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Federal Trademark Remedies: A Proposal for Reform

Mark A. Thurmon

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FEDERAL TRADEMARK REMEDIES:
A PROPOSAL FOR REFORM

Mark A. Thurmon*

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VI. Conclusion

I. INTRODUCTION

The Federal Trademark (Lanham) Act’s remedial scheme is badly broken. Monetary remedies provided under the Act rarely serve their intended purposes. Two monetary remedies are available, at least in theory, to prevailing trademark owners: actual damages and the infringer’s profits. Damages are seldom awarded,\(^1\) despite the fact that trademark infringement is a commercial tort and causes economic harm.\(^2\) The profits remedy fares no better, as it either results in an excessive monetary award or in no award at all.\(^3\) Prevailing trademark owners usually get no monetary relief, but those few who do sometimes hit the jackpot.\(^4\) The Lanham Act’s monetary relief rules are an abject failure.

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\(^1\) A study conducted on the 50th anniversary of the Lanham Act is illustrative of the relative rarity of monetary awards in trademark cases. After reviewing all reported trademark cases from 1946 through 1995, only 125 cases were found where a monetary award was granted. Andrew W. Carter and Gregory M. Remec, 50th Anniversary of the Lanham Act: Monetary Awards for Trademark Infringement under the Lanham Act, 86 TRADEMARK REP. 464, 465 (1996).

Courts have reversed damages awards where the evidence did not establish both injury and causation. See, e.g., Harper House, Inc. v. Thomas Nelson, Inc., 889 F.2d 197, 210 (9th Cir. 1989) ("$1.8 million jury verdict reversed because there was no "actual evidence of some injury resulting from the deception"). See also Keith M. Stolte, Remedying Judicial Limitations on Trademark Remedies: Monetary Relief Should Not Require Proof of Actual Confusion, 75 DEN. U. L. REV. 229, 229 (1997) (referring to "stringent, judicially derived limitations" on prevailing trademark owner’s right to monetary relief).

\(^2\) Little has been written concerning the economic harm caused by trademark infringement, though the point is rather obvious. Trademarks are economic assets of their owners. Indeed, brands often are the most valuable assets a company owns, sometimes accounting for an overwhelming portion of a company’s net worth. See infra note 8 (describing results of two prominent annual brand value studies).

Trademark infringement, and in at least some instances trademark dilution, damage the goodwill of a trademark. And it is the goodwill of the mark that accounts for its economic value. It may be difficult, even impossible, to quantify the monetary damage resulting from a particular instance of trademark infringement, but if the goodwill is harmed, then it follows that economic harm has occurred. This point is not often articulated, but it is difficult to dispute.

\(^3\) See infra notes103-07 and accompanying text.

\(^4\) There are a number of high-profile trademark cases involving large monetary awards. One frequently cited example is Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 408 F. Supp. 1219 (D. Colo. 1976). The Big O case involved reverse confusion caused by a massive Goodyear campaign. Big O, the plaintiff, was a mid-sized chain of tire stores, a company many times smaller than Goodyear. The jury found "that Goodyear acted with a wanton and reckless disregard of the rights of the plaintiff." Id. at 1233. Big O was awarded $19.6 million in compensatory and punitive damages. Id. at 1238. The awards were reduced on appeal to 25% of what the jury awarded, resulting in a total recovery of approximately $5 million. Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365, 1375-76 (10th Cir. 1977). See also Sands, Taylor & Wood v. Quaker Oats Co., 34 F.3d 1340, 1352-53 (7th Cir. 1994) (affirming an award of over $10 million to a relatively small company in trademark infringement suit, plus...
This is not a recent development. This badly broken remedies scheme has been in place for almost sixty-five years! The substance of the Lanham Act has been revised and expanded a number of times by Congress. The Act’s remedies provisions, on the other hand, have remained mostly unchanged since the Lanham Act became law in 1946.

It is not clear why Congress has paid so little attention to the flawed remedies available under the Lanham Act. Trademarks are among the most valuable assets in the world, with the world’s top brands being valued at astonishingly high figures. Recent studies have placed the

approximately $6 million in pre-judgment interest and attorney fees); U-Haul Int’l, Inc. v. Jartran, Inc., 793 F.2d 1034, 1041-42 (9th Cir. 1986) (affirming an award of $40 million in a false advertising case).

Awards of a defendant’s profits sometimes bear little resemblance to actual profits. This result is particularly striking where the court refuses to allow deductions from the infringer’s gross revenue. In a recent case, the Fifth Circuit Court of Appeals awarded an infringer’s entire gross revenue as “profits,” a holding that changed the amount of “profits” from $227.10 to $1,256,635.00. Am. Rice, Inc. v. Prod. Rice Mill, Inc., 518 F.3d 321, 340-41 (5th Cir. 2008); see also Otis Clapp & Son v. Filmore Vitamin Co., 754 F.2d 738 (7th Cir. 1985) (awarding 15% of gross revenue as “profits” where there was evidence the defendant lost money on the infringing sales).
value of brands like Google and Coca-Cola at approximately $115 billion and $75 billion, respectively. Yet despite the enormous monetary value of trademarks, Congress has given no attention to the flawed monetary remedies provided by the Lanham Act.

It is time to take this problem seriously and reform the remedial rules of the Lanham Act. This article presents a specific proposal for reform that includes the following key changes:

- statutory damages are available as an alternative to actual damages, and this new remedy is available to prevailing trademark owners in all actions under the Lanham Act;
- the defendant’s profits remedy is limited to those profits attributable to the infringement, but this remedy is available to prevailing trademark owners in all actions under the Lanham Act (i.e., proof of willful infringement or some other type of bad faith is not required to obtain a profits award);
- punitive damages may be awarded in appropriate cases;
- attorney fees may be awarded at the court’s discretion (i.e., the exceptional case standard is eliminated);
- a rebuttable presumption of irreparable harm is codified; and
- state law claims are preempted if the allegedly infringing trademark is federally registered.

The first three proposals mark important changes to the existing Lanham Act monetary remedies. These changes would create a balanced, sensible scheme. The fourth reform is intended to give courts more discretion so that the attorney fees award may be used to better advance important trademark law policies. The fifth proposal—codification of the rebuttable presumption of irreparable harm—is more a confirmation of long-standing practice than a substantive change. The


To get a sense of the total value represented by the world’s top brands, consider the combined value of the top twenty brands in the 2010 BrandZ study. These brands were valued at amounts ranging from $114,260,000 (Google at the top spot) to $24,675,000 (Verizon at number twenty). The top twenty brands combined for a value of more than one trillion dollars (i.e., over $1,000,000,000). A total of seventy-one brands were valued at greater than $10 billion, and the number 100 brand, last place on the list, was valued at $7,280,000. It is hard to overstate the economic importance of trademarks.

final proposal would result in broad federal preemption, a change needed to enhance consistency and to further incentivize federal registration of trademarks.

The reforms proposed in this article address a number of problems in the existing Lanham Act scheme. The primary goal of this proposal, however, is to spark a larger debate. The question should not be whether to reform the remedies sections of the Lanham Act, but how. What sort of changes should be made? What policies and purposes should be served by the Lanham Act’s remedial scheme? These are the questions we need to ask. The current Lanham Act remedies provisions were not the result of this sort of deliberative process. In fact, the existing remedies rules are largely an accident of history.10 We need a set of remedies rules that make sense today and that result from a constructive, reasoned debate.

This article represents an attempt to address the general policy questions posed above and to present a specific proposal for reform based on a set of policy objectives. In Part II, the existing Lanham Act remedies rules are explained. Part III then addresses key policy issues relevant to the remedies analysis. In Part IV, a specific reform proposal is presented, a proposal supported by the policy arguments found in Part III. Finally, in Part V, additional arguments are presented in support of some of the specific provisions of the reform proposal.

II. THE CURRENT LANHAM ACT REMEDIAL RULES

There are three primary remedies available under the Lanham Act: the injunction,11 compensatory damages;12 and defendant’s profits.13

10. See infra Part II.A.
11. 15 U.S.C. § 1116(a) provides, in part:
   The several courts vested with jurisdiction of civil actions arising under this Act 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 43 [15 U.S.C. § 1125].
12. Id.
   15 U.S.C. § 1117(a) provides as follows:
   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 43(a) or (d), or a willful violation under section 43(c), shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32, 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
The Act also authorizes federal courts to increase damages by up to three times, to increase or decrease profits awards "as the court shall find to be just," and to award reasonable attorney fees in exceptional cases.14 Punitive damages are not available under the Act, courts have consistently held, because the monetary remedies are to be "compensation and not a penalty."15 In summary, the existing Lanham Act remedies include two monetary remedies, the injunction, and attorney fees.

These remedies, and the rules that govern them, have remained essentially unchanged since the Lanham Act was adopted in 1946. To understand the current remedies rules, therefore, one must look at the rules adopted by Congress in 1946. And because the "purpose of the Lanham Act was to codify and unify the common law of unfair competition and trademark protection,"16 it follows that to understand the Lanham Act rules one must look to the common law rules in place when the Lanham Act was enacted. That task requires at least a basic understanding of how common law trademark remedies developed.

The first section below presents a brief overview of the historical development of trademark remedies and an explanation of what remedies Congress included in the Lanham Act. The second section of this part presents a brief summary of the prevailing judicial interpretation of the current Lanham Act remedies provisions.

A. An Accident of History—The Current Lanham Act Remedial Scheme

The flawed remedies scheme found in the Lanham Act is troubling, but not entirely surprising. Congress paid little attention to the remedies provisions of the various reform bills that led to the Lanham Act of 1946

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.

Id.

13. Id.
14. Id.
15. Id.; see also infra note 24 (citing cases holding that punitive damages are not available under the Lanham Act).
and focused instead on other aspects of the reform package. Rather than trying to develop a new set of remedies rules, Congress apparently was content to codify the existing common law rules. The decision to codify the existing remedies rules was somewhat odd, however, because Congress noted, at least twice, that those rules sometimes led to questionable results.

Codifying a set of questionable common law rules was but one of the mistakes Congress made in the remedies sections of the Lanham Act. The trademark law reform process began in the early 1920s and culminated in 1946 with passage of the Lanham Act. In 1938—while trademark reform bills were pending in Congress—the Federal Rules of Civil Procedure were adopted. The new rules merged the previously


18. See supra note 17; see also Robert C. Denicola, Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995, 59 LAW & CONTEMP. PROBS. 75, 79-80 (1996) (“Putting aside statutory innovations directly linked to the public notice provided by the Act’s registration system, the Lanham Act codifies the basic common law principles governing both the subject matter and scope of protection.”); Kenneth L. Port, The Illegitimacy of Trademark Incontestability, 26 IND. L. REV. 519, 520 (1993) (“Lanham Act’s primary, express purpose was to codify the existing common law of trademarks and not to create any new trademark rights.”). One of the primary drafters of the reform bills that led to the Lanham Act, Edward Rogers, took the same view during a Senate hearing in 1929. S. Rep. No. 1496, 71st Cong. (1st Sess. 1929) (“The primary purpose of this bill is ... generally to apply the common law of trademarks to commerce over which Congress has jurisdiction.”).

19. At two separate hearings during the reform process, references were made to certain trademark cases involving seemingly excessive monetary awards. See Thurmon, supra note 17, at nn. 286-89 and accompanying text. Two specific cases are identified in the record, and both cases involved large profits awards and minimal or no damages. See L. P. Larson, Jr., Co. v. William Wrigley, Jr., Co., 20 F.2d 830 (7th Cir. 1927), modified by, 277 U.S. 97 (1928) (affirming profits award of approximately $1.35 million); Hamilton-Brown Shoe Co. v. Wolf Brothers & Co., 240 U.S. 251 (1916) (affirming profits award of approximately $450,000). The award in Hamilton-Brown Shoe was particularly suspect because the plaintiff’s infringement claim was weak and there was no evidence that defendant’s sales increased because of the alleged infringement.

It is ironic that Congress noted these cases with concern. Both cases involved large “profits” awards that at least some members of Congress found objectionable. In one case, $1 in nominal damages was awarded, and no damages were awarded in the other case. The end result in both cases: inadequate compensatory damages, but excessive, windfall “profits” awards. This outcome—an inappropriate monetary remedy—remains the norm today.

