V. 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. *eBay* was a patent case. Do you accept the application of its reasoning and holding to trademark law, and in particular, the precise manner in which the Ninth Circuit applies *eBay* in *Herb Reed*?

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 "[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).}

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[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.").

adidas Am., Inc. v. Skechers USA, Inc.
890 F.3d 747 (9th Cir. 2018)

Nguyen, Circuit Judge:

[1] Skechers USA, Inc. appeals the district court's issuance of a preliminary injunction prohibiting it from selling shoes that allegedly infringe and dilute adidas America, Inc.'s Stan Smith trade dress and Three–Stripe trademark. We hold that the district court did not abuse its discretion in issuing the preliminary injunction as to adidas's claim that Skechers's Onix shoe infringes on adidas's unregistered trade dress of its Stan Smith shoe. We conclude, however, that the district court erred in issuing a preliminary injunction as to adidas's claim that Skechers's Cross Court shoe infringes and dilutes its Three–Stripe mark. Accordingly, we affirm in part and reverse in part.

I. FACTUAL BACKGROUND

[2] adidas is a leading manufacturer of athletic apparel and footwear. Skechers is a footwear company that competes with adidas in the active footwear and apparel market. Skechers has grown to become the second largest footwear company in the United States, ahead of adidas and behind only Nike.

[3] The Stan Smith has become one of adidas's most successful shoes in terms of sales and influence since its release in the 1970s. Deemed "[t]he favorite shoe of [fashion industry] insiders like designer Raf Simons and Marc Jacobs" by *The Wall Street Journal* and the "ultimate fashion shoe" by *i-D* magazine, the Stan Smith has received extensive media coverage and been featured in such print and online publications as *Time*, *Elle*, *InStyle*, and *Vogue*. The Stan Smith also has frequently appeared on lists of the most important or influential sneakers of all time and has earned industry accolades such as *Footwear News*'s 2014 "Shoe of the Year." That same year, adidas announced that the Stan Smith had become its top-selling shoe of all time, selling more than 40 million pairs worldwide.

[4] adidas is also known for its Three–Stripe mark, which has been featured on its products for many years as part of its branding strategy and for which it owns federal trademark registrations. adidas claims to earn several hundred million dollars in annual domestic sales of products bearing the Three–Stripe mark. adidas advertises the Three–Stripe mark in print publications, on television, and in digital media and promotes it through celebrity endorsements, sporting events sponsorships, and athletic partnerships.

[5] The parties have a history of trademark litigation that has previously resulted in Skechers acknowledging that "adidas is the exclusive owner" of the Three–Stripe mark and agreeing not to use it or any other protected mark "confusingly similar thereto." Despite the agreement, adidas has sued Skechers several times in the last twenty years for infringement of its Three–Stripe trademark.

[6] adidas filed the present lawsuit against Skechers on September 14, 2015, alleging, among other things, that Skechers's Onix shoe infringes on and dilutes the unregistered trade dress of adidas's Stan Smith shoe (both pictured below).

The Stan Smith Trade Dress

The Skechers "Onix"

adidas further alleges that Skechers's Relaxed Fit Cross Court TR (pictured below) infringes and dilutes adidas's Three–Stripe trademark, in violation of 15 U.S.C. § 1125(a), (c).

[7] adidas filed a motion for preliminary injunction to prohibit Skechers from manufacturing, distributing, advertising, selling, or offering for sale the Onix and Cross Court. The district court granted adidas's motion and issued the preliminary injunction, finding that adidas established all the *Winter* factors. *See Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20, 129 S.Ct. 365, 172 L.Ed.2d 249 (2008) ("A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest.").

[8] Skechers timely appealed.

II. STANDARD OF REVIEW

[9] We review the district court's issuance of a preliminary injunction for an abuse of discretion....

III. ANALYSIS

[10] Skechers contests only two of the factors under *Winter*, specifically, the district court's findings that adidas showed a likelihood of success on the merits and irreparable harm. Because the analysis for Skechers's Onix and Cross Court shoes differ, we take them each in turn.

