are grounded in platitudes rather than evidence, and relate neither to whether "irreparable injury is *likely* in the absence of an injunction," *Winter,* 555 U.S. at 22, nor to whether legal remedies, such as money damages, are inadequate in this case. It may be that HRE could establish the likelihood of irreparable harm. But missing from this record is any such evidence.

[13] In concluding its analysis, the district court simply cited to another district court case in Nevada "with a substantially similar claim" in which the court found that "the harm to Reed's reputation caused by a different unauthorized Platters group warranted a preliminary injunction." *HRE,* 2012 WL 3020039, at *15–16. As with its speculation on future harm, citation to a different case with a different record does not meet the standard of showing "likely" irreparable harm.

[14] Even if we comb the record for support or inferences of irreparable harm, the strongest evidence, albeit evidence not cited by the district court, is an email from a potential customer complaining to Marshak's booking agent that the customer wanted Herb Reed's band rather than another tribute band. This evidence, however, simply underscores customer confusion, not irreparable harm.[1]

[15] The practical effect of the district court's conclusions, which included no factual findings, is to reinsert the now-rejected presumption of irreparable harm based solely on a strong case of trademark infringement. Gone are the days when

[1] In assessing the evidence with respect to irreparable harm, we reject Marshak's assertion that the district court may rely only on admissible evidence to support its finding of irreparable harm. Not so. Due to the urgency of obtaining a preliminary injunction at a point when there has been limited factual development, the rules of evidence do not apply strictly to preliminary injunction proceedings. *See Republic of the Philippines v. Marcos,* 862 F.2d 1355, 1363 (9th Cir.1988) ("It was within the discretion of the district court to accept ... hearsay for purposes of deciding whether to issue the preliminary injunction.").

"[o]nce the plaintiff in an infringement action has established a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief does not issue." *Rodeo Collection, Ltd. v. W. Seventh,* 812 F.2d 1215, 1220 (9th Cir.1987) (citing *Apple Computer, Inc. v. Formula International Inc.,* 725 F.2d 521, 526 (9th Cir.1984)). This approach collapses the likelihood of success and the irreparable harm factors. Those seeking injunctive relief must proffer evidence sufficient to establish a likelihood of irreparable harm. As in *Flexible Lifeline,* 654 F.3d at 1000, the fact that the "district court made no factual findings that would support a likelihood of irreparable harm," while not necessarily establishing a lack of irreparable harm, leads us to reverse the preliminary injunction and remand to the district court.

[16] In light of our determination that the record fails to support a finding of likely irreparable harm, we need not address the balance of equities and public interest factors.

REVERSED and REMANDED.

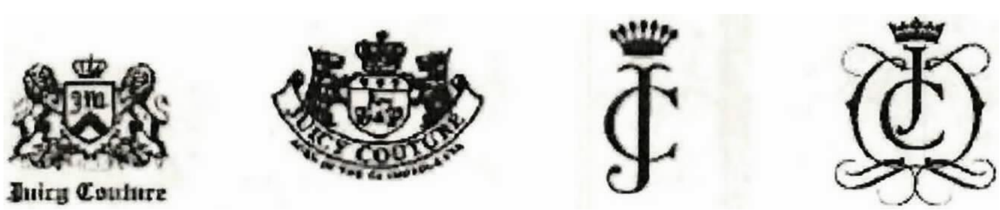
[*On March 31, 2014, on cross-motions for summary judgment, the district court granted summary judgment to HRE. See* Herb Reed Enterprises, LLC v. Florida Entm't Mgmt., Inc., No. 12 Civ. 00560, 2014 WL 1305144 (D. Nev. Mar. 31, 2014).]

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, 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 [on August 27, 2012] 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 defendants' 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[1] and 1114[2] of this title, and subject to the principles of 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

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[1] [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 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."]

[2] [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".]

> 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:

> 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 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.[3]

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.

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[3] Students seeking more precise information on a particular circuit's approach should consult the following chart, which is available on Westlaw: Practical Law Intellectual Property & Technology, *Trademark Infringement Profit and Damage Awards Standards By Circuit Chart*, Practical Law Checklist 2-618-9773.

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). More recently, in *Romag Fasteners, Inc. v. Fossil, Inc*., 817 F.3d 782 (Fed. Cir. March 31, 2016), the Federal Circuit heard an appeal governed by Second Circuit law and cited *Merck Eprova AG v. Gnosis S.p.A*., 760 F.3d 247, 261 (2d Cir. 2014), for the proposition that the Second Circuit requires a showing of willful intent for the award of plaintiff's profits. The *Romag* court further held that nothing in the 1999 amendment suggests that this rule has ceased to be good law in the Second Circuit.

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*., B*runswick 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."

Up until the recent Supreme Court decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc*., 134 S. Ct. 1749 (2014), the doctrine relating to recovery of attorney's fees varied 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 required (i) bad faith by the defendant, (ii) willful infringement, or (iii) 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 applied different evidentiary and substantive standards depending on whether the prevailing party was the plaintiff or the defendant. *See Nightingale Home Healthcare*, 626 F.3d at 961.

Octane Fitness has since begun to exert some discipline on the circuits' approaches. In *Octane Fitness*, the Supreme Court interpreted the meaning of the Patent Act's fee-shifting provision, 35 U.S.C. § 285, which is identical to Lanham Act § 35(a). The effect of the Court's interpretation was to relax significantly the standard for fee-shifting in the patent context. In light of the identity of 35 U.S.C. § 285 and Lanham Act § 35(a), the circuits have begun to apply *Octane Fitness* in the trademark context as well. *See, e.g.*, *Georgia–Pac. Consumer Prods. LP v. von Drehle Corp*., 781 F.3d 710 (4th Cir. 2015), as amended (Apr. 15, 2015; *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303 (3d Cir.2014). Those circuits that have not yet incorporated *Octane Fitness* will very likely do so when given the opportunity. In *Baker v. DeShong*, 821 F.3d 620, 625 (5th Cir. May 3, 2016), the Fifth Circuit spelled out the new standards that courts should apply to determine if the case before it is an "exceptional case" under Lanham Act § 35(a):

> We merge *Octane Fitness*'s definition of "exceptional" into our interpretation of § 1117(a) and construe its meaning as follows: an exceptional case is one where (1) in considering both governing law and the facts of the case, the case stands out from others with respect to the substantive strength of a party's litigating position; or (2) the unsuccessful party has litigated the case in an "unreasonable manner." *See Octane Fitness*, 134 S.Ct. at 1756. The district court must address this issue "in the case-by-case exercise of their discretion, considering the totality of the circumstances." *See id*.

Baker v. DeShong, 821 F.3d 620, 625 (5th Cir. May 3, 2016). It remains to be seen how courts will apply these standards to the facts before them, and what role defendant's bad faith or willful infringement might continue to play.

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); St*ate of Idaho Potato Com'n v. G & T Terminal Packaging, Inc*., 425 F.3d 708 (9th Cir. 2005) ($100,000 in statutory damages against ex-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 "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.