Trademarks and Unfair Competition

DESKBOOK

SELECTED TEXT:
CHAPTER 13
JURISDICTION AND REMEDIES

TENTH EDITION

JANET A. MARVEL
DAVID C. HILLIARD
JOSEPH N. WELCH II

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TRADEMARKS AND UNFAIR COMPETITION DESKBOOK

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Selected Text: Chapter 13 Jurisdiction and Remedies

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PREFACE

This 10th edition of our Deskbook again reflects phenomenal growth in trademark and unfair competition law. Formerly unquestioned principles are being rethought, and foundational changes in policy and doctrinal and constitutional dimensions of this ancient body of law are being implemented. The U.S. Supreme Court and various Appellate Courts have continued to rule on important intellectual property issues. Their decisions are a major feature in this new edition.

This Deskbook provides practitioners of trademark and unfair competition law an organized guide to the decisions, legislation, treatises, and commentary, a delineation of the principal questions and problems to be expected, and an up-to-date synthesis of the current and developing law. The explosion in litigation affects every chapter. This book has evolved to its present state with the enlightening benefit of criticism from Northwestern University and University of Chicago, and Chicago Kent law students and the many practicing lawyers to whom it has been exposed. They uniformly have been enthusiastic about the structure and detailed analysis of the book.

This edition explores the continuing tension between the First Amendment and protection of trade identity. Chapter 8 is devoted entirely to First Amendment issues. Material is also provided on the Federal Trade Commission, which has been actively battling deceptive advertising and marketing schemes and data breaches, as well as material on other governmental agencies such as the Food and Drug Administration.

We believe this book is unique among intellectual property resources in structure, conciseness and content. In part this is because, in addition to having taught the subject for many years at three top law schools, the authors actively litigate intellectual property cases across the U.S.

Our particular thanks to Sandra Senese for her preeminent work in readying the manuscript for publication. Finally, we dedicate this volume, as we have previous volumes, to Beverly W. Pattishall (1916–2002), a great colleague, scholar and friend.

J.A.M.

D.C.H.

J.N.W.

CHAPTER 13

JURISDICTION AND REMEDIES

SYNOPSIS

§ 13.01 Jurisdiction and Venue

[1] Jurisdiction Generally

Trademark cases can be brought in either the federal or state courts. *Duggan Funeral Service, Inc. v. Duggan's Serra Mortuary, Inc.*, 80 Cal. App. 4th 151 (2000) (federal and state court jurisdiction is concurrent; state court had jurisdiction to cancel federal trademark registration in infringement case); *Duncan v. Stuetzle*, 76 F.3d 1480, 1485 (9th Cir. 1996). Most are brought in the federal courts, and cases brought in state court that involve the federal trademark statute or diversity plus jurisdictional amount are removable to the federal courts. *Duncan v. Stuetzle*, 76 F.3d 1480, 1485–1486 (9th Cir. 1996). *See also Amazon, Inc. v. Dirt Camp, Inc.*, 273 F.3d 1271 (10th Cir. 2001) (remanding for determination of whether diversity jurisdiction existed over plaintiff's remaining state law claims). *Compare Flying Pigs LLC v. RRAJ Franchising LLC*, 757 F.3d 177 (4th Cir. 2014) (the Lanham Act does not confer federal court jurisdiction " 'simply because the subject in dispute is a trademark;' " case regarding equitable lien on trademarks remanded to state court) (citations omitted); *In re Hot-Hed, Inc.*, 477 F.3d 320 (5th Cir. 2007) (granting, in part, a writ of mandamus to remand to state court a trademark and unfair competition case that had been removed to federal court. "As multiple courts have clarified, removal of a trademark infringement action is improper 'when a plaintiff does not clearly state he is seeking relief under the Lanham Act' ") (citations omitted); and *Watson v. Philip Morris Cos., Inc.*, 551 U.S. 142 (2007) (the "mere fact . . . that Philip Morris was regulated by the Federal Trade Commission" did not supply a basis for removal to federal court).

The federal courts have supplemental jurisdiction over state law claims "joined with a substantial and related claim" under the Lanham Act. *Mars, Inc. v. Kabushiki Kaisha Nippon Conlux*, 24 F.3d 1368, 1372 (Fed. Cir. 1994). *Cf. Oliveira v. Frito Lay, Inc.*, 251 F.3d 56, 64 (2d Cir. 2001) (no supplemental jurisdiction after dismissal of federal claims, but defendant allowed to replead state law claims in state court). Whether a federal court retains supplemental jurisdiction over state law claims after federal claims are dismissed is discretionary, and is not subject to appeal. *Carlsbad Tech., Inc. v. Hif Bio, Inc.*, 129 S. Ct. 1862 (2009). *See generally* Chopra, *Valuing the Federal Right: Reevaluating the Outer Limits of Supplemental Jurisdiction*, 83 N.Y.U.L. Rev. 1915 (2008). Set forth below are controlling statutory provisions affording federal jurisdiction in trademark and some other unfair competition cases:

The Lanham Act

(a) The district and territorial courts of the United States shall have original jurisdiction, and the courts of appeal of the United States (other than the United States Court of Appeals for the Federal Circuit) and the United States Court of Appeals for the District of Columbia, shall have appellate jurisdiction, of all actions arising under this Act, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties. 15 U.S.C. § 1121.

Patents, Plant Variety Protection, Mask Works, Trademarks And Unfair Competition

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws. 28 U.S.C. § 1338.

If diversity of citizenship exists between the parties and the matter in controversy exceeds $75,000 in value, federal jurisdiction also may be had under 28 U.S.C. § 1332. *See, e.g., Domain Name Clearing Co. v. F.C.F., Inc.*, 16 Fed. Appx. 108 (4th Cir. 2001) (value of domain name at issue exceeded the $75,000 threshold).

Federal jurisdiction over litigation involving the infringement of a federal trademark registration, unfair competition, dilution, and deceptive trade practices is often based upon all of these statutes. When foreign commerce is involved, 28 U.S.C. § 1331 may also provide a basis for federal jurisdiction. *See* Gilson at Chapter 11. A possible lack of a cause of action under the Lanham Act is not a basis to deny jurisdiction. *See La Quinta Worldwide LLC v. Q.T.R.M., S.A. de C.V.*, 762 F.3d 867 (9th Cir. 2014). There, La Quinta sued Q.T.R.M., a Mexican company, to prevent it from opening a hotel in the U.S. called "Quinta Real." Q.T.R.M. argued that it had only expressed an intent to open a hotel. This was not a use in commerce under Sections 32 or 43 of the Lanham Act, and therefore, Q.T.R.M. argued, the court lacked jurisdiction. Citing *Bell v. Hood*, 327 U.S. 678 (1946), the court held that lack of a cause of action is a question of law to be decided after the court has assumed jurisdiction. Therefore, the court properly exercised jurisdiction.

[2] Subject Matter Jurisdiction

[a] Extraterritorial Subject Matter Jurisdiction

[i] The *Bulova* Factors

Under appropriate circumstances, an American plaintiff may be able to successfully sue in a U.S. court against a party's infringing activities that occur in another country. In *Fun-Damental Too v. Gemmy Indus. Corp.*, 111 F.3d 993 (2d Cir. 1997), the appellate court affirmed an order requiring defendant to acquire infringing products from a warehouse in China and ship them to the United States, where their sale was preliminarily enjoined. It analyzed the Supreme Court's decision in *Steele v. Bulova Watch Co.*, 344 U.S. 280 (1952), as supplying a three part test for exercising extraterritorial jurisdiction:

(1) "does defendant's conduct have a substantial effect on United States commerce;

(2) is defendant a United States citizen; and

(3) is there an absence of conflict with trademark rights established under foreign law?"

Fun-Damental Too v. Gemmy Indus. Corp., 111 F.3d at 1006. It concluded the district court's order was a reasonable means of controlling the importation of the infringing products, and noted that defendant was a U.S. corporation and had cited no conflict with its trademark rights under foreign laws. *See also, Commodores Ent. Corp. v. McClary*, 879 F.3d 1114 (11th Cir. 2018) (*Bulova* principles justified permanent injunction with extraterritorial effect).

However, the Ninth Circuit has held that extraterritorial jurisdiction is not a subject-matter jurisdiction consideration, but rather is analyzed under the merits. *See Trader Joe's Co. v. Hallatt*, 835 F.3d 960 (9th Cir. 2016) (extraterritorial authority based on whether allegedly infringing conduct was "use in commerce" under the Lanham Act).

The third element of the test, conflict with foreign trademark law, raises the issue of comity. *See Nintendo of America, Inc. v. Aeropower Co., Ltd.*, 34 F.3d 246 (4th Cir. 1994) ("While a court may issue an injunction having extraterritorial effect in order to prevent trademark violations under the Lanham Act, it should do so only where the extraterritorial conduct would, if not enjoined, have a significant effect on United States commerce, and then only after consideration of the extent to which the citizenship of the defendant, and the possibility of conflict with trademark rights under the relevant foreign law might make issuance of the injunction inappropriate in light of international comity concerns"). *Cf. Daimler AG v. Bauman*, 134 S. Ct. 746 (2014). There, the Supreme Court chided the Ninth Circuit for paying "little heed" to principles of comity in a case determining whether the court could exercise general jurisdiction over Daimler. The Court noted that U.S. domestic courts' expansive views of general jurisdiction may damage "international rapport" regarding issues of reciprocal enforcement of judgments. *See generally* Keyhani, *Bulova Wrongly Decided: A Case against Extraterritoriality of Trademark Law*, 7 J. INTELL. PROP. 33 (2007–2008).

[ii] Examples of Cases Exercising Extraterritorial Jurisdiction

Cases exercising extraterritorial jurisdiction include: *American Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F.3d 321 (5th Cir. 2008) (defendant's sales in Saudi Arabia had a sufficient effect on U.S. commerce based on the processing, packaging, transportation, and distribution activities in the U.S., and exercising extra-territorial jurisdiction would not be an affront to Saudi sovereignty); *Levi Strauss & Co. v. Sunrise Int'l Trading*, 51 F.3d 982, 984–985 (11th Cir. 1995) (affirming preliminary injunction against U.S. defendants' sale of counterfeit LEVI jeans made in China and a freeze of defendants' assets where some jeans were found in Florida and negotiations and arrangements for shipment were made in the U.S.); *Babbitt Electronics v. Dynascan Corp.*, 38 F.3d 1161, 1179–1180 (11th Cir. 1994) (Lanham Act applied to sales of cordless telephones in South America because the phones were shipped through a U.S. free trade zone and sales-related activities occurred in U.S.); *Reebok Int'l, Ltd. v. Marnatech Enters.*, 970 F.2d 552, 554–555 (9th Cir. 1992) (affirming preliminary injunction against sale of counterfeit REEBOK shoes in Mexico and a freeze of defendants' assets despite apparently related ongoing litigation in Mexico; "the Mexican litigation presented no conflict with the district court's order because the litigation in Mexico had not yet been concluded"); *Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500, 503–04 (9th Cir. 1991) ("Absent a determination by a foreign court that the defendant has a legal right to use the marks, and that those marks do not infringe the plaintiff's mark, we are unable to conclude that it would be an affront to the foreign country's sovereignty or law" to enjoin defendant); *John Walker &*

Sons, Ltd. v. DeMert & Dougherty, Inc., 821 F.2d 399, 407–408 (7th Cir. 1987) (infringing artwork placed on deodorant cans in Illinois, which were shipped first to Florida and then sold to consumers in Panama and Columbia).

In *Versace v. Alfredo Versace*, 213 Fed. Appx. 34 (2d Cir. 2007), Alfredo Versace was making infringing use of that famous last name to sell watches, jeans, handbags, and the like on the Internet and elsewhere, even after being preliminarily enjoined from doing so. The Second Circuit affirmed the permanent injunction against his "using the name 'Versace' in connection with any commercial activity anywhere in the world." Alfredo objected that he was not a U.S. citizen, but "Alfredo's forty years of residence and business activity in the United States, and his relationship with a U.S. corporation . . . are sufficient to support the international reach of the permanent injunction [given] the lack of conflict with foreign law and the existence of a substantial effect on commerce."

In *Hawes v. Network Solutions, Inc.*, 337 F.3d 377 (4th Cir. 2003), the plaintiff sued both the transferee L'Oreal and the domain name registrar for allegedly unlawfully transferring plaintiff's "lorealcomplaints.com" domain name to L'Oreal S.A., a French corporation, pursuant to the order of a French court. Plaintiff's cosmetics business competed with L'Oreal, and he claimed to have registered the domain name for "a forum with which to communicate with L'Oreal concerning problems with its products." Plaintiff failed to appear to defend himself in the French court action filed by L'Oreal that resulted in the transfer order.

The registrar was immune to suit under the Anti-Cybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1114(D)(i), and no statutory exception to that immunity applied, so dismissal of that portion of the suit was affirmed. The claim against L'Oreal for its actions in the French court to obtain transfer of the plaintiff's domain name, however, was reinstated. The Fourth Circuit emphasized that its decision "does not imply any disrespect of any French court that may have taken jurisdiction of a related dispute in France." Nonetheless, "[a]djudication of an action brought under [the ACPA] involves neither appellate-like review of, nor deference to, any simultaneously pending actions in foreign jurisdictions . . ." In the court's view, this "does not leave the foreign trademark owner bereft of protection", because it "remains free to file a counterclaim" in the U.S. action.

[iii] Examples of Cases Declining Extraterritorial Jurisdiction

In *ImaPizza, LLC v. At Pizza Limited*, 965 F.3d 871 (D.C. Cir. 2020), the court affirmed the grant of a motion to dismiss for failure to state a claim because the U.S. courts could not exercise extraterritorial jurisdiction. There, plaintiff alleged that a Scottish pizza restaurant copied the unique features of plaintiff's U.S. chain of pizza parlors. It claimed that the court could exercise extraterritorial jurisdiction because "(1) some of the U.S. students and U.S. tourists who visit Edinburgh and purchase food there may be familiar with [plaintiff's] restaurants in the U.S., (2) a potential investor confused [plaintiff and defendant], and [3] [defendant] visited the U.S. to further its scheme of copying [plaintiff's] restaurants." The court held that these factors were not enough to establish jurisdiction. Extending jurisdiction to any business in the world where American tourists visit was unreasonable, and in any event plaintiff did not allege that the consumers who visited defendant's restaurant were confused. The investor's confusion did not cause harm, and the research visits did not establish reputational harm. Therefore, extraterritorial jurisdiction was not appropriate. In *Tire Engineering & Distribution, LLC v. Shandong Linglong Rubber Co.*, 682 F.3d 292 (4th Cir. 2012), the Fourth Circuit affirmed relief for copyright and civil conspiracy claims, but concluded that because the defendants' conduct lacked "a significant effect on U.S. commerce," they did not fall under the Lanham Act's extraterritorial jurisdiction. "Although the Lanham Act applies extraterritorially in some instances, only foreign acts having a significant effect on U.S. commerce are brought under its compass." The court noted that the Lanham Act protected only U.S.—not foreign—consumers from confusion, and that Alpha had not alleged any U.S. consumer confusion. The court also rejected the diversion-of-sales theory because defendants' "exclusively foreign sales of infringing tires has no significant effect on U.S. commerce." In *International Cafe, S.A.L. v. Hard Rock Cafe Int'l (U.S.A.), Inc.*, 252 F.3d 1274 (11th Cir. 2001), the court affirmed the dismissal of a foreign plaintiff's Lanham Act suit against an American defendant's trademark-related activities in Lebanon. Applying the three *Steele v. Bulova* factors, the court determined that dismissal was warranted because the only substantial effect on U.S. commerce from the American defendant's foreign activity was the defendant's financial gain; there were civil suits pending in Lebanon concerning the validity of some of plaintiff's marks, and defendant's use of its mark in Lebanon would be governed by Lebanese law.

Compare Atlantic Richfield Co. v. Arco Globus Int'l Co., 150 F.3d 189 (2d Cir. 1998) (plaintiff's Lanham Act infringement claims did not reach defendant's use of ARCO for its gas and oil operations in the former Soviet Union; defendant was a New York company with a New York office and American employees, but never offered products for sale in the U.S. and "none of the alleged infringer's American activities materially support the foreign use of the mark [and] the mere presence of the infringer in the U.S. will not support extraterritorial application of the Lanham Act"); *Totalplan Corp. of Am. v. Colborne*, 14 F.3d 824, 830–831 (2d Cir. 1994) (Lanham Act did not reach defendants' Japanese distribution of infringing cameras where defendants were Canadian and effect on U.S. commerce was not substantial, even though cameras were packaged in and shipped from the U.S.); *Sterling Drug v. Bayer AG*, 14 F.3d 733 (2d Cir. 1994) (declining to mechanically apply three factor test in case involving foreign corporation with potentially superior rights to the mark under foreign law, but remanding for consideration of injunction against only foreign uses "likely to have significant trademark impairing effects" on U.S. commerce); *Nintendo of Am., Inc. v. Aeropower Co., Ltd.*, 34 F.3d 246, 249–250 (4th Cir. 1994) (while agreeing that sales of infringing videogame cartridges in Mexico and Canada had significant effect on U.S. commerce, remanding extraterritorial portion of injunction for consideration of additional factors of defendants' citizenship and potential conflicts with foreign law).

In *McBee v. Delica Co.*, 417 F.3d 107 (1st Cir. 2006), the First Circuit held that, in cases involving the "foreign activities of foreign defendants":

> subject matter jurisdiction under the Lanham Act is proper only if the complained-of activities have a substantial effect on United States Commerce, viewed in light of the Lanham Act.

If this substantial effects test is met, then potential conflict with foreign trademark law also must be considered as a basis for declining jurisdiction. 417 F.3d at 111. In *McBee*, an American jazz musician sued a Japanese company selling girl's clothing there under his name as a trademark, CECIL McBEE. In part, because the Japanese defendant's website selling the clothing was in Japanese, it lacked the necessary "substantial effect" on U.S. commerce, and there was no other basis for jurisdiction. Were the court to hold otherwise, "we would be forced to find jurisdiction in almost all false endorsement or trademark cases involving an American plaintiff and allegedly infringing sales abroad."

In *Love v. Assoc. Newspapers Ltd.*, 611 F.3d 601 (9th Cir. 2010), Mike Love, a founding member of The Beach Boys, sued several parties over the distribution of Brian Wilson's solo compact disc with approximately 2.6 million copies of a British newspaper. Love appealed dismissal of an English defendant. The appellate court affirmed, holding in part that, in order for the Lanham Act to apply, three factors had to be satisfied: "(1) the alleged violations must create some effect on American foreign commerce; (2) the effect must be sufficiently great to present a cognizable injury to the plaintiffs under the Lanham Act; and (3) the interests of and links to American foreign commerce must be sufficiently strong in relation to those of other nations to justify an assertion of extraterritorial authority." Because all of the relevant acts occurred abroad, there was no evidence of monetary injury in the U.S. and no evidence that the alleged Lanham Act violations affected U.S. commerce "in any way", the court denied jurisdiction.

[iv] Relief for a Foreign Party in the United States

A foreign party may be able to obtain relief in this country, but some effect on U.S. commerce is required. In *Buti v. Impressa Perosa S.R.L.*, 139 F.3d 98 (2d Cir. 1998), the declaratory judgment defendant's informal promotion in the U.S. of its FASHION CAFE restaurant located in Milan, Italy was not sufficient to constitute "use in commerce." It therefore could not obtain protection under the Lanham Act against plaintiff's FASHION CAFE restaurant located in this country. *See also Person's Co. v. Christman*, 900 F.2d 1565 (Fed. Cir. 1990) (petition to cancel PERSON'S for clothing based on use in Japan dismissed where petitioner's use had no "effect on U.S. commerce"). Note some of the parallels with the *McBee* decision discussed above. *Compare Int'l Bancorp, LLC v. Societe Des Bains De Mer Et Du Cercle Des Estrangers a Monaco*, 329 F.3d 359 (4th Cir. 2005), in which the owner of the trademark "Casino de Monte Carlo" in Monaco successfully stopped the U.S. infringer's use of domain names incorporating some portion of that mark for on-line gambling websites, because the trademark owner had used its mark in U.S. commerce via its substantial advertising expenditures and sales success here (drawing U.S. customers to its casino), along with substantial unsolicited media coverage. See also the discussion in Chapter 2 on foreign companies establishing priority in the U.S.

[b] Pendent Jurisdiction

28 U.S.C. § 1338(b) was intended to codify the "related action" doctrine of pendent federal jurisdiction enunciated in *Hurn v. Oursler*, 289 U.S. 238 (1933). In *United Mine Workers v. Gibbs*, 383 U.S. 715 (1966), the Supreme Court held that a claim is related if "the state and federal claims derive from a common nucleus of operative fact." *See also* 28 U.S.C. § 1367(a) ("in any civil action in which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to the claims in the action that they form part of the same case or controversy under Article III of the United States Constitution").

This test can affect the joinder of federal statutory trademark infringement and state common law unfair competition claims. *See Armstrong Paint & Varnish Works v. Nu Enamel Corp.*, 305 U.S. 315 (1938); *Astor Honor, Inc. v. Grosset & Dunlap, Inc.*, 441 F.2d 627 (2d Cir. 1971) (copyright infringement and unfair competition). Absent diversity, or federal statutory bases, should a federal court continue to hear and decide what were pendent common-law trademark and unfair competition claims after all claims of statutory trademark infringement have been dismissed? Doing so is at the court's discretion, and is not an issue of subject matter jurisdiction. *Carlsbad Tech, Inc. v. Hif Bio, Inc.*, 129 S. Ct. 1862 (2009). *Compare Textile Deliveries Inc. v. Stagno*, 52 F.3d 46, 49 (2d Cir. 1995) (district court properly retained pendent jurisdiction over state law contract claim even though Lanham Act claim dismissed), *with Oliveira v. Frito Lay, Inc.*, 251 F.3d 56, 64 (2d Cir. 2001) (defendant's state law claims dismissed without prejudice to permit refiling in state court after Lanham Act claims were dismissed).