A. Skechers's Onix and adidas's Stan Smith

i. Likelihood of Success on the Merits

{The Ninth Circuit found no clear error in the district court's determination that adidas demonstrated a likelihood of success on its claim that Skechers's Onix shoe infringes and dilutes adidas's Stan Smith trade dress.}

ii. Likelihood of Irreparable Harm

[11] Skechers also argues that the district court's finding of a likelihood of irreparable harm to the Stan Smith was erroneous.

[12] In *Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.*, we reaffirmed that "[e]vidence of loss of control over business reputation and damage to goodwill [can] constitute irreparable harm," so long as there is concrete evidence in the record of those things. 736 F.3d 1239, 1250 (9th Cir. 2013). Consistent with *Herb Reed*, the district court here based its finding of irreparable harm from the Onix shoe on evidence that adidas was likely to suffer irreparable harm to its brand reputation and goodwill if the preliminary injunction did not issue. adidas's Director of Sport Style Brand Marketing testified to the significant efforts his team invested in promoting the Stan Smith through specific and controlled avenues such as social media campaigns and product placement, and he stated that the Stan Smith earned significant media from various sources that was not initiated or solicited by adidas. adidas also presented evidence regarding its efforts to carefully control the supply of Stan Smith shoes and its concerns about damage to the Stan Smith's reputation if the marketplace were flooded with similar shoes. Finally, adidas produced customer surveys showing that approximately twenty percent of surveyed consumers believed Skechers's Onix was made by, approved by, or affiliated with adidas.[1]

[13] The extensive and targeted advertising and unsolicited media, along with tight control of the supply of Stan Smiths, demonstrate that adidas has built a specific reputation around the Stan Smith with "intangible benefits." *See Regents of Univ. of Cal. v. Am. Broad. Cos.*, 747 F.2d 511, 519 (9th Cir. 1984) (internal quotation marks omitted). And, the customer surveys demonstrate that those intangible benefits will be harmed if the Onix stays on the market because consumers will be confused about the source of the shoes. We find that the district court's finding of irreparable harm is not clearly erroneous. *See Herb Reed*, 736 F.3d at 1250; *Rent–A–Ctr., Inc. v. Canyon Television & Appliance Rental, Inc.*, 944 F.2d 597, 603 (9th Cir. 1991) (noting that harm to advertising efforts and goodwill constitute "intangible injuries" that warrant injunctive protection).

B. Skechers's Cross Court and adidas's Three–Stripe Mark

i. Likelihood of Success on the Merits

{The Ninth Circuit found no clear error in the district court's determination that adidas showed a likelihood of success on the merits as to its claims that Skecher's Cross Court shoe infringes and dilutes adidas's Three-Stripe mark.}

ii. Likelihood of Irreparable Harm

[14] Skechers next argues that the district court abused its discretion in issuing the preliminary injunction because under *Winter*, adidas has not shown that it will be irreparably harmed from sale of the Cross Court. We agree.

[15] Both below and on appeal, adidas advanced only a narrow argument of irreparable harm as to the Cross Court: that Skechers harmed adidas's ability to control its brand image because consumers who see others wearing Cross Court shoes associate the allegedly lesser-

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[1] Skechers's intent to foment and capitalize on such confusion is evident from its use of the terms "adidas" and "Stan Smith" in its source code for the Onix shoe webpage.

quality Cross Courts with adidas and its Three–Stripe mark.[2] Yet we find no evidence in the record that could support a finding of irreparable harm based on this loss of control theory.