20. See Thurmon, supra note 17, at 296-304.

21. The Rules were adopted by the United States Supreme Court by order dated December 30, 1937. 308 U.S. 645 (1937). The Rules were reported to Congress, as required by the statute authorizing the Court to adopt the Rules, in early 1938, and became effective September 16, 1938. Id., 83 CONG. REC. 13 (1938) (Executive Communication 905); H.R. DOC. No. 75-460 (1938) and H.R. DOC. No. 75-588 (1938).
separate law and equity systems into one. This change should have led Congress to take a serious look at the trademark remedies scheme, because that scheme consisted of not one, but two sets of remedies and rules: one set of remedies and rules applied in trademark cases brought in the law courts (the trademark remedies at law) and a second set of remedies and rules applied in trademark cases brought in the equity courts (the trademark remedies in equity). Congress had to do something to deal with the fact that these two previously-distinct types of trademark cases would now be a unitary civil action. But what to do? Congress punted. Rather than address this important issue, Congress simply threw all the existing monetary remedies (sort of) into one “merged” provision. Congress punted the entire remedies dilemma to the courts. With such a mess dumped in their laps, it is hardly surprising that the federal courts have failed to develop an appropriate, workable set of remedies rules for Lanham Act cases.


23. Actual and punitive damages were available only in the law courts, while injunctions and defendant's profits awards were available only in the equity courts. See infra notes 27-31 and accompanying text.

24. For reasons never explained in the legislative history, Congress apparently decided to exclude punitive damages from the Lanham Act. See Getty Petroleum Corp. v. Barco Petroleum Corp., 858 F.2d 103, 112 (2d Cir. 1988) (holding that under the Lanham Act “monetary relief was meant to be remedial, not punitive, in nature”); see also Zazu Designs v. L'Oreal, S.A., 979 F.2d 499, 507 (7th Cir. 1992); Wm. R. Hague, Inc. v. Sandburg, 468 F. Supp. 2d 952, 962 (S.D. Ohio 2006); Cosmos Jewelry Ltd. v. Po Sun Hon Co., 470 F. Supp. 2d 1072, 1087-88 (C.D. Cal. 2006).

This decision is striking because punitive damages were available in trademark actions brought in law courts in the early 20th century. See Thurmon, supra note 17, at 289-91. In fact, punitive damages remain available under the common law of at least some states. JCW Invs., Inc. v. Novelty, Inc., 482 F.3d 910, 918-19 (7th Cir. 2007) (holding the punitive damages are not available under the Lanham Act, but affirming a punitive damages award under Illinois law); Attrezi, LLC v. Maytag Corp., 436 F.3d 32 (1st Cir. 2006) (affirming an award of enhanced damages under New Hampshire law, despite the fact that such an award would not have been proper under the Lanham Act).


26. Congress' decision to not decide is understandable under the circumstances. By 1938, many trademark reform bills had been introduced and many hearings had been held. Congress was close to passing sweeping new federal trademark legislation. Should the adoption of the Federal Rules of Civil Procedure and the then-new concept of the civil action derail the entire reform process? That might have been the result had Congress decided to put serious effort into developing a new, sensible set of remedies rules. “Don't let the perfect be the enemy of the good,” as the saying goes. Voltaire, LA BÊGUEULE (1772) (“Le mieux est l'ennemi du bien,” translated as "the better is the enemy of the good").

The Lanham Act of 1946, even with its far-from-perfect remedial provisions was still a huge step forward. If work on remedies would have jeopardized the reform effort, then a punt may have been in order. It is, however, much harder to justify Congress' inaction in this area since the passage of the Lanham Act almost sixty-five years ago.
Congress, meanwhile, has done nothing to help, instead leaving its original mess essentially unchanged for nearly sixty-five years!

But what were the existing common law rules in 1946? What remedies rules were codified by Congress? A full review of the development of those rules is beyond the scope of this article, but a brief summary is needed to provide some understanding of the rules Congress apparently adopted. To gain such an understanding, one must begin with some of the key early developments in trademark law.

The first trademark actions were recognized by common law courts as a form of deceit.\(^{27}\) Intentional deception was required.\(^{28}\) In other words, to obtain damages in an early common law trademark case, one had to prove the defendant intentionally deceived customers, the trademark owner, or both. Or to use more modern terminology, willful infringement was required to obtain damages in an early common law trademark action.

Equity relaxed that standard over time, and by the late nineteenth century, an injunction could be obtained upon a showing that confusion was likely.\(^{29}\) But what standard should equity apply to the defendant's profits remedy? Did the chancellors (the equity system's trial judges) consider the rationale behind the profits remedy and adopt a standard most consistent with that rationale? No. Instead, the chancellors apparently reasoned that because willful infringement was required to obtain actual damages in a common law trademark case, and because equity was awarding defendant's profits as an alternative to the common law damages remedy, the same rule (i.e., that willful infringement was required) was applied to the defendant's profits remedy.\(^{30}\) By the early


28. Koelemay, supra note 27, at 473 (explaining the role scienter played in early common law trademark actions).

29. Thurmon, supra note 17, at n.96 (collecting early cases where injunctions were granted without proof of intentional deception).

30. This conclusion is somewhat speculative because the cases from the period do not provide much explanation for the rule that intentional deception was required to obtain an award of profits in equity. One commentator has argued that "in accord with the maxim aequitas seguitur legem ("equity follows the law"), the chancellors refused to award an accounting for profits against innocent infringers and required showings of fraudulent intent." Id. This view is consistent with that of the late Lord Patrick Devlin, a scholar on the old law and equity court practices. See Patrick Devlin, Equity, Due Process and the Seventh Amendment: A Commentary on the Zenith Case, 81
twentieth century—that is, by the time Congress took up the trademark law reform process that ended with the Lanham Act—the rule was well-established that willful infringement was required to obtain an accounting of defendant’s profits. To the extent Congress intended to codify the common law rules, one must assume Congress intended to adopt this requirement, too.

This rule made some sense during the days of the separate law and equity systems, at least as long as the defendant’s profits remedy was treated as equity’s “damages” remedy. But this logic began to break down in the early twentieth century. In the 1905 Trademark Act, Congress authorized federal courts to award actual damages and defendant’s profits in the same action. The same option made it into the Lanham Act. That should have been a game changer, because the existing common law rules were based on the premise that a trademark owner could obtain either damages (in a common law action) or an accounting of defendant’s profits (in equity). Once these two remedies became available in the same action, there was no logical reason to require willful infringement as a prerequisite to obtaining an award of defendant’s profits.

31. The Massachusetts Supreme Court provided the following explanation in a key case:

There is some conflict in the decisions; but we think that the weight of modern authority is in favor of the rule that an account of profits will not be taken where the wrongful use of a trademark or a trade name has been merely accidental or without any actual wrongful intent to defraud a plaintiff, or to deceive the public. Regis v. Jaynes, 77 N.E. 774, 777 (Mass. 1906). Courts in other states followed the same rule. Liberty Oil Corp. v. Crowley, Milner & Co., 192, 258 N.W. 241, 243 (Mich. 1935); Globe-Wernicke Co. v. Safe-Cabinet Co., 617-18, 144 N.E. 711, 713 (Ohio 1924); United Drug Co. v. Kovacs, 123 A. 654, 655 (P.a. 1924); Holley Milling Co. v. Salt Lake & Jordan Mill & Elevator Co., 197 P. 731, 733 (Utah 1921); Kickapoo Dev. Corp. v. Kickapoo Orchard Co., 258 N.W. 354, 358-59 (Wis. 1939); Wood v. Peffer, 130 P.2d 220, 225-26 (Cal. Dist. Ct. App. 1942); Notaseme Hosiery Co. v. Straus, 209 F. 495, 496 (S.D.N.Y. 1913); Rubber & C. Harness Trimming Co. v. F. W. Devoe & C. T. Reynolds Co., 233 F. 150, 160 (D.N.J. 1916).

A leading trademark commentator from the period took the same view. “An accounting will not be ordered where the infringing party acted innocently and in ignorance of the plaintiff’s rights, provided such party stops his ‘illegal practices after he discovers the truth.” Harry D. Nims, THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS 1078 (3d ed. 1929).

32. Tilghman v. Proctor, 125 U.S. 136, 148 (1888) (accounting was “an equivalent or a substitute for legal damages”); see also Devlin, supra note 30 at 1624.


35. Recall that the chancellors in equity required proof of willful infringement in order to obtain an accounting of defendant’s profits because the profits remedy was being provided as equity’s substitute for a common law damages award. If both profits and damages were available in
That is not the end of the historical mess Congress apparently codified with the Lanham Act. When Congress authorized damages in the 1905 Trademark Act, the federal courts had to decide what substantive showing would be required. The trademark infringement standard required to obtain an injunction was likelihood of confusion, which is a far cry from requiring proof of willful infringement. What should courts do? Should they stick to the old common law rule (willful infringement) or follow the newer likelihood of confusion rule?

Though the cases are not entirely clear, it appears courts went with the likelihood of confusion standard, but also required clear proof of actual injury. In a real sense, courts replaced a demanding substantive rule (that willful infringement must be proven) with at least as demanding an evidentiary rule, as the following excerpt illustrates:

When a plaintiff in a trade-mark or unfair competition case seeks to recover damages, the burden is on him to prove by competent and sufficient evidence his lost sales, or that he was compelled to reduce prices as the result of his competitor’s wrongful conduct. There is no presumption of law or of fact that a plaintiff would have made the sales that the defendant made.
Few plaintiffs could satisfy this requirement, and the damages remedy remained relatively rare in trademark cases.\textsuperscript{38} This shift brings us full circle, or at least it should have. Equity adopted the rule that willful infringement must be proven to obtain a defendant’s profits because the early common law required willful infringement to obtain actual damages. By the early twentieth century, however, the common law rule had changed. Willful infringement was no longer required to obtain damages. It follows, therefore, that courts, and Congress, should have changed the rule applicable to the defendant’s profits remedy, or at least should have considered what substantive standard is appropriate for this remedy. But none of that happened. Instead, Congress codified a set of historically-derived rules that no longer made sense, even if one accepted the original reasons for the rules.

What remedies rules were adopted by Congress in the Lanham Act? If one accepts the widely-repeated premise that Congress meant to codify the common law rules—at least as to the remedies included in the Act—then the following rules must be used:

- injunctions may be awarded upon proof that confusion is likely;
- actual damages may be awarded upon proof that confusion is likely, but only if the plaintiff can accurately quantify its monetary injury and show a causal connection between that injury and the defendant’s infringement; and
- a defendant’s profits may be awarded only upon proof of willful infringement.

These are, in fact, the prevailing rules today, as explained below.

The attorney fees award is a modern development.\textsuperscript{39} There is no mention of this issue in the early common law trademark cases. The common law cases of the early twentieth century also are silent on this point. Only one of the many trademark bills introduced during the twenty years preceding the passage of the Lanham Act of 1946 contained an attorney fees provision, and that provision was dropped from subsequent bills without explanation.\textsuperscript{40}

\textsuperscript{38} See, e.g., Coca-Cola, 155 F.2d at 63 n.1 (noting the plaintiff was unable to prove any actual monetary injury despite evidence of an intentionally deceptive product substitution scheme by defendants).

\textsuperscript{39} See supra note 7 (attorney fees provision added to Lanham Act in 1975).

\textsuperscript{40} The first bill introduced by Representative Fritz Lanham of Texas, the man for whom the resulting Act was named, was the first reform bill to include a provision authorizing awards of attorney fees. H.R. 9041, § 34(a)(8), 75th Cong. (1938). The attorney fees text, however, was not
Some courts, however, awarded attorney fees to prevailing parties in Lanham Act cases, despite the absence of a specific provision in the Act authorizing such awards.41 These courts relied on their inherent power, and the awards tended to be granted only where there was solid evidence of bad faith.42 This practice came to an end in 1967, when the United States Supreme Court held that attorney fees could not be awarded in Lanham Act cases.43 In 1975, Congress amended the Act to add a provision authorizing attorney fees awards in exceptional cases, thus effectively returning to the practice that had developed prior to 1967.44

B. Current Interpretations of the Lanham Act Rules

Most trademark remedies rules are reasonably well-established today. Federal courts, for example, have held consistently that to recover actual damages a prevailing trademark owner must be able to accurately quantify its monetary injury and show a causal connection between that injury and the infringement.45 On this point, the modern

41. Prior to 1967, courts often granted, in the absence of statutory authority, attorney's fee awards to prevailing plaintiffs in trademark infringement and unfair competition cases where a defendant's infringement was found to be deliberate or willful. However, the Supreme Court eliminated this practice in 1967 with its decision in Fleischmann Distilling Corp. v. Maier Brewing Co. [386 U.S. 714 (1967)].

