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Remedies

A. Injunctive Relief

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

> The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title. A plaintiff seeking any such injunction shall be entitled to a rebuttable presumption of irreparable harm upon a finding of a violation identified in this subsection in the case of a motion for a permanent injunction or upon a finding of likelihood of success on the merits for a violation identified in this subsection in the case of a motion for a preliminary injunction or temporary restraining order. . . .

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

The second sentence of Lanham Act § 34(a) provides that if a plaintiff establishes infringement (or in the case of a motion for a preliminary injunction, a likelihood of success on the merits), it is entitled to a rebuttable presumption of irreparable harm. This provision was added to the Lanham Act by the Trademark Modernization Act, Pub. L. No. 116-260, H.R. 133, 116th Cong. subtit. B, §§ 221–26 (2020), which the President signed into law on December 27, 2020. Up until the Supreme Court's decision in the patent case *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006), most circuits traditionally held that a showing of a likelihood of confusion or dilution triggered a presumption of irreparable harm. *See, e.g.*, *Federal Exp. Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 174 (2d Cir. 2000) ("[P]roof of a likelihood of confusion would create a presumption of irreparable harm, and thus a plaintiff would not need to prove such harm independently"). But some circuits held that after *eBay*, this presumption was no longer tenable. For example, in *Herb Reed Enterprises, LLC v.*

Florida Entertainment Management, Inc., 736 F.3d 1239 (9th Cir. 2013), the Ninth Circuit reasoned:

> In *eBay,* the Court held that the traditional four-factor test employed by courts of equity, including the requirement that the plaintiff must establish irreparable injury in seeking a permanent injunction, applies in the patent context. 547 U.S. at 391. Likening injunctions in patent cases to injunctions under the Copyright Act, the Court explained that it "has consistently rejected . . . a rule that an injunction automatically follows a determination that a copyright has been infringed," and emphasized that a departure from the traditional principles of equity "should not be lightly implied." *Id.* at 391–93 (citations omitted). The same principle applies to trademark infringement under the Lanham Act. Just as "[n]othing in the Patent Act indicates that Congress intended such a departure," so too nothing in the Lanham Act indicates that Congress intended a departure for trademark infringement cases. *Id.* at 391–92. Both statutes provide that injunctions may be granted in accordance with "the principles of equity." 35 U.S.C. § 283; 15 U.S.C. § 1116(a).

Herb Reed Enterprises, 736 F.3d at 1249. Revised Lanham Act § 34(a) definitively overrides this reasoning.

In the following opinion, however, the Third Circuit demonstrated that the rebuttable presumption established in Lanham Act § 34(a) is indeed rebuttable.

[The opinion in *Nichino America, Inc. v. Valent U.S.A. LLC* is available separately.]

Comments and Questions

1. *Not all courts are following the Third Circuit's lead in* Nichino. See, for example, *Hermes Int'l v. Rothschild*, 678 F. Supp. 3d 475 (S.D.N.Y. 2023):

> Because of the Trademark Modernization Act of 2020 ("TMA") Hermès is entitled to "a rebuttable presumption of irreparable harm" by virtue of the jury verdict in its favor on its trademark infringement claim. *See* 15 U.S.C. § 1116(a). . . .
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> Rothschild's primary response is that the TMA presumption only shifts the "burden of production" to him, and that he has met that burden, thereby shifting the "burden of persuasion" to Hermès—a burden Rothschild claims Hermès has failed to satisfy. The meaning of the TMA presumption in trademark litigation is, indeed, a subject of lively debate among our fellow district courts and sister circuits. Some agree with Rothschild that this presumption "shifts [only] the evidentiary burden of production," leaving "the burden of persuasion" with the moving party. This position, championed by the Third Circuit, finds support in Federal Rule of Evidence 301, which provides that, absent statutory language to

> the contrary, presumptions are assumed to "not shift the burden of persuasion, which remains on the party who had it originally." Fed. R. Evid. 301; *Nichino Am., Inc. v. Valent U.S.A. LLC*, 44 F.4th 180, 185 (3d Cir. 2022). This Court, however, joins the courts that have taken the opposite view, *see, e.g.*, *Guru Teg Holding, Inc. v. Maharaja Farmers Mkt., Inc.*, 581 F. Supp. 3d 460 (E.D.N.Y. 2021). This is because language from the statute's legislative history and a careful consideration of the context in which the statute was enacted both strongly suggest that Congress chose to place the burden of persuasion on the proven infringer.
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> Because the meaning of "presumption" in the statute is ambiguous, "we may consult" this "legislative history . . . to discern Congress's meaning." *See United States v. Gayle*, 342 F.3d 89 (2d Cir. 2003); *see generally* Robert A. Katzmann, *Judging Statutes* (2014) (mapping the path judges should take to undertake a fair examination of legislative history in order to clarify ambiguous statutory language). The House Report accompanying the statute is particularly illuminating. Finding that, "[h]istorically, federal courts considering injunctive relief for trademark infringement claims had nearly uniformly held that success on the merits of a trademark claim . . . created a rebuttable presumption of irreparable harm that was sufficient to satisfy that prerequisite for relief," the statute aimed to restore that historical practice in the face of the "inconsistent and unpredictable approaches courts have taken in the post-*eBay* landscape." H.R. Rep. No. 116-645, at 37. Given that *eBay* had invalidated the Federal Circuit's presumption "that courts will issue permanent injunctions against patent infringement absent exceptional circumstances"—a presumption that clearly modified the burden of persuasion, not just the burden of proof—the fact that Congress expressly aimed to reverse *eBay*'s ruling in the trademark context makes it reasonably clear that Congress intended the TMA presumption to apply with respect to the burden of persuasion, and not just the burden of production.