[16] First, adidas's theory of harm relies on the notion that adidas is viewed by consumers as a premium brand while Skechers is viewed as a lower-quality, discount brand. But even if adidas presented evidence sufficient to show its efforts to cultivate a supposedly premium brand image for itself, adidas did not set forth evidence probative of Skechers's allegedly less favorable reputation. The only evidence in the record regarding Skechers's reputation was testimony from adidas employees.[3] First, adidas claimed that "Skechers generally sells its footwear at prices lower than adidas's"—how much lower, and for what of any number of possible reasons other than the quality of its products, we do not know. This generalized statement regarding Skechers's price point does not indicate that consumers view Skechers as a value brand. Second, one adidas employee noted that within adidas, Skechers is viewed as inferior to adidas. Again, Skechers's reputation among the ranks of adidas employees does not indicate how the general consumer views it. Thus, the district court's finding that Skechers is viewed as a "value brand" is an "unsupported and conclusory statement[ ]" that is not "grounded in any evidence or showing offered by [adidas]." *See Herb Reed*, 736 F.3d at 1250 (internal quotation marks omitted).[4]

[17] Second, adidas's theory of harm is in tension with the theory of customer confusion that adidas has advanced to establish a likelihood of success on the merits. adidas

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[2] While there are other ways post-sale confusion could hypothetically harm a trademark holder, *see, e.g.*, *Gen. Motors Corp. v. Keystone Auto. Indus., Inc.*, 453 F.3d 351, 358 (6th Cir. 2006); 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:7 (5th ed. 2017), adidas has not raised any other theories of harm here. Unlike the dissent, we hold adidas to its burden of showing a likelihood of irreparable harm on the theory that it actually raised. *See* Dissent at 762–64 & n.2 (outlining how adidas *could have* suffered post-sale harm if the Skechers buyer could benefit from others believing she was wearing adidas shoes).

[3] Such employee testimony is hardly the most reliable evidence of the reputation of a competitor…. However, we need not (and do not) rely on the diminished reliability of employee testimony here, where the testimony did not demonstrate that Skechers is a lower-value brand—one of the tenets of adidas's theory of irreparable harm—anyway. Nor do we "disregard" it, as the dissent suggests, Dissent at 766–67; we merely disagree with the dissent about what the testimony actually shows.

[4] The dissent criticizes our reliance on *Herb Reed*. Dissent at 765–66. True, there are more facts in the record here that adidas *claims* support a finding of likelihood of irreparable harm than there were in *Herb Reed*. *See* 736 F.3d at 1250 (noting there was only one email in the record that might support an inference of irreparable harm). The problem is that none of those facts *actually* support such a finding. *Herb Reed* makes clear that it is the plaintiff's burden to put forth specific evidence from which the court can infer irreparable harm. *See id.* ("The district court's analysis of irreparable harm is cursory and conclusory, rather than being grounded in any evidence or showing offered by [the plaintiff]."). Regardless of our deferential review, there must actually be such evidence in the record before we can uphold the district court's factual findings. *Id.* (overturning the district court where its "pronouncements [were] grounded in platitudes rather than evidence"). We simply disagree with the dissent that there is any such evidence supporting adidas's theory of irreparable harm on this record.

did not argue in the district court, and has not argued on appeal, that a Cross Court purchaser would mistakenly believe he had bought adidas shoes at the time of sale. Indeed, this argument would be implausible because the Cross Court contains numerous Skechers logos and identifying features. Instead, adidas argues only that *after* the sale, *someone else* looking at a Cross Court shoe from afar or in passing might not notice the Skechers logos and thus might mistake it for an adidas.

[18] The tension between adidas's consumer confusion and irreparable harm theories, then, boils down to this: How would consumers who confused Cross Courts for adidas shoes be able to surmise, from afar, that those shoes were low quality? If the "misled" consumers could not assess the quality of the shoe from afar, why would they think any differently about adidas's products? How could adidas's "premium" brand possibly be hurt by any confusion?

[19] Indeed, such a claim is counterintuitive. If a consumer viewed a shoe from such a distance that she could not notice its Skechers logos, it is unlikely she would be able to reasonably assess the quality of the shoes. And the consumer could not conflate adidas's brand with Skechers's supposedly "discount" reputation if she did not know the price of the shoe and was too far away to tell whether the shoe might be a Skechers to begin with. In short, even if Skechers does make inferior products (or even if consumers tend to think so), there is no evidence that adidas's theory of post-sale confusion would cause consumers to associate such lesser-quality products with adidas. And, even if we agree with the district court that some consumers are likely to be confused as to the maker of the Cross Court shoe, we cannot simply assume that such confusion will cause adidas irreparable harm where, as here, adidas has failed to provide concrete evidence that it will. *See Herb Reed*, 736 F.3d at 1250–51.