[c] Declaratory Judgment

Under appropriate circumstances, a party whose conduct might provoke a lawsuit can seek a declaration of its rights from a federal court under the Declaratory Judgment Act, 28 U.S.C. 2201(a). The standard for whether a particular declaratory judgment action satisfies the case-or-controversy requirement is:

> whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant relief.

Medimmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 (2007) (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). The Supreme Court's *Medimmune* decision discarded the test commonly used before 2007, which was whether a declaratory plaintiff had a "reasonable apprehension" of liability and had engaged in a course of conduct to bring it into adversarial conflict.

Interesting issues arise in determining the existence of an actual controversy in the trademark context. For example, does a trademark owner subject itself to a declaratory judgment action by opposing an application to register a trademark in the Patent and Trademark Office? Although the filing of one opposition proceeding apparently is not, by itself, sufficient to create an actual controversy, see *HIS IP, Inc. v. Champion Window Mfg. & Supply Co., Inc.*, 510 F. Supp. 2d 948, 956 (M.D. Fla. 2007), a court found an actual controversy when the declaratory defendant filed five separate opposition proceedings and the parties had "an extensive history of interactions . . . in which the declaratory defendant expressly and repeatedly suggested historical and existing infringing activity by the declaratory plaintiff." *Surefoot LC v. Sure Foot Corp.*, 531 F.3d 1236, 1247 (10th Cir. 2008).

Can a trademark owner seek a declaration that another party is infringing before the other party begins to use a mark in commerce? *Compare Geisha, LLC v. Tuccillo*, 525 F. Supp. 2d 1002 (N.D. Ill. 2007) (finding no actual controversy between the owner of the JAPONAIS mark for a restaurant and an individual who filed an intent-to-use trademark application for JAPONAIS for "restaurant and lounge services"; the applicant's preparations to use the mark consisted of "playing around with" a menu and searching for a suitable location for the restaurant) with *Young, Jr. v. Vannerson*, 612 F. Supp. 2d 829 (S.D. Tex. 2009) (finding an actual controversy between professional football player Vince Young and defendants who designed t-shirts and decals using allegedly infringing logos; the defendants designed and produced actual samples of the shirts and decals and contracted with a manufacturing company to make the shirts and decals). Similar considerations apply when a party seeks a declaration that its own planned use of a trademark does not infringe a trademark already in use. See *Vantage Trailers Inc. v. Beall Corp.*, 567 F.3d 745 (5th Cir. 2009) (affirming dismissal for lack of jurisdiction where trailer designer who sought declaration of non-infringement of trade dress did not yet have a substantially fixed and definite trailer design which would permit the court to assess infringement).

[d] Insufficient Basis

Subject matter jurisdiction may not exist in the federal courts where the plaintiff is only an intent to use applicant for federal registration who has yet to make use of the mark in commerce. *Fila Sport, S.p.A. v. Diadora America, Inc.*, 141 F.R.D. 74 (N.D. Ill. 1991) (motion to dismiss granted). It also may not exist if the activities at issue only occur intrastate. *Compare Coca-Cola Co. v. Stewart*, 621 F.2d 287 (8th Cir. 1980), finding that the intrastate infringement violated the Lanham Act because to rule otherwise would permit "local infringers [to] pirate a national mark with virtual immunity from federal restrictions, inflicting 'death by a thousand cuts' upon the trademark holder," *with Fitzgerald v. J&R Chicken & Ribs, Inc.*, 11 U.S.P.Q.2d 1384 (D.N.J. 1989), in which the case was dismissed because plaintiff failed to allege any connection with interstate commerce; "On the contrary, plaintiff appears to acknowledge that both his take out chicken business as well as that of the alleged infringer . . . are local in nature."

The fact that the parties' breach of contract suit involved trademark rights did not create subject matter jurisdiction under the Lanham Act in *Gibraltar, P.R., Inc.*

v. Otoki Group, 104 F.3d 616 (4th Cir. 1997). There, defendant had contended an amendment to the parties' Joint Venture Agreement assigning all of defendant's trademarks to the Joint Venture was invalid, and the appellate court ruled that the Lanham Act was enacted to address the "registration and infringement of trademarks, not ownership disputes arising out of contracts." Similarly, in *International Armor & Limousine Co. v. Moloney Coachbuilders, Inc.*, 272 F.3d 912 (7th Cir. 2001), the court held that it had no subject matter jurisdiction where the trademark claims were merely derivative of contract issues.

[e] Sovereign Immunity

[i] Federal

The Lanham Act had been held inapplicable to the federal government in the absence of an express waiver of its sovereign immunity, thus depriving courts of subject matter jurisdiction over Lanham Act suits in which the federal government is an unwilling defendant. *See Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996), *cert. denied*, 137 L. Ed. 2d 327 (1997). An exception occurred in *Federal Express Corp. v. United States Postal Serv.*, 151 F.3d 536 (6th Cir. 1998), in which Federal Express claimed that the United States Postal Service ("USPS") inaccurately and misleadingly advertised its priority mail services as comparable to or better than the services offered by Federal Express. USPS moved to dismiss for lack of subject matter jurisdiction, arguing that it was not a "person" as defined by the Lanham Act. The Sixth Circuit found the Postal Reorganization Act, 39 U.S.C. § 101 *et seq.*, expressly recognized the USPS as a commercial enterprise capable of suing and being sued, and that the USPS therefore was subject to Lanham Act jurisdiction.

[ii] State

In *College Sav. Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666 (1999), the Supreme Court held that the doctrine of sovereign immunity protects a state from liability under Section 43(a) of the Lanham Act for false representations by one of its agencies about its own services. The stage was set for the decision in *College Savings Bank* by the passage of the Trademark Remedy Clarification Act of 1992. The TRCA amended § 43(a) of the Lanham Act to define "any person" to include "any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity." The TRCA also provided that such state entities "shall not be immune, under the Eleventh Amendment . . . from suit in Federal court by any person . . . for any violation under this Act."

In rejecting liability for the state under § 43(a), the Supreme Court reasoned that "the Lanham Act may well . . . protect . . . property interests—notably its provisions dealing with infringement of trademarks . . . [but] misrepresentations concerning [Florida Prepaid's] own products intruded upon no [property] interest over which petitioner had exclusive dominion." In the absence of such a property interest, the state's immunity could not be validly abrogated, and that portion of the TRCA amendment was held unconstitutional. The Court noted in *dicta* that the

Lanham Act's false advertising provisions bear no relationship to the right to exclude inherent in property rights. The decision nonetheless has been applied to insulate state enterprises from trademark-related actions. *See, e.g., Hapco Farms, Inc. v. Idaho Potato Comm'n*, 238 F.3d 468 (2d Cir. 2001) (affirming judgment that defendant, an Idaho state agency, was immune from suit seeking to cancel the agency's federal trademark registrations).

The Supreme Court also held that there could be no "implied" waiver of a state's Eleventh Amendment immunity by state conduct; an express and unequivocal waiver by the state was required. Florida Prepaid's election to go into competition with private companies, even after being put on notice by the clear language of the TRCA that it would be subject to Lanham Act liability for doing so, therefore did not waive its immunity. *Cf. State Contracting and Engineering Corp. v. State of Florida*, 258 F.3d 1329 (Fed. Cir. 2001) (affirming dismissal of Lanham Act misrepresentation claim against the State of Florida; after *College Savings Bank,* only an "unequivocal" express waiver by the state would have prevented dismissal). In a companion case, *Florida Prepaid Postsecondary Education Expense Board v. College Sav. Bank*, 527 U.S. 627 (1999), the Supreme Court held that the states also have sovereign immunity from claims of patent infringement, which immunity had not been validly abrogated by the Patent Remedy Act. Note that the Supreme Court decision in *College Savings Bank* would not abrogate state trademark laws or the right to sue in state court. It also has been suggested that the grant of trademark registrations in the future might be conditioned on the applicant agreeing to be subject to suit in federal court under the Lanham Act, although doing so might raise additional constitutional issues. *See generally* Fessler, *State Sovereign Immunity and Intellectual Property: An Evaluation of the Trademark Remedy Clarification Act's Attempt to Subject States to Suit in Federal Court for Trademark Infringements Under the Lanham Act*, 3 S. New Eng. Roundtable Symp. L.J. 49 (2008).

See also, *Board of Regents of the University of Wisconsin System v. Phoenix Int'l Software, Inc.*, 653 F.3d 448 (7th Cir. 2011). On rehearing of its original decision, the Seventh Circuit held that *Lapides v. Board of Regents of the University System of Georgia*, 535 U.S. 613 (2002) required it to "find that Wisconsin waived its sovereign immunity when it filed suit in the federal district court seeking to overturn the decision of the TTAB . . . . It would be anomalous if, after invoking federal jurisdiction, the state could declare that the federal court had no authority to consider related aspects of the case. Phoenix's counterclaims are compulsory in nature and thus lie well within the scope of Wisconsin's waiver of immunity."

[iii] Foreign

Foreign countries also have limited immunity from federal subject matter jurisdiction under the Foreign Sovereign Immunity Act ("FSIA"). 28 U.S.C. §§ 1330(a), 1604. The FSIA "provides the sole basis for obtaining [subject matter] jurisdiction over a foreign sovereign in the United States," *Republic of Argentina v. Weltover, Inc.*, 504 U.S. 607, 611 (1992) (internal quotation marks omitted);

accord Saudi Arabia v. Nelson, 507 U.S. 349, 355 (1993). *See also Republic of Sudan v. Harrison*, 139 S.Ct. 1048 (2019) (determining questions of proper service under FSIA). That basis comes from exceptions to the general sovereign immunity, most of which are contained in 28 U.S.C. § 1605(a):

> **General exceptions to the jurisdictional immunity of a foreign state**
>
> (a) A foreign state shall not be immune from the jurisdiction of courts of the United States or of the States in any case . . . in which the action is based
>
> (1) upon a commercial activity carried on in the United States by the foreign state; or
>
> (2) upon any act performed in the United States in connection with the commercial activity of the foreign state elsewhere; or
>
> (3) upon an act outside the territory of the United States in connection with a commercial activity of the foreign state elsewhere and that act causes a direct effect in the United States.

In *Virtual Countries Inc. v. Republic of South Africa*, 300 F.3d 230 (2d Cir. 2002), for example, the Seattle-based plaintiff owned a number of domain names based on the names of foreign countries, including "southafrica.com." When the Republic of South Africa issued a press release stating its intention to claim that domain name through means such as an ICANN proceeding (*see* § 11.04), the plaintiff sued in New York for a declaration that defendant had no rights in the domain name. The court determined that only the "direct effect" third clause of the § 1605(a) provision could supply the necessary exception to immunity. Because of "the tentative and indefinite nature of the release" which mentioned only a future intention to use the ICANN proceeding, the alleged injury to plaintiff was too speculative, and the necessary "direct effect in the United States" was lacking. Dismissal therefore was affirmed. *See also Bell Helicopter Textron, Inc. v. Islamic Republic of Iran*, 734 F.3d 1175 (D.C. Cir. 2013) (any effect on U.S. commerce of Iran's production of helicopters that might infringe Bell's trade dress was too attenuated to meet the test for jurisdiction under the Foreign Services Immunities Act).

[3] Personal Jurisdiction

[a] Specific and General Jurisdiction

There are two types of personal jurisdiction: specific and general. The Supreme Court has described them as follows:

> Adjudicatory authority . . . in which the suit 'aris[es] out of or relate[s] to the defendant's contacts with the forum,' *Helicopteros Nacionales de Colombia, S.A. v. Hall,* 466 U.S. 408, 414 n.8 104 S. Ct. 1868 (1984), is today called "specific jurisdiction." See *Goodyear,* 564 U.S. at ___, 131 S. Ct. at 2853 [*Goodyear Dunlop Tire Operations, S.A. v. Brown*, 564 U.S. 915, 131 S. Ct. 2846 (2011)] (citing von Mehren & Trautman, Jurisdiction to Adjudicate: A Suggested Analysis, 79 Harv. L. Rev. 1121, 1144–1163 (1966) (hereinafter von Mehren & Trautman)) . . .
>
> '[A] court may assert general jurisdiction over foreign (sister-state or foreign-

> country) corporations to hear any and all claims against them when their affiliations with the State are so 'continuous and systematic' as to render them essentially at home in the forum State.' *Goodyear,* 564 U.S., at ___ 131 S. Ct. at 2851; see *id.,* at ___, 131 S. Ct. at 2853–2854; *Helicopteros,* 466 U.S. at 414 n.9, 104 S. Ct. 1868 . . . ."

Daimler AG v. Bauman, 134 S. Ct. 746, 754–755 (2014). "Since *International Shoe,* [*International Shoe Co. v. Washington,* 326 U.S. 310 (1945)] 'specific jurisdiction has become the centerpiece of modern jurisdiction theory, while general jurisdiction [has played] a reduced role.' *Goodyear*, 564 U.S. at ___, 131 S. Ct. at 2854 (quoting Twitchell, The Myth of General Jurisdiction, 101 Harv. L. Rev. 610, 628 (1988))."

[b] Specific Jurisdiction

Establishing specific personal jurisdiction over a nonresident defendant is a matter of satisfying the long-arm statute of the particular situs state and demonstrating sufficient minimum contacts to satisfy due process. Typically a court looks for the transaction of business by the defendant within the state, with the cause of action relating to that transaction of business. *See, e.g.*, *Cmty. Trust Bancorp, Inc. v. Cmty. Trust Fin. Corp.*, 692 F.3d 469 (6th Cir. 2012) finding that Plaintiff's suit was "only tangentially related to the Defendants' acts within the forum state" and that "there is no substantial connection between three or four Kentucky residents accessing their online banking and the underlying trademark infringement claim." *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797 (9th Cir. 2004) (defendant, who published advertisements in a locally-circulated Ohio newspaper that contained a small picture of actor Arnold Schwarzenegger in his "Terminator" role, did not have the necessary "continuous and systematic" contacts with California.

The defendant need not be physically present in the state to be amenable to specific personal jurisdiction as long as the "defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws." *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, citing *Hanson v. Denckla*, 357 U.S. 235 (1958). The *Burger King* Court explained:

> Jurisdiction in these circumstances may not be avoided merely because the defendant did not *physically* enter the forum state . . . . [I]t is an in escapable fact of modern commercial life that a substantial amount of business is transacted solely by mail and wire communications across state lines, thus obviating the need for physical presence within the state in which business is conducted. So long as a commercial actor's efforts are "purposefully directed" toward residents of another state, we have consistently rejected the notion that an absence of physical contacts can defeat personal jurisdiction there. [Citations omitted].
>
> [W]here a defendant who purposefully has directed his activities at forum residents seeks to defeat jurisdiction, he must present a compelling case that the presence of some other considerations would render jurisdiction unreasonable.

> Most such considerations usually may be accommodated through means short of finding jurisdiction unconstitutional.

See, also J. McIntyre Machinery, Ltd. v Nicastro, 131 S.Ct. 2780 (2011) (plurality decision in which Court held that foreign manufacturer did not engage in conduct purposefully directed at New Jersey so as to support New Jersey's exercise of personal jurisdiction).

In *Walden v. Fiore*, 134 S. Ct. 1115 (2014), the Supreme Court again ruled on specific personal jurisdiction. There, defendant Walden was a Georgia police officer working with the DEA in Atlanta's international airport. In 2006, TSA agents in Puerto Rico inspected plaintiffs' carry-on bags and found $97,000 in cash. Plaintiffs declared that they were professional gamblers, and they were heading to Las Vegas through Atlanta. When plaintiffs arrived at the Atlanta airport, they were further questioned by defendant Walden, who ultimately seized plaintiffs' cash. Walden later drafted an allegedly false affidavit, which was sent to the Attorney General's office in Georgia, asserting probable cause for the search and seizure. Eventually the cash was returned to the plaintiffs, who then sued in the district court of Nevada for an unlawful search and seizure. The defendant successfully moved to dismiss for lack of personal jurisdiction.

The Ninth Circuit reversed, reasoning that the false affidavit was "expressly aimed" at Nevada because Walden knew that the plaintiffs lived there. In addition, Walden should have foreseen that the plaintiffs might suffer the negative effects of his conduct in their home state.

The Supreme Court reversed the Ninth Circuit, holding that the contacts on which the Ninth Circuit relied were too attenuated to establish jurisdiction. The proper inquiry is "whether the *defendant's* actions connect him to the *forum*." "The plaintiff cannot be the only link between the defendant and the forum." The defendant conducted the search in Georgia, wrote the affidavit in Atlanta, and sent it to the Attorney General in Georgia. The fact that he knew plaintiffs were going to Nevada, and that the seizure would cause foreseeable harm to the plaintiffs in Nevada, was not sufficient to establish minimum contacts with Nevada that were a result of the *defendant's* conduct. Defendant "formed no jurisdictionally relevant contact with Nevada." *See also, Bristol-Myers Squibb Co. v. Superior Ct. of California*, 137 S. Ct. 1773 (2017) (where some class action plaintiffs did not reside in California, did not claim to have suffered harm in California, and all conduct giving rise to their claims occurred elsewhere, California court could not exercise specific personal jurisdiction).

The Court was at pains to constrain application of *Walden* in the context of "intentional torts . . . committed via the Internet or other electronic means . . . ." *Id.* n.9. "In any event, this case does not present the very different questions whether and how a defendant's virtual 'presence' and conduct translate into 'contacts' with a particular State. To the contrary, there is no question where the conduct giving rise to this litigation took place: Petitioner seized physical cash from respondents in the Atlanta airport, and he later drafted and forwarded an affidavit in Georgia. We leave questions about virtual contacts for another day."

See also, Ariel Investments, LLC v. Ariel Capital Advisors LLC, 881 F.3d 520 (7th Cir. 2018) (there was no relationship between defendant and the state of Illinois, so Illinois court could not exercise personal jurisdiction. Court rejected plaintiff's argument that personal jurisdiction in a Lanham Act case is appropriate in any state at which defendant "aimed its actions"). For a decision discussing *Walden* in a question of personal jurisdiction arising from internet activity, see *Advanced Tactical Ordnance Sys., LLC v. Real Action Paintball, Inc.*, 751 F.3d 796 (7th Cir. 2014), discussed below in Section 3[d].

In a pre-*Walden* case, *Indianapolis Colts v. Metropolitan Baltimore Football Club Ltd. Partnership*, 34 F.3d 410 (7th Cir. 1994) (Posner, J.), "the only activity of [defendant] undertaken or planned so far in Indiana is the broadcast of its [professional football] games nationwide on cable television." Plaintiffs, the Indianapolis Colts football team and the National Football League, alleged that defendant's use of the name Baltimore CFL Colts infringed the Indianapolis Colts name, particularly given that the Indianapolis team previously operated in Baltimore under the name Baltimore Colts. In affirming that the district court had personal jurisdiction over defendant, the Seventh Circuit reasoned (*Id.* at 411):

> The Indianapolis Colts use the trademarks they seek to defend in this suit mainly in Indiana. By choosing a name that might be found confusingly similar to that of the Indianapolis Colts, the defendants assumed the risk of injuring valuable property located in Indiana. Since there can be no tort without an injury, [citation omitted], the state in which the tort occurs, and someone who commits a tort in Indiana should, one might suppose, be amenable to suit there.

Recognizing the far reaching scope of such a holding, however, the court further observed that in other intellectual property cases courts had found "the defendant had done more than brought about an injury to an interest located in a particular state." Here, the cable broadcasts into Indiana supplied that additional element, "so we needn't decide whether that addition is indispensable."

In *Chloe v. Queen Bee of Beverly Hills*, 616 F.3d 158 (2d Cir. 2010), also pre-*Walden*, the Second Circuit held in a counterfeiting case that "an employee's single act of shipping a bag—*any* bag, not necessarily a counterfeit one—into the State of New York, combined with the employers conduct of other business activities involving the State" established purposeful availment. The sale of the counterfeit bag was not "one-off" and the employee "shared in decision making" regarding defendant's business among other things. See also, *Miller Yacht Sales, Inc. v. Smith,* 384 F.3d 93 (3d Cir. 2004) (in this trade dress and unfair competition case, personal jurisdiction existed in New Jersey where, in addition to other New Jersey business contracts, defendant met with plaintiff there and obtained the various floor plans and photographs at issue, which defendant sent directly to at least one New Jersey resident and also used in advertisements in boating magazines that circulated in New Jersey). *Compare* the post-*Walden* case, *Advanced Tactical Ordnance Sys., LLC v. Real Action Paintball, Inc.*, 751 F.3d 796 (7th Cir. 2014) ("it is unlikely that [a] few sales, without some evidence linking them to the allegedly tortious activity, would make jurisdiction proper . . . .

To hold otherwise would mean that a plaintiff could bring suit in literally any state where the defendant shipped at least one item.")