42. Id.

43. Fleischmann Distilling, 386 U.S. at 719-20 (stating “Congress meticulously detailed [in the Lanham Act] the remedies available to a plaintiff who proves that his valid trademark is infringed.”).

44. The standard applicable in the earlier attorney fees cases was not clear, and thus, one can reasonably argue that the 1975 amendment created a different rule, one with an expressly defined standard. I disagree with that argument because the “exceptional case” standard is far from clear and tends to result in fee awards only where there is solid evidence of bad faith. In this sense, the post-amendment practice has been similar to the pre-1967 practice.

45. See, e.g., Blue Dane Simmental Corp. v. American Simmental Ass'n, 178 F.3d 1035, 1042 (8th Cir. 1999); Resource Dev., Inc. v. Statue of Liberty-Ellis Island Found., Inc., 926 F.2d 134, 139 (2d Cir. 1991); Truck Equip. Serv. Co. v. Fruehauf Corp., 536 F.2d 1210, 1221 (8th Cir. 1976).

The Restatement notes that plaintiff “bears the burden of proving causation,” but the Restatement tends to suggest a somewhat rosier picture than that faced by many trademark owners. RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 36, cmt. H (1995). “Although the plaintiff bears the burden of proving both the fact and extent of its pecuniary loss, the difficulty of
rule is virtually identical to the early twentieth century rule. It is quite
difficult to quantify the economic harm caused by trademark
infringement or dilution, and for that reason, few prevailing trademark
owners obtain actual damages.

There are, however, certain types of trademark cases in which
actual damages are often awarded. One example, and perhaps that most
common one, is the holdover licensee scenario. In this fact pattern, the
trademark owner and the defendant were parties to a trademark license, a
type of contract. Many trademark licenses require payment of royalties
over time. Such royalties may be fixed or may be tied to revenue or
some other measure. The important point is that such royalties fix a
monetary amount the licensee and trademark owner agreed was an
appropriate payment for the right to use the mark. If a licensee
continues to use the mark after the license has terminated, the royalties
set by the contract provide a ready basis for computing the amount of
actual damages. Courts have used this approach in a number of
holdover franchisee disputes.

But where there is no ready measure of the economic harm to the
trademark owner, courts have rarely awarded actual damages. This
result is unfortunate for trademark owners, but is consistent with the
quantifying loss in a market context frequently justifies a less exacting standard of proof for the
amount than for the fact of loss. See generally, McCARTHY, supra note 9, § 30:86.

46. See generally, McCARTHY, supra note 9, § 30:86.

47. See, e.g., U.S. Structures, Inc. v. J.P. Structures, Inc., 130 F.3d 1185, 1190-91 (6th Cir.
1997) (affirming a reasonable royalty-based damages award in a holdover franchisee case); Howard
Johnson Co. v. Khimani, 892 F.2d 1512, 1519-20 (11th Cir. 1990) (noting that “use of lost royalties
determine the actual damages incurred by a victim of trademark misuse is well established in this
court”). See also Holiday Inns, Inc. v. Airport Holiday Corp., 493 F. Supp 1025, 1028 (N.D. Tex.
1980) (awarding damages remedy based on a percentage of royalty used with franchisees).

48. See generally Travis R. Wimberly, Note, Holdover Trademark Licensees and the
Counterfeiting Loophole, 88 TEX. L. REV. 415 (2009) (describing holdover scenario and arguing for
counterfeiting remedies against holdover licensees).

49. At least one commentator has forcefully argued that courts should use a reasonable
royalty approach to fix actual damages in most trademark cases, an approach that would be
somewhat similar to the damages analysis used in patent cases. James M. Koelmay, Jr., A
Practical Guide to Monetary Relief in Trademark Infringement Cases, 85 TRADEMARK REP. 263
(1995). If used, this approach would require courts to evaluate a hypothetical license negotiation to
determine what royalty rate a willing licensee would have paid a willing trademark owner. Id.
Given the wide range on conflicts that may violate trademark rights under the Lanham Act—that is,
conflicts ranging from directly competitive knock-off products to dilution situations involving quite
different products—the reasonable royalty process would be quite difficult to apply consistently.
common law practice in place when the Lanham Act was adopted. The courts are doing what Congress apparently intended.

The same is true of the defendant’s profits remedy. As noted above, common law trademark decisions of the early twentieth century reflect broad agreement that willful infringement was required before a defendant’s profits would be awarded. Most federal courts continue to apply this requirement. Though a number of commentators have criticized this rule, it was the common law standard when the Lanham Act was enacted.

There has been some shift away from the rule that profits will be awarded only upon proof of willful infringement. The Fifth Circuit, for example, has adopted a slightly more flexible standard, one that considers a number of factors. It appears, however, that even under

50. See supra notes 30-31.
51. See, e.g., Securacomm Consulting Inc. v. Securacom Inc., 166 F.3d 182, 190 (3d Cir. 1999) (stating “a plaintiff must prove that an infringer acted willfully before the infringer’s profits are recoverable”); Bishop v. Equinox Int'l Corp., 154 F.3d 1220, 1223 (10th Cir. 1998) (explaining “an award of profits requires a showing that defendant’s actions were willful or in bad faith”); Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc., 41 F.3d 1242, 1247 (8th Cir. 1994) (stating an accounting of profits may be granted “if a registered owner proves willful, deliberate infringement or deception”); George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1534 (2d Cir. 1992) (stating “in order to justify an award of profits, a plaintiff must establish that the defendant engaged in willful deception”); ALPO Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958, 968 (D.C. Cir. 1990) (concluding that “an award based on a defendant’s profits requires proof that the defendant acted willfully or in bad faith”).

The George Basch case provides the most comprehensive analysis of this issue among those cited. Decisions from the Seventh, Ninth and Eleventh Circuits suggest that willful infringement is not required. See Adray v. Adry-Mart, Inc., 76 F.3d 984, 988 (9th Cir. 1995); Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989); Burger King Corp v. Mason, 855 F.2d 779, 781 (11th Cir. 1988). A review of cases from these circuits reveals few actual exceptions to the majority rule. The same is also true in the Fifth Circuit.


53. Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998) (“While this court has not required a particular factor to be present, relevant factors to the court’s determination of whether an award of profits is appropriate 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
this purportedly flexible standard, willful infringement or some other showing of bad faith is needed to obtain an award of defendant’s profits. 54

In fact, one could argue that a multi-factor approach could make it harder to obtain an award of profits. The Fifth Circuit, for example, recently noted that under its multi-factor approach a court may be justified in denying an award of profits even where a jury finds the infringement is willful.55 In fact, the Fifth Circuit described its prior decision in Hard Rock Cafe International v. Texas Pig Stands, Inc. in making the misconduct unprofitable, and (6) whether it is a case of palming off.”); see also Quick Tech., Inc. v. Sage Grp. PLC, 313 F.3d 338, 348-49 (5th Cir. 2002).

54. No Fifth Circuit reported decision since the multi-factor test was explained in Pebble Beach has awarded defendant’s profits absent a finding of willful infringement. See, e.g., Pebble Beach, 155 F.3d at 554-55 (finding no willful infringement and no award of profits); Seatrax, Inc. v. Sonbeck Int’l, Inc., 200 F.3d 358, 371-72 (5th Cir. 2000) (same); Quick Tech., 313 F.3d at 348-49 (same); cf Am. Rice, Inc. v. Prod. Rice Mill, Inc., 518 F.3d 321, 338-39 (5th Cir. 2008) (finding willful infringement and awarding profits).

55. Quick Tech., 313 F.3d 338. “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. at 349 (quoting Pebble Beach 155 F.3d at 549).

The Fifth Circuit in Quick Technologies explained that the views of other circuits were of less importance because of a 1999 amendment to the Lanham Act. See Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999) (substituting “a violation under section 43(a), or a willful violation under section 43(c),” for “or a violation under section 43(a)”)). At least one commentator has endorsed this reading of the 1999 Lanham Act amendments. Blake R. Bertagna, Poaching Profits: An Examination of the Ability of a Trademark Owner to Recover an Infringer’s Profits Under the Lanham Act as Amended in 1999, 16 TEX. INTELL. PROP. L.J. 257 (2008).

This reading of the 1999 amendments is highly suspect. Those changes to the Lanham Act were adopted to reconcile the remedies section (15 U.S.C. § 1117(a)) with the substantive text of the new federal dilution action. When the dilution claim was added to the Lanham Act in 1995, see supra note 7 (citing the FTDA of 1995), the substantive text stated that damages were available for such claims only where the dilution was willful. 15 U.S.C. § 1125(c). The remedies provision, however, was not changed and still read that a plaintiff “shall be entitled” to damages and profits “subject to the principles of equity.” 15 U.S.C. § 1117(a). This situation created the potential for confusion because the remedies provision did not expressly recite the willfulness requirement found in the new dilution provision. The 1999 amendments were intended to eliminate that problem by making it clear that monetary remedies were available for dilution claims only where the dilution was willful. Thus, the amendment left the statutory text in the substantive and remedies sections consistent. 15 U.S.C. §§ 1117(a), 1125(c).

But the law of unintended consequences then kicked in and some zealous (perhaps overly so) attorneys argued that the 1999 amendments indicated a Congressional intent to eliminate any willfulness requirement for non-dilution claims. See, e.g., Quick Tech., 313 F.3d at 349. That argument proves too much because there is absolutely no discussion of this point anywhere in the legislative history of the 1999 amendments. Given the longstanding rule that willful infringement is required to obtain an accounting of defendant’s profits in trademark cases—about 200 years long, in fact—surely Congress would have made some mention if it intended to change the rule.

56. 951 F.2d 604 (5th Cir. 1992).
exactly this manner. This point is worth noting, as some commentators have viewed the Fifth Circuit’s endorsement of a multi-factor approach as a move away from the willful infringement standard used in most other circuits. It is not clear that the Fifth Circuit’s move reflects a significant change in the rule. Indeed, the Fifth Circuit has affirmed denials of profits awards in a number of recent cases, despite the court’s use of its purportedly more flexible multi-factor approach.

The bottom line is that all federal courts continue to require something more than proof of infringement to obtain an accounting of defendant’s profits. And though this may not be the appropriate rule as a matter of policy, the courts’ actions are consistent with the common law rules in place when the Lanham Act was enacted. The courts are doing what Congress apparently intended. If this rule is to be changed, the task falls to Congress, not the courts.

It is also well-established that punitive damages are not available under the Lanham Act. The monetary relief section of the Act does include the phrase that remedies “shall constitute compensation and not a penalty.” It is not clear why Congress added this language to the Act, although the phrase was included in a number of the trademark reform bills considered by Congress. When this instruction is considered in light of the fact that actual damages and defendant’s profits are the only two monetary remedies expressly identified in the Lanham Act, it is easy to see why courts have held that punitive damages are not available under the Act. And though I am not at all sure Congress made a conscious decision to exclude punitive damages from federal trademark actions, Congress has done nothing to change the rule adopted by the courts.

57. See Bertagna, supra note 55; David S. Almeling, The Infringement-Plus-Equity Model: A Better Way To Award Monetary Relief In Trademark Cases, 14 J. INTELL. PROP. L. 205, 216-17 (2007).
58. See supra note 55.
59. The Second Circuit reviewed this issue in Getty Petroleum Corp. v. Bartco Petroleum Corp., 858 F.2d 103 (2d Cir. 1988). The court in Getty reviewed the legislative record and relevant cases, and concluded that Lanham Act “monetary relief was meant to be remedial, not punitive, in nature.” See also Zazu Designs v. L’Oreal, S.A., 979 F.2d 499, 507 (7th Cir. 1992); Wm. R. Hague, Inc. v. Sandburg, 468 F. Supp. 2d 952, 962 (S.D. Ohio 2006); Cosmos Jewelry Ltd. v. Po Sun Hon Co., 470 F. Supp. 2d 1072, 1087-88 (C.D. Cal. 2006).
61. See Thurmon, supra note 17, at 296-304 (discussing the legislative history of the Lanham Act’s remedies provisions).
The exclusion of punitive damages is not consistent with the common law rules of the early twentieth century.\(^{62}\) This rule, however, is consistent with the text adopted by Congress. Once again, the federal courts appear to have correctly applied the law as written by Congress.