[20] As discussed above, adidas presented specific evidence that its reputation and goodwill were likely to be irreparably harmed by Skechers's Onix shoe based on adidas's extensive marketing efforts for the Stan Smith and its careful control of the supply of Stan Smiths available for purchase. Thus, even post-sale confusion of consumers from afar threatens to harm the value adidas derives from the scarcity and exclusivity of the Stan Smith brand. But there was no comparable argument or evidence for the Cross Court.

[21] Because adidas failed to produce evidence that it will suffer irreparable harm due to the Cross Court, we conclude that the district court abused its discretion by issuing a preliminary injunction for the Cross Court. *See Herb Reed*, 736 F.3d at 1250.

* * *

[22] We affirm the district court's preliminary injunction order as to the Onix shoe as likely infringing on, and causing irreparable harm to, adidas's Stan Smith trade dress. However, because we find that there was no evidence in the record that met the standard outlined in *Herb Reed* for likelihood of irreparable harm to adidas's Three–Stripe mark, we reverse the preliminary injunction as to the Cross Court shoe. The parties should bear their own costs on appeal.

CLIFTON, Circuit Judge, concurring in part and dissenting in part:

[1] The preliminary injunction entered by the district court should be affirmed in full. I join with my colleagues in affirming the preliminary injunction regarding Skechers's Onix shoe based on its infringement on the trade dress of adidas's Stan Smith shoe and concur in that part of the majority opinion.

[2] Where I part ways with the majority concerns the infringement by Skechers with its Cross Court shoe of the Three–Stripe mark owned by adidas. The majority holds that adidas has demonstrated a likelihood of success on the merits of that claim, sufficiently demonstrating both trademark infringement and trademark dilution, and I agree. Nonetheless, the majority reverses the preliminary injunction as to the Cross Court shoe on the ground that there was not evidence to support the district court's determination that adidas was likely to suffer irreparable injury. As to that, I disagree. In my view, the majority opinion misunderstands our precedent, misperceives the means by which adidas will suffer irreparable injury, and mischaracterizes the evidence before the district court. As a result, I must, in part, respectfully dissent.

I. Herb Reed

[3] The precedent relied upon by the part of the majority decision in question comes down essentially to a single case, *Herb Reed Enterprises, LLC v. Florida Entertainment Management, Inc.*, 736 F.3d 1239 (9th Cir. 2013)….

[4] Our decision in *Herb Reed* did not disclaim the logic that led to the creation of the now-discarded legal presumption {that irreparable injury may be presumed from a showing of likelihood of success on the merits of a trademark infringement claim}. It is not hard to understand how the presumption arose. If a plaintiff can demonstrate a likelihood that it will succeed on the merits of its trademark claim—as adidas succeeded in establishing that Skechers's Cross Court shoe infringed and diluted adidas's famous Three–Stripe mark, a conclusion we affirm—it is not a big leap to conclude that adidas would be injured by that action. The inference might not always follow, as the facts in *Herb Reed* illustrate. That one Platters tribute band might be mistaken for another did not necessarily establish that the band that had a legal right to the name suffered an injury to its reputation. But in other circumstances, including those here, the inference of injury is logical. As the Third Circuit observed in affirming a similar preliminary injunction: "Although we no longer apply a presumption, the logic underlying the presumption can, and does, inform how we exercise our equitable discretion in this particular case." *Groupe SEB USA, Inc. v. Euro–Pro Operating LLC*, 774 F.3d 192, 205 n.8 (3d Cir. 2014). Our decision in *Herb Reed* did not change that.