Hermes Int'l v. Rothschild, 678 F. Supp. 3d at 488–89.

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

> I think *eBay* was a good—indeed, great—development in patent law and copyright law.
>
> Trademark, however, is different. The purposes of trademark law—and whom it benefits—should lead us to treat trademark injunctions differently than patent and copyright injunctions. Further, trademark courts have misinterpreted *eBay*, treating each of the four factors as a requirement rather than a consideration. That is a particular problem in trademark law, where proof of future injury can be elusive. And perhaps most remarkably, courts have

> expanded *eBay* in trademark cases at the same time they have denied damages relief, with the result that trademark owners can and do win their case only to receive no remedy at all. The result is a very real risk that courts will hurt rather than help consumers by allowing confusion to continue.

Mark A. Lemley, *Did* eBay *Irreparably Injure Trademark Law?*, 92 NOTRE DAME L. REV. 1795, 1796 (2017). How does Lemley's reasoning affect your assessment of the outcome in *Nichino*? *See also* Jake Linford, *The Path of the Trademark Injunction*, *in* RESEARCH HANDBOOK ON THE LAW AND ECONOMICS OF TRADEMARKS (Glynn S. Lunney Jr. ed. 2022).

3. *Injunctive relief and the right to a trial by jury*. If only injunctive relief is sought, then the case is purely equitable and neither party has the right to a jury trial. For this reason, plaintiffs may sometimes seek only an injunction so that the defendant cannot demand a jury trial. *See, e.g.*, *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1183–84 (9th Cir. 2010) ("Finally, we consider the Tabaris' claim that the district court deprived them of their right to a trial by jury when it failed to empanel a jury to decide Toyota's trademark claims. Because Toyota only sought an injunction, the district court did not err by resolving its claims in a bench trial. Nor were the Tabaris entitled to a jury trial on their equitable defenses to those claims, or their counterclaims seeking declarations of trademark invalidity and non-infringement." (citations omitted)). Why might a giant foreign multinational seek to avoid a jury trial in a case against a small business run by a local married couple?

Similarly, if the only monetary remedy that the plaintiff seeks is the disgorgement of the defendant's profits, then neither party has a right to a jury trial. *See, e.g.*, *Hard Candy, LLC v. Anastasia Beverly Hills, Inc.*, 921 F.3d 1343, 1359 (11th Cir. 2019) ("All of this leads us to the conclusion that an accounting and disgorgement of a defendant's profits in a trademark infringement case is equitable in nature and does not carry with it a right to a jury trial."); *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235, 1248 (6th Cir. 1991) ("[W]e conclude . . . that Roberts was not entitled to a jury trial. Ferrari's complaint requested only equitable relief; an injunction and disgorgement of profits.").

B. Plaintiff's Damages and Defendant's Profits

Lanham Act § 35, 15 U.S.C. § 1117

(a) Profits; damages and costs; attorney fees

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be

entitled, subject to the provisions of sections 1111[1] and 1114[2] of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

. . . .

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

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

1. Recovery of Plaintiff's Damages

a. Willful Intent and Damages

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

[1] {15 U.S.C. § 1111 reads as follows: "Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark Office, may give notice that his mark is registered by displaying with the mark the words "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration."}

[2] {15 U.S.C. § 1114 provides safe harbors for publishers and distributors of physical and electronic media, including those in which infringing advertisements appear, when they qualify as "innocent infringers".}

b. Actual Confusion and Damages

Courts typically require a showing of actual confusion for damages to be awarded. *See, e.g.*, *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 523 (10th Cir. 1987) ("Likelihood of confusion is insufficient; to recover damages plaintiff must prove it has been damaged by actual consumer confusion or deception resulting from the violation . . . . Actual consumer confusion may be shown by direct evidence, a diversion of sales or direct testimony from the public, or by circumstantial evidence such as consumer surveys."); *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A.*, Inc., 80 F.3d 749, 753 (2d Cir. 1996) ("Proof of actual confusion is ordinarily required for recovery of damages for pecuniary loss sustained by the plaintiff."). "Such damages may include compensation for (1) lost sales or revenue; (2) sales at lower prices; (3) harm to market reputation; or (4) expenditures to prevent, correct, or mitigate consumer confusion." *Id*. "The apparent justification for making actual confusion a threshold requirement is that it is a proxy for actual marketplace damage that can be difficult to prove." 3 GILSON ON TRADEMARKS § 14.03 (2019).