See also Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894 (9th Cir. 2002) (exercising personal jurisdiction over Danish defendants who targeted the distribution and promotion of allegedly infringing "Barbie Girl" song at the U.S., including California; "Mattel's trademark claims would not have arisen 'but for' the conduct foreign defendants purposefully directed toward California, and [personal] jurisdiction over the foreign defendants, who are represented by the same counsel and closely associated with the domestic defendants, is reasonable"); *CFA Inst. v. Inst. of Chartered Fin. Analysts of India,* 551 F.3d 285 (4th Cir. 2009) (Indian defendant purposefully transacted business with Virginia entity and was thus subject to personal jurisdiction in Virginia); *Dakota Indus. v. Dakota Sportswear*, 946 F.2d 1384 (8th Cir. 1991) (dismissal reversed where, although infringement defendant had no offices in the state, never advertised there and never directly shipped goods there, it knew that the major impact of the injury would be in that state); *John Walker & Sons, Ltd. v. DeMert & Dougherty, Inc.*, 821 F.2d 399, 404 (7th Cir. 1987) (ongoing business contacts with the state sufficient). *Compare Boston Chicken v. Market Bar-B-Que*, 922 F. Supp. 96 (N.D. Ill. 1996) (Minnesota-based company's one dozen shipments of MARKET chicken over thirty years to Illinois customers not sufficient to establish minimum contacts with Illinois).

[c] General Jurisdiction

In *Daimler AG v. Bauman*, 134 S. Ct. 746 (2014), the Supreme Court elucidated the concept of "general jurisdiction" originally set forth in *International Shoe Co. v. Washington*, 326 U.S. 310 (1945). In *Daimler*, plaintiffs, consisting of 22 Argentina residents, sued Daimler for its alleged collaboration in 1976–1983 with Argentinian state security forces to harm and murder employees of Mercedes-Benz Argentina, a subsidiary of Daimler. Plaintiffs sued in the Northern District of California under the Alien Tort Statute. Defendant successfully moved to dismiss the case for lack of personal jurisdiction, but the Ninth Circuit reversed. Daimler's subsidiary Mercedes-Benz USA, LLC ("MBUSA") distributed Daimler vehicles to dealerships throughout the U.S., including California. The Ninth Circuit determined that MBUSA acted as Daimler's agent for general jurisdictional purposes.

The Supreme Court reversed, holding that the district court lacked general jurisdiction over Daimler. A district court in the forum may have general jurisdiction over a foreign defendant when that corporation's "affiliations with the State are so 'continuous and systematic' as to render [it] essentially at home in the forum State." *Id.* at 761, quoting *Goodyear Dunlop Tires Operations S.A. v. Brown*, 131 S. Ct. 2846, 2851 (2011). Neither Daimler nor MBUSA was incorporated in California. Neither had its principal place of business there. The alleged tort took place in Argentina. "If Daimler's California activities sufficed to allow adjudication of this Argentina-rooted case in California, the same global reach would presumably be available in every other State in which MBUSA's sales are sizable. Such exorbitant exercises of all-purpose jurisdiction would scarcely permit out-of-state defendants 'to structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit.' " *Id.* at 761–762; quoting *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472 (1985) (internal quotation marks omitted in original).

In addition, the Court held that subjecting Daimler to general jurisdiction in California would not meet the "fair play and substantial justice" standards required under due process. Finally, it criticized the Ninth Circuit for not sufficiently considering international-comity concerns in "its expansive view of general jurisdiction." *Id.* at 763. *See also, BNSF Ry Co. v. Tyrrell*, 137 S.Ct. 1549 (2017) (action under FELA subject to same rules of general jurisdiction set forth in *Daimler*; railroad not subject to general jurisdiction).

Justice Sotomayor concurred, agreeing only with the Court's judgment. She disagreed with the Court's reasoning that implied a large corporation would be exempt from general jurisdiction just because it does larger business elsewhere, although the same minimum contacts in a state might be sufficient to subject a different person or corporation to general jurisdiction.

Post-*Daimler,* the Second Circuit decided a trademark case, *Gucci Am. v. Bank of China*, 768 F.3d 122 (2d Cir. 2014), which raised issues of general and specific jurisdiction. There, Gucci filed suit against multiple suspected counterfeiters of Gucci products. Bank of China (the "Bank")—a nonparty—appealed the district court's order freezing the defendants' assets. The Bank also appealed the district court's order holding it in civil contempt and imposing monetary penalties for its failure to comply with the asset freeze injunction. The Second Circuit determined that the lower court properly issued a pre-judgment asset freeze against the defendant. However, it remanded to require the district court to consider whether it had jurisdiction to compel the bank's compliance with a document subpoena and an asset freeze injunction. It reversed the district court order holding the Bank in civil contempt and imposing civil monetary penalties.

The Second Circuit held that the district court did not need personal jurisdiction over the Bank for the pre-judgment asset freeze. The pre-judgment freeze was directed to the *defendants'* assets, and the court certainly had personal jurisdiction over the defendants. Fed. R. Civ. Pro. 65(d) allowed the freeze to apply to those in "active concert or participation" with the enjoined party—such as the Bank.

However, the Second Circuit vacated the orders enforcing the asset freeze because, after *Daimler*, the district court had improperly exercised general jurisdiction over the Bank:

> We conclude that applying the Court's recent decision in *Daimler*, the district court may not properly exercise general personal jurisdiction over the Bank. Just like the defendant in *Daimler*, the nonparty Bank here has branch offices in the forum, but is incorporated and headquartered elsewhere. Further, this is clearly not "an exceptional case" where the Bank's contacts are "so continuous and systematic as to render [it] essentially at home in the forum." *Daimler*, 134 S. Ct. at 761 & n.19 (alteration in original) (quoting *Goodyear,* 131 S. Ct. at 2851).

> BOC has only four branch offices in the United States and only a small portion of its worldwide business is conducted in New York. Thus, BOC's activities here, as with those of the defendant in *Daimler*, "plainly do not approach" the required level of contact. 134 S. Ct. at 761 n.19. Following Daimler, there is no basis consistent with due process for the district court to have exercised general jurisdiction over the Bank.

The Second Circuit remanded for a determination of whether the district court could exercise specific personal jurisdiction over the Bank to compel compliance with the asset freeze orders, and to determine whether comity principles weighed in favor of exercising such jurisdiction. Regarding the required comity analysis, the court of appeals instructed the district court to consider the Bank's position that complying with the asset freeze injunction could potentially subject the Bank to civil and criminal liability in China because "Chinese banking laws prohibit [the Bank] from freezing bank accounts pursuant to a foreign court order." 768 F.3d at 138. The court also required the district court to consider the "various interests at stake, including: (1) the Chinese Government's sovereign interests in its banking laws; (2) the Bank's expectations, as a nonparty, regarding the regulation to which it is subject in its home state *and* also in the United States, by reason of its choice to conduct business here; and (3) the United States' interest in enforcing the Lanham Act and providing robust remedies for its violation." *Id.* at 140. *See also Tiffany NJ LLC v. China Merchs. Bank. Gucci Am. v. Bank of China*, 768 F.3d 122 (2d Cir. 2014) (argued in tandem with *Gucci* and reaching a similar conclusion). On remand, the district court held it had specific personal jurisdiction over the Bank due to the Bank's minimum contacts with the forum state, and that exercising such jurisdiction comported with due process and principles of comity. *Gucci Am., Inc. v. Li*, 135 F. Supp. 3d 87 (S.D.N.Y. 2015), *appeal withdrawn* (Feb. 16, 2016).

[d] Foreign Defendants

The considerations in determining whether a foreign defendant is subject to personal jurisdiction in a U.S. court are similar to those for a domestic defendant. *See, e.g.*, *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002) (exercising personal jurisdiction over Danish defendants who targeted the distribution and promotion of allegedly infringing "Barbie Girl" song at the U.S., including California; "Mattel's trademark claims would not have arisen 'but for' the conduct foreign defendants purposefully directed toward California, and [personal] jurisdiction over the foreign defendants, who are represented by the same counsel and closely associated with the domestic defendants, is reasonable"). *See also CFA Inst. v. Inst. of Chartered Fin. Analysts of India*, 551 F.3d 285 (4th Cir. 2009) (Indian defendant purposefully transacted business with Virginia entity and was thus subject to personal jurisdiction in Virginia). However, the burden of proof may be higher. In *Yahoo!, Inc. v. La Legue Contre Le* Racism *Et L'Antisemitisme*, 145 F. Supp. 2d 1168 (N.D. Cal. 2001), for example, the court held that "a plaintiff seeking to hale a foreign defendant into court in the United States must meet a higher jurisdictional threshold than is required when a defendant is [a] United States resident". In that case, there was personal jurisdiction over defendants in plaintiff's declaratory judgment action because the defendants sent a cease and desist letter to the plaintiff's California headquarters, requested that plaintiff perform certain acts there to restrict access to plaintiff's website content, and utilized the U.S. Marshals to effect service of process there.

[e] On-Line Activities and Personal Jurisdiction

In *Walden v. Fiore*, 134 S. Ct. 1115 (2014), the Supreme Court expressly stated that the *Walden* decision did not determine whether a defendant's 'virtual presence' and conduct translate into 'contacts' with a particular State . . . . We leave questions about virtual contacts for another day." *Id.* at n.9.

In *Advanced Tactical Ordnance Sys., LLC v. Real Action Paintball, Inc.*, 751 F.3d 796 (7th Cir. 2014), the Seventh Circuit discussed *Walden* in the context of a case involving interactive websites and personal jurisdiction. There, Advanced Tactical manufactured and sold PepperBall branded "projectile irritants"—balls filled with pepper spray used by police departments, private security firms, and similar entities. 751 F.3d at 798. Real Action, a California company, purchased the projectiles from a former distributor, and announced via email and its website that it had acquired the "machinery, recipes, and materials once used by PepperBall Technologies Inc." *Id.* at 799. Advanced Tactical sued Real Action for, among other things, trademark infringement and unfair competition. Advanced Tactical alleged that the court had personal jurisdiction over Real Action under Indiana's long-arm statute, pointing out that Real Action's email reached customers in Indiana, and that Real Action had made at least one sale to an Indiana resident. The district court issued a preliminary injunction, and Real Action appealed.

The Seventh Circuit reversed, finding that the district court lacked personal jurisdiction. The "relevant contacts are those that center on the relations among the defendant, the forum, and the litigation," and Advanced Tactical failed "to link [Real Action's] few sales to Real Action's litigation-specific activity." Even if it had made the link, "it is unlikely that those few sales, without some evidence linking them to the allegedly tortious activity, would make jurisdiction proper." *Id.* "To hold otherwise would mean that a plaintiff could bring suit in literally any state where the defendant shipped at least one item." *Id.* In the wake of *Walden*, "there can be no doubt that 'the plaintiff cannot be the only link between the defendant and the forum.' " 751 F.3d at 802 (quoting *Walden*, 134 S. Ct. at 1122). As to Real Action's online activities, the court concluded that the Supreme Court "has not definitively answered how a defendant's online activity translates into 'contacts' for purposes of the 'minimum contacts' analysis." *Id.* When the contact in question is the receipt of an email, the "connection between the place where an email is opened and a lawsuit is entirely fortuitous." *Id.* at 803 "We are not prepared to hold that this alone demonstrates that a defendant made a substantial connection to each state (or country) associated with those persons' 'snail mail' addresses." *Id.* In addition, the "interactivity of a website is also a poor proxy for adequate in-state contacts." *Id.* The court remanded to the district court with instructions to vacate the preliminary injunction and dismiss the complaint for lack of personal jurisdiction. *Compare Plixer Int'l v. Scrutinizer GmbH*, 905 F.3d 1 (1st Cir. 2018) (in a trademark infringement case, affirming finding of personal jurisdiction over German company whose forum contacts comprised offering an interactive website through which the company directly sold services and knowingly accepted business from throughout the United States).

The following cases illustrate pre-*Walden* analyses. In *CompuServe, Inc. v. Patterson*, 89 F.3d 1257 (6th Cir. 1996), a trademark infringement suit, the Sixth Circuit held that an Ohio federal district court had personal jurisdiction over a Texas-based individual whose only connection with Ohio was through plaintiff, an Ohio-based on-line service provider. The Texan had used its on-line service to market computer software. The Sixth Circuit found (1) that the Texan purposefully availed himself of the privilege of doing business in Ohio by three years of advertising and collecting payment for software through CompuServe; and (2) that CompuServe's action arose from the Texan's activities in Ohio because he sold his software only on CompuServe, so that his common law trademark rights, if any, arose there. *CompuServe*, 89 F.3d at 1264–1266. The Texan also had transmitted a litigation threat to CompuServe through electronic mail, which contributed to both findings. *CompuServe*, 89 F.3d at 1266.

In *Maritz Inc. v. Cybergold Inc.*, 947 F. Supp. 1328 (E.D. Mo. 1996), a Missouri district court in a trademark infringement action asserted personal jurisdiction over a California based company, Cybergold, because a Missouri Internet user could access Cybergold's web page. Cybergold purposely availed itself of the Missouri forum and could reasonably expect to be haled there, according to the court, when it posted information about its allegedly infringing forthcoming service on the Internet and solicited users for e-mail addresses to develop an electronic mailing list. *Id.* at 1333. The court reasoned that, unlike ordinary mass mail solicitation, Cybergold indiscriminately responded to every Internet user accessing its website. Thus, the potential for the more than 12,000 Missouri Internet users to access Cybergold's website established Cybergold's minimum contacts with Missouri even though only 131 "hits" to the site came from Missouri. *Id.* at n.4. The court rejected Cybergold's contention that it maintained a "passive website" because "its intent [was] to reach all Internet users, regardless of geographic location." *Id. See also Louis Vuitton Malletier, S.A. v. Mosseri*, 736 F.3d 1339 (11th Cir. 2013) ("[A] trademark infringement on an Internet website causes injury and occurs in Florida by virtue of the website's accessibility in Florida"); *The Christian Science Bd. of Directors of the First Church of Christ. Scientist v. Nolan*, 259 F.3d 209, 216 (4th Cir. 2001) (asserting personal jurisdiction in North Carolina over Arkansas defendants who had enlisted North Carolina defendant to download their web design onto his domain, which was located and maintained in North Carolina, and who had consistently supplied information to him there for use on the interactive website).

Compare Pebble Beach Co. v. Caddy, 453 F.3d 1151 (9th Cir. 2006) (passive website for U.K. bed and breakfast did not provide basis for personal jurisdiction in U.S.; "[t]he fact that the [plaintiff's] name 'Pebble Beach' is a famous mark known world-wide is of little practical consequence when deciding whether action is directed at particular forum via the world-wide web"); *Quick Techs. v. Sage Group PLC*, 313 F.3d 338, 345 (5th Cir. 2002) (a website that is nothing more than a "passive advertisement," *i.e.,* "a website that provides product information, toll free telephone numbers, e-mail addresses, mail addresses, and mail-in order forms, does not support the exercise of personal jurisdiction"); *GTE New Media Servs. v. BellSouth Corp.*, 199 F.3d 1343–1349 (D.C. Cir. 2000) ("we reject GTE's theory of jurisdiction, which appears to rest on a view that mere accessibility to an Internet site in the District is enough of a foundation upon which to base personal jurisdiction . . . under this view, personal jurisdiction in Internet related cases would almost always be found in any forum in the country"); *Mink v. AAAA Dev. LLC*, 190 F.3d 333, 336–337 (5th Cir. 1999) (declining to find personal jurisdiction; "there was no evidence that [the defendant] conducted business over the Internet by engaging in business transactions with forum residents or by entering into contracts over the Internet").

In a dispute over the trademark CAREFIRST, the plaintiff had sued an Illinois corporation in Maryland in *Carefirst of Md., Inc. v. Carefirst Pregnancy Ctrs., Inc.*, 334 F.3d 390 (4th Cir. 2003). In affirming dismissal for lack of personal jurisdiction, the Fourth Circuit found that the defendant's website, while accessible in Maryland, had "a strongly local character, emphasizing that [defendant's] mission is to assist Chicago-area women in pregnancy crises," and that defendant's receipt through the Internet of a miniscule fraction of its donations ($120 in total) from Maryland residents was insufficient to create jurisdiction.

Compare uBid, Inc. v. GoDaddy Group, Inc., 623 F.3d 421 (7th Cir. 2010) (for specific jurisdiction; "what matters is that GoDaddy purposefully availed itself of the Illinois market for its services [of registering domain names] through its deliberate and continuous exploitation of that market"); *Toys "R" Us v. Step Two S.A.*, 318 F.3d 446, 452–454 (3d Cir. 2003) (although the Spanish defendant's commercially interactive websites "do not appear to have been designed or intended to reach customers in New Jersey," the court concluded that they might provide a basis for personal jurisdiction there if combined with "something more" in non-Internet contacts, "such as serial business trips to the forum state, telephone and fax communications directed to [it], purchase contracts with forum state residents . . . and advertisements in local newspapers"; case remanded for jurisdictional discovery); *Rio Properties, Inc. v. Rio Int'l Interlink*, 284 F.3d 1007 (9th Cir. 2002) (while defendant's passive website did not provide basis for personal jurisdiction, its print and radio advertisements to promote the website in the forum state did); *See also Licciardello v. Lovelady*, 544 F.3d 1280 (11th Cir. 2008), where the court held that where the internet is used as a vehicle for the deliberate, intentional misappropriation of a specific individual's trademarked name or likeness and that use is aimed at the victim's state of residence, the victim may hale the infringer into that state to obtain redress for the injury.

In an internet-related case turning on *res judicata*, the Second Circuit determined that a settlement agreement regarding defendant's sale on its web site of plaintiff's watches did not bar a later suit alleging the same activities where the later suit addressed "*new*, post-settlement conduct." *Technomarine SA v. Giftports, Inc.*, 758 F.3d 493 (2d Cir. 2014) (emphasis in original).

[4] Domain Name *In Rem* Jurisdiction

The Anticybersquatting Consumer Protection Act of 1999 ("ACPA") amended the Lanham Act to provide for *in rem* jurisdiction over an internet domain name itself, when personal jurisdiction over the name's registrant cannot be established or the alleged violator cannot, through due diligence, be located. 15 U.S.C. § 1125(d). In *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214 (4th Cir. 2002) *in rem* jurisdiction was appropriate over many.com,.org and.net domain names because the plaintiff could not establish personal jurisdiction over the Argentine domain name registrant. The court further concluded that a plaintiff bringing an *in rem* action under 1125(d) "may in appropriate circumstances, pursue infringement and dilution claims as well as bad faith registration claims," citing Jennings, *Significant Trademark/Domain Name Issues in Cyberspace,* 663 PLI/Pat 649 (2001). *Harrods* was followed in *Cable News Network, LP v. cnnnews.com*, 66 U.S.P.Q.2d 1057 (4th Cir. 2003), with the Fourth Circuit affirming judgment against defendant on plaintiff's trademark infringement claim, and affirming the transfer of the domain name to plaintiff. *In rem* jurisdiction may be appropriate where the suit was filed even if the defendant eventually consents to personal jurisdiction elsewhere. *Porsche Cars North America, Inc. v. Porsche.net*, 302 F.3d 248 (4th Cir. 2002) (affirming the retention of *in rem* jurisdiction in Virginia despite the domain name registrant's consent, three days before trial, to jurisdiction in California).

The suit may be filed "in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located" if the other conditions of the statute are met. 15 U.S.C. § 1125(d)(2)(A). *Mattel, Inc. v. Barbie-Club.com*, 310 F.3d 293 (2d Cir. 2002) (*in rem* action dismissed because it was not filed in the district of the registrar or similar domain name authority); *Fleetwood Financial Corp. v. Fleetbostonfinancial.com*, 138 F. Supp. 2d 121 (D. Mass. 2001) (dismissing *in rem* lawsuit where neither "the registrar, registry or other domain name authority" was located in Massachusetts); *Caesars World, Inc. v. Caesars Palace.com*, 112 F. Supp. 2d 502 (E.D. Va. 2000) (holding ACPA's *in rem* jurisdiction provision is constitutional). *See also CNN, L.P. v. cnnews.com*, *supra* (cnnews.com for a Chinese website was subject to *in rem* jurisdiction; registrant's contention that it lacked sufficient minimum contacts was rejected). A domain name registrar is immune to suit under the ACPA. 15 U.S.C. § 1114(D)(i); *Hawes v. Network Solutions, Inc.*, 337 F.3d 377 (4th Cir. 2003) (the registrar was immune, but the court reinstated plaintiff's claim against the French company to whom the registrar had allegedly unlawfully transferred plaintiff's domain name pursuant to a French court's order).

[5] Venue

Even though a trademark plaintiff establishes personal jurisdiction over the defendant, the suit still may be subject to dismissal on the basis of improper venue. As stated in *Johnson Creative Arts, Inc. v. Wool Masters, Inc.*, 743 F.2d 947, 949 (1st Cir. 1984):

> The minimum contacts test for personal jurisdiction is based on the minimum amount of "fairness" required in order to comport with due process. Venue limitations are generally added by Congress to insure a defendant a fair location for trial and to protect him from inconvenient litigation.

In federal question cases, including those brought under the Lanham Act, Congress has authorized suit only in the judicial district where all defendants reside, where a substantial part of the events giving rise to the claim occurred or a substantial part of the property at issue is located, or, in appropriate cases, where any defendant is found if no other district qualifies. 28 U.S.C. § 1391(b). In trademark infringement suits, where the allegedly infringing activities may occur in a number of different forums, venue arguably could exist in each of those forums as a location where "the claim arose." In *Leroy v. Great W. United Corp.*, 443 U.S. 173, 185 (1979), the Supreme Court addressed this type of problem, stating:

> In our view the broadest interpretation of the language of § 1391(b) that is even arguably acceptable is that in the unusual case in which it is not clear that the claim arose in only one specific district, a plaintiff may choose between those two (or conceivably even more) districts that with approximately equal plausibility—in terms of the availability of witnesses, the accessibility of other relevant evidence, and the convenience of the defendant (but not of the plaintiff)—may be assigned as the locus of the claim.