The injunction remedy, perhaps the most important remedy in most trademark cases, has caused little controversy. Courts have held consistently that trademark infringement and dilution cause irreparable injury that cannot be redressed through a subsequent award of monetary relief.\(^{63}\) In most cases, injunctions have been granted as a matter of course when infringement or dilution is established.\(^{64}\)

There is, however, reason to question whether federal courts will stick to this practice. In *eBay, Inc. v. MercExchange LLC*,\(^{65}\) the United States Supreme Court held that a permanent injunction should not automatically follow upon a finding of patent infringement.\(^{66}\) The Supreme Court held that courts must consider whether a permanent injunction is warranted based on the facts of the case.\(^{67}\) On remand, the district court in the *eBay* case held that no permanent injunction was needed.\(^{68}\) Though *eBay* was a patent case, some surely will argue that the *eBay* reasoning should also be applied in trademark cases. It is not yet clear what impact *eBay* will have in trademark cases, but it is an issue that should be taken seriously.\(^{69}\)

\(^{62}\) See supra note 24. The Restatement notes that punitive damages remain available under common law rules. Restatement (Third) Unfair Competition § 36, cmt. n. (1995) ("A successful plaintiff in an action for unfair competition may recover punitive damages under the rules generally applicable to awards of punitive damages in tort actions.").

\(^{63}\) See, e.g., McCarthy, supra note 9, § 30:2.

\(^{64}\) "In cases of deceptive marketing, trademark infringement, or trademark dilution, a prevailing plaintiff is ordinarily awarded injunctive relief to protect both the plaintiff and the public from the likelihood of future harm." Restatement (Third) of Unfair Competition, § 35, cmt. B (1995).


\(^{66}\) Id. at 391-93.

\(^{67}\) Id.


\(^{69}\) A leading commentator has argued that *eBay* should not alter the analysis in trademark cases: "[T]he reason for the trademark presumption of irreparable injury is that once a probability of proving likelihood of confusion at trial is shown, the trademark owner's business goodwill and reputation are at risk . . . the plaintiff's reputation is threatened: it is in the hands of the defendant." McCarthy, supra note 9, § 30:47. The same clearly is not true when a patent is infringed.

This argument is persuasive and should win the day in most courts. The post-*eBay* trademark cases to date do not reflect any general rejection of the prevailing trademark rule, though the Eleventh Circuit Court of Appeals has held in a trademark case that *eBay* "calls into question whether courts may presume irreparable harm merely because a plaintiff in an intellectual property case has demonstrated a likelihood of success on the merits." North Am. Med. Corp. v. Axiom
The final remedy covered by this article is the attorney fees award. Reasonable attorney fees may be awarded in exceptional cases. 70 What makes a case exceptional is not entirely clear. 71 One common basis for

Worldwide, Inc., 522 F.3d 1211, 1227 (11th Cir. 2008). The court’s comment seems to sweep too broadly by treating trademark cases in the same manner as any other “intellectual property case.”

The North American Medical case, however, does not appear to reflect a trend. Some courts have held that eBay does not warrant rejection of the traditional rule. A good example of such reasoning follows:

The holding in that case [eBay], however, was confined to permanent injunctions issued under the Patent Act, and the First Circuit has made no indication that the presumption is no longer applicable to preliminary injunctions in trademark cases. Accordingly, plaintiff is entitled to a presumption of irreparable harm.


71. See generally, Bussert, supra note 41, at 1118 (“This lack of guidance [from Congress] has led courts, in their analysis of the ‘exceptional cases’ language of Section 1117(a), to develop a variety of criteria for analyzing the propriety of attorney’s fee awards for prevailing parties under the Lanham Act”). One issue that continues to divide courts is what standards should apply to requests for attorney fees by prevailing defendants. The Third Circuit Court of Appeals affirmed an attorney fees award against a plaintiff in a case that “involved a deliberate effort by [plaintiff] to ‘bury’ [defendant] financially and ‘take everything he had’ by filing multiple suits and complaints against him and his attorneys in a variety of legal fora.” Securacomm Consulting v. Securacom, 224 F.3d 273, 282 (3d Cir. 2000). The plaintiff argued on appeal that the attorney fees award should be reversed because the award was based on litigation misconduct rather than on willful infringement. Id. at 279-81. The Third Circuit first explained that “an exceptional case under § 35(a) [1117(a)] must involve culpable conduct on the part of the losing party.” Id. at 280. The Securacomm court, however, went on to explain that it, “did not hold . . . that willful infringement is the only culpable conduct by a defendant that renders a case exceptional.” Id. The fees award was affirmed because “culpable conduct may be broader than willful infringement.” Id.

In another case involving an attorney fees claim presented by a defendant, a court concluded that

use of a “bad faith” standard for exceptional circumstances is inadequate to protect defendants from claims that, while having a faint color of legal sufficiency, are essentially anti-competitive tools. While bad faith may suffice as a standard for prevailing plaintiffs, who already have the remedies described above, it is an excessively high bar for prevailing defendants who have no other remedy.

Vital Pharm., Inc. v. Am. Body Bldg. Prod., L.L.C., 510 F. Supp. 2d 1043, 1047 (S.D. Fla. 2007). The court, however, did not ultimately decide whether different standards apply because “the facts of this case rise to the level of bad faith and justify a fee award.” Id. at 1048. The case contains an instructive analysis of this issue and a review of the leading decisions from several circuit courts of appeals. Id. at 1045-48.
finding a case exceptional is proof of willful infringement, though other evidence of bad faith may also suffice to render a case exceptional. Even when a case is found to be exceptional, the trial court has broad discretion to decide whether to award attorney fees. Both the exceptional case standard and courts' inherent discretion tend to work against attorney fees awards. It is not surprising, therefore, to find that attorney fees are not frequently awarded in trademark cases.

The modern remedies rules under the Lanham Act can be summarized as follows:

Some courts require more than bad faith to support an attorney fees award. See, e.g., Gidatex, S.r.L. v. Campaniello Imports, Ltd., 82 F. Supp. 2d 136, 149 (S.D.N.Y. 2000) (denying a request for attorney fees despite a jury verdict finding of bad faith).

72. "The courts have frequently indicated a demonstration of culpable conduct by a defendant as a significant factor in the determination that a case was exceptional within the meaning of 15 U.S.C.A. § 1117(a). Examples of such culpable conduct include cases of deliberate, willful, or intentional infringement and cases of a defendant having acted in bad faith." 82 A.L.R. Fed. 143, § 4(b) (1987).

73. The Seventh Circuit has held that "a prevailing plaintiff need not show willful infringement before a case may be declared exceptional." Te-Ta-Ma Truth Found.-Family of URI v. World Church of the Creator, 392 F.3d 248, 261 (7th Cir. 2004). This case involved exceptionally egregious conduct by members of the defendant's "church." In a second appeal in the case, the Seventh Circuit held that the district court had abused its discretion in denying plaintiff's request for fees. Id. at 258-62. The parties used essentially the same trademark, but differed enormously in their views. Plaintiff was a spiritual organization devoted to "the promotion of universal love and respect." Id. at 250. Defendant was a white supremacy group. Id.

Defendant responded to the litigation by encouraging its members to put pressure on the plaintiff organization and its lawyers. The members complied and barraged plaintiff and its counsel with many inflammatory messages. Id. at 251-54 (detailing many such messages). These messages continued throughout the litigation, through an appeal and a remand. Example messages include:

- Race Traitors, We will include you in the concentration camps next time around, so you can be with the Jews you so love
- Listen up you Kike, you better leave our fuckin' church alone or I'm gonna fuckin' kill you.
- do us, the people concerned about the preservation of nature's finest, a favor. I'm sure we could supply you with the gun

Id. (spelling and punctuation taken from original messages). Regrettably, these were not hollow threats. A leader of defendant's church was later convicted of soliciting the murder of United States District Judge Lefkow, the judge who presided over the case. Id. at 255. It is hardly surprising that the Seventh Circuit found this case "exceptional."

74. "Once a court concludes that a case is exceptional, it may award attorney fees in its discretion." Brighton Collectibles, Inc. v. Marc Chantal USA, Inc., 2009 U.S. Dist. LEXIS 72362 (S.D. Cal. Aug. 17, 2009) (citing Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1409 (9th Cir. 1993)).

75. "In general, 'cases that award attorneys' fees under 15 U.S.C. § 1117(a) involve truly egregious, purposeful infringement, or other purposeful wrongdoing' and involve behavior that goes 'beyond the pale of acceptable conduct.'" Jerome Gilson, 3-14 GILSON ON TRADEMARKS § 14.03 (citing Badger Meter, Inc. v. Grinnell Corp., 13 F.3d 1145, 1159 (7th Cir. 1994) and Aromatique, Inc. v. Gold Seal, Inc., 28 F.3d 863 (8th Cir. 1994), respectively).
injunctions are granted upon proof that confusion is likely;
actual damages are granted only where there is clear evidence of a quantifiable monetary loss;
defendant’s profits are granted only where willful infringement or other culpable conduct is proven;76
punitive damages are not available; and
attorney fees may be granted in exceptional cases.

These rules have been in place for a long time, some of them over 100 years. None of these rules are the result of serious Congressional analysis. None. We have a set of remedies rules that are based on common law rules (sort of) that developed under a long-rejected judicial system and in a commercial context radically different than what exists today. It is time to take a fresh look at our federal trademark remedies scheme.

III. A MORE REASONED APPROACH—REMEDIES RULES THAT MAKE SENSE

What remedies rules make sense? What are the objectives and purposes of our federal trademark remedies scheme? What are the rationales behind the different remedies? Are the monetary remedies cumulative or should certain monetary awards be offset against others? These are basic, common sense questions. These are the questions we should be asking. Unfortunately, there is no evidence that Congress ever carefully considered such questions. In this part of the article, I hope to begin a discussion of these important questions.

This part proceeds in several sections. First, I review general trademark policy issues to determine whether there are certain macro principles that should guide the remedies analysis. I then turn to the various specific remedies. This discussion begins at a general level with an evaluation of the relationship between rationales and particular remedies. The remaining sections discuss more specific issues concerning each of the remedies addressed in this article. The final section discusses federal preemption.

76. As noted above, this rule is not followed by all courts. I believe, however, that it remains the majority rule, and that profits will rarely be obtained in any court absent evidence of willful infringement or some other type of bad faith. Those who believe otherwise are, in my view, engaging in wishful thinking. I do not see any real prospect of this rule changing absent statutory reform.
A. The Objectives and Purposes of Federal Trademark Law

"[W]here there is a right, there must be a remedy." To be more specific, where there is a right, there must be an appropriate remedy, one that is tailored to serve two fundamental purposes. First, the remedy must advance the policies supporting recognition of the protected right. Here that means a federal trademark remedial scheme must be tailored to advance the policies behind trademark protection in general and federal trademark protection in particular. The second fundamental purpose of an appropriate remedial scheme is to redress the injury caused by a violation of the protected right. In the realm of federal trademark law, this purpose is served if the remedial scheme makes whole injured trademark owners.

Trademark law protects consumers' reliance upon marketplace symbols. Different justifications have been offered for such protection, ranging from economically-based efficiency to consumer protection to the protection of trademark owners' investment in the quality of

77. Alden v. Maine, 527 U.S. 706, 811 (1999) (Souter, J., dissenting) (citing Ashby v. White, 6 Mod. 45, 53-54, 87 Eng. Rep. 808, 815 (K.B.), where Lord Chief Justice Holt explained: "If an Act of Parliament be made for the benefit of any person, and he is hindered by another of that benefit, by necessary consequence of law he shall have an action; and the current of all the books is so").

78. Justice Felix Frankfurter provided a remarkably prescient explanation of the value of trademarks in an important pre-Lanham Act case:

The protection of trade-marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same -- to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value.


One commentator recently argued that the historical development of trademark law was based more on a property theory than previously recognized. Mark P. McKenna, The Normative Foundations of Trademark Law, 82 NOTRE DAME L. REV. 1839, 1841 (2007) (describing a
their branded goods and services. A debate over which of these policies is most important is not necessary here, because the more basic point that trademark law protects symbols relied upon by consumers to identify and distinguish goods and services is sufficient to guide the development of an appropriate remedial scheme.82

This basic proposition—that trademarks are protected to support consumers’ reliance interest—leads to certain specific requirements for an appropriate remedial scheme. First, the remedial scheme should encourage trademark owners to bring claims to end trademark violations that undermine consumers’ ability to rely on protected marks.83 The scheme, however, must be balanced in this respect. It must also include a check to prevent trademark owners from bringing enforcement suits for improper purposes.