II. Irreparable Injury

[5] The district court found that adidas likely suffered harm as the result of post-sale confusion. The theory of post-sale confusion in the trademark context provides that "consumers could acquire the prestige value of the senior user's product by buying the copier's cheap imitation," and that, "[e]ven though the knowledgeable buyer knew that it was getting an imitation, viewers would be confused." 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:7 (5th ed. 2018). "Thus, the senior user suffers a loss of sales diverted to the junior user, the same as if the actual buyer were confused." *Id.* In other words, sale of the Cross Court, which infringed and diluted adidas's Three–Stripe trademark, would result in post-sale confusion and harm adidas, the trademark holder, by threatening to divert potential customers who can obtain the prestige of its goods without paying its normal prices.[5] *See Rolls–Royce Motors Ltd. v. A & A Fiberglass, Inc.*, 428 F.Supp.

[5] Diversion of customers is a form of irreparable harm. *See* McCarthy, *supra*, § 30:47 ("confusion may cause purchasers to refrain from buying either product and to turn to those of other competitors. Yet to prove the loss of sales due to infringement is also notoriously

689, 694 n.10 (N.D. Ga. 1976) (regarding grill and hood ornament kit meant to make a Volkswagon look like a Rolls–Royce).

[6] Post-sale confusion accounts for consumers who buy imitations of a prestigious senior holder's brand at lower prices in the very hope that others will confuse their products as being manufactured by the senior holder. About thirty years ago, when I was in private practice, my law firm was retained by Louis Vuitton to combat the sale of cheaper imitations. Some were counterfeits, reproducing the distinctive "LV" mark and pattern on bags similar to those actually sold by Louis Vuitton. Others were knock-offs, such as bags with a similar looking "LW" mark or products that Louis Vuitton probably wouldn't dream of making, such as baseball caps covered with dozens of "LV" marks. Many of the items were sold at locations, like swap meets and flea markets, where few would expect to find real Louis Vuitton products. Prices were often a tiny fraction of what the real thing cost, and it was unlikely that the purchasers thought that they were walking away with genuine Louis Vuitton merchandise. Leaving the legal arguments aside, it wasn't a surprise to me (and still isn't) that Louis Vuitton was concerned and was willing to expend considerable effort to protect its trademark. As Professor McCarthy described, if the prestige of carrying a bag with the Louis Vuitton trademark could be obtained at a fraction of the price, and if viewers could not tell the difference, the value of the trademark would be in jeopardy. And, if someone did confuse the cheap imitation for the real thing, the lesser quality of the imitator could further imperil the perceived value of the Louis Vuitton products and trademark.

[7] The Three–Stripe mark owned by adidas is one of the most famous marks in the world. There is evidence in the record that it has been heavily advertised and promoted by adidas for many years, at the cost of millions of dollars each year. adidas sells several hundred million dollars worth of products bearing the Three–Stripe mark each year in the United States and billions of dollars globally. The Three–Stripe mark is the subject of multiple trademark registrations, in this country and others. adidas has worked to protect its mark, including through litigation against Skechers, and Skechers has acknowledged, as the majority opinion notes, that adidas is the exclusive owner of the Three–Stripe mark and agreed not to use it or any confusingly similar mark.

[8] That adidas is concerned about the impact of trademark infringement and dilution on the Three–Stripe mark, like Louis Vuitton was, is obvious. The reasons seem pretty obvious to me as well. If a shoe bearing a mark that looks like the Three Stripes cannot reliably be identified as being an adidas shoe, available at adidas prices, and made to satisfy the quality standards of adidas, then that Three–Stripe mark will lose some of its value and adidas will be harmed.

[9] The majority opinion describes this as "counterintuitive." Maj. Op. at 760. It seems logical to me, and it is well established in the law as a basis for a claim of dilution.

[10] The majority opinion attempts to justify its constrained consideration of the post-sale confusion harm suffered by adidas on the premise that adidas "advanced only a narrow argument of irreparable harm" as to the Skechers shoe that infringed on the Three–Stripe mark, the Cross Court shoe. The majority describes the argument as follows: "that Skechers harmed adidas's ability to control its brand image because consumers who see others

difficult"); *see also*, *e.g.*, *China Cent. Television v. Create New Tech. (HK) Ltd.*, 2015 WL 12732432, at *20 (C.D. Cal. Dec. 7, 2015).

wearing Cross Court shoes associate the allegedly lesser-quality Cross Courts with adidas and its Three–Stripe mark."[6]