See John Walker & Sons v. DeMert & Dougherty, Inc., 821 F.2d 399, 406–407 (7th Cir. 1987), in which the *Leroy* factors such as accessibility of evidence and availability of witnesses weighed in favor of plaintiff, *and Noxell Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 760 F.2d 312 (D.C. Cir. 1985), in which the court dismissed a trademark case brought in Maryland where defendant made approximately 1.5% of its allegedly infringing sales, saying:

> [I]n terms of accessibility of relevant evidence (including witness testimony) and the convenience of the [California] defendants, the Northern District of California and the District of Columbia plainly are not places [plaintiff] could choose "with approximately equal plausibility . . ." Defending a trademark infringement action some 3000 miles from where all employees and corporate records are located would exceed inconvenience—it would occasion a hardship for [defendant] and his current business.

A federal court also has discretion under 28 U.S.C. § 1404(a) to transfer a civil action for the convenience of parties and witnesses, in the interest of justice. *ISI Int'l, Inc. v. Borden Ladner Gervais LLP*, 316 F.3d 731 (7th Cir. 2003) (affirming dismissal of suit against Canadian law firm on *forum non conveniens* grounds in favor of proceeding in Ontario, Canada after U.S. federal law claim was dismissed).

In *In Re Volkswagen of America, Inc.*, 545 F.3d 304 (5th Cir. 2008), the Fifth Circuit questioned whether the district court erred by "giving inordinate weight to the plaintiffs' choice of venue," noting "there is nothing that ties this case to the Marshall Division except plaintiffs' choice of venue." *Id*. at 1507. The court observed that "when the transferee venue is not clearly more convenient than the venue chosen by the plaintiff, the plaintiff's choice should be respected." *Id*. at 1508. The Fifth Circuit applies "public and private interest factors" to determine whether a § 1404(a) venue transfer "is for the convenience of parties and witnesses and in the interest of justice." *Id*. at 1509. The private interest factors are: " '(1) the relative ease of access to the sources of proof; (2) the availability of compulsory process to secure the attendance of witnesses; (3) the cost of attendance for wiling witnesses; and (4) all other practical problems that make trial of a case easy, expeditious and inexpensive.' " *Id*. (citation omitted). The public interest factors include: " '(1) the administrative difficulties flowing from court congestion; (2) the local interest in having localized interests decided at home; (3) the familiarity of the forum with the law that will govern the case; and (4) the avoidance of unnecessary problems of conflict of laws [or in] the application of foreign law.' " *Id*.

Applying these factors, the court concluded that "the District Court's errors resulted in a patently erroneous result." *Id*. at 1511. As such, "Volkswagen's right to issuance of the writ is clear and undisputable," and it directed the district court to transfer the case to the Dallas Division.

The Supreme Court has held that a forum selection clause in a contract that points to a particular federal district court may be enforced through a motion to transfer. *Atl. Marine Const. Co. v. U.S. Dist. Court for W. Dist. of Texas*, 134 S. Ct. 568 (2013). The forum-selection clause has controlling weight in all but exceptional cases, *i.e.* cases with extraordinary circumstances unrelated to the convenience of the parties. "[A] proper application of §1404(a) requires that a forum-selection clause be 'given controlling weight in all but the most exceptional cases' ". When reviewing a motion to transfer involving a forum-selection clause, courts must give no weight to the plaintiff's forum selection, and must only consider public policy considerations and not the parties' private interests.

Under the venue statute, for a corporation, residency for venue purposes exists where it is subject to personal jurisdiction. 28 U.S.C. 1391.

[6] Standing

[a] "Standing" after *Lexmark v. Static Control Components*

In 2014, the Supreme Court decided *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377 (2014), which changed the law of standing for false advertising claims under the Lanham Act by requiring evaluation of whether the statute's language permits the cause of action, and forbidding prior tests of "prudential standing" in the context of Lanham Act false advertising cases.

"Prudential standing" is a judicial doctrine Justice Scalia observed is "not exhaustively defined" but includes at least three broad principles: (1) the general prohibition against raising another person's legal rights; (2) the bar against adjudication of generalized grievances better suited for resolution by the representative branches; and (3) the requirement that a plaintiff's complaint fall within the zone of interests protected by the law invoked. *Lexmark*, 134 S. Ct. at 1386, citing *Elk Grove Unified School District v. Newdow*, 542 U.S. 1, 12 (2004). Prudential standing is (or was) a judge-made equitable doctrine. The Court's new test is one of statutory interpretation only.

Plaintiff Lexmark marketed laser printers, and the toner ink cartridges for the printers. After competitors began remanufacturing and reselling used Lexmark cartridges, Lexmark began placing a microchip on the cartridges that would disable the cartridges when they ran out; only Lexmark could replace the microchip upon return. Defendant Static Control created a microchip that mimicked Lexmark's microchip, which it sold to remanufacturers of the Lexmark cartridges. Lexmark sued, and Static Control counterclaimed for false advertising in violation of Section 43(a), based on Lexmark's accusations to customers that Static Control's practices were illegal. Lexmark successfully moved to dismiss the counterclaim for lack of standing. The Sixth Circuit reversed, and the Supreme Court granted certiorari.

The Court took the case to resolve a circuit split that had resulted in three different tests for standing in Lanham Act false advertising cases. The Court rejected all of the tests. Instead, the Court asked: "whether Static Control has a cause of action under the statute. That question requires us to determine the meaning of the congressionally enacted provision creating a cause of action. In doing so, we apply traditional principles of statutory interpretation. We do not ask whether in our judgment Congress should have authorized Static Control's suit, but whether Congress in fact did so. Just as a court cannot apply its independent policy judgment to recognize a cause of action that Congress has denied, *see Alexander v. Sandoval*, 532 U.S. 275, 286–287 (2001), it cannot limit a cause of action that Congress has created merely because "prudence" dictates."

The Court considered two factors in determining whether Static Control had an action under the Lanham Act: (a) the zone of interests protected by the act and (b) proximate cause. As to the first inquiry, the court noted that the Lanham Act has an "unusually, and extraordinarily helpful" statement of purpose, which asserts that false advertising cases are designed to protect persons engaged in commerce against unfair competition. Therefore, for a plaintiff to be within the zone of interests of the statute, the plaintiff must allege "an injury to a commercial interest in reputation or sales." As to proximate cause, the Court held that a plaintiff must show economic or reputation injury from the consumer deception. "We thus hold that a plaintiff suing under §1125(a) ordinarily must show economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that occurs when deception of consumers causes them to withhold trade from the plaintiff."

"[A] plaintiff must plead (and ultimately prove) an injury to a commercial interest in sales or business reputation proximately caused by the defendant's misrepresentations." Here, Static Control's alleged injuries, lost sales and business damages, were the type of commercial interests that the Act intended to protect. "Static Control alleged that Lexmark disparaged its business and products by asserting that Static Control's business was illegal." Competition is not required for proximate cause, so it did not matter that Lexmark and Static Control were not direct competitors. Because Static Control sold and manufactured microchips that were necessary for refurbishing the Lexmark toner cartridges, the alleged harm to Static Control was proximately caused. "It follows from the allegation that any false advertising that reduced the remanufacturers' business necessarily injured Static Control as well." Therefore the Sixth Circuit's refusal to dismiss was affirmed.

In, *Syngenta Seeds, Inc. v. Bunge N. Am., Inc.*, 762 F.3d 795 (8th Cir. 2014), the appellate court remanded for application of *Lexmark*. Syngenta produced genetically modified corn seed under the name Agrisure Viptera. Bunge North America was an agricultural product storage and transport company. Syngenta sued Bunge after Bunge refused to accept corn grown from Viptera seed. Syngenta's complaint included a Lanham Act claim that Bunge had engaged in false advertising when it notified producers that it was unable to accept Viptera-based products because they had not received the necessary international approvals for export. The district court granted summary judgment to Bunge because Syngenta had failed to present sufficient evidence that Bunge's notifications to the producers constituted commercial speech by a competitor.

The Eighth Circuit vacated summary judgment and remanded for further proceedings. In *Lexmark*, the Supreme Court expressly rejected the requirement that challenged commercial speech be made by a competitor. Because the *Lexmark* decision had not been issued before the district court granted summary judgment, the district court did not have an opportunity to rule "on whether Syngenta has standing under the zone-of-interests test and proximate causality requirement" set forth in *Lexmark*. "Accordingly, we find it necessary to remand Syngenta's Lanham Act claim for the district court to determine in the first instance whether Syngenta has standing to bring the claim" under the test established by *Lexmark*.

In *Corcamore, LLC v. SFM, LLC*, 978 F.3d 1298 (Fed. Cir. 2020), the Federal Circuit found that the *Lexmark* standard applied to determine whether a petitioner has standing to bring a petition to cancel a trademark registration before the TTAB under Lanham Act § 1064. The court found that *Lexmark* provided the proper test and that the petitioner' likelihood of confusion allegations established standing. The TTAB applied *Empresa Cubana Del Tabaco v. General Cigar Co., Inc.,* 753 F.3d 1270 (Fed. Cir. 2014), a decision that mentioned Lexmark "in passing" *Corcamore* at 1304. The TTAB determined that Lexmark did not apply. The court found the Board's reasoning to be faulty but determined that its conclusion was correct. Therefore, the court affirmed judgment for the petitioner. *See also*

Australian Therapeutic Supplies Pty, Ltd. v. Naked TM, LLC, 965 F.3d 1370 (Fed. Cir. 2020) (noting applicability of *Lexmark* standing test in TTAB cancellation proceeding).

[b] Cases Before *Lexmark*

Prior to *Lexmark,* to establish standing under the Lanham Act, some courts had held that a plaintiff needed only show that it had a legitimate commercial interest in the proceeding's outcome. *See, e.g.*, *Famous Horse Inc. v. 5th Ave. Photo, Inc.*, 624 F.3d 106 (2d Cir. 2010); *Jewelers Vigilance Committee, Inc. v. Ullenberg Corp.*, 853 F.2d 888 (Fed. Cir. 1988) (diamond trade association had standing to oppose an application to register FOREVER YOURS/DEBEERS DIA. LTD. since DeBeers Consolidated Mines is the world's major source of diamonds). *Compare Halicki Films LLC v. Sanderson Sales & Marketing*, 547 F.3d 1213 (9th Cir. 2008) ("[v]alid ownership interest in a mark for any product class is sufficient, although not necessary, to provide standing to sue for infringement of the mark;" court did not reach whether plaintiff, non-owner of a mark, but with a commercial interest in it, had standing to sue); *Ritchie v. Simpson*, 170 F.3d 1092 (Fed. Cir. 1999) (professor had standing to oppose applications to register various O.J. Simpson marks for sportswear and other merchandise as comprising "immoral, deceptive, or scandalous matter" under § 2(a), where he asserted that he was a family man and the marks disparaged his family values, making him part of a potentially damaged group; as a result he had a "real interest" in the outcome and a "reasonable basis" for his belief of damage, and was more than a "mere intermeddler").

But see Stayart v. Yahoo! Inc., 623 F.3d 436 (7th Cir. 2010), where the plaintiff Beverly Stayart, an advocate for environmental causes, sued Yahoo! for refusing to remove offending results of a search for "Beverly Stayart" on the web. The Seventh Circuit affirmed the district court's dismissal of her claim. "[W]hile Stayart's goals may be passionate and well-intentioned, they are not commercial." *Id.* at 439. *See also Mugworld, Inc. v. G G Marck & Assocs.*, 351 Fed. Appx. 885, 889 (5th Cir. 2009) (unpublished) (supplier of product to Mugworld had no standing to bring Lanham Act claim against it because supplier was "neither a Mugworld consumer or direct or indirect competitor" of Mugworld); *Dovenmuehle v. Gilldorn Mortgage Midwest Corp.*, 871 F.2d 697 (7th Cir. 1989) (members of family surnamed "Dovenmuehle," lacked standing under § 43(a) to challenge defendant's use of the trade name DOVENMUEHLE, where they had failed to show any commercial interest in the trade name after the sale of their family business, and had only an emotional desire to prevent others from using it); *Berni v. International Gourmet Restaurants, Inc.*, 838 F.2d 642 (2d Cir. 1988) (ex-shareholders had no standing to sue under § 43(a) over the alleged improper transferal of rights in a mark because they could not show that they would sustain commercial or competitive injury); *Jackson v. Lynley Designs, Inc.*, 729 F. Supp. 498 (E.D. La. 1990) (suit alleging plaintiff's name LISA JACKSON was fraudulently used in obtaining registration of that name for clothing dismissed for lack of standing where plaintiff had never engaged in business or attempted to exploit her name commercially).

For false advertising claims under the Lanham Act, some courts required plaintiffs to allege a commercial injury based upon a misrepresentation about a product and that the injury was 'competitive,' or harmful to the plaintiff's ability to compete with the defendant. *See Jack Russell Terrier Network v. Am. Kennel Club, Inc.*, 407 F.3d 1027, 1037 (9th Cir. 2005) (internal quotations and citations omitted). There, the Jack Russell Terrier Club of America (the "Club") terminated the charter of a regional chapter that allowed members to register dogs with a competing club. The regional chapter and two breeders sued the Club claiming that the Club's actions violated the Lanham Act and state law. The court of appeals, affirming the district court, concluded that the regional chapter and the breeders were not competitors of the Club. Therefore, they did not have standing to pursue their Lanham Act claims. *See also Foster v. Wintergreen Real Estate Co.*, 363 Fed. Appx. 269 (4th Cir. 2010) (unpublished) (consumer lacked standing to sue for false advertising under Lanham Act); *Conte Bros. Auto., Inc. et al. v. Quaker State Slick 50*, 165 F.3d 221 (3d Cir. 1998) (retailers who only made retail sales of engine additives that competed with defendant's products lacked standing to challenge defendant's alleged false advertising of its products; standing held to be limited to direct competitors and surrogates for direct competitors). *Compare Famous Horse Inc. v. 5th Ave. Photo, Inc.,* 624 F.3d 106 (2d Cir. 2010) (Court had not *required* competition but viewed it as a strong indication of plaintiff's reasonable basis for believing it would be damaged by false advertising).

Compare In re CultAwareness Network, 151 F.3d 605 (7th Cir. 1998), in which the Seventh Circuit refused to grant standing to the debtor in bankruptcy, the former user of the CULT AWARENESS NETWORK trademark, to object to the trustee's sale of that mark to a purchaser affiliated with the Church of Scientology, an organization often in conflict with the debtor. Noting that the debtor lacked the requisite pecuniary interest in the bankruptcy proceeding's outcome to have standing to object to a bankruptcy order, the Seventh Circuit opined that any Lanham Act concerns about deceptive use of the mark after its transfer would have to be addressed "when and if it arises, by aggrieved consumers, by the Cult Awareness Network's board of directors . . . or perhaps by state or federal authorities, but not in this bankruptcy proceeding." *See generally* Taing, *Competition for Standing: Defining the Commercial Plaintiff Under Section 43(a) of the Lanham Act*, 16 Geo. Mason L. Rev. 493 (2008–2009).

[c] Consumers

Consumers lack standing to sue under the Lanham Act. *See Lexmark*, 134 S. Ct. 1377 *supra* (the "zone of interest" test is *not* met by "a consumer who is hoodwinked into purchasing a disappointing product"). *See also Buetow v. A.L.S. Enters.*, 650 F.3d 1178 (8th Cir. 2011) (without proof of future harm, "it is an error or law to *assume* that a false statement materially deceived and injured the plaintiffs."); *Serbin v. Ziebart International Corp*, 11 F.3d 1163 (3d Cir. 1992) (consumers lack standing to bring action for false advertising under 43(a)).

Note, however, that consumers do have standing to contest advertising through the National Advertising Division of The Better Business Bureau ("NAD").That entity relies on voluntary compliance with its orders (backed up by potential action by the FTC) and does not issue monetary awards. There is more information on both consumer actions and the NAD in Chapter 12.

§ 13.02 Remedies

[1] Generally

The traditional remedies in trademark and unfair competition cases are injunctions, damages, profits, and attorneys' fees. *See* 15 U.S.C. §§ 1116–1118. Injunctive relief is ordinarily the principal remedy, and its terms are tailored to the facts of each case. *See Martinizing Int'l, Inc. v. BC Cleaners, LLC*, 855 F.3d 847 (8th Cir. 2017) (because the Lanham Act "is grounded in equity and bars punitive damages, 'relief in a Lanham Act case should be limited to an injunction if that is sufficient to do equity' ") (*citation omitted*). Injunctions may include qualified prohibitions or requirements respecting trade dress, explanatory language, geographical and other limitations, and provisions the court may deem just and equitable in the particular circumstances (*see, e.g.*, the sections on Geographical Terms and Surnames in Chapter 2.). Usually, however, an unqualified injunction is needed to abate the wrong. Occasionally, the serious and immediately damaging consequences of the defendant's activities warrant preliminary injunctive relief. *See Meridian Mut. Ins. Co. v. Meridian Ins. Group*, 128 F.3d 1111 (7th Cir. 1997).

At common law and under the Lanham Act, monetary relief may also be awarded to compensate for harm to the plaintiff ("damages") and to reallocate any wrongful gains by the defendant ("profits"). Recovery of damages ordinarily results from injury to the plaintiff's goodwill, plaintiff's expenses in counteracting confusion, and plaintiff's lost profits caused by defendant's wrongful acts. In actions arising under the Lanham Act the court may, in its discretion, award treble damages.15 U.S.C. § 1117. The Lanham Act further provides that "the court in exceptional cases may award attorney's fees to the prevailing party." *Id.*

Section 35(a), 15 U.S.C. § 1117(a), provides:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a), or (d), or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.
>
> The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of costs 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.

An award of an accounting of profits entitles the plaintiff to the defendant's profits from sales resulting from the wrongful use of an infringing mark. The defendant's sales are presumed to result from the wrongful use unless the defendant proves otherwise, and the gross revenue from sales is considered profit except for the actual costs of materials, production, and direct marketing expenses, or other justifiable deductions proved by defendant. *See Lawn Managers, Inc. v. Progressive Lawn Managers, Inc.*, 959 F.3d 903 (8th Cir. 2020) (defendant did not submit satisfactory evidence to justify reduction in profits award, although court affirmed award of lesser profits on other grounds). Profits are often awarded on a theory of unjust enrichment. Both damages and profits may be awarded, but the courts have usually avoided the potential for double recovery by excluding lost sales from the calculation of damages where profits are recovered. *Harper House, Inc. v. Thomas Nelson Publishers, Inc.*, 4 U.S.P.Q.2d 1897, 1910 1911 (C.D. Cal. 1987). *See also Aero Products Int'l, Inc. v. Intex Rec. Corp.*, 466 F.3d 1000 (Fed. Cir. 2006) (jury award of damages for patent and trademark infringement created impermissible double recovery, because both "flowed from the same operative facts: sales of the infringing Intex mattresses").

An injunction prohibiting further use of a mark will prevent the damage of future confusion, but it will neither compensate for the damages caused by infringement nor further the worthy end of destroying the incentive to infringe. Compare the relief afforded in FTC cases discussed in Chapter 14.

[2] Injunctive Relief

In *Ebay, Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (2006), a patent decision that has been followed in trademark, copyright and unfair competition cases, the Supreme Court clarified that patent holders seeking a permanent injunction must meet the same four factors applied in most non-patent cases, and reconfirmed those factors, *i.e.*, (1) irreparable harm; (2) inadequacy of legal remedies like monetary damages; (3) the balance of hardships between the rights owner and the infringer warrants an injunction; and (4) a permanent injunction would not harm the public interest.

[a] Types of Injunctions

Injunctive relief can take a variety of forms. A defendant simply may be enjoined from any further infringing or deceptive activity, or may be asked to take affirmative steps to prevent further deception. *See, e.g., Internet Specialties West, Inc. v. Milon-DiGiorgio Enterprises, Inc.*, 559 F.3d 985 (9th Cir. 2009) (affirming injunction against use of the infringing marks "or any variation . . . thereof, or any terms similar thereto . . . in connection with any product or service which would give rise to a likelihood of confusion as to source"; the "wording . . . reflects the usual public interest concern in trademark cases: avoiding confusion to consumers"); *EarthGrains Baking Co's v. Sycamore*, 721 Fed. Appx. 736 (10th Cir. 2017) (injunction authority "'survives the discontinuance of the illegal conduct;"), citations omitted; *Interstellar Starship Servs. v. Epix, Inc.*, 304 F.3d 936 (9th Cir. 2002) (enjoining defendant from using the epix.com domain name and the associated website in a manner likely to cause confusion with plaintiff's EPIX mark, but declining, under the circumstances, to transfer the domain name to plaintiff). *Cf. LFP IP, LLC v. Hustler Cincinnati, Inc.*, 810 F.3d 424 (8th Cir. 2016) (court modified injunction to clarify scope and character of marks that violated injunction).