The general proposition that trademarks are protected to protect consumers’ reliance interests leads to another remedial objective: discouraging actions that undermine that reliance interest. It should be noted that the general proposition does not support the premise that only

82. This proposition is open to debate. As noted above, different reasons have been given for protecting trademarks. A remedial scheme could be developed that favors one philosophy of protection over another. For example, a remedial scheme developed to advance the premise that trademark protection is provided primarily to protect trademark owners’ investment in product quality might look different from a scheme developed to advance the premise that trademarks are protected to promote efficiency (i.e., to reduce consumer search costs) in the market. I readily concede this point, but believe it is, ultimately, a misguided argument.

The overriding purpose of an effort to reform the remedial scheme of federal trademark law should be the crafting of a scheme that advances the accepted purpose or purposes of trademark protection, and not to pick a winner in the ongoing debate over which underlying theory of trademark is best. When approached in this manner, the resulting scheme is balanced, and tends to effectively support all of the general trademark rationales mentioned above. Certain parts of the scheme may match one theory of protection better than a different theory, but other parts of the scheme will favor different theories. In the end, a good remedial scheme will tend to provide a reasonably balanced package. I believe the reform advocated in this article accomplishes that objective.

83. One could argue that consumers should be the ones to bring suits to stop such actions. A trademark system could be structured to allow consumer suits, but because trademark rights have historically been treated as property rights (or at least as something akin to property rights), the primary party given standing to bring suit always has been the trademark owner. A different approach might make sense in theory, but we are much too far down the road to make such a fundamental shift in our approach to trademark protection.

If one accepts as a starting premise that the primary responsibility for protecting trademarks rests with trademark owners, it follows that an appropriate remedial scheme must provide trademark owners with an incentive to bring meritorious suits.
willful or otherwise bad faith infringement should be discouraged. Consumers’ reliance interests are undermined to the same extent by a particular infringement, regardless of the infringer’s state of mind. All infringement should be discouraged.

Another remedial objective is the need to end infringement when it does occur. Injunctions are granted for this purpose. No change is needed on this point, because courts have long recognized the importance of injunctions in trademark cases.84 The Supreme Court’s eBay decision, discussed above,85 creates some uncertainty on this issue, and for that reason, any reform of the Lanham Act’s remedies provision should include a provision confirming the importance of the injunction in trademark law.

B. General Remedies Issues

Remedies can serve a number of different purposes. Injunctions are used to stop violations of protected rights. Injured plaintiffs are compensated for their losses. Recalcitrant parties may be ordered to perform their contractual duties. Parties that profit from improper conduct may be forced to give up their unjust gains. Particularly culpable conduct may warrant punishment.

In each of these examples, a particular remedy serves a particular primary purpose. Injunctions and specific performance orders compel a party to do something.86 These compel certain conduct, but do not typically require payment of money. Injunctions are not compensatory awards, nor do they directly address unjust enrichment. Injunctions are not punitive in nature, though the injunction can result in real harm to the enjoined party, a harm that will, in some instances, exceed any monetary remedy awarded.

The injunction does not primarily address the need to compensate, to disgorge ill-gotten gains, or to punish. These three purposes are served primarily by monetary remedies. The primary purpose of

84. McCarthy, supra note 9, § 30:1 (stating “An injunction is the usual and standard remedy once trademark infringement has been found”). Indeed, the trademark infringement suit did not become effective until the early equity courts intervened to grant injunctions. At common law, trademark owners could obtain only damages, which even then were hard to prove. Trademark owners began to petition the equity courts for relief, and in the late 18th or early 19th century, equity courts in England and the United States began granting injunctions to stop trademark infringement. See Thurmon supra note 17, at 263-64.

85. See supra notes 65-69 and accompanying text.

86. In the case of the injunction, the something the party is ordered to do is often a cessation of particular conduct. It is, nevertheless, a compulsory order directed to a party’s conduct.
compensatory damages is to compensate. The primary purpose of the defendant's profits remedy is to divest unjust enrichment. The primary purpose of punitive damages is to punish. This doctrinal separation of roles is simple enough to understand. Unfortunately, the remedies available under the Lanham Act are not defined in this sensible manner.

The actual damages remedy under the Lanham Act is compensatory in nature. And under the prevailing view of the Lanham Act, the defendant's profits remedy is also primarily compensatory in nature. The instruction that remedies "shall be compensation and not a penalty" has been interpreted to mean that all monetary remedies granted under the Lanham Act must be primarily compensatory in nature. This view collapses under scrutiny, because the defendant's profits remedy is not, and cannot be, primarily compensatory in nature.

For the defendant's profits remedy to be primarily compensatory there would have to be a direct correlation between the defendant's illicit gains and the plaintiff's losses. That sort of correlation never exists in the real world. In most trademark cases, there is nothing remotely resembling a direct correlation between the defendant's gains and the plaintiff's losses. It is unquestionably true that awarding a defendant's profits to a prevailing trademark owner who was unable to prove actual damages with sufficient specificity to obtain a damages award will tend to compensate the trademark owner for its losses, but this is a very crude form on compensation. And it is grand irony indeed to pretend the defendant's profits remedy is primarily compensatory in nature, when the same set of rules imposes a far more exacting standard upon plaintiffs seeking compensatory damages, the remedy that serves a purely compensatory purpose.

To make matters worse, many courts have held that the defendant's profits remedy under the Lanham Act serves three distinct rationales:

87. Restatement (Third) of Unfair Competition § 37, cmt. b (1995) (stating "award of the defendant's profits was traditionally justified as compensation to the plaintiff"); see also Tamko Roofing Prod., Inc. v. Ideal Roofing Co., 282 F.3d 23, 37 (1st Cir. 2002) (noting "the first rationale for providing an accounting of profits [is] recompense to plaintiff for the harms it has suffered"); Skydive Ariz., Inc. v. Quattrocchi, 704 F. Supp. 2d 841, 848 (D. Ariz. 2010) ("Section 35(a) states that an award of profits must constitute compensation and not a penalty"); ISP.NET.LLC v. Qwest Commc'n. Int'l, Inc., IP 01-0480-C-B/S, 2004 U.S. Dist. LEXIS 20237, at *10 (S.D. Ind. Sept. 24, 2004) (stating "in the case of either actual damages or infringer's profits, such an award must constitute compensation and not a penalty").

88. See, e.g., Tamko Roofing, 282 F.3d at 37-38 (discussing deterrence and potential for non-compensatory profits awards); Getty Petroleum Corp. v. Bartco Petroleum Corp., 858 F.2d 103, 112 (2d Cir. 1988) (holding that under the Lanham Act "monetary relief was meant to be remedial, not punitive, in nature").
compensation, remedying unjust enrichment, and deterrence. The problem with using the defendant’s profits award as compensation is explained above. The defendant’s profits award, by its very nature, targets unjust enrichment. This is the primary purpose of the remedy. It should be the only purpose. The suggestion that the defendant’s profits remedy can do it all is wrong both as a matter of theory and practice.

The courts’ reference to deterrence as a rationale for the defendant’s profits remedy raises an important question. Do courts really mean deterrence, or do they mean punishment? I believe it is the latter. After all, every remedy tends to deter. The injunction, though not punitive in nature, may have as strong a deterrent effect as any monetary remedy. Time is of the essence in the trademark world because good will develops over time. When a party is enjoined from using a trademark it has used for some years, the party must effectively start over with a new mark. The lost time cannot be recaptured. For that reason, the injunction is often the most damaging of all remedies, and for the same reason, the injunction may have the strongest deterrent effect. Deterrence and punishment, in other words, are not synonymous.

It appears, however, that many courts have used the word deterrence when they really meant punishment. I make this assertion based on the fact that the same courts have tended to require proof of willful infringement, in part because such a requirement is consistent with the deterrence rationale. That is true, but it is not particularly tight logic. The defendant’s profits award will have some deterrent effect regardless of whether willful infringement is required to obtain the remedy. In fact, if the willful infringement requirement is dropped, and if defendant’s profits are awarded more as a matter of course, it is quite possible the remedy will have a stronger deterrent effect than it currently does. So the willful infringement requirement is not needed to promote deterrence.

Willful infringement, on the other hand, is directly relevant to the punishment rationale. If the courts really mean punishment when they say deterrence, then the focus on willful infringement makes some sense. This realization, however, quickly leads to the real problem. The defendant’s profits remedy cannot effectively serve all three rationales. It cannot effectively compensate, remedy unjust enrichment, and punish

89. See, e.g., George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1537-40 (2d Cir. 1992) (reviewing prior cases and endorsing the view that the defendant’s profits remedy serves all three of these rationales).
90. Id. at 1534 (stating “in order to justify an award of profits, a plaintiff must establish that the defendant engaged in willful deception”).
intentional misconduct. This conclusion follows from the fact that compensable injury and unjust enrichment will often occur in the absence of any intentional misconduct. As explained in more detail below, the infringer’s state of mind is not directly relevant to the level of compensation needed, nor does it positively correlate to the extent of unjust enrichment. The only remedial rationale directly implicated by the infringer’s state of mind is punishment.

This leads to an important conclusion. Each of the three primary monetary remedies should be used to target a particular rationale. Any other approach will require a single remedy to serve rationales that may well point toward quite different monetary awards. Doctrinal clarity leads to practical clarity and, more importantly, to a sensible and workable remedial scheme.

This conclusion means that trademark law needs a real compensatory remedy, one that will provide some measure of compensation in most cases. The fact that it is difficult, even impossible, to accurately quantify the economic injury caused by infringement or dilution is not a good reason to provide no compensation. The only justification for providing no compensation is the view that no monetary injury occurred. That may be true in some cases, but in the majority of cases where the trademark owner wins, there will be some economic harm to the mark. This premise may be debated, but if it is accepted as true, then it follows that federal trademark law needs a compensatory damages remedy that will provide a reasonable measure of compensation in most cases.

It also follows that the defendant’s profits remedy should not require proof of willful infringement. Nor should this remedy be based on a defendant’s gross revenue. The goal of this remedy should be to undo unjust enrichment. To achieve that goal, we must determine the extent of the unjust enrichment, that is, the amount of defendant’s profits that are attributable to the infringement. All such incremental profits should be awarded.

Finally, a punitive award is also needed. The defendant’s profits remedy should not be used to punish willful infringement or other intentional misconduct. When punishment is warranted, and sometimes it is, courts should be able to award punitive damages. Not only would this approach help courts tailor the remedy to the circumstances, it would also free the defendant’s profits remedy from the impossible task of being the do-all, end-all remedy in trademark law.
With these general points in mind, we turn now to a more specific discussion of the different remedies that should be available under federal trademark law.

C. Compensatory Damages—Using Statutory Damages to Compensate

Trademark infringement causes damage to the value of an infringed mark, yet trademark owners rarely recover compensatory damages in Lanham Act cases. This failure is quite significant. Trademarks are not disposable. Indeed, the unique nature of trademarks makes them particularly vulnerable to harm. The value of a trademark is a measure of the value of the good will the trademark owner has developed under the mark. Good will builds over time. With every satisfied customer comes an incremental gain in good will. Good will, and thus the value of a trademark, grows with every successful marketing campaign, every word-of-mouth endorsement, and so on.

Should anyone doubt the enormous value of trademarks, there are now two highly-reputable annual surveys that estimate the value of the world's top brands.\footnote{91 See supra note 8.} One study recently identified Google as the world's most valuable brand, with a total worth of almost $115 billion.\footnote{92 BrandZ, supra note 8.} The other study identified Coca-Cola as the top mark, with a value of almost $70 billion.\footnote{93 Interbrand Best Global Brands, supra note 8.} Each survey lists 100 top marks, with the least valuable trademarks in the lists coming in at five billion dollars or more.\footnote{94 See supra note 8 (BrandZ number 100 brand valued at over seven billion dollars).} And though these valuation estimates are impressive, they tell only a small part of the story. Every business that depends upon consumer good will depends upon trademarks, because the trademark is the tangible vessel that houses the business' good will. To do this, the associations consumers make with trademarks must be protected. When those associations are damaged, the trademarks are damaged. This is not a theoretical concept. It is real-world, economic injury. And it is an injury that warrants compensation.

Any remedial scheme that systematically under compensates victims will fail to adequately encourage the enforcement of the protected right. This is as true in trademark law as in any other area of law. Any experienced trademark lawyer knows this is true. Trademark lawyers have for decades been advising trademark owners that even if
they win infringement suits, they are unlikely to recover any compensatory damages. “If you sue for trademark infringement, you must go into the litigation expecting nothing more than an injunction if you prevail” is the sort of advice trademark owners have long received.