[11] That argument is actually not so narrow. It is remarkably similar to the explanation provided by Professor McCarthy, as quoted above, at 763, that the majority opinion claims that adidas did not make: that "consumers could acquire the prestige value of the senior user's product by buying the copier's cheap imitation," and that, "[e]ven though the knowledgeable buyer knew that it was getting an imitation, viewers would be confused." McCarthy, *supra*, § 23:7. It is also consistent with the definition of "dilution" applied by the district court in its preliminary injunction order: "'the lessening of the capacity of a famous mark to identify and distinguish goods or services' of the owner of the famous mark such that the strong identification value of the owner's trademark whittles away or is gradually attenuated as a result of its use by another." (Quoting *adidas-Am., Inc. v. Payless Shoesource, Inc.*, 546 F.Supp.2d 1029, 1060 (D. Or. 2008) (quoting *Horphag Research Ltd. v. Garcia*, 475 F.3d 1029, 1035 (9th Cir. 2007) (quoting 15 U.S.C. § 1127)).)

[12] The district court went on to observe that "[t]here are two types of dilution: by blurring and by tarnishment." Tarnishment appears to be the only argument the majority considers. The district court described that form of dilution: "a famous mark is considered diluted by tarnishment when the reputation of the famous mark is harmed by the association resulting from the use of the similar mark." But the district court's order described the blurring form of dilution as well, recognizing it as part of adidas's claim, and defining it as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." The district court found that adidas has offered sufficient proof to support a blurring claim. It specifically found that "Skechers' infringement undermines adidas's substantial investment in building its brand and the reputation of its trademarks and trade dress" and that "Skechers' attempts to 'piggy back' off of adidas's efforts by copying or closely imitating adidas's marks means adidas loses control over its trademarks, reputation, and goodwill." There was nothing counterintuitive or narrow about the dilution claim presented by adidas and found persuasive by the district court.

…

{Judge Clifton went on to argue in detail that the majority violated the clear error standard of review in discounting adidas's evidence of harm from Skechers's sale of the Cross Court shoe.}

…

V. Conclusion

[13] In reviewing a preliminary injunction, the scope of our review "is limited and deferential." *Guzman v. Shewry*, 552 F.3d 941, 948 (9th Cir. 2009) (citation omitted). *Herb Reed* reiterated that "limited and deferential" standard. 736 F.3d at 1247 (citation omitted). Moreover, *Herb Reed* instructed us to afford district courts wide discretion to make a finding when there is supporting evidence, and acknowledged that, "we will reverse only if the court's decision resulted from a factual finding that was illogical, implausible, or without support in inferences that may be drawn from the facts in the record." *Id*. (internal quotation

[6] As discussed below, at 768–69, the majority is wrong in concluding that adidas's dilution claim depends upon establishing that Skechers is perceived as a lesser-quality brand.

marks omitted). Based upon the record and adidas's unrebutted evidence, it is clear to me that the district court did not abuse its discretion, and that the preliminary injunction should be affirmed in full. I respectfully dissent.

Comments and Questions

1. *Second Circuit treatment of* eBay. The Second Circuit has not yet explicitly embraced *eBay* in the trademark context, though it recently came close to doing so. In *Guthrie Healthcare Sys. v. ContextMedia, Inc.*, 826 F.3d 27 (2d Cir. 2016), the Second Circuit stated:

> We recognize further that the competing equities do not always favor a senior user that has shown infringement. Cases frequently arise in which imposition of a broad injunction on an innocent infringer, which had no realistic way of knowing that its mark was subject to a prior claim, would cause the junior user a catastrophic loss of goodwill acquired through investment of years of toil and large amounts of money. In such cases, notwithstanding that the legal right unquestionably belongs to the senior user, competing equities can complicate the issue of the breadth of injunctive relief. In our case, in contrast, a number of equitable considerations appear to favor Plaintiff.

Id. at 49–50.