The enjoined party is required to steer well clear of the proscribed conduct. "[A] competitive business, once convicted of unfair competition in a given particular case, should thereafter be required to keep a safe distance from the margin line—even if that requirement involves a handicap as compared with those who have not disqualified themselves." (quoting a previous Sixth Circuit decision). *John Allan Co. v. Craig Allen Co.*, 540 F.3d 1133, 1142 (10th Cir. 2008). *See also Innovation Ventures, LLC v. N2G Distrib.*, 763 F.3d 524 (6th Cir. 2014), in which the court affirmed a contempt order regarding defendant's violation of a trademark infringement injunction. The court held that under the "Safe Distance Rule" the defendant could be enjoined from use of marks that would not necessarily be actionable. The Rule is a "particularly useful tool in crafting and enforcing permanent injunctions" because it addresses the problem of confusion so pervasive that it lingers, creating the need for the infringer not only to secure a new non-infringing name . . . for his product, but one so far removed from any characteristic of the plaintiff so as to put the public on notice that the two are not related." The Rule "is nothing more than a specialized application of the courts' traditional equitable power to craft permanent injunctions tailored to the needs of each case, and then enforce them with the sanction of contempt," and no circuit "has questioned the continuing viability of" the Rule.

Alternatively, a defendant may be required to take affirmative steps to avoid further damage and deception. In *Marlyn Nutraceuticals Inc. v. Mucos Pharma GmbH & Co.*, 91 U.S.P.Q.2d 1245 (9th Cir. 2009), for example, a case involving dietary supplements, the district court had issued a preliminary injunction requiring defendant to recall its product. While such relief was available, the district court directed on remand to consider additional factors, *i.e.*: "(1) the willful or intentional infringement by defendant; (2) whether the risk of confusion to the public and injury to the trademark owner is greater than the burden of the recall to the defendant; and (3) substantial risk of danger to the public due to the defendant's activity". *See also*, *Tecnimed SRL v. Kidz-Med, Inc.*, 462 Fed. Appx. 31 (2d Cir. 2012) (the Second Circuit affirmed order to recall defendants infringing products where defendant intentionally kept its infringing product on the market during the litigation's pendency); *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 646 F.2d 800 (2d Cir. 1981), in which the lower court's order that defendant recall, at its expense, the offending materials was found to be a proper exercise of that court's discretion; *Moore Business Forms, Inc. v. Seidenburg*, 619

F. Supp. 1173 (W.D. La. 1985), where defendant was ordered to establish a telephone intercept operator to answer defendant's telephone and advise callers of plaintiff's telephone number; *Animale Group v. Sunny's Perfume, Inc.*, 256 Fed. Appx. 707 (5th Cir. 2007) (asset freeze); *Playskool, Inc. v. Product Development Group, Inc.*, 699 F. Supp. 1056, 1063 (E.D.N.Y. 1988) (defendant that falsely advertised its toy construction set "attaches to" plaintiff's set ordered to recall its products because they might make structures unsafe for children); *Tripledge Products, Inc. v. Whitney Resources, Ltd.*, 735 F. Supp. 1154, 1166–1167 (E.D.N.Y. 1988) (defendant ordered to refund money to customers who ordered falsely advertised windshield wipers).

Compare Attrezzi, LLC v. Maytag Corp., 436 F.3d 32, 43 (1st Cir. 2006) (affirming that defendant could have twelve months to sell off its inventory of products bearing the infringing mark; "there is no indication that the risk of harm to Attrezzi LLC's service mark is likely to increase appreciably because of the additional 12 months of Maytag's competing use").

The Federal Circuit has held that an injunction against activity prohibited by state statute cannot "regulate any and all out of state conduct." *Allergan, Inc. v. Athena Cosmetics, Inc.*, 738 F.3d 1350 (Fed. Cir. 2013) (district court improperly issued injunction for violation of California's Business and Professional Code where injunction was "impermissibly impos[ed] on entirely extraterritorial conduct regardless of whether the conduct in other states causes harm to California").

In domain name cases under the Anti-Cybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d), a court may order that the domain name be transferred to the plaintiff. *See e.g. Virtual Works, Inc. v. Volkswagen of America, Inc.*, 238 F.3d 264 (4th Cir. 2001) (transferring defendant's "vwnet" domain to the owner of trademark rights in "VW" for automobiles). Transfer to a prevailing plaintiff is not mandatory, however. In *Interstellar Starship Servs. v. Epix, Inc.*, 304 F.3d 936 (9th Cir. 2002), the defendant was enjoined from using the domain name epix.com and the associated website in a manner likely to cause confusion with plaintiff's EPIX mark, but the court declined, under the circumstances, to transfer the domain name to plaintiff.

Section 37 of the Lanham Act, 15 U.S.C. § 1119, provides that in any civil action involving a registered trademark the court may order the cancellation of a registration. This power in the courts to "rectify the register" provides an important additional remedy in a trademark infringement action. *See Angel Flight of Ga. v. Angel Flight Am., Inc.*, 522 F.3d 1200 (11th Cir. 2008). Section 18 of the Lanham Act, 15 U.S.C. § 1068, permits the USPTO to "restrict or rectify with respect to the register the registration of a registered mark." *See Covidien LP v. Masimo Corp.*, 109 U.S.P.Q.2d 1696 (TTAB 2014) (finding that Covidien had stated a claim for relief including a limitation of the description of Masimo's color mark).

The Lanham Act's § 42 (15 U.S.C. § 1124) provides for deposit of copies of one's trademark registration with the Bureau of Customs and Border Patrol which will then take steps to prohibit importation of merchandise bearing copies or simulations of the mark. *See* Chapters 3 and 7.

[b] Contempt

If a defendant attempts to evade the effect of an injunction, a contempt proceeding may then be necessary. *See, e.g.*, *John Zink Co. v. Zink*, 241 F.3d 1256 (10th Cir. 2001) (commercial use of defendant's surname in competition with plaintiff's constituted contempt; attorneys' fees awarded to plaintiff); *Wolfard Glassblowing Co. v. Vanbragt*, 118 F.3d 1320 (9th Cir. 1997) (affirming that defendant was in contempt in trade dress case despite product modifications; "[t]he question is no longer trademark infringement; it is whether [Vanbragt's] new lamp is a colorable imitation of Wolfard's lamp" in violation of the judgment, which is "consistent with the rule that an infringer must keep a fair distance from the 'margin line . . . .'"); *Howard Johnson Co. v. Khimani*, 892 F.2d 1512, 1515 (11th Cir. 1990) (ex-franchisee who had been enjoined from using HOWARD JOHNSON'S service marks held in contempt for using name H.J. INNS, a name they admittedly chose to "get as close to Howard Johnson as you could without infringing"); *See also Rainbow School, Inc. v. Rainbow Early Educ. Holding, LLC*, 887 F.3d 610 (4th Cir. 2018) (affirming contempt finding against defendant for violating consent order prohibiting public uses of RAINBOW within specific geographic region); *Innovation Ventures, LLC v. N2G Distributing, Inc.*, 763 F.3d 524 (6th Cir. 2014) (applying "Safe Distance Rule" to affirm contempt order); *Service Ideas, Inc. v. Traex Corp.*, 846 F.2d 1118, 1124 (7th Cir. 1988) (defendant's post-injunction design for its beverage server held "too close to the boundary"). *Cf. U.S. Polo Ass'n, Inc. v. PRL USA Holdings, Inc.*, 789 F.3d 29 (2d Cir. 2015) (vacating contempt order because defendant did not have "clear notice" that its use of its mark violated injunction and finding of confusing similarity was not supported by clear and convincing evidence); *Jerry's Famous Deli, Inc. v. Papanicolaou*, 383 F.3d 998 (9th Cir. 2004) (contempt award of defendant's profits remanded for failure to supply a proper rationale for the amount of the award).

The difficulties of bringing recalcitrant defendants within the scope of an effective injunction are discussed in *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423 (7th Cir. 1985); and *Abbott Labs. v. Unlimited Beverages, Inc.*, 218 F.3d 1238 (11th Cir. 2000) (defendant "cannot simply remove the 'Naturalyte' name from the enjoined bottle and market the same solution in the same bottle through private retailers in order to bypass the consent judgment . . . A consent judgment need not recite every possible way in which a violation might occur when the proscribed conduct is readily ascertainable to an ordinary person").

Compare Unelko Corp. v. Prestone Prods. Corp., 116 F.3d 237 (7th Cir. 1997), where the parties previously had settled a case with the defendant agreeing to "market" the accused yellow bottle trade dress for its water repellant only by encasing each bottle in its own box. In this suit for breach of the agreement, defendant unsuccessfully argued that "market" only meant "shipping," and that it still could feature the trade dress in advertising. The appellate court affirmed that "market" was not an ambiguous term and encompassed the breaching advertising.

See also, *Guggenheim Capital LLC v. Birnbaum*, 722 F.3d 444 (2d Cir. 2013) where David Birnbaum used the pseudonym "David B. Guggenheim" to solicit investors to buy financial products. Guggenheim Capital, a group of entities with rights and licenses to use the "Guggenheim" name by virtue of their affiliation with the Guggenheim family, filed suit, alleging trademark infringement and various federal and state law claims. Birnbaum failed to answer the complaint and to comply with discovery orders. He also "disrupted his own deposition" and violated a preliminary injunction that barred his use of the "Guggenheim" mark. The district court entered a default judgment against him, and he appealed.

The Second Circuit affirmed. It "found no error" in the district court's issuance of a default judgment, especially since Birnbaum "raises no legitimate challenge" to the district court's findings that his "intransigence spanned months, and that less serious sanctions would have been futile." In addition, the "numerous warnings Birnbaum received—both while represented by counsel and not—were, collectively, sufficient to place him on notice of the pending default judgment."

[c] Voluntary Discontinuance

It is within the discretion of the court to decide that voluntary discontinuance renders the need for an injunction moot. *Blau v. YMI Jeanswear, Inc.*, 129 Fed. Appx. 385 (9th Cir. 2005) (unpublished) (a request for injunctive relief is mooted where "the reform of the defendant [is] irrefutably demonstrated and total," quoting an earlier Ninth Circuit decision); *Camel Hair & Cashmere Institute, Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6 (1st Cir. 1986) (preliminary injunction motion denied); *Schutt Mfg. Co. v. Riddell, Inc.*, 673 F.2d 202, 207 (7th Cir. 1982). This is true whether discontinuance occurred before or after the suit was filed, although the discretion will usually be resolved against the infringer if discontinuance came after filing. *See Already LLC v. Nike, Inc.*, 133 S. Ct. 721 (2013) (a defendant claiming mootness via voluntary compliance "bears the formidable burden of showing that it is absolutely clear the alleged wrongful behavior could not reasonably be expected to recur." The Court concluded that the "breadth" of Nike's covenant, which was "unconditional and irrevocable," "sufficed to meet the burden imposed by the voluntary cessation test"); *Johnny Carson Apparel, Inc. v. Zeeman Mfg. Co.*, 203 U.S.P.Q. 585, 591 (N.D. Ga. 1978), in which the court stated that "[a]s the acts and practices complained of by plaintiff have been stopped, and the defendants have made clear that they do not intend to resume such, it appears to the court that there is no basis upon which an injunction could issue." *See also Seven Up Co. v. Coca-Cola Co.*, 86 F.3d 1379 (5th Cir. 1996) (denying plaintiff's request to permanently enjoin defendant, Coca-Cola, from using a misleading sales presentation because, among other reasons, "[n]othing in the record suggests that Coca-Cola has used this presentation since 1991"). *Compare FTC v. Accusearch, Inc.*, 570 F.3d 1187 (10th Cir. 2009) (affirming injunction; although defendant had ceased the unlawful activity "before litigation commenced", it still "had the capacity to engage in similar unfair acts or practices in the future”). The decision generally turns on the court’s belief as to the likelihood of repeated misconduct in the future. The decision generally turns on the court’s belief as to the likelihood of repeated misconduct in the future.

[d] Modification

There are some bases for modifying an injunction after a passage of years. *Compare Humble Oil & Refining Co. v. American Oil Co.*, 405 F.2d 803 (8th Cir. 1969), *cert. denied,* 395 U.S. 905 (1969) (where a claim of substantial and unforeseeable change of circumstances or oppressive hardship was rejected) with *King Seeley Thermos Co. v. Aladdin Industries, Inc.*, 418 F.2d 31, 35 (2d Cir. 1969) (“While changes in fact or in law afford the clearest bases for altering an injunction, the power of equity has repeatedly been recognized as extending also to cases where a better appreciation of the facts in light of experience indicates that the decree is not properly adapted to accomplishing its purposes”).

Where plaintiff had established superior rights in “Patsy’s” for pasta sauce, but the parties’ restaurants previously had co-existed under their “Patsy’s” names in New York for decades, the court modified the injunction to allow defendant to continue its restaurant use of the name “Patsy’s Pizzeria”, and to make “some, although very limited” use of that name on pasta sauce. Among other things, the use “must be a minor component of the labeling”, and “must use the name only to identify the maker or distributor of the product.” *Patsy’s Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209 (2nd Cir. 2003). *Cf. Pimentel & Sons Guitar Makers, Inc. v. Pimentel*, 477 F.3d 1151 (10th Cir. 2007) (because lower court only clarified that the original injunction required defendant to use the disclaimer with *any* business name, not just his guitar-making business, this was not a modification and there was no appellate jurisdiction).

[e] Disclaimers

[i] Generally

Courts sometimes favor the use of disclaimers in close cases. *See R.J. Toomey Co. v. Toomey*, 683 F. Supp. 873 (D. Mass. 1988) (son required to disclaim association with his father’s competing business); *Gucci v. Gucci Shops, Inc.*, 688 F. Supp. 916 (S.D.N.Y. 1988) (Paolo Gucci required to disclaim association from the Gucci leather goods empire).

Consumer studies, however, have indicated that disclaimers are often ineffective in reducing the likelihood of confusion. *See* the discussion in *Home Box Office, Inc. v. Showtime/Movie Channel, Inc.*, 832 F.2d 1311, 1315–1316 (2d Cir. 1987) (placing the burden on the infringer to produce evidence that the proposed disclaimer would significantly reduce the likelihood of confusion) and *Ford Motor Co. v. Ford Financial Solutions*, 103 F. Supp. 2d 1126, 1128 (N.D. Iowa 2000) (rejecting disclaimer as a remedy). *See also Savannah College of Art & Design, Inc. v. Sportswear, Inc.,* Case No. 19-11258 (11th Cir. Dec. 22, 2020) (affirming judgment of trademark infringement for plaintiff and rejecting disclaimer: “The exact duplication of the symbol and the sale as the team’s emblem satisfying the confusion requirement of the law, words which indicate it was not authorized by the trademark owner are insufficient to remedy the illegal confusion. Only a prohibition of the unauthorized use will sufficiently remedy the wrong.") internal quotations and citation omitted; *FTC v. Neiswonger,* 494 F.Supp. 2d 1067, 1073–74 (E.D. Mo. 2007) (court rejected defendants' disclaimers where they appeared infrequently in marketing materials, were in small print, and were themselves disclaimed; for example, immediately, after disclaiming the "guarantee of any specific income," defendant added "You can certainly see, however, at a profit of $1,700 to $6,400 per client served, it takes only a small number of clients each year to create a very substantial income."); *Weight Watchers Int'l v. Luigino's, Inc.*, 423 F.3d 137 (2d Cir. 2005) (rejecting disclaimer; "[w]here, as here, an infringer attempts to avoid a substantial likelihood of confusion by adding a disclaimer, it must establish the disclaimer's effectiveness"); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 673 (5th Cir. 2000) (despite recognition of cases holding disclaimers to be ineffective, this "unique" and "unusual" case in which, among other things, both magazines derived their titles from the sport polo, was remanded to the district court for reconsideration of whether disclaimer remedy might be effective); *Soltex Polymer Corp. v. Fortex Industries, Inc.*, 832 F.2d 1325, 1330 (2d Cir. 1987) (citing *Home Box Office,* but noting it is within the discretion of the district court to permit use with a disclaimer where likelihood of confusion is "far less than substantial"). In *ProFitness Physical Therapy Ctr. v. Pro Fit Orthopedic & Sports Physical Therapy*, 314 F.3d 62, 70 71 (2d Cir. 2002), citing decisions like *Home Box Office,* the court questioned generally the use of disclaimers as remedies, but noted that "disclaimers might be effective to cure a minimal or moderate amount of confusion," and remanded to the district court to "determine the specific level of confusion and fashion relief accordingly." In some instances the mandated use of a disclaimer may even benefit the plaintiff. In *Promatek Indus. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002), the court affirmed a preliminary injunction mandating use of a disclaimer on defendant's website, despite defendant's objection that the disclaimer unfairly informed consumers of its competitor (plaintiff) and encouraged them to access plaintiff's website).

In *International Kennel Club, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1093 (7th Cir. 1988), the court affirmed the lower court's refusal to order a disclaimer remedy, stating "plaintiff's reputation and good will should not be forever dependent on the effectiveness of fine print disclaimers often ignored by consumers."

Compare Fabrick, Inc. v. JFTCO, Inc., 944 F.3d 649 (7th Cir. 2019) where the court affirmed a disclaimer remedy in a reverse confusion case. " This is a reverse infringement case, involving formerly related entities, who do not compete, disputing the use of a shared family name, and concerning a small number of customers of the senior user. In such a circumstance, it was reasonable for the district court to determine that a permanent injunction barring [defendant] from ever using its owner's family name in a business context was overkill. The ordered disclaimers are reasonably ***661** designed to notify any and all of the people whose confusion could cause an issue for FI for five years. It is tailored to remedy the infringement; it does not constitute an abuse of discretion." *Id.* at 660-661.

In *Basile, S.p.A. v. Basile*, 899 F.2d 35, 37 (D.C. Cir. 1990), the district court had ordered that the following disclaimer be used on defendant's watches:

> BASILE watches emanate exclusively from Diffusione Basile de Francesco Basile & Co., S.A.S. in Venice, Italy. Diffusione Basile is devoted solely to the manufacture and sale of fine watches throughout the world.

In vacating, the appellate court found that "common sense" dictated that the watches will still be known as "Basile watches" under the lower court's injunction. *Id.* at 37. "The disclaimer is inadequate because it uses the appellant's protected name: Basile. The inclusion of 'Venezia' in the court's order would not help American consumers disassociate the watch with appellant's watch manufactured in Milan." *Id.* at 38. *Compare Ty, Inc. v. The Jones Group, Inc.*, 237 F.3d 891, 899 (7th Cir. 2001) (the use of "additional marks on the Beanie Racers may not reduce the likelihood of confusion among consumers because they still may believe that [plaintiff] licensed, approved or authorized [their] production"), and the discussion on the use of house marks in Chapter 7. *See also CFE Racing Prods. v. BMF Wheels*, 793 F.3d 571 (6th Cir. 2015) (remanding to district court to bar defendant's use of mark rather than permit a disclaimer where there was "no evidence that a disclaimer would be effective"); *Charles of Ritz Group, Ltd. v. Quality King Distributors, Inc.*, 832 F.2d 1317, 1324 (2d Cir. 1987) (following *Home Box Office, supra*, in rejecting disclaimer remedy); Palladino, *Disclaimers Before and After HBO v. Showtime*, 82 TMR 203 (1992).

[ii] Disclaimers and Initial Interest Confusion

Disclaimers also may be ineffective in initial interest confusion cases. The use of a domain name that is confusingly similar to the plaintiff's trademark can create a likelihood of initial interest confusion, as discussed in previous chapters. This is sometimes compared to a "bait and switch" tactic, and therefore is actionable even though, after reaching defendant's website, the consumer may subsequently learn that the products or services are not those of the plaintiff. As a consequence, any disclaimer of affiliation with plaintiff on defendant's website would be irrelevant, because it would not dispel the initial interest confusion that unlawfully brought the consumer to defendant's website in the first place. *See, e.g., Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10th Cir. 2006) (" 'a defendant's website disclaimer, proclaiming its real source and disavowing any connection with its competitor, cannot prevent the damage of initial interest confusion, which will already have been done by the misdirection of consumers looking for the plaintiff's website' "); *DaimlerChrysler v. Net, Inc.*, 388 F.3d 201 (6th Cir. 2004) (rejecting defendant's argument that a website disclaimer would be sufficient and transferring the domain name to the plaintiff) *Audi AG v. D'Amato*, 469 F.3d 534 (6th Cir. 2006) ("A disclaimer read by a consumer after reaching the website comes too late"). *Compare*, however, *Taubman v. Webfeats*, 319 F.3d 770 (6th Cir. 2003). There plaintiff owned the mark "The Shops at Willow Bend" and sued defendant over its registered domain name "shopsatwillowbend.com." Defendant, conducted no commercial activities on the website. In that context, the court denied preliminary relief and approved defendant's use of a disclaimer and a hyperlink to plaintiff's website to redirect errant customers. "Here, a misplaced customer simply has to click his mouse to be redirected to [plaintiff's] site" and "[defendant's] website and its disclaimer actually serve to redirect lost customers to [defendant's] site that might otherwise be lost."