Often, larger trademark owners feel they have no choice but to sue for infringement, even though they do so with the realization that no monetary relief is likely to come their way. These trademark owners understand the damage done by infringement and decide the infringement must be stopped, even if it means they will recover no monetary relief and will spend a substantial sum in attorney fees. The fact that many trademark actions are brought indicates that many trademark owners decide the available remedies justify bringing suit. Some may rationalize that federal trademark law’s remedial scheme is working because these trademark owners continue to sue.

This view is wrong. Any trademark lawyer who has worked with smaller businesses will appreciate the fact that trademark law’s failed remedial scheme has created a disincentive to bringing a trademark infringement action. For smaller businesses with limited budgets, an expensive trademark infringement suit may be seen as something the business simply cannot afford. The prospect of getting no compensatory damages and no attorney fees leaves many smaller business facing a lose-lose dilemma. And when the owner of an infringed trademark decides it cannot afford to sue for infringement, consumers are also harmed. This result is contrary to the fundamental purposes of trademark law.

Recognizing the compelling need for compensatory damages in most, if not all, trademark cases won by trademark owners is, of course, only the first step. What sort of compensatory damages should be provided? There are many possible approaches to solve this problem. I propose two. First, I propose that Congress adopt a statutory damages scheme. These statutory damages are intended to be compensatory. For that reason, the court must make a reasonable effort to determine the extent of the injury to the trademark. This analysis is not intended or expected to be precise. The goal is to fix an amount of statutory damages.

95. The American Intellectual Property Law Association conducts a bi-annual survey of its members on a variety of economic issues, including the typical costs of litigation. The 2009 report (based on 2008 data) broke trademark infringement suits down into three groups: cases with less than $1 million at risk; cases with between $1-25 million at risk; and, cases with more than $25 million at risk. AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION, THE REPORT OF ECONOMIC SURVEY 2009, at 29. The estimated attorney fees to take cases in these three categories through discovery were: $175,000; $400,000; and, $750,000, respectively. Id. To litigate these cases through trial was estimated to cost: $300,000; $700,000; and $1,400,000, respectively. Id.
damages that will provide reasonable compensation to the prevailing trademark owner.

Some may question whether such an unbounded approach is workable. After all, consistency is an important objective of our federal trademark laws, too. I think the desire for consistency, in this context, should be primarily a desire for consistency of remedy (i.e., that at least some compensatory award is consistently granted to prevailing trademark owners), rather than consistency of the amount of the remedy. Facts matter, and rarely will two cases share the same material facts. Federal trial judges have the experience and competence to handle this task. There will surely be examples of seemingly similar cases that resulted in quite different statutory damages awards. That fact is far less troubling to me than the idea of perpetuating a scheme that utterly fails to compensate for real injury to trademarks.

The second part of my proposal is to relax the evidentiary rules relating to damages. Where a trademark owner has some evidence of monetary injury, that evidence should be considered even if it is insufficient to accurately quantify the injury. Any evidence relevant to the magnitude of the injury should be considered by the court; as such evidence may help the court fix an amount of statutory damages. The current requirement that actual damages be proven with specificity should be dropped because it is an unreasonable rule that undermines the purposes of trademark law. A more flexible, pragmatic approach should be used.

The proposed changes to the compensatory damages rules would reconcile the remedial analysis with the substantive analysis in trademark infringement actions.\textsuperscript{96} Trademark infringement requires proof that confusion is likely.\textsuperscript{97} Proof of actual confusion is not required. Why is a likelihood of confusion sufficient? Why do we not require trademark owners to prove that consumers have been confused?

Two answers are often given to support the use of a likelihood standard in trademark law. First, actual confusion or actual dilution evidence is very hard to find.\textsuperscript{98} Some confused consumers remain confused. That is, some consumers never realize their mistake and

\textsuperscript{96} The argument that follows would apply to dilution claims, too, though the basis for the argument is not as well-established in the dilution context.

\textsuperscript{97} 15 U.S.C. §§ 1114, 1125(a).

\textsuperscript{98} See, e.g., Eclipse Assoc., Ltd. v. Data General Corp., 894 F.2d 1114, 1118 (9th Cir. 1990) (noting the “difficulty of gathering” actual confusion evidence); W.W.W. Pharmaceutical Co. v. Gillette Co., 808 F. Supp. 1013, 1024 (S.D.N.Y. 1992) (stating “actual confusion among potential customers may be difficult to document and is certainly not required for injunctive relief”).
therefore cannot report their confusion. Other consumers may later realize their mistake, but few will bother to report their confusion to the trademark owner. Most trademark owners do not know who purchased the alleged infringers goods, so they can not try to poll such consumers to find out who was confused. And many trademark owners do not want to push their actual or prospective customers for such information because such efforts may alienate some persons, which could only make a bad situation worse.

The second reason tends to follow from the first. Because actual confusion or actual dilution evidence is hard to find, requiring such evidence could result in a remedy coming too late. Trademark law seeks to end violations of trademark rights, hopefully sooner rather than later. If we used an actual confusion or dilution standard, rather than a likelihood standard, trademark law would systematically fail to stop infringements at early stages.

Courts accept these reasons. In fact, courts are so accepting of these reasons that most courts do not treat an absence of actual confusion evidence as evidence that confusion is unlikely. Or to put it differently, courts are so accepting of the premise that actual confusion evidence is hard to find that they are unwilling to hold it against a trademark owner when no such evidence exists. Why is the same logic not applied to damages?

Trademark infringement causes economic harm. It is, however, extremely difficult, and sometimes impossible, to accurately quantify the extent of such harm. Quantifying the economic injury caused by trademark infringement is, in this sense, much like the quest for actual confusion evidence. Both tasks pose insurmountable difficulties in most cases, and yet when there is a likelihood of confusion, most would agree that there probably has been some actual confusion and some economic injury. Why are we so willing to look past the absence of actual confusion evidence, but so unwilling to look

99. "One does not have to await the consummation of the threatened injury to obtain preventative relief." Standard Oil Co. v. Standard Oil Co., 56 F.2d 973, 976 (10th Cir. 1932) (quoting Pennsylvania v. West Virginia, 262 U.S. 553, 593 (1923)).

100. Or put in more purely logical terms, the absence of evidence is not evidence of absence. The courts' treatment of the actual confusion issue in trademark law is a clear example of this principle in action.

101. Some courts take the opposite approach. "Proof of actual confusion is necessary for an award of damages." Woodsmith Publ'g Co. v. Meredith Corp., 904 F.2d 1244, 1247 n.5 (8th Cir. 1990).

102. This premise assumes the infringing product has been on the market for some period of time and has resulted in infringing sales. When an infringement claim is presented before an allegedly infringing product hits the market, it is quite possible that no actual confusion will ever occur. It is also likely in such cases that only minimal actual damage will occur.
past the difficulty in quantifying actual damages? When we take this
inconsistent approach, we end up with an appropriately protective
substantive standard, but an inappropriately limited monetary remedy.
This practice should end. Injured trademark owners should be
compensated. Trademark infringement and dilution cause actual injury.
It is important that such injury be redressed. The failure to do so reduces
the incentive to enforce trademark rights, a result that cannot be squared
with the basic purpose of trademark protection.

D. Defendant’s Profits—Refining an Important Remedy

All ill-gotten gains should be disgorged. That is, all profits
resulting from trademark infringement should be taken from the
infringer. Rendering infringement unprofitable has been recognized as a
legitimate objective of trademark law for some time, but the Lanham
Act’s remedial scheme has never satisfactorily accomplished this
objective. The primary reason for this failure is the requirement that a
trademark owner prove willful infringement or some other type of
culpable misconduct by the infringer in order to obtain an award of
profits. Some commentators have argued against this practice, but the
courts, for the most part, have continued to impose this requirement.103

The courts are correct, at least as a matter of statutory
interpretation. A careful examination of the historical treatment of this
remedy prior to the enactment of the Lanham Act shows that courts
consistently required proof of willful infringement before a defendant’s
profits would be awarded.104 This requirement had become well-
established in the courts by the early twentieth century. Absent a clear
indication that Congress intended to change that practice—and the
Lanham Act legislative history does not contain any such indication—the
federal courts have no choice but to continue to apply the pre-
Lanham Act rules.

This practice should be changed. The fact that most courts in the
early twentieth century required proof of willful infringement before a
defendant’s profits would be awarded may be of historical interest, but it
should not dictate the rules today.105 All profits attributable to the
infringement should be disgorged. A defendant’s state of mind should
have no bearing on this determination. Any other rule would allow

103. See supra note 52.
104. See supra note 31.
105. In fact, a strong argument can be made that this rule should not have been used in
common law actions of the early twentieth century. See supra notes 32-35 and accompanying text.
defendants to retain profits resulting from the infringement of another's mark. That result should not be sanctioned by federal trademark law.

The defendant's profits remedy, as currently applied, also fails for a second reason. When profits are awarded, the amount of the award often exceeds the profits actually attributable to the infringement. Under the current rules, when profits are awarded, defendants bear the burden of proving up any deductions from gross revenue, and this is a heavy burden. Many defendants cannot adequately link their expenses to the specific infringing product and thus end up paying over as "profits" an award that may exceed the entire profits from sales of the infringing product. This point bears repeating. Under the current rules, profits awards may exceed the entire actual profits from sales of the infringing goods.

This error is egregious. A profits award should be limited to that part of the actual profits attributable to the infringement. In almost every case this amount will be less than the total profits resulting from the infringing sales. And yet the opposite can happen in those cases where profits are awarded. Rather than award an appropriate portion of the actual profits, courts sometimes award an amount that exceeds the actual profits, and grossly exceeds the profits attributable to the infringement.

To fix this problem, the courts must relax the standard by which the profits computation is conducted. The measure of profits for Lanham Act purposes should not be significantly different from the manner in which profits are typically computed using generally accepted accounting practices. Similarly, courts must take a flexible and pragmatic approach to determining what portion of the total profits is attributable to the infringement. The goal must be to make a reasonably accurate estimate. We should not allow the quest for perfection to defeat the need for a reasonable and appropriate remedy.

The infringer should carry the burden of establishing the amount of its actual profits (i.e., including proving deductions and expenses) and the burden of proving what part of those profits is attributable to the infringement. Again, the key to making this remedy work is to ensure the courts understand the objective. Courts should rarely, if ever, award


107. "Courts consistently find that when a trademark plaintiff offers evidence of infringing sales and the infringer fails to carry its statutory burden to offer evidence of deductions, the plaintiff's entitlement to profits under the Lanham Act is equal to the infringer's gross sales." WMS Gaming, Inc. v. WPC Prod. Ltd., 542 F.3d 601, 609 (7th Cir. 2008); see also Am. Rice, Inc. v. Prod. Rice Mill, Inc., 518 F.3d 321, 338-39 (5th Cir. 2008) (awarding gross revenue as "profits").
the entire profits of the infringer, because some part of those profits will surely be the result of factors other than use of the infringing mark. In fact, in many cases the profits attributable to the infringement will be a relatively small part of the total profits.

One final observation should be made concerning the compensatory damages and defendant’s profits remedies. Any damages awarded, whether it be statutory or actual damages, must be offset against the amount of profits determined to be attributable to the infringement. This offset is needed to ensure that the appropriate remedy is provided. The rule can be simply stated as follows: a court should award the larger of compensatory damages or defendant’s profits, but not both.

An example is helpful to explain this point. Consider a case in which a plaintiff is awarded $50,000 in statutory damages. Assume further that the court determines the total profits from the infringing sales were $500,000 and the profits due to the infringement were $100,000. The appropriate monetary award would be $100,000, not $150,000. Requiring the defendant in this example to pay $150,000 would go beyond what is needed to compensate the plaintiff (i.e., $50,000) and beyond what is needed to disgorge the ill-gotten gains (i.e., $100,000).

E. Punitive Damages—An Important Remedy

Which leg of a three-legged stool is most important?108 The three rationales described above—compensation, undoing unjust enrichment, and punishment—are three legs of the monetary relief stool. All three are needed. The same is true of the three primary monetary remedies: compensatory damages, defendant’s profits, and punitive damages. The absence of punitive damages in the Lanham Act remedies package results in a flawed system, a two-legged stool.109

It remains unclear why the Lanham Act drafters included the provision that courts have interpreted as prohibiting punitive damages.110 This result is anomalous because punitive damages were, and still are,

108. Courts have often used this analogy. See, e.g., United States v. Carter, 971 F.2d 597, 600 (10th Cir. 1992) (criticizing an argument for being “akin to the old argument over which leg of a three-legged stool is the most important leg”).