2. *How should* eBay *apply to trademark law?* Mark Lemley has criticized the manner in which courts have applied *eBay* to trademark law:

> I think *eBay* was a good—indeed, great—development in patent law and copyright law.
>
> Trademark, however, is different. The purposes of trademark law—and whom it benefits—should lead us to treat trademark injunctions differently than patent and copyright injunctions. Further, trademark courts have misinterpreted *eBay*, treating each of the four factors as a requirement rather than a consideration. That is a particular problem in trademark law, where proof of future injury can be elusive. And perhaps most remarkably, courts have expanded *eBay* in trademark cases at the same time they have denied damages relief, with the result that trademark owners can and do win their case only to receive no remedy at all. The result is a very real risk that courts will hurt rather than help consumers by allowing confusion to continue.

Mark A. Lemley, *Did eBay Irreparably Injure Trademark Law?*, 92 NOTRE DAME L. REV. 1795, 1796 (2017). Lemley notes in particular that due to trademark courts' strict application of *eBay* and trademark law's heightened requirements for the award of monetary damages or defendant's profits, "[t]he result is that sometimes plaintiffs win their cases but are awarded exactly nothing—no damages and no injunction." *Id*. at 1808.

3. *Injunctive relief and the right to a trial by jury*. If only injunctive relief is sought, then the case is purely equitable and neither party has the right to a jury trial. For this reason, plaintiffs may sometimes seek only an injunction (and not damages or defendant's profits) so that the defendant cannot demand a jury trial. *See, e.g.*, *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1183–84 (9th Cir. 2010) ("Finally, we consider the Tabaris' claim that

the district court deprived them of their right to a trial by jury when it failed to empanel a jury to decide Toyota's trademark claims. Because Toyota only sought an injunction, the district court did not err by resolving its claims in a bench trial. Nor were the Tabaris entitled to a jury trial on their equitable defenses to those claims, or their counterclaims seeking declarations of trademark invalidity and non-infringement." (citations omitted)).

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 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

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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".]

> 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

[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.

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). More recently, in *Romag Fasteners, Inc. v. Fossil, Inc*., 817 F.3d 782 (Fed. Cir. 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. 1992), '[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. Corrective Advertising

Corrective advertising by defendant. Courts may order defendants to engage in corrective advertising to mitigate the consumer confusion that their conduct has caused. Corrective advertising orders are especially common in false advertising cases. *See, e.g*., *Merck Eprova AG v. Gnosis S.p.A*., 760 F.3d 247, 264 (2d Cir. 2014) (affirming a corrective advertising injunction ordering defendant to advertise on its homepage and various other websites and magazines that it had been ordered by the court to explain the difference between its products and plaintiff's products, and finding that the corrective advertising order paired with recovery of defendant's profits did not constitute unfair double recovery).

Corrective advertising by plaintiff. Courts may also take into account in their award of damages the cost to a plaintiff of running corrective advertising to mitigate confusion caused by the defendant and to restore the plaintiff to the position it would have been in had defendant not infringed. See*, e.g., Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co*., 561

F.2d 1365, 1375-76 (10th Cir. 1977) (following FTC practices, awarding plaintiff 25% of defendant's advertising budget, or $678,302, to cover the cost of plaintiff's corrective advertising).

D. 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.*, *SunEarth, Inc. v. Sun Earth Solar Power Co*., 839 F.3d 1179, 1181 (9th Cir. 2016); *Georgia–Pac. Consumer Prods. LP v. von Drehle Corp*., 781 F.3d 710 (4th Cir. 2015), as amended (Apr. 15, 2015); *Slep–Tone Entm't Corp. v. Karaoke Kandy Store, Inc*., 782 F.3d 313, 317–18 (6th Cir. 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. 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*.

Id. at 625. 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.

E. 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).

F. 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). *See, e.g.,* Dorothy Atkins, *5-Hour Energy Scheme Nets Husband 7 Years, Wife 2 Years*, Law360, June 20, 2017, https://www.law360.com/articles[] /936408/5-hour-energy-scheme-nets-husband-7-years-wife-2-years (reporting criminal sentencing of ring leaders behind massive scheme to sell counterfeit 5-HOUR ENERGY drinks). 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.