[f] Preliminary Injunctions

"A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest." *Winter v. Natural Resources Defense Council, Inc.,* 129 S. Ct. 365, 374 (2008) (citations omitted). *See also Heartland Animal Clinic, PA v. Heartland SPCA Animal Med. Ctr.*, 503 Fed. Appx. 616 (10th Cir. 2012) (use of "Heartland" by the SPCA was preliminarily enjoined based on survey and actual confusion evidence); *Novus Franchising, Inc. v. Dawson*, 725 F.3d 885 (8th Cir. 2013) (holding there was no irreparable harm because Novus failed to seek injunctive relief for 17 months after Dawson quit paying royalties—a fact that "vitiates much of the force of [Novus's] allegations. The court also raised doubts as to whether any harm to Novus was truly irreparable and not capable of being addressed through money damages); *Scotts Co. v. United Industries Corp.*, 315 F.3d 264 (4th Cir. 2002) (sales of defendant's anti-crabgrass control products at issue were seasonal, negating any "actual and imminent injury" to either party and making preliminary relief unnecessary); *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168 (2d Cir. 2000) (while owner of the famous FEDERAL EXPRESS mark "may well ultimately prevail on its dilution claim" against owner of FEDERAL ESPRESSO coffee shops, denial of preliminary injunction affirmed, where defendant operated only two shops and "irreparable harm [is] not imminent"). *Compare General Motors Corp. v. Urban Gorilla, LLC*, 500 F.3d 1222, 1229 (10th Cir. 2007) (affirming district court's denial of preliminary injunction "Because the district court found GM's showing on the merits to be insufficient, it properly considered the financial hardship to Urban Gorilla that would result from a preliminary injunction"); *Dialogo, LLC v. Santiago-Bauza*, 425 F.3d 1 (1st Cir. 2005) (preliminary relief denied where one joint venture partner sued another for using a trademark after the business purportedly was closed down; there was no presumption of irreparable injury as the issues were instead business and profit-related.

Before 2006, most courts held that irreparable injury was presumed in Lanham Act cases. In 2006, the Supreme Court's decided *eBay, Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (2006), a patent case. The Court reversed the Federal Circuit's grant of an injunction, holding that it was improper to presume irreparable harm in determining whether to issue an injunction. *See also Winter v. Natural Resources Defense Council, Inc.*, 129 S. Ct. 365, 172 L. Ed. 2d 249 (2008) (reversing Ninth Circuit grant of preliminary injunction where there was a strong showing of likelihood of success on the merits and a "possibility" of irreparable harm: "Issuing a preliminary injunction based only on a possibility of irreparable harm is inconsistent with our characterization of injunctive relief as an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief." 129 S. Ct. at 376 (citations omitted).

After *eBay* some courts held that the presumption of irreparable harm no longer applied in trademark cases. *Ferring Pharms. v. Watson Pharms.*, 765 F.3d 205 (3d Cir. 2014); *Groupe SEB USA, Inc. v. Euro-Pro Operating LLC*, 774 F.3d 192 (3d Cir. 2014). *Cf. adidas America, Inc. v. Skechers USA, Inc.*, 890 F.3d 747 (9th Cir. 2018). Other courts have considered the presumption without deciding if it continues to apply. *Phyllis Schlafly Revocable Trust v. Cori*, 924 F.3d 1004 (8th Cir. 2019) ("It is unclear whether the traditional presumption of irreparable harm in trademark cases has survived more recent Supreme Court opinions emphasizing the movant's burden to show that 'irreparable injury is *likely* in the absence of an injunction." (citations omitted, emphasis in the original); preliminary injunction denied because plaintiff delayed too long in seeking it); *Lorillard Tobacco Co. v. Engida*, 213 Fed. Appx. 654 (10th Cir. 2007), *cert. denied*, 127 S. Ct. 3016 (2007) ("We need not consider how eBay may apply in this context . . . because in any event Lorillard has not shown that any harm Lorillard would suffer in the absence of an injunction outweighed the potential harm to I and G").

The Trademark Modernization Act ("TMA") resolved the issue by codifying a presumption of irreparable harm in the context of both preliminary and permanent injunctions. HR 6196 § 6. Note however, that the wise plaintiff will continue to offer evidence of irreparable harm to combat any evidence that the defendant adduces to the contrary.

The Second Circuit has adopted the *eBay* test as the proper standard for preliminary injunctions in copyright cases. In *Salinger v. Colting*, 607 F.3d 68, 74–75 (2d Cir. 2010), plaintiff J.D. Salinger (through trustees of his Literary Trust) sued Colting and his publisher for alleged copyright infringement of *The Catcher in the Rye.* The district court granted a preliminary injunction. The Second Circuit held that although the district court "applied our Circuit's longstanding standard for preliminary injunctions in copyright cases, our Circuit's standard is inconsistent with the 'test historically employed by courts of equity' and has, therefore, been abrogated by *eBay, Inc. v. MercExchange, L.L.C.,* 547 U.S. 388, 390, 126 S. Ct. 1837, 164 L. Ed. 2d 641 (2006)." The court therefore remanded the case for proper consideration of the standard for preliminary injunction under *eBay.*

A court can order an asset freeze as part of preliminary relief. *See FTC v. Harry*, 2004 U.S. Dist. LEXIS 15588 (N.D. Ill. July 27, 2004) (in a case involving health claims in internet spam, among other things, the court entered a temporary restraining order with asset freeze, finding that there was good cause to believe that the defendant was likely to continue engaging in violations of federal anti-spam laws unless he was immediately restrained, and the court's ability to grant effective final relief to consumers required the asset freeze). *See also Levi Strauss & Co. v. Sunrise Int'l Trading*, 51 F.3d 982, 984–985 (11th Cir. 1995) (affirming preliminary injunction against U.S. defendants' sale of counterfeit LEVI jeans made in China and a freeze of defendants' assets where some jeans were found in Florida and negotiations and arrangements for shipment were made in the U.S.); *Reebok Int'l, Ltd. v. Marnatech Enters.*, 970 F.2d 552, 554–555 (9th Cir. 1992) (affirming preliminary injunction against sale of counterfeit REEBOK shoes in Mexico and a freeze of defendants' assets despite apparently related ongoing litigation in Mexico; "the Mexican litigation presented no conflict with the district court's order because the litigation in Mexico had not yet been concluded").

[3] Monetary Relief

[a] Types of Monetary Relief

A variety of types of monetary relief are available in trademark cases. They include actual damages and defendant's profits, among other things.

[b] Actual Damages

To recover actual damages, plaintiff must show actual injury, proximately arising from the alleged infringement or deception. *Go Med. Indus. Pty, Ltd. v. Inmed Corp.*, 471 F.3d 1264 (Fed. Cir. 2006) (the Lanham Act "does not allow for a downward adjustment of actual damages," it does allow it for profits); *JumpSport, Inc. v. Jumpking, Inc.,* 191 Fed. Appx. 926 (Fed. Cir. 2006) (party not entitled to false advertising damages where it did not show sufficient nexus between the statements and any monetary damages); *Alpo Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958 (D.C. Cir. 1990) (in false advertising case, actual damages may consist of plaintiff's lost profits from diverted sales, lost profits from having to reduce prices in response to defendant's false advertising, the expense of completed corrective advertising, and quantifiable harm to goodwill, to extent corrective advertising has not repaired that goodwill); *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197, 210 (9th Cir. 1989) (reversing $1.8 million jury award; "[i]n a suit for damages under section 43(a), actual evidence of some injury *resulting from the deception* is an essential element" [emphasis in original]); *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187 (1st Cir. 2012) ("Proving causation and amount are very difficult unless the two products directly compete").

[i] Actual Confusion

Some courts require proof of actual confusion or deception before awarding actual damages. *Resource Developers, Inc. v. Statue of Liberty-Ellis Island Foundation, Inc.*, 926 F.2d 134, 139 (2d Cir. 1991) (proof of defendant's wrongful intent may raise presumption of actual confusion); *Web Printing Controls Co. v. Oxy-Dry Corp.*, 906 F.2d 1202, 1205 (7th Cir. 1990); *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 525 (10th Cir. 1987) ("plaintiff must prove it has been damaged by actual consumer confusion or deception resulting from the violation").

Others do not. *Compare Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1126 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992) (rejecting argument that evidence of actual confusion is required, and awarding damages for the blocking of plaintiff's market expansion); *PPX Enters. v. Audiofidelity Enters.*, 818 F.2d 266, 271–272 (2d Cir. 1987) (where defendant's misrepresentations are "patently fraudulent," direct evidence of actual deception unnecessary); *Getty Petroleum Corp. v. Island Transport Corp.*, 878 F.2d 650, 656 (2d Cir. 1989) (proof of actual confusion is "normally required," but jury could use common sense to find defendant's sale of non-GETTY gasoline under plaintiff's GETTY mark caused actual deception).

Survey results also may be considered proof of actual confusion for damages purposes. *Schutt Mfg. Co. v. Riddell, Inc.*, 673 F.2d 202, 207 (7th Cir. 1982) (customer reliance may be shown by surveys); *Restatement (Third) of Unfair Competition* § 36, *comment h* ("Direct proof of actual confusion or deception is often unavailable, however, and the proof may instead consist of circumstantial evidence such as consumer surveys, market analysis, or the nature of defendant's misconduct").

[ii] Intent

Proof of wrongful intent is not required for an award of actual damages. *Axiom Worldwide, Inc. v. Excite Med. Corp.*, 591 Fed. Appx. 767 (11th Cir. 2014) (affirming award of damages despite lack of willfulness); *General Electric Co. v. Speicher*, 877 F.2d 531, 536 (7th Cir. 1989) ("even the victim of an innocent infringer is entitled to simple damages, as distinct from the infringer's profits"). However, proof that defendant had an intent to infringe or deceive may create a presumption of actual confusion for damage purposes. *Balance Dynamics Corp. v. Schmitt Industries, Inc.*, 204 F.3d 683, 694 (6th Cir. 2000) (literal falsity of claims combined with evidence of deliberate intent or bad faith can raise presumption of monetary damages even if no actual confusion is shown; in this case, however, evidence showed plaintiff suffered no marketplace injury); *Resource Developers, Inc. v. Statue of Liberty-Ellis Island Foundation, Inc.*, 926 F.2d 134, 140 (2d Cir. 1991); *U-Haul International, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1040–1041 (9th Cir. 1986); *Cf. Merck Eprova AG v. Gnosis S.p.a.*, 760 F.3d 247 (2d Cir. 2014) (an award of profits under the Lanham Act, premised on unjust enrichment, requires a showing of actual confusion, or at least proof of deceptive intent so as to raise a rebuttable presumption of confusion; award of profits affirmed).

[iii] Equitable Doctrines

Laches and acquiescence may bar monetary relief, or restrict the plaintiff to recovery of post-filing damages. *McLean v. Fleming*, 96 U.S. 245, 251 (1878); *Skippy, Inc. v. CPC International, Inc.*, 674 F.2d 209, 212 (4th Cir.), *cert. denied,* 459 U.S. 969 (1982) ("laches will bar a claim for damages for bad faith infringement"); *University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040, 1044 (3d Cir.), *cert. denied,* 459 U.S. 1087 (1982); *Brittingham v. Jenkins*, 914 F.2d 447, 456–457 (4th Cir. 1990) (plaintiff's excessive delay limits entitlement to profits and precludes award of prejudgment interest). *See also* the discussion in Chapter 7. The court may also determine that an injunction satisfies the equities of the case. Similarly, the court may decline to award damages because the defendant has "suffered enough." *Faberge, Inc. v. Saxony Products, Inc.*, 605 F.2d 426, 429 (9th Cir. 1979) (injunction sufficient; costs already incurred by defendant would cause deterrence); *American Express Co. v. American Express Limousine Service, Ltd.*, 785 F. Supp. 334, 338 (E.D.N.Y. 1992) ("defendants have suffered enough to deter future infringement").

[c] Plaintiff's Lost Profits

A plaintiff may recover its own lost profits by proving it would have received the profits but for defendant's infringement or deception, and that the amount can be determined with a reasonable certainty. *Dial One of the Mid-South, Inc. v. BellSouth Telcomms., Inc.,* 269 F.3d 523 (5th Cir. 2001) (affirming $150,000 award of plaintiff franchisor's lost profits where defendants, after notice, failed to remove listing of ex-franchisee from Yellow and White Pages); *BASF Corp. v. Old World Trading Co.*, 41 F.3d 1081 (7th Cir. 1994) (affirming award of $4.2 million in lost profits, prejudgment interest and attorney's fees in false advertising case); *Intel Corp. v. Terabyte Int'l*, 6 F.3d 614, 620–621 (9th Cir. 1993) (calculating a $380,000 lost profits award by taking 95% of Intel's profit margin as applied to defendant's sales); *Alpo PetFoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958 (D.C. Cir. 1990); *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513 (10th Cir. 1987) (even where each sale by infringing defendant is not necessarily a lost sale to plaintiff, plaintiff may be entitled to some lesser amount of lost profits). *Compare Thompson v. Haynes,* 305 F.3d 1369 (Fed. Cir. 2002), in which the court affirmed the award of the willful infringer's profits, but vacated the award of the trademark owner's lost profits. As to the trademark owner's alleged lost profits, there was no evidence of even a single lost product sale and the district court's speculation as to one hundred lost sales per month was "too thin a reed on which to support an award of almost two million dollars."

The amount of proven profits can be approximate, but not speculative. *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir.), *cert. denied,* 510 U.S. 815 (1993) (affirming refusal to award lost profits as too speculative where plaintiff failed to segregate data on the type of telephone order sales in which confusion was likely); *McClaran v. Plastic Indus.,* 97 F.3d 347 (9th Cir. 1996) (jury award of more than $800,000 in lost profits too speculative where plaintiff had not even entered the market for the infringing goods); *Burndy Corp. v. Teledyne Industries, Inc.*, 584 F. Supp. 656, 664 (D. Conn. 1984), *aff'd*, 748 F.2d 767 (2d Cir. 1984). *Cf. Ford Motor Co. v. B&H Supply, Inc.*, 646 F. Supp. 975 (D. Minn. 1986) (applying Ford's pricing to the number of counterfeit auto parts sold by defendant despite defendant's contention that Ford would not have made all the sales; "courts necessarily engage in some degree of speculation"). *See also Playtex Prods. v. Procter & Gamble*, 126 Fed. Appx. 32 (2d Cir. 2005) (unpublished) (Playtex successfully showed that P&G's false advertising had caused Playtex to lose profits by evidence of Playtex's market share before and after the false advertising campaign, the nature of the market for the parties' goods, strong brand loyalty among its customers, and the stated goals of P&G's advertising; such circumstantial evidence "can be sufficient to prove causation in a false advertising case just as it can be to prove other propositions"); *Porous Media Corp. v. Pall Corp.*, 173 F.3d 1109, 1122 (8th Cir. 1999) (rejecting allegation that damage award was too speculative; $1.6 million jury verdict was adequately supported by testimony showing: the importance of reputation in plaintiff's industry; that defendant damaged that reputation in specific ways; that plaintiff lost "between $5 million and $10 million" in going concern value; and that defendant damaged plaintiff's opportunities to "create a reputation for being the industry leader" and "create a reputation to be able to move onto the next level" beyond the medical oxygen concentrator market).

In appropriate circumstances, a plaintiff may be able to recover both damages and profits. *Hamilton Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251 (1916); *but see Thompson v. Haynes*, 305 F.3d 1369 (Fed. Cir. 2002) (affirming award of infringer's profits, but vacating award of trademark owner's lost profits and award of damages for corrective advertising); *Polo Fashions, Inc. v. Extra Special Products, Inc.*, 208 U.S.P.Q. 421, 427 (S.D.N.Y. 1980) (court cannot award damages and profits based on same sales). *Compare Alameda v. Authors Rights Restoration Corp.*, 331 F.3d 472 (5th Cir. 2003), *cert. denied*, 540 U.S. 1048 (2003) (federal Copyright Act does not preempt federal Lanham Act, or vice versa, so separate recovery under both was permissible); *Nintendo of Am. v. Dragon Pac. Int'l*, 40 F.3d 1007 (9th Cir. 1994), *cert. denied,* 515 U.S. 1107 (1995) (affirming award of both statutory copyright damages and trebled Lanham Act damages against defendant who sold illicit copies of Nintendo games, representing them to be authorized).

[d] Corrective Advertising

Money for future corrective advertising to remedy confusion or repair damaged goodwill, often based on a percentage of defendant's expenditures, may be awarded in appropriate cases. *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 408 F. Supp. 1219 (D. Col. 1976), *aff'd*, 561 F.2d 1365 (10th Cir. 1977); *Lawn Managers, Inc. v. Progressive Lawn Managers, Inc.*, 959 F.3d 903 (8th Cir. 2020) ($71,346 was appropriate corrective advertising award as part of compensatory damages for defendant's trademark infringement); *Aronowitz v. Health-Chem Corp.,* 513 F.3d 1229 (11th Cir. 2008) (plaintiff presented sufficient evidence of costs of specific corrective actions to support jury's $25,000 award of corrective advertising damages); *West Des Moines State Bank v. Hawkeye Bancorporation*, 722 F.2d 411, 414 (8th Cir. 1983); (25% of defendant's advertising expenditures); *Aetna Health Care Systems, Inc. v. Health Care Choice, Inc.*, 231 U.S.P.Q. 614, 626 (N.D. Okla. 1986) (awarding 25% of infringer's $50,000 advertising expenditures and then trebling it). In *Zelinski v. Columbia 300 Inc.*, 335 F.3d 633 (7th Cir. 2003), the court affirmed a $70,000 corrective advertising award relating to plaintiff's PINBREAKER mark for bowling balls. "[I]t wasn't unreasonable for [plaintiff] to recommend a corrective advertising campaign when [defendant] sold slightly over 3,000 balls [under an identical mark].” The jury “is entitled to use its common sense” to decide that customers were deceived when purchasing defendant’s products, especially “when no amount of inspection would have revealed that [defendant]—not [plaintiff]—manufactured the balls.” Corrective advertising expenditures already incurred also may be reimbursed. *Alpo PetFoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958 (D.C. Cir. 1990) (upholding enhanced award for plaintiff’s “responsive” advertising, but remanding for reduction of the $3.6 million amount for such things as amount attributable to plaintiff’s own false advertising statements); *Otis Clapp & Son v. Filmore Vitamin Co.*, 754 F.2d 738, 745 (7th Cir. 1985) (cost of “curative advertising campaign”); *U-Haul International, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1041 (9th Cir. 1986) (awarding plaintiff $13.6 million for its corrective advertising expenditures, more than twice what defendant spent on its false advertising); *Cuisinarts, Inc. v. Robot Coupe Int’l Corp.*, 580 F. Supp. 634, 640 (S.D.N.Y. 1984) (cost of “reparative advertising”).

However, some courts have observed that an award for future corrective advertising may be a windfall. *See, e.g., Zazu Designs v. L’Oreal S.A.*, 979 F.2d 499, 506 (7th Cir. 1992) (reversing corrective advertising award; plaintiff must show “that ‘repair’ of the old trademark, rather than adoption of a new one, is the least expensive way to proceed”); *Restatement (Third) of Unfair Competition* § 36, *comment f* (“recovery for future expenses may be inappropriate unless the plaintiff can demonstrate a lack of resources or other reasonable justification for its failure to take the corrective measures prior to litigation”). In *Thompson v. Haynes*, 305 F.3d 1369 (Fed. Cir. 2002), the court vacated the award of damages for corrective advertising where the infringer’s ads “were not a source of marketplace confusion or damage”, opining that “Tenth Circuit precedent does not contemplate the award of damages to counteract an advertising campaign that itself caused no confusion.” *See also, Illinois Tool Works, Inc. v. Rust-Oleum Corp.*, 955 F.2d 512 (5th Cir. 2020) (while the court saw “no principled” reason to prohibit prospective corrective advertising awards, plaintiff did not show a compensable loss; award vacated).

Courts may require defendants to disseminate their own corrective advertising. In *Merck Eprova AG v. Gnosis S.p.a.*, 760 F.3d 247 (2d Cir. 2014), the district court required defendant to engage in an advertising campaign disclosing “that the campaign is court-ordered,” and providing a link to the court’s opinion. The advertisements were to “run on Defendant’s homepage as well as their products’ sale page,” and “need only run on third-party industry websites and in trade magazines where the offending products were or are presently advertised by [defendant].” The Second Circuit affirmed, noting that the corrective advertising order was “narrow in scope and clearly appropriately designed to explain the difference” between the products.

[e] Reasonable Royalty

Some courts have awarded plaintiff a reasonable royalty for defendant’s use of the infringing mark, as if defendant’s use were licensed by plaintiff. *See Ventura v. Titan Sports*, 65 F.3d 725, 731 (8th Cir. 1995), *cert. denied,* 516 U.S. 1174

(1996) (awarding reasonable royalties to professional wrestling commentator Jesse "The Body" Ventura for infringement of his right of publicity); *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 963 (7th Cir. 1992), *cert. denied*, 507 U.S. 1042 (1993) (rejecting accounting of profits and suggesting reasonable royalty be used on remand); *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 597 F.2d 71, 76 (5th Cir. 1979) ($20,000 royalty based damages for sale of merchandise bearing unlicensed sports insignia).

Other courts, however, have questioned the use of a reasonable royalty as a measure of damages. *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 920 (Fed. Cir. 1984) (rejecting reasonable royalty measure as "grossly out of proportion" to the rights appropriated); *Streamline Prod. Sys., Inc. v. Streamline Mfg., Inc.*, 851 F.3d 440 (2017) (jury's royalty award based on expert testimony was unjustified because the award was not rationally related to the scope of defendant's infringement); *Playboy Enterprises, Inc. v. Baccarat Clothing Co.*, 692 F.2d 1272, 1275 (9th Cir. 1982) (rejecting such a measure and observing that simply requiring defendant to pay a license royalty does not adequately take the economic incentive out of trademark infringement).