109. The stool often ends up with a single leg—the defendant’s profits remedy. This result is likely what led courts to identify three different rationales for the profits remedy. That sort of reasoning should be dropped, and distinct rationales used to support distinct remedies.

110. Indeed, it is not entirely clear that Congress’ use of the “not a penalty” phrase was intended to prohibit punitive damages. See Thurmon, supra note 17, at 309-11.
Nevertheless, it is now well-established that punitive damages are not available under the Lanham Act. This rule should be changed. There are at least two compelling reasons to change this rule. First, federal trademark law needs a punitive monetary remedy. When properly applied, neither of the other two monetary remedies is based on the infringer’s state of mind. That is, the culpability of the infringer should play no role in fixing either the amount of compensatory damages or the amount of defendant’s profits attributable to the infringement. A consideration of the underlying purposes of these remedies fully supports this conclusion.

The damages remedy is compensatory. It is used to compensate an injured trademark owner for the economic damage caused by the infringement. Such damage depends on the extent to which the infringed mark was harmed, and not on the infringer’s state of mind. Some may argue that intentional trademark infringement is more damaging than innocent infringement. I disagree. Intentional trademark infringement is more culpable, and may well warrant punishment, but there is no direct correlation between an infringer’s state of mind and the actual damages on the trademark owner.

This point can be explained through the following two hypotheticals. In the first situation, a competitor intentionally copies another’s trademark to sell its goods. The intentional infringer sells a certain volume of infringing goods. The trademark owner is injured as a result.

In the second situation, a new entrant to the market adopts exactly the same trademark used by the intentional infringer in the previous example. The infringing goods are identical, and the infringing sales volume is identical. Everything about the scenario is identical except that the infringer in this instance had no idea it was using another’s trademark. The infringement was innocent.

111. See supra note 24 and accompanying text.
112. See supra note 59.
113. The temptation to link intent to the magnitude of actual damages may be based on the notion that where one intends to cause harm, more harm may result than in the case of an unintentional act. Though this view may have superficial appeal, it is not logically sound. Unintentional accidents often cause enormous harm. Intentional acts, on the other hand, sometimes fail to achieve their intended purpose, and may cause little or no harm. In the end, the only way to measure the harm done is to evaluate the injury itself. This task is quite difficult in trademark law, and that reality may be one reason trademark law has clung to the concept that intent is relevant to non-punitive remedies.
Did the first infringement cause a different amount of economic harm to the trademark owner? No. Both infringements caused exactly the same harm.\(^{114}\) The infringer’s state of mind is irrelevant to fixing the amount of actual damages, if we accept that the sole purpose of this remedy is to compensate the injured trademark owner. The “if” here is important. By including punitive damages as an available remedy, we remove any need to include punishment as a rationale or consideration in fixing compensatory damages. This result is desirable. It keeps the damages analysis and computation clear. The court should fix the amount of compensatory damages based on the extent of damage to the infringed mark, and not on the infringer’s state of mind. The latter should be addressed by a different remedy.

The same logic applies to the defendant’s profits remedy. Some courts have used punishment as an appropriate rationale for the profits remedy.\(^{115}\) Courts also have characterized this remedy as compensatory.\(^{116}\) But when properly applied, the defendant’s profits remedy serves neither of these purposes, at least not directly.\(^{117}\) The profits remedy addresses unjust enrichment. It is for this reason that profits—that is, those profits attributable to the infringement—should be awarded in all cases, because all such profits constitute unjust enrichment.

Doctrinal clarity leads to practical clarity. By defining three monetary remedies, with each remedy serving a distinct purpose, courts should be better able to craft an appropriate remedy in each case. The damages remedy compensates the injured trademark owner. The defendant’s profits remedy undoes unjust enrichment. Punitive damages punish culpable conduct. Because punitive damages serve a distinct

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\(^{114}\) If one remains skeptical on this point, consider how an infringed mark is harmed. Trademark infringement damage includes two parts: lost sales and damage to the value of the infringed mark. The amount of lost sales in the two examples was identical, and always will be if the only difference is the infringer’s state of mind. Consumers purchase, and assuming consumers know nothing of the state of mind of the infringer, then the infringer’s state of mind cannot have a direct bearing on the volume of lost sales.

The value of the infringed mark depends upon consumers’ views of the mark. Those impressions are also based on what consumers know. So as long as consumers are unaware of the producers’ states of mind, intentional infringement will not have any direct correlation to the extent of damage to the value of the mark.

\(^{115}\) In most of the cases, courts identify deterrence as the third rationale supporting the defendant’s profits remedy. As explained above, I believe the rationale being considered in those cases is punishment, not deterrence.

\(^{116}\) See supra note 87.

\(^{117}\) A defendant’s profits award may compensate, but compensation should not be the primary goal of this remedy.
purpose, a strict offset rule is inappropriate. The court should have discretion to offset other monetary awards against a punitive award or to add a punitive award to whatever other monetary relief is granted.

There is a second reason to add the punitive damages remedy to the Lanham Act. Punitive damages were available in common law trademark cases, and some recent decisions show this remedy remains available under the common law of at least some states. The availability of punitive damages under some state laws, but not under federal law, creates an incentive for trademark owners to forum shop and undermines the national consistency sought by the Lanham Act. Given the justifications for including a punitive damages award under the Lanham Act that were described above, the best solution is to add this remedy to federal law, and thus eliminate differences between federal and state law on this issue.

F. Federal Preemption—The Time Has Come

The possibility of different remedies under federal and state law for the same infringement is a cause for concern. Given the enormous impact of the Internet on commerce, the notion of purely intrastate commerce is probably more myth than reality today. We need national consistency in our commercial rules. The Lanham Act provides one of the means of achieving national uniformity. But the Lanham Act could do more in this regard.

To further advance this increasingly important goal, the proposed reform also includes a new federal preemption rule. All federally registered trademarks would be immune from any state law claim that is equivalent to a claim provided under the Lanham Act. This approach is similar to that used in the Copyright Act. The notion is that state trademark claims would be preempted as to federally registered marks, but there would be no preemption of state law claims that are not equivalent to a Lanham Act claim (e.g., some state deceptive trade practices claims may not be covered by the proposed preemption).

118. See supra note 24.

119. There is also a risk of different substantive rules, as illustrated by one recent case. In Attrezzi, LLC v. Maytag Corp., the court affirmed a judgment applying New Hampshire law. 436 F.3d 32, 44 (1st Cir. 2006). Under New Hampshire law, a “laxer standard” applied to the decision to award attorney fees and required a “mandatory award of enhanced damages” under the facts. Id. at 41. A different standard applied under New Hampshire law to both remedies.

120. 17 U.S.C. § 301(a) (preempting state protection of “any such right [identified in the Copyright Act] or equivalent right”).
change would increase uniformity and would create a stronger incentive to federally register marks.

G. Attorney Fees—Give Courts More Discretion

The Lanham Act gives federal courts discretion to award attorney fees in exceptional cases. The Act does not identify what circumstances make a case exceptional, instead leaving that decision to the courts. In effect, the Act creates a double-discretionary standard. A federal trial judge has broad discretion to determine whether a particular case is exceptional, and when a case is deemed exceptional, the court has further discretion to decide whether or not to award fees. Finally, even when this two-step process leads to a decision to award fees, the court has discretion to fix the amount of the award at a level deemed reasonable under the circumstances.

Attorney fees awards are relatively rare in trademark cases, which is exactly the result one would expect given the exceptional case standard. Probably the most common scenario in which fees are awarded is the willful infringement situation. When this happens, some prevailing plaintiffs recover both defendant’s profits and attorney fees. In the majority of trademark cases, however, no attorney fees are awarded.

I believe the exceptional case rule sets the bar too high. Trademark law should encourage meritorious suits to enforce trademark rights. The current remedial rules tend to do the opposite, particularly for smaller trademark owners. In a typical trademark case today, a prevailing plaintiff is unlikely to recover monetary relief and is likely to spend a great deal of money on legal fees. This double whammy leaves some trademark owners feeling they have no real option but to tolerate violations of their trademark rights.

The proposed statutory damages remedy will go a long way toward eliminating the disincentive created by the existing Lanham Act remedies rules. But it may not be enough, particularly in situations where the trademark owner seeks to stop infringement before it starts by seeking a preliminary injunction. To make a prevailing trademark owner whole, remedies are needed that redress the injury to the

122. “Usually, the type of conduct that has sufficed to make out an ‘exceptional case’ is intentional, deliberate or willful infringement.” MCCARTHY, supra note 9, § 30:100.
123. See, e.g., Tamko Roofing Prod., Inc. v. Ideal Roofing Co., 282 F.3d 23, 26 (1st Cir. 2002).
124. See supra note 95 (identifying estimated costs of litigating trademark cases).
trademark and attorney fees to cover the expenses of enforcing the trademark right.

Some may argue that such a rule is too plaintiff-friendly. I disagree. The proposed attorney fees rule gives courts broad discretion to award attorney fees to the prevailing party, be it plaintiff or defendant, as the court finds just under the circumstances. The proposed rule creates an even playing field, and it imposes an additional risk upon both parties. I believe this risk is a good thing, as it should lead more litigants to carefully consider the legal merits of their positions before engaging in expensive and protracted trademark litigation.

I do not believe any further guidance is needed. Federal trial judges are highly competent, experienced jurists who are fully capable of using the proposed discretion to do justice. To the extent further guidance is to be provided, that guidance should merely indicate that the goal of the attorney fee rule is to encourage enforcement of trademark rights, while discouraging parties from presenting meritless claims.

The proposed change probably would not produce a sea change in the law on this point. In close cases, courts should not award fees. But nor should courts be limited to exceptional cases, a standard that clearly suggests attorney fee awards should be rare. I believe something between the current approach and a rule mandating fee awards to prevailing parties would better serve the policy objectives discussed above.

H. Injunction—Confirming the Traditional Rule

The injunction has long been the most important remedy in trademark law. This approach is appropriate and should continue.

After the Supreme Court’s eBay v. MercExchange decision, there has been some doubt about whether federal courts will reconsider the traditional rule in trademark cases. If the remedies provisions of the Lanham Act are amended, Congress should confirm the traditional rule that injunctions are presumed appropriate when a trademark violation is proven. I therefore propose that the injunction provision of the Lanham Act be amended by adding a sentence confirming this traditional rule. Such a change would eliminate any doubt on this issue.

125. “An injunction is the usual and standard remedy once trademark infringement has been found.” McCarthy, supra note 9, § 30:1.
126. “It is difficult to imagine an unfair competition case where damages are adequate to remedy the problems of defendant’s continued acts.” Id. § 30:2.
128. See supra notes 65-69 and accompanying text.
IV. THE PROPOSAL

My proposal would change Sections 34 (15 U.S.C. § 1116) and 35 (15 U.S.C. § 1117) of the Lanham Act. A new section would be added. Section 34 would be changed by adding the following sentence:

A violation of any right protected under this Act shall be presumed to result in irreparable injury. This presumption may be rebutted only by clear and convincing evidence that no irreparable injury occurred.

The following would replace 15 U.S.C. § 1117 (a) in its entirety:

a) Damages—
   (1) Statutory Damages for Infringement of Registered Mark – When a violation of any right of the registrant of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this Act shall have been established in any civil action arising under this Act, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages, an award of statutory damages in the amount of not less than $500 and not more than $500,000 per registered mark, as the court considers just. In fixing the amount of statutory damages, the court may consider the following nonexclusive factors:
   (i) the value of the plaintiff’s trademark;
   (ii) the strength or weakness of the evidence of infringement, with particular attention paid to the degree to which the parties’ goods or services compete (or do not compete) in the marketplace;
   (iii) the quality of the goods or services bearing the infringing mark as compared to the quality of the goods or services offered by plaintiff under the infringed mark; and
   (iv) the extent to which defendant’s actions constitute comment or criticism concerning the plaintiff, the plaintiff’s mark, or the plaintiff’s goods or services.
   (2) Actual Damages—In any action brought under this Act, a plaintiff who has not elected to recover statutory damages shall have the right to seek actual damages. No election is required, and this right extends to owners of registered and unregistered trademarks.
   (3) Compensation, Not Punishment—An award of statutory or actual damages under this Act shall be compensatory in nature,
and shall not constitute punishment. The defendant’s state of mind shall have no bearing on the amount of statutory or actual damages awarded under this Act.

b) Defendant’s Profits Attributable to the Infringement—
   
   (1) Subject to the exceptions stated below, in all actions under this Act in which the defendant at the time of the infringement had actual or constructive notice of the plaintiff’s claim of trademark rights, the defendant’s profits attributable to the infringement shall be awarded to plaintiff. The profits award shall be reduced by any amount awarded as damages under this Act for the same infringement. In assessing profits, the court shall determine what part of the defendant’s profits is attributable to the infringement, and the defendant shall bear the burden of proof on this issue. The court shall presume that at least a nominal portion of the defendant’s profits are attributable to the infringement and shall use generally accepted accounting practices to guide the process of fixing the amount of profits due under this provision. The court may refuse to award profits, or reduce the amount of profits assessed, only where:

   (i) the defendant proves it acted in good faith with a reasonable belief that its actions did not violate the plaintiff’s rights; and
   
   (ii) the court finds an award of profits to be manifestly unjust under the circumstances.

c) Punitive Damages—A court may award punitive damages in any action under this Act where the plaintiff proves the defendant:

   (1) intentionally traded on the plaintiff’s goodwill;
   
   (2) intentionally misled consumers; or
   
   (3) acted in bad faith such that a court finds a punitive award warranted under the circumstances.

d) A punitive damages award granted under this Act shall be limited to not more than three times the amount of damages or profits awarded.

e) Attorney fees and costs—The prevailing party shall recover the reasonable costs of the action. Reasonable attorney fees may be awarded to the prevailing party as the court finds just under the circumstances.

A new section with the following content would be added, perhaps as Section 48 (15 U.S.C. § 1130):

Preemption—Ownership and Use of Federally Registered Mark — The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register
under this Act shall be a complete bar to an action against that person, where—

(i) the owner of the registered mark is using such mark on the goods or services identified in the Certificate of Registration;

(ii) the action is brought under the common law or a statute of a State; and

(iii) the action seeks to prevent violation of any right protected under the provisions of this Act or any other right that is equivalent to a right protected under this Act.

These changes are sweeping, but justified. The preceding part of this article identified most of the policy arguments supporting the proposed changes. In the next part, a few additional, more specific arguments are presented.

V. ARGUMENTS SUPPORTING SPECIFIC PARTS OF THE PROPOSED REFORM

A. Statutory Damages

1. Why a Mandatory Minimum?

The statutory damages provision includes no exception. That means federal courts would lack the discretion to award no compensatory damages to a prevailing plaintiff in a Lanham Act action. That result may be controversial, but I believe it is appropriate for at least two reasons.

First, the mandatory minimum statutory damages award is based on the simple premise that a party who proves a trademark violation under the Lanham Act has been harmed. The minimum award is only $500, an amount that often will be too low to redress the injury. Nevertheless, requiring at least some compensatory damages award supports the view that Lanham Act violations have consequences.

Some may challenge this view. That is, some may argue that not all Lanham Act violations cause real harm. I am sympathetic to that view, as I question whether every sort of action now authorized by the Lanham Act causes real harm to trademarks. But these arguments should focus on the substantive provisions, not on the remedies. To do otherwise is to have the tail wagging the dog. If Congress decides that a particular action violates the rights protected by the Lanham Act, then it is reasonable to conclude that Congress believed the action will cause at
least some harm to a trademark. Those who dispute this conclusion as to particular actions should challenge the underlying actions.

The second reason supporting a mandatory minimum compensatory damages award is the reality of the trademark enforcement process. Paying lawyers is an expensive hobby. When a trademark owner retains trademark counsel to investigate and then pursue parties who violate the trademark owner’s rights, there are costs. When the enforcement effort proceeds through filing a Lanham Act suit and pursuing that case to a final judgment, the enforcement costs will be substantial.\(^{129}\) An attorney fees award, if granted, will cover litigation attorney fees, but such an award will never cover all the pre-litigation costs incurred by the trademark owner who is trying to enforce her rights. Requiring a mandatory minimum statutory damages award provides at least some measure of compensation to cover enforcement costs.

The proposed statutory damages provision would change the law as to federal trademark dilution claims. Under the current law, willful dilution must be proven to obtain monetary relief.\(^{130}\) I am not entirely sure what willful dilution means, other than in the tarnishment context, and I do harbor serious doubts about whether the Lanham Act needs a dilution by blurring claim given the expansive scope of section 43(a) actions under the Act. But if Congress believes trademark dilution, even dilution by blurring, is a significant enough violation of a trademark right to warrant an injunction, then at least some minimum compensatory damages award also should be granted. The value of a trademark is economic, not theoretical, not imagined. If a particular act harms a trademark enough to warrant injunctive relief, then there must be at least some economic harm as well. Those who are uncomfortable with a mandatory minimum statutory damages award for certain Lanham Act claims should reconsider their support for the underlying substantive claim, not for the proposed damages rule.

2. Why Exclude Evidence of the Defendant’s Intent?

The proposed damages rules prohibit consideration of a defendant’s state of mind in fixing compensatory damages. This too may be controversial, but it is logically sound. The correct measure of monetary damage is an evaluation of the economic injury itself, not a focus on extraneous matters like the defendant’s state of mind. If the defendant is a bad actor, that matter can, and should, be addressed with a punitive

\(^{129}\) See supra note 95.

\(^{130}\) 15 U.S.C. §§ 1117(a), 1125(c).
damages award. As explained in more detail above, the defendant’s state of mind bears no direct correlation to the magnitude of the plaintiff’s economic injury. Culpability issues should be removed from the process of fixing a proper amount of compensatory damages to remove, or at least reduce, the risk that such damages will be exaggerated because of an emotional response to the misconduct of the defendant.

3. Statutory Damages Factors

There was a Nissan truck commercial that ran some years ago featuring a dog riding in the truck. The narrator quipped, “Dogs love trucks.” If my own dogs are any indication, the narrator had it right. Dogs do love trucks. And lawyers, including those lawyers who wear robes and sit behind benches in courtrooms, love multi-factor tests. To a certain extent, the factors provided within the statutory damages proposal reflect a desire to give the people what they want. I am not joking. Lawyers and judges do love multi-factor tests. I confess to enjoying them myself. If a statutory damages remedy is added to the Lanham Act, it is inevitable that courts will adopt a number of factors to consider in the process of fixing an amount of statutory damages. Given that almost certain result, I believe it is best to consider what factors make the most sense and include them at the outset.

The first two factors are straightforward and unlikely to stir a great deal of controversy. The last two factors, on the other hand, warrant some explanation. The third factor looks to the quality of the goods or services bearing the infringing mark. Why? Because tarnishment matters. Tarnishment is not just a dilution theory; it is a reality when an infringing mark is used on poor quality goods. Such uses harm the reputation of the product bearing the protected trademark. This type of harm can be the most damaging result of a trademark violation in some situations. Including a quality factor in the damages analysis does not mean that quality differences are relevant to determining whether a substantive violation exists—that is, I am not suggesting that quality differences make confusion more likely. I do not think they do. But where confusion is likely, differences in quality can lead to more harm.

The final factor is included as a limiting factor. Considering the extent to which the infringer was using the mark in connection with

131. See supra notes 113-17 and accompanying text.
132. No, I am not equating lawyers with dogs. Nor will I say which group would be more tainted by such a suggestion.
commentary or criticism should play a prominent role in the substantive analysis. Pure comment and criticism should not result in Lanham Act judgments, but sometimes they do. Perhaps more importantly, uses that combine some commercial motivation with comment and criticism may well lead to liability under the Lanham Act. In these types of cases, it is appropriate to consider the extent to which the infringing use involved comment or criticism. Where the commentary or criticism dominate, the court should award minimum statutory damages. On the other hand, where comment or criticism are present but play only a minor role, the court should understand that these characteristics of the infringing use, while worth noting, should play only a minor role in the damages analysis.

B. The Defendant's Profits Remedy

The primary changes to this remedy are fully explained above. The profits attributable to the infringement should be awarded in all, or nearly all, cases. The computation process should resemble real-world accounting practices. The defendant bears the burden, but again the court should apply a more pragmatic, relaxed standard to the profits calculation. A profits award should be offset by the compensatory damages awarded in the same case.

There are two additional aspects to the specific proposal that were not discussed in preceding parts of this article. First, the provision requires actual or constructive notice of the plaintiff's claim of trademark rights. This notice may be established in a number of ways. Federal registration is sufficient. A demand letter actually received by the defendant will suffice, as well. Where there is evidence the defendant has seen uses of the plaintiff's trademark bearing the TM symbol—for example, where documents in defendant’s possession show such uses—notice is established. The proposed notice requirement is included to eliminate the defendant’s profits remedy in those cases where the defendant had no reason to believe the plaintiff would claim trademark rights in the asserted mark.

This scenario may occur more often in trade dress disputes. Where, for example, the plaintiff has not previously made a claim of trademark rights in a particular product configuration or packaging design, the defendant’s profits remedy may not be available. But even in this situation, once a formal demand is made, the defendant will be on

133. See supra Part III.D.
notice, and profits may be awarded based on sales from that point forward. The notice rule would shelter only those profits earned prior to receiving notice.

The second additional aspect of the proposal is the opt-out text. Though I believe the defendant's profits remedy should be awarded in almost all cases (with the notice exception described above), I realize that courts may conclude that such an award is unjust in some situations. We should not eliminate the courts' discretion to refuse to award defendant's profits in such cases. For that reason, there is a narrow opt-out provision in the proposal.

C. **Punitive Damages**

The primary arguments supporting the inclusion of a punitive damages remedy under the Lanham Act were presented above. The only additional point included in the specific proposal is a limit on punitive damages to three times the amount of compensatory damages or profits awarded. Treble damages limits on punitive awards are somewhat common. That is the only reason the limit is included here.

I am not entirely convinced that such a limit is needed. It may be better to just leave this issue to the broad discretion of federal trial judges. Including an upper limit, however, might eliminate some appeal issues, as it will be harder for a defendant to argue a punitive damages award is excessive if the award complies with a congressionally mandated cap. On the other hand, there is some risk a punitive damages limit linked to other monetary awards could result in cross-contamination of the different remedy calculations. Perhaps this result is acceptable, as it may simply reflect a coordinated effort to tailor the remedy to the circumstances. Because I believe good arguments can be made on both sides of this issue, I believe it is best to include the cap in the proposal so that such arguments will be aired.

D. **Preemption**

The preemption provision is based on the preemption rule found in the Copyright Act. The proposed preemption is limited in two important respects. First, only state law claims against federally registered trademarks are preempted. This rule gives additional support to the Lanham Act's registration system. Where an allegedly infringing or diluting mark is not registered under the Lanham Act, state law claims

134. See supra Part III.E.
should not be preempted. But where a party has used the federal Lanham Act registration system—that is, the national trademark registration system crafted by Congress to provide greater national consistency and predictability—the party should not face state trademark claims as to the federally registered mark.

The second limitation is a subject-matter restriction, and this part of the proposal tracks the approach used in the Copyright Act. Only claims alleging violation of a right equivalent to a right protected under the Lanham Act are preempted. The intention is to preempt state law claims of trademark infringement, dilution, counterfeiting, and other similar claims. The equivalence analysis will be difficult at the limits, as it has been under copyright law, but for the majority of state law claims, it will be clear whether preemption applies or does not.

The primary reasons for the expanded preemption proposal were presented above. Though there may be opposition to this proposal, I believe it is necessary to fully realize the benefits of the federal trademark registration system created by the Lanham Act. I also find troubling those recent decisions recognizing both substantive and remedial differences in state and federal trademark laws.

Why propose preemption as part of a reform of the Lanham Act’s remedies rules? The answer is perhaps best illustrated by a recent case. In the Attrezzi case, the First Circuit affirmed a judgment awarding attorney fees and enhanced damages. Neither award was available under the Lanham Act, but both were proper under New Hampshire law. Without broader federal preemption, the proposed reforms of the Lanham Act’s remedies provisions could be undercut by state laws. The goal of national consistency and predictability would be undermined, and the entire reform effort rendered nearly pointless. It is for this reason that I propose broad federal preemption for federally registered trademarks.

VI. CONCLUSION

The Lanham Act’s remedies rules are broken and need to be repaired. This article presents a specific proposal for reform, together with supporting arguments and explanations. It is time for the trademark
bar and Congress to engage in a serious discussion of this important issue.