[f] Other Damages

Damages have been awarded under a variety of other legal theories, *e.g.*: injury to happiness and professional standing, *Waits v. Frito Lay, Inc.*, 978 F.2d 1093, 1102–1106 (9th Cir. 1992), *cert. denied,* 506 U.S. 1080 (1993) (in voice misappropriation case, upholding $100,000 award for fair market value of services, $200,000 for injury to peace, happiness and feelings; $75,000 for injury to goodwill, professional standing and future publicity value, and $2 million in punitive damages); thwarted expansion, *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1125–1127 (5th Cir. 1991), *aff'd,* 505 U.S. 763 (1992) ("headstart theory": jury award of more than $930,000 for lost profits and licensing fees caused by defendant's bad faith entry under infringing trade dress into geographic areas of natural expansion for plaintiff; award doubled by court); and compensation for anticipated mistaken product liability claims, *Broan Mfg. Co. v. Associated Distributors, Inc.*, 923 F.2d 1232, 1239–1241 (6th Cir. 1991) (accepting damage theory based on anticipated mistaken product liability claims against plaintiff caused by defendant's dangerous infringing electrical fans, but remanding for retrial on damages because of errors by trial court). *See generally* Carter and Remec, *Monetary Awards for Trademark Infringement Under the Lanham Act*, 86 TMR 464 (1996); Koelemay, *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 TMR 263 (1995).

[g] Enhanced and Punitive Damages

Punitive damages "operate as 'private fines' intended to punish the defendant and to deter wrongdoing. A jury's assessment of the extent of a plaintiff's injury is essentially a factual determination, whereas its imposition of punitive damages is an expression of its moral condemnation." *Cooper Indus., Inc. v. Leatherman Tool Group*, 532 U.S. 424 (2001). In that case Cooper had unlawfully used depictions of Leatherman's multi-purpose pocket tool (with Leatherman's trademark obscured) in Cooper's marketing materials and catalogs for Cooper's similar ToolZall product. The jury awarded $50,000 in compensatory damages and $4.5 million in punitive damages, which the district and appellate courts let stand.

Because the Ninth Circuit incorrectly reviewed the punitive damages award under an abuse of discretion standard, rather than *de novo* as it should have, the Supreme Court remanded for determination under the proper standard. In doing so, it explained that the Eighth Amendment's "prohibition against excessive fines and cruel and unusual punishments" applies, and that a reviewing court considering a punitive damages award should evaluate *de novo:* "(1) the degree of reprehensibility of the defendant's misconduct, "(2) the disparity between the harm (or potential harm) suffered by the plaintiff and the punitive damages award, and "(3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases."

The Supreme Court further observed that Cooper had used depictions of Leatherman's product because of Cooper's inability to quickly and cheaply obtain a mock up of Cooper's yet to be released product, rather than an intention to mislead customers. On remand, the Ninth Circuit, in *Leatherman Tool Group, Inc. v. Cooper Indus, Inc.*, 285 F.3d 1146 (9th Cir. 2002), determined the maximum award of punitive damages was $500,000. Among other things, it concluded that, "Cooper's conduct was more foolish than reprehensible."

The Supreme Court also considered the issue of punitive damages in *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408 (2003). There the award to defendants of $145 million in punitive damages after a $1 million compensatory award was held unconstitutionally excessive. "[C]ourts must ensure that the measure of punishment is both reasonable and proportionate to the amount of harm to the plaintiff and to the general damages recovered." While declining "to impose a bright line ratio," the Court observed that, "in practice, few awards exceeding a single digit ratio between punitive and compensatory damages, to a significant degree, will satisfy due process."

Subsequently, in *Ford Motor Co. v. Estate of Smith*, 123 S. Ct. 2072 (2003), the Supreme Court applied *State Farm v. Campbell* in setting aside a $290 million punitive damages award against Ford stemming from a fatal 1993 California rollover accident involving a Ford Bronco. It vacated that judgment and remanded the case to the Supreme Court of Kentucky for further consideration in view of the *State Farm v. Campbell* decision. In *Philip Morris USA v. Williams*, 549 U.S. 346 (2007), the Supreme Court further clarified that, while harm to nonparties could be considered in determining the reprehensibility of defendant's conduct as a basis for whether to award punitive damages, harm to nonparties could not be considered in determining the *amount* of any punitive damages award. To punish the defendant for injuries inflicted on nonparties, without an opportunity to defend the charge, would violate due process. *Cf. Exxon Shipping v. Baker*, 554 U.S. 471 (2008), (in maritime common law case, punitive damages award excessive where it was five times greater than the compensatory award).

Punitive damages may be available under state law, but are not expressly available under the Lanham Act. *Ramada Franchise Sys. v. Boychuk*, 124 Fed. Appx. 28 (2d Cir. 2005) (unpublished); *United Phosphorus Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1231 (10th Cir. 2000) (affirming more than $650,000 in punitive damages under state law for egregious infringement and misrepresentations); *Waits v. Frito Lay Inc.*, 978 F.2d 1093, 1104 (9th Cir. 1992), *cert. denied,* 506 U.S. 1080 (1993) (affirming $2 million punitive damage award under California law); *Jurgens v. McKasy*, 927 F.2d 1552, 1564 (Fed. Cir.), *cert. denied,* 502 U.S. 902 (1991) (punitive damages not authorized under Lanham Act); *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 106, 113 (2d Cir. 1988) (vacating $2 million punitive damage award under Lanham Act), *cert. denied*, 490 U.S. 1006 (1989); *Getty Petroleum Corp. v. Island Transportation Corp.*, 878 F.2d 650 (2d Cir. 1989) (affirming $250,000 punitive damage award under New York law). Courts nonetheless sometimes appear to use enhanced damages to serve a punitive function in Lanham Act cases. *See, e.g., Gorenstein Enters. v. Quality Care USA*, 874 F.2d 431, 435–436 (7th Cir. 1989) (implying courts may treble damages with a punitive purpose).

Under Section 35 of the Lanham Act courts have the discretion to enhance or decrease the amount of the damage award. *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1127 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992) ("enhancement could . . . provide proper redress to an otherwise undercompensated plaintiff where imprecise damage calculations fail to do justice, particularly where the imprecision results from defendant's conduct"; doubling of jury award affirmed). Enhanced damages cannot be awarded as a penalty. 15 U.S.C. § 1117(a). However, they may be appropriate to "reflect the intangible benefits that accrue[] to [a defendant] as a result of its false advertising." *Merck Eprova AG v. Gnosis S.p.a.*, 760 F.3d 247 (2d Cir. 2014) (affirming award of treble defendant's profits). Other enhanced damages cases include *U.S. Structures, Inc. v. J.P. Structures, Inc.*, 130 F.3d 1185 (6th Cir. 1997) (ex-franchisee's intentional and willful post-termination use of mark ARCHADECK for deck construction business resulted in award of quadruple damages, the court concluding that the ordinary meaning of 15 U.S.C. § 1117(a) allowed an increase beyond the treble damages referenced in the statute); *Gorenstein Enters. v. Quality Care U.S.A.*, 874 F.2d 431, 435 (7th Cir. 1989) (where ex-franchisee had deliberately infringed, "it might have been an abuse of discretion not to have awarded [the plaintiff] treble damages, attorneys' fees, and prejudgment interest"); *Ramada Inns, Inc. v. Gadsden Motel Co.*, 804 F.2d 1562, 1568 (11th Cir. 1986) (damages trebled to $141,000 against ex-franchisee who willfully continued to use mark); *U-Haul International, Inc. v. Jartran, Inc.*, 601 F. Supp. 1140, 1150 (D. Az. 1984), *aff'd in part, rev'd in part, modified in part*, 793 F.2d 1034, 1041–1042 (9th Cir. 1986) (doubling the $20 million in false advertising damages due to defendant's willful and malicious conduct), and *Tools USA & Equip. Co. v. Champ Frame Straightening Equip.*, 87 F.3d 654, 656, 662, n.5 (4th Cir. 1996) (affirming treble damages pursuant to parties' stipulation to compute damages for Lanham Act trade dress infringement under state law treble damages provision).

Compare Ramada Franchise Sys. v. Boychuk, 124 Fed. Appx. 28 (2d Cir. 2005) (unpublished) (affirming refusal to award Lanham Act enhanced damages where plaintiff offered no non-punitive basis for doing so); *Thompson v. Haynes*, 305 F.3d 1369 (Fed. Cir. 2002) (treble damages award vacated; the court "may not, as it did here, simply lump profits together with damages and apply the same measure of enhancement to both").

Prejudgment interest on the amount of damages also may be awarded. *Gorenstein Enters. v. Quality Care U.S.A.*, 874 F.2d 431, 436 (7th Cir. 1989) (advocating that "prejudgment interest should be presumptively available . . . [w]ithout it, compensation of the plaintiff is incomplete and the defendant has an incentive to delay"). *But see Merck Eprova AG v. Gnosis S.p.a.*, 760 F.3d 247 (2d Cir. 2014) (award of prejudgment interest is within discretion of court but is "normally reserved for 'exceptional' cases"); *American Honda Motor Co. v. Two Wheel Corp.*, 918 F.2d 1060, 1064 (2d Cir. 1990) (same).

[h] Counterfeiting Damages

In civil counterfeiting actions, an award to the prevailing plaintiff of treble damages or profits and attorneys' fees is mandatory "unless the court finds extenuating circumstances." 15 U.S.C. § 1117. *Lacoste Alligator, S.A. v. Goberman*, 1990 U.S. Dist. Lexis 17486 (S.D.N.Y. 1990) (trebled profits plus attorneys' fees); *Louis Vuitton S.A. v. Downtown Luggage Center*, 706 F. Supp. 839, 844 (S.D. Fla. 1988) (same). Willful blindness may constitute actual knowledge justifying an award of attorneys' fees, *Lorillard Tobacco Co., Inc. v. A & E Oil, Inc.*, 503 F.3d 588 (7th Cir. 2007). Because it is sometimes difficult for a trademark owner to prove actual damages in counterfeiting cases, the 1996 Trademark Counterfeiting Act amended the Lanham Act to provide statutory damages. *See e.g. Koninklijke Philips Elecs. v. KXD Tech., Inc.*, 539 F.3d 1039 (9th Cir. 2009) (awarding statutory damages). Statutory damages from $1,000 to $200,000 are available for each mark nonwillfully infringed, and up to $2 million for each mark willfully infringed.15 U.S.C. § 1117(c). *Gabbanelli Accordions & Imps., L.L.C. v. Ditta Gabbanelli Ubaldo Di Elio Gabbanelli*, 575 F.3d 693 (7th Cir. 2009). In *Vuitton v. Ly United States,* 676 F.3d 83 (2d. Cir. 2012) the court held that electing to receive statutory damages under Section 1117 of the Lanham Act did not foreclose recovering attorneys' fees. Statutory damages are awarded "per type of goods or services," not per individual item. *See also* the discussion of federal anticounterfeiting provisions in Chapter 6.

In criminal counterfeiting cases, in addition to imprisonment, a fine of up to $2 million may be assessed against an individual first offender, with a repeat offender liable for up to $5 million. Corporations may be fined up to $5 million for the first offense, and up to $15 million for a second offense.15 U.S.C. § 1116;18 U.S.C. § 2320. *See United States v. Hon*, 904 F.2d 803, 804 (2d Cir. 1990), *cert. denied,* 498 U.S. 1069 (1991) ($6,000 fine); *United States v. Song*, 934 F.2d 105, 109 (7th Cir. 1991) (upholding defendant's five criminal convictions for trafficking in counterfeit goods bearing five different trademarks belonging to five different owners; "the correct unit of prosecution under Section 2320 is the counterfeit mark"). *See also Young v. United States*, 481 U.S. 787 (1987) (plaintiff's counsel in counterfeiting civil action cannot be appointed special prosecutor in subsequent related criminal contempt proceeding due to bias concerns).

The 1996 Trademark Counterfeiting Act added trafficking in goods or services bearing counterfeit marks to the list of "predicate acts" proscribed under the federal Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. 1961(1)(B).

In 2006, the Stop Counterfeiting in Manufactured Goods Act (P.L. 109–181, 120 Stat. 285), amended the criminal provisions of Title 18 to, among other things, require convicted offenders to pay restitution to the trademark owner. *See, e.g.*, *U.S. v. Beydoun*, 469 F.3d 102 (5th Cir. 2006) (evaluating proofs for amount of mandatory restitution, and remanding to district court to determine the amount of net profits the legitimate sellers lost as a result of defendant's actions).

[i] Cybersquatting Damages

Statutory damages also are available in domain name cybersquatting cases brought under the Anti-Cybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1125(d)(1). Those damages, available under15 U.S.C. § 1117(d), range from $1,000–$100,000 per domain name. *See, e.g.*, *E. & J. Gallo Winery v. Spider Webs Ltd.*, 286 F.3d 270 (5th Cir. 2002) ($25,000 for defendant's bad faith registration of ernestandjuliogallo.com in violation of ACPA); *Shields v. Zuccarini*, 254 F.3d 476 (3d Cir. 2001) ($10,000 for each violative domain name); *Electronic Boutique Holdings Corp. v. Zuccarini*, 56 U.S.P.Q.2d 1705 (E.D. Pa. 2000) ($100,000 for each violative domain name). *Compare, DSPT Int'l, Inc. v. Nahum,* 624 F.3d 1213 (9th Cir. 2010) (affirming award of actual damages in ACPA case).

[j] Defendant's Profits

[i] Willfulness and Bad Faith

For many years, there has been a circuit split regarding whether a plaintiff is required to show defendant's willfulness in order to recover defendant's profits. The Second, Eighth, Ninth, Tenth and D.C. Circuits have required a showing of willfulness. *See 4 Pillar Dynasty LLC v. New York & Company, Inc.*, 933 F.3d 202 (2d Cir 2019); *Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1073–74 (9th Cir. 2015); *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 12–72-73 (10th Cir. 2005); *Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994); *ALPO Pet Foods, Inc. v. Ralston Purina Co.,* 913 F.2d 958, 968 (D.C. Cir. 1990).

The Third, Fourth, Fifth, and Sixth Circuits have not required a finding of willfulness. *See, Retractable Techs., Inc. v. Becton Dickinson & Co.*, 919 F.3d 869, 876 (5th Cir. 2019) (quoting *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998), *abrogated on other grounds by TrafFix Devices, Inc. v. Mktg.*

Displays, Inc., 532 U.S. 23 (2001)); *La Quinta Corp. v. Heartland Props. LLC*, 603 F.3d 327, 334 (6th Cir. 2010); *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162, 175 (4th Cir. 2006); *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 165 (3d Cir. 2005).

The Eleventh Circuit has held that "'[a]n accounting of a defendant's profits is appropriate where: (1) the defendant's conduct was willful and deliberate, (2) the defendant was unjustly enriched, or (3) it is necessary to deter future conduct." *PlayNation Play Sys., Inc. v. Velex Corp.*, 924 F.3d 1159, 1170 (11th Cir. 2019), quoting *Howard Johnson Co., Inc. v. Khimani*, 892 F.2d 1512, 1521 (11th Cir. 1990). Thus the court adopted a hybrid approach, noting that in certain circumstances, willfulness is not required. This approach comports with the First and Seventh Circuits. *See Tamko Roofing Prods., Inc. v. Ideal Roofing Co.*, 282 F.3d 23, 36 (1st Cir. 2002); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 940 (7th Cir. 1989). *See also,* cases collected in *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782 (Fed. Cir. 2016).

The Supreme Court resolved the split in *Romag Fasteners, Inc. v. Fossil, Inc.* 140. S.Ct. 1492 (2020). There the Court determined willfulness is not a precondition to a profits award in a trademark infringement suit. The Court based its holding primarily on its reading of Lanham Act Section 1117(a) which governs monetary awards under the statute. That section, the Court noted, contains no language supporting a bright line rule requiring willfulness for an award of profits. 1494–1495. Nonetheless, the Court found that "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate." *Id.* at 1497.

The Court's holding may level the playing field in the circuits that have required a showing of willfulness for an accounting of profits. Ultimately, however, it may be that innocent infringers rarely face a profits award and hence a showing of willfulness will be very important in obtaining a profits remedy.

[ii] Actual Confusion

Some courts have required a showing of actual confusion for an accounting of profits. *Perfect Fit Industries, Inc. v. Acme Quilting Co.*, 618 F.2d 950, 955 (2d Cir. 1980), *cert. denied,* 459 U.S. 832 (1982) ("In the absence of proof of an actual confusion of consumers, [plaintiff] is not entitled to damages or an accounting"); *DC Comics, Inc. v. Filmation Associates*, 486 F. Supp. 1273, 1284 (S.D.N.Y. 1980). Others have not. *See 4 Pillar Dynasty LLC v. New York & Company, Inc.*, 933 F.3d 202, 207 (2d Cir. 2019) (we "clarify that, under the Lanham Act, a district court may award to a plaintiff trademark holder the profits made by a willful infringer, without requiring that the plaintiff demonstrate actual consumer confusion;" affirming finding that infringement was willful but vacating attorneys' fees award); *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger U.S.A.*, 146 F.3d 66 (2d Cir. 1998) (even if actual injury or actual consumer confusion is not shown, an accounting of profits still may be awarded to deter a willful infringer from infringing again); *Masters v UHS of Delaware, Inc.,* 631 F.3d 464 (8th Cir. 2011) ("requiring actual confusion would undermine the equitable nature of the Lanham Act's remedial scheme." *Wynn Oil Co. v. American Way Serv. Corp.*, 943 F.2d 595, 606–07 (6th Cir. 1991) (same).

[iii] Deductions

Once plaintiff proves defendant's gross sales, defendant has the burden to prove any offsetting deductions. *WMS Gaming v. Wpc Gaming Prods. & Partygaming Plc,* 542 F.3d 601 (7th Cir. 2008) (Partygaming chose not to defend WMS's lawsuit but still bore the burden of showing deductions); *American Rice, Inc. v. Producers Rice Mill, Inc.,* 518 F.3d 321 (5th Cir. 2008) (entire claimed amount awarded because defendant failed to prove any costs or deductions); *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10th Cir. 2006) (defendants could not rely on their poor record-keeping to claim that damages were too speculative to be awarded); *Wynn Oil Co. v. American Way Serv. Corp.*, 943 F.2d 595, 607 (6th Cir. 1991) (defendants had burden to prove deductions from gross receipts, with uncertainties resolved in plaintiff's favor); *Sony Corp. v. Elm State Electronics, Inc.*, 800 F.2d 317, 321 (2d Cir. 1986) (failure to consider defendant's offsetting expenses was abuse of discretion); *Boston Professional Hockey Assoc. v. Dallas Cap & Emblem*, 597 F.2d 71, 77 (5th Cir. 1979) ("an infringer should not be allowed to limit a trademark owner to injunctive relief by 'stonewalling' the question of sales").

In some cases only the portion of defendant's profits directly attributable to use of the infringing mark has been awarded. *Holiday Inns, Inc. v. Airport Holiday Corp.*, 493 F. Supp. 1025, 1028 (N.D. Tex. 1980), *aff'd,* 683 F.2d 931 (5th Cir. 1982) (30% of defendant's profits awarded). *Compare Truck Equipment Service Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1222 (8th Cir.), *cert. denied,* 429 U.S. 861 (1976) (where infringement is willful, equity requires that all profits be awarded); *and International Star Class Racing Ass'n v. Tommy Hilfiger U.S.A.*, 146 F.3d 66, 72–73 (2d Cir. 1998) ("where infringement is especially malicious or egregious, allowing a defendant, especially a dominant competitor who has made use of the mark of a weaker entity, to deduct profits due to its own market dominance in some circumstances inadequately serves the goal of deterrence").

In *American Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F.3d 321 (5th Cir. 2008), Producers Rice was held liable for $1,256,280, even though Producers was a cooperative whose profits flowed through to its member farmers, because its flow-through status was "irrelevant to the profits award."

[iv] No Right to a Jury

In *Hard Candy, LLC v. Anastasia Beverly Hills, Inc.*, 921 F.3d 1343 (11th Cir. 2019) the court held, in a case of first impression, that a party seeking defendant's profits had no right under the Seventh Amendment to a jury trial. The Supreme Court has created a two-part test to determine whether the Seventh Amendment right to a jury trial applies to a particular claim. First courts must look at the nature of the action; second they must evaluate the relief sought. *Curtis v. Loether*, 415 U.S. 189 (1974). The 11th Circuit noted that trademark cases are recognized in both law and equity, rendering the first prong unhelpful. Citing precedent from the

Sixth and Ninth Circuits, among other historical references, the court found defendant's profits to comprise an equitable remedy. *See Ferrari S.p.A. v. Roberts*, 944 F.2d 1235, 1248 (6th Cir. 1991) ("Ferrari's complaint requested only equitable relief; an injunction and disgorgement of profits."); *Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1074–76 (9th Cir. 2015).

[k] Attorneys' Fees

Section 35 of the Lanham Act authorizes courts to award attorneys' fees in exceptional cases. In *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), the Supreme Court clarified the meaning of "exceptional" in the patent context. The court held that "an 'exceptional' case is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances. As in the comparable context of the Copyright Act, " 'there is no precise rule or formula for making these determinations,' but instead equitable discretion should be exercised 'in light of the considerations we have identified.' " *Id.*, citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994). In *Octane Fitness*, the defendant obtained summary judgment of non-infringement of plaintiff's patent, but the court denied defendant's motion for grant of attorneys' fees. The Federal Circuit affirmed. The lower court relied on a standard for attorneys' fees set forth in *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378 (Fed. Cir. 2005). The Supreme Court abrogated *Brooks*. Although *Octane Fitness* was a patent case, the Supreme Court made note of the fact that the Lanham Act attorneys' fees provision was identical to that in the Patent Act.

The Ninth Circuit formally adopted the *Octane Fitness* standard in a trademark case *SunEarth, Inc. v. Sun Earth Solar Power Co., Ltd.*, 839 F.3d 1179 (9th Cir. Oct. 24, 2016), where it vacated and remanded for an analysis of whether the case was "exceptional" under the totality of the circumstances *Octane Fitness* test. The Ninth Circuit also held the facts should be analyzed under a preponderance of the evidence standard. Similarly, the Third Circuit in *Fair Wind Sailing v. Dempster*, 764 F.3d 303 (3d Cir. 2014) and the Fifth Circuit in *Baker v. DeShong*, 821 F.3d 620 (5th Cir. 2016) both vacated and remanded, requiring application of the *Octane Fitness* test to determine whether attorneys' fees were warranted. The Second Circuit did the same. *4 Pillar Dynasty LLC v. New York & Co., Inc.*, 933 F.3d 202 (2d Cir. 2019) (remanding for consideration of attorneys' fees under *Octane Fitness* standard). As did the Seventh Circuit, *LHI Chicago River, LLC v. Perillo*, 942 F.3d 384 (7th Cir. 2019) (vacating and remanding for consideration of attorney fee award under *Octane* test; overruling two Seventh Circuit cases imposing a more stringent standard). *See also Alliance for Good Government v. Coalition for Better Government*, 919 F.3d 291 (5th Cir. 2019) (affirming award of attorneys' fees to plaintiff but remanding to reassess fee award amount after injunction was modified; exceptionally strong infringement case supported probable intent to infringe; defendant litigated in an unreasonable manner); *Slep-Tone Entm't Corp. v. Karaoke Kandy Store, Inc.*, 782 F.3d 313 (6th Cir. 2015); *Georgia Pac. Consumer Prods. LP v. von Drehle Corp.*, 781 F.3d 710 (4th Cir. 2015). In *Tobinick v. Novella*, 884 F.3d 1110 (11th Cir. 2018), the 11th Circuit Court of Appeals abrogated its past precedent that a finding that a case was exceptional required a showing of fraud or bad faith. The court formally adopted the *Octane Fitness* test.

In *Romag Fasteners, Inc. v. Fossil, Inc.*, 866 F.3d 1330 (Fed. Cir. 2017), the Federal Circuit judged that the Second Circuit would adopt the Octane standard, although it had not expressly done so, and remanded to the district court for evaluation under that test. In *Sleepy's LLC v. Select Comfort Wholesale Corp.*, 909 F.3d 519 (2d Cir. 2018), the Second Circuit settled the issue, formally adopting the *Octane* test in trademark cases. *See also, Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 764 Fed. Appx. 39 (2d Cir. 2019) (Neither the merits of Louis Vuitton's case against maker of parody tote bag, nor its conduct in the case, warranted a finding that the case was exceptional; denial of attorneys' fees affirmed).

In *Verisign, Inc. v. XYZ.com LLC*, 891 F.3d 481 (4th Cir. 2018), the Fourth Circuit held that whether a case was exceptional was to be judged under the preponderance of evidence standard. Further, "a prevailing party need not establish bad faith or independently sanctionable conduct on the part of the non-prevailing party in order to be entitled to attorney fees under the Lanham Act." The court remanded for application of the proper standards. *See also Scholz v. Goudreau*, 901 F.3d 37 (1st Cir. 2018) (affirming denial of attorneys' fees to prevailing defendant based on application of *Octane Fitness. Compare Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247 (2d Cir. 2014).

Pre-*Octane Fitness* attorneys' fees cases include *Super Duper, Inc. v. Mattel, Inc.*, 92 U.S.P.Q.2d 1119 (4th Cir. 2010) (attorneys' fees appropriate in "exceptional case" where jury considered "overwhelming evidence" of Super Duper's wrongdoing and determined that it both infringed and intentionally diluted certain of Mattel's marks); *Schlotzsky's, Ltd. v. Sterling Purchasing & Nat'l Distrib. Co.*, 520 F.3d 393 (5th Cir. 2008) (award of attorneys' fees was proper, given the district court's "finding that Sterling acted in bad faith"); *Ty Inc. v. Softbelly's*, 517 F.3d 494 (7th Cir. 2008) (Softbelly's infringement was willful as a result of Softbelly's "reckless disregard for the likelihood of consumer confusion"); *Neuros Co. v. KTurbo, Inc.*, 698 F.3d 514 (7th Cir. 2012) (defendant's persistence in making "false representations to the engineering community concerning Neuro's blowers even after the suit was filed and compelling evidence was presented that the representations were false . . . weighs in favor of an award of attorneys' fees"; dismissal reversed and case remanded); *Cairns v. Franklin Mint Co.*, 292 F.3d 1139 (9th Cir. 2002) (in case involving use of Princess Diana's image on collectible merchandise, over $2 million in attorneys' fees awarded to defendant where plaintiff's false advertising claim was groundless and "absurd"); *S Industries, Inc. v. Centra 2000, Inc.*, 249 F.3d 625, 627 (7th Cir. 2001) (awarding defendant attorneys' fees where plaintiff's claims were meritless and it engaged in dilatory tactics); *Tire Kingdom, Inc. v. Morgan Tire & Auto, Inc.*, 253 F.3d 1332, 1336 (11th Cir. 2001) (in false advertising case, plaintiffs submitted no evidence on four of the five necessary Lanham Act elements, and filed the suit in bad faith).

Compare Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co., 668 F.3d 677 (9th Cir. 2012) (defendant awarded attorneys' fees where plaintiff failed to provide "some legitimate evidence of nonfunctionality"); *Cent. Mfg. v. Brett*, 492 F.3d 876 (7th Cir. 2007) (defendant awarded attorneys' fees where plaintiff filed suit without evidence of sales, failed to respond to discovery requests and its document production "made a mockery of the entire proceeding").

In *Watec Co., Ltd. v. Liu*, 403 F.3d 645 (9th Cir. 2005) the court vacated and remanded a jury award of attorneys' fees, noting that "the jury's finding that Watec America 'intentionally infringed' does not necessarily equate the malicious, fraudulent, deliberate or willful conduct that [is] usually require[d] before deeming a case exceptional" so as to warrant an award of attorneys' fees. *See also*, *Farberware Licensing Co., LLC v. Meyer Mktg. Co.*, 428 Fed. Appx. 97 (2d Cir. 2011) (the jury did not abuse its discretion in declining to award fees in situations where "each side [was] winning and losing on various claims . . . .")

In an extended treatment of the issue of bad faith, on remand from the decision in *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749 (2d Cir. 1996), the district court determined once more that defendant had not acted in bad faith, so that awards of profits and attorneys' fees were not warranted. On appeal, the Second Circuit eventually affirmed. 205 F.3d 1323(2d Cir. 2000) (unpublished), *cert. denied*, 531 U.S. 873 (2000); *see also* 146 F.3d 66 (2d Cir. 1998) (vacating and remanding because court in assessing bad faith erroneously relied on factual findings from an earlier, unrelated antitrust case). In affirming, the Second Circuit noted the district court's findings that sales of defendant's clothing were "driven by the prominent use of defendant's marks" and that there was no showing that defendant knew of plaintiff's mark. Furthermore, the district court had found that defendant had no obligation to conduct a more extensive trademark search, given that "Hilfiger's use of the Star Class mark as a decoration rather than as a trademark was consistent with the advice of Hilfiger's attorney that *use* and *registration* [of the mark] would require a full trademark search," and the attorneys' advice that Star Class "would be a weak trademark because of the common use of the terms 'Star' and 'Class,' encourag[ing] Hilfiger to believe that the use of the term was permissible." In affirming, the appellate court stated, "Although there is some evidence that points toward the existence of bad faith, we cannot say, after review of the record, that we are left with [the] definite and firm conviction that a mistake has been committed' [citations omitted]." *Compare Tamko Roofing Products, Inc. v. Ideal Roofing Co.*, 282 F.3d 23 (1st Cir. 2002) (a "mere failure to conduct a trademark search before using a mark may evidence nothing more than carelessness, and so may not warrant an award of fees").

Note however that reliance on advice of counsel in using mark may not preclude an award of attorneys' fees to plaintiff. *TakeCare Corp. v. Takecare of*

Oklahoma, Inc., 889 F.2d 955, 957–958 (10th Cir. 1989) (need to provide evidence of the advice and show reasonableness of the reliance).

Circumstances other than bad faith infringement have rendered cases to be exceptional; *Klein-Becker USA, LLC v. Englert*, 711 F.3d 1153 (10th Cir. 2013) (attorneys' fees awarded when the district court entered a default judgment against defendant for discovery abuses resulting in three sanctions); *JCW Investments, Inc., D/B/A Tekky Toys v. Novelty, Inc.*, 509 F.3d 339 (7th Cir. 2007) (affirming award of attorneys' fees in the absence of bad faith, based on the "totality of circumstances," including defendant's continued use of the mark after a preliminary injunction was granted); *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209 (2d Cir. 2003) (defendant had submitted false evidence; "fraudulent conduct in the course of conducting trademark litigation permits a finding that a case is 'exceptional' for purposes of an attorneys' fee award under the Lanham Act"); *Tamko Roofing Products, Inc. v. Ideal Roofing Co.*, 282 F.3d 23 (1st Cir. 2002); *Securacomm Consulting, Inc. v. Securacom Inc.*, 224 F.3d 273, 282 (3d Cir. 2000) (although the infringement was not willful, defendant's vexatious litigation conduct—"it tried to prevail by crushing plaintiff"—warranted an award of attorneys' fees). In a particularly egregious example, attorneys' fees were awarded to plaintiff in *Te-Ta-Ma Truth Foundation-Family of URI v. World Church of The Creator*, 392 F.3d 248 (7th Cir. 2004), where the defendant, among other things, threatened the plaintiff and its attorneys, and defendant's members unsuccessfully solicited the murder of the presiding judge.

[4] Insurance Coverage

Often business insurance policies will cover the costs of defending an infringement or unfair competition suit under what has come to be called "the advertising injury clause." *M. Century 21, Inc. v. Diamond State Ins. Co.*, 442 F.3d 79 (2d Cir. 2006) (advertising injury clause encompassed claims that defendant's "marketing" of the products at issue constituted trademark infringement). In *Letro Prods. v. Liberty Mut. Ins. Co.*, 114 F.3d 1194 (9th Cir. 1997), the plaintiff's insurance company had refused coverage after a third party sued plaintiff for trademark infringement. Following the state court's reasoning in *Lebas Fashion Imports of USA, Inc. v. ITT Hartford Ins. Group*, 50 Cal. App. 4th 548 (1996), the Ninth Circuit held that the comprehensive general liability policy covered claims of trademark infringement when an "advertising injury is caused by an offense committed in the course of advertising your goods, products or services." Advertising injury was defined as arising, among other things, from a misappropriation of advertising ideas or style of doing business, or an infringement of copyright, title or slogan. The causal nexus was established where the policyholder's alleged infringement occurred in promotional materials and trade pieces. The court concluded that the insurance company had a duty to defend and was liable for breach of contract. *Amco Ins. Co. v. Inspired Techs., Inc.*, 648 F.3d 875 (8th Cir. 2011) (under Minnesota law an insurer's duty to defend "extends to every claim that arguably falls within the scope of coverage, and the duty to defend one claim creates a duty to defend all claims.") *See also Holyoke Mutual Ins. Co. in*

Salem v. Vibram USA, Inc., 106 N.E.3d 572 (Sup. Judicial Ct. Mass. 2018) (in a case of first impression, right of publicity claim might be covered as an advertising injury; summary judgment for insurer reversed and remanded); *Santa's Best Craft, LLC v. St. Paul Fire & Marine Ins. Co.,* 611 F.3d 339 (7th Cir. 2010) (allegations that Santa's Best infringed slogans triggered duty to defend, but insurance company did not have to reimburse Santa's Best for expenses of a contract indemnity); *Charter Oak Fire Ins. Co. v. Hedeen & Co.*, 280 F.3d 730 (7th Cir. 2002) (affirming summary judgment that alleged infringing use of trademark in stationery letterhead was encompassed by advertising injury clause); *Hyman v. Nationwide Mutual Fire Ins. Co.*, 304 F.3d 1179 (11th Cir. 2002) ("because trade dress may encompass marketing or packaging designed to draw attention to a product, it can constitute an 'advertising idea' or 'style of doing business' "); *R. C. Bigelow, Inc. v. Liberty Mutual Ins. Co.*, 287 F.3d 242 (2d Cir. 2002) (use of allegedly infringing trade dress in advertising fell within the advertising injury clause); *American Simmental Assoc. v. Coregis Ins. Co.*, 282 F.3d 582 (8th Cir. 2002) (alleged misrepresentation that cattle were "fullbloods" was encompassed by advertising injury provision).

Some courts have narrowly interpreted the standard business policy language in denying coverage to the insured. *See, e.g.*, *Marvin J. Perry, Inc. v. Hartford Casualty Ins. Co.*, 412 Fed. Appx. 607 (4th Cir. 2011) (applying Maryland law, the court held an "unfair competition claim fell outside the policy evaluation because the suit contained only allegations arising out of trademark or trade name violations."); *Sport Supply Group v. Columbia Cas. Co.*, 335 F.3d 453 (5th Cir. 2003) (use of the trademark did not constitute "advertising," so the insurance policy's "misappropriation of advertising ideas under an implied contract" clause did not apply); *EKCO Group, Inc. v. The Travelers Indemnity Co.*, 273 F.3d 409 (1st Cir. 2001) (advertising injury clause did not encompass the alleged tea kettle trade dress infringement at issue); *Callas Enters. v. Travelers Indem. Co. of Am.*, 193 F.3d 952 (8th Cir. 1999) (allegation of trademark infringement did not properly fall under provision for infringement of "copyright, title or slogan"); *Frog, Switch & Mfg. Co. v. Travelers Ins. Co.*, 193 F.3d 742, 748–749 (3d Cir. 1999) ("the allegation that Frog engaged in unfair competition by misappropriating trade secrets relating to manufacture of a product line does not allege misappropriation of advertising ideas or styles of doing business as such", but noting in *dicta* that a trademark might be viewed as an "advertising idea" under Pennsylvania law); *Sholodge, Inc. v. Travelers Indem. Co.*, 168 F.3d 256 (6th Cir. 1999) (allegation of service mark infringement not covered under "copyright, title or slogan" provision); *Hugo Boss Fashions, Inc. v. Federal Insurance Co.*, 252 F.3d 608, 611 (2d Cir. 2001) (because plaintiff's BOSS trademark was not a "trademarked slogan," it did not fall under the policy's coverage).

Compare Capitol Indemnity Corp. v. Elston Self Service Wholesale Groceries, Inc., 559 F.3d 616 (7th Cir. 2009) (where insurer could not show the insured had first advertised or sold products at issue prior to policy taking effect, the advertising injury clause applied and the advertiser had a duty to defend); *Sentex*

Sys. v. Hartford Accident & Indem., 93 F.3d 578 (9th Cir. 1996) (the phrase "misappropriation of advertising ideas or style of doing business", encompassed defendant's alleged unfair competition by misappropriation of trade secrets such as customer lists, methods of bidding jobs and marketing techniques).

In *Street Surfing, LLC v. Great American E&S Insurance*, 752 F.3d 853 (9th Cir. 2014), the court determined that plaintiff's alleged trademark infringement began before its insurance policy took effect, and therefore the insurer had no duty to defend. There, Street Surfing began using the mark STREET SURFING in 2004. It obtained insurance coverage in 2005. A third party sued Street Surfing for trademark infringement in 2008. The court affirmed summary judgment for the insurer, holding that Street Surfing began its alleged infringing practices prior to the policy period and therefore was not covered. The key issue for the court was whether Street Surfing's post-coverage advertisements were "substantially similar" to its pre-coverage advertisements. If not, Street Surfing could obtain coverage related to the new advertisements.

The court held that the post-coverage advertisements were substantially similar, and Great American had no duty to defend. "A post-coverage publication is 'substantially similar' to a pre-coverage publication if both publications carry out the same alleged wrong." The underlying complaint did not address specific advertisements, nor did the complainant add torts other than trademark infringement to the complaint. Street Surfing's "advertising idea . . . was the same [in pre- and post-coverage advertisements] regardless of the product."

The court cited *Taco Bell Corp. v. Continental Casualty Co.*, 388 F.3d 1069 (7th Cir. 2004) for its analysis of substantial similarity for purposes of insurance coverage, but distinguished it on its facts. In that case, Taco Bell had been sued for claims including breach of contract, misappropriation and unfair competition, among other things, based on its "Psycho Chihuahua" advertisements. There, Judge Posner stated that while the "Psycho Chihuahua" basic idea continued from pre-to post-coverage advertisements, later advertisements incorporated "other ideas as well that are protected by Michigan's common law of misappropriation." The "other ideas" were delineated as separate torts in the underlying complaint. Hence, the insurer had a duty to defend.

§ 13.03 Key Points

[1] Subject Matter Jurisdiction

Most trademark cases are brought in federal court pursuant to the Lanham Act 15 U.S.C. § 1121 and 28 U.S.C. § 1338. State courts also have jurisdiction but are rarely used.

Supplemental jurisdiction in federal court for state law claims is available under 28 U.S.C. § 1338(b) and 28 U.S.C. § 1367.

Subject matter jurisdiction may not exist for a plaintiff with only an intent-to-use application and no use in commerce. However, the ITU application may be used defensively to show potential priority over another claimant.

In some cases, an American plaintiff may be able to assert extraterritorial jurisdiction to sue in the U.S. for infringements occurring in other countries.

Often, three factors are considered in determining whether extraterritorial jurisdiction is proper:

- does defendant's conduct have a substantial effect on U.S. commerce,
- is the defendant a U.S. citizen (if not, jurisdiction still may be proper),
- is there an absence of conflict with trademark rights under foreign law?

[2] Declaratory Judgment

Under appropriate circumstances, a party whose conduct might provoke a lawsuit can seek a declaration of its rights from a federal court under the Declaratory Judgment Act, 28 U.S.C. 2201(a). The standard for whether a particular declaratory judgment action satisfies the case-or-controversy requirement is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant relief.

[3] Personal Jurisdiction

Ordinarily, long arm statutes apply to establish specific personal jurisdiction in a particular state.

In disputes over ownership of domain names, where the plaintiff cannot establish personal jurisdiction over the defendant, plaintiff may be able to sue the domain name *in rem.*

[4] Standing

To establish the right to make a claim for false advertising under the Lanham Act, the plaintiff must establish that its claim falls within the zone of interests protected by the act and that defendant's acts are the proximate cause of its injuries. For a plaintiff's false advertising claim to be within the zone of interests of the Lanham Act, the plaintiff must allege "an injury to a commercial interest in reputation or sales." As to proximate cause, the plaintiff must show economic or reputation injury from the consumer deception.

[5] Injunctive Relief

Injunctive relief is the typical remedy in a trademark case.

Courts may grant mandatory injunctions, for example requiring defendants to recall products.

Both permanent and preliminary relief are available. To obtain a preliminary injunction, a plaintiff typically must show:

- some likelihood of prevailing on the merits,
- an inadequate remedy at law and irreparable harm if the injunction does not issue,
- that the harm to the plaintiff of not granting the injunction outweighs the

harm to the defendant if the injunction is granted, and

- that granting the injunction is in the public interest.

A court may order an asset freeze as part of a temporary restraining order or a preliminary injunction.

As a remedy in some cases, a court may compel the defendant to include a disclaimer on its packaging or advertising. A party using a disclaimer typically specifies that its products or services are not related to those of another party.

Disclaimers are often criticized as being ineffective in reducing confusion, and normally will be considered ineffective in cases of initial interest confusion.

[6] Monetary Relief

To recover actual damages, a plaintiff must show actual injury proximately arising from the alleged infringement or other unfair competition.

Some courts require proof of actual (rather than likely) confusion before awarding actual damages.

Proof of wrongful intent normally is not required for an award of actual damages.

Laches or acquiescence may bar monetary relief, or restrict the plaintiff to recovery of post-filing damages.

A plaintiff may recover plaintiff's lost profits by proving it would have received the profits but for defendant's infringement and that the amount can be determined with reasonable certainty. The amount can be approximate, as long as it is not speculative.

In some circumstances, a plaintiff may recover both lost profits and actual damages.

Money for future corrective advertising to remedy confusion or repair damaged goodwill may be awarded in appropriate cases.

Some courts have awarded plaintiff a reasonable royalty for defendant's use of an infringing mark, as if plaintiff had licensed defendant.

Punitive damages may be available under state law. The amount of punitive damages compared to compensatory damages normally should not exceed a single digit ratio.

The Lanham Act gives courts discretion to award enhanced damages on a non-punitive basis.

Prejudgment interest can be available under the Lanham Act in appropriate cases.

The court must award treble damages or profits for counterfeiting unless the court finds extenuating circumstances.

Defendant's profits are available as a monetary remedy. A plaintiff need not show actual damage to recover defendant's profits.

Proof of defendant's willfulness is not necessary but can be an important factor that can support an award of defendant's profits.

Once the plaintiff seeking an award of defendant's profits proves defendant's gross sales, defendant has the burden to prove deductions.

Courts may award attorneys' fees to a plaintiff in exceptional cases. "An 'exceptional case' is simply one that stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

Prevailing defendants also may be awarded attorneys' fees.

[7] Insurance

Insurance policy "advertising injury" clauses or similar clauses may provide coverage for the costs of defending trademark infringement or unfair competition cases.

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