2. Enhanced Damages and Profits

Lanham Act § 35(a), 15 U.S.C. 1117(a), empowers the court to award an amount up to three times the plaintiff's actual damages and to award profits "for such sum as the court shall find to be just." Enhanced damages or profits cannot be punitive in nature. *See Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1077 (9th Cir. 2015) ("The district court ought to tread lightly when deciding whether to award increased profits, because granting an increase could easily transfigure an otherwise-acceptable compensatory award into an impermissible punitive measure. Generally, actual, proven profits will adequately compensate the plaintiff. Because the profit disgorgement remedy is measured by the defendant's gain, the district court should award actual, proven profits unless the defendant infringer gained more from the infringement than the defendant's profits reflect." (citation omitted)).

3. Recovery of Defendant's Profits

a. Willful Intent and Profits

The following opinion has proven to be controversial among remedies scholars, who have observed that equity has long required wrongdoing to support disgorgement. *See generally* Brief of Amici Curiae Intellectual Property Law Professors in Support of Respondents, 2019 WL 6715407, *Romag Fasteners, Inc. v. Fossil, Inc.*, 140 S.Ct. 1492 (2020). Are you persuaded by Justice Gorsuch's historical analysis and statutory interpretation?

[The opinion in *Romag Fasteners, Inc. v. Fossil, Inc*. is available separately.]

Questions and Comments

1. *What happened on remand in* Romag*?* On remand, the district court awarded Romag only $90,759.36 in disgorged profits, far less than the $6.8 million the jury had originally advised. *Romag Fasteners, Inc. v. Fossil, Inc*., No. 10 Civ. 1827, 2021 WL 1700695, at *1,*7 (D. Conn. Apr. 29, 2021). The court explained that "Fossil's *mens rea* was, at most, negligent," while Romag had engaged in "chicanery" in its litigation tactics and should not be rewarded for having chosen to forego statutory damages in "gambling" for a higher disgorgement award. *Id*.

b. Actual Confusion and Profits

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

There has been considerable uncertainty over whether the Second Circuit requires a showing of actual confusion to support an award of profits. In *4 Pillar Dynasty LLC v. New York & Co., Inc*., 933 F.3d 202, 212 (2d Cir. 2019), however, it explained: "To dispel any doubts as to this question, we write to clarify that, in our Circuit, a plaintiff need not establish actual consumer confusion to recover lost profits under the Lanham Act." *Id*. at 212.

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

4. The Notice Requirement for Registered Marks

Lanham Act § 29, 15 U.S.C. § 1111, makes clear that the owner of a registered mark must provide statutorily-prescribed notice of the mark's registered status (typically in the form of the circle-R) in order to recover profits and damages for infringement of the mark. In the event that the owner fails to provide statutorily-prescribed notice, then the owner can recover profits and damages only for infringing conduct that occurred after the owner provided the infringer with actual notice of the mark's registered status.

What about *unregistered* marks protected under Lanham Act § 43(a), 15 U.S.C. § 1125(a)? McCarthy summarizes the strange state of affairs: "[T]he statutory notice requirement is not a limitation on recovery of damages under a § 43(a) count for infringement of an unregistered mark. . . . This means that a trademark owner can sue under Lanham Act § 43(a) for damages from infringing acts occurring prior to registration unaffected by the notice requirement and under Lanham Act § 32(1) for damages for acts post-registration so long as the notice requirement is met." 3 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 19:144 (5th ed. 2019). *See also GTFM, Inc. v. Solid Clothing, Inc.*, 215 F. Supp. 2d 273, 306 (S.D.N.Y. 2002).

Finally, can a registrant who fails to provide notice nevertheless claim all of its profits and damages under Lanham Act § 43(a) rather than Lanham Act § 32, thus avoiding the limitation on recovery set out in Lanham Act § 29? Probably not. *See Audemars Piguet Holding S.A. v. Swiss Watch Int'l, Inc.*, 46 F. Supp. 3d 255, 290 (S.D.N.Y. 2014) ("[A]fter a mark has been registered, Section 1111 limits Plaintiffs' recovery under Section 1117(a) for both Section 32 and Section 43(a) violations.").

C. Corrective Advertising

Corrective advertising by defendant. Courts may order defendants to engage in corrective advertising to mitigate the consumer confusion that their conduct has caused. Corrective advertising orders are especially common in false advertising cases. *See, e.g.*, *Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 264 (2d Cir. 2014) (affirming a corrective advertising injunction ordering defendant to advertise on its homepage and various other websites and magazines that it had been ordered by the court to explain the difference between its products and plaintiff's products, and finding that the corrective advertising order paired with recovery of defendant's profits did not constitute unfair double recovery); *Nantucket Wine & Food Festival, LLC v. Gordon Companies, Inc.*, 759 F. Supp. 3d 259, 275 (D. Mass. 2024) (instructing defendants to engage in further, significantly enhanced corrective advertising).

Corrective advertising by plaintiff. Courts may also take into account in their award of damages the cost to a plaintiff of running corrective advertising to mitigate confusion caused by the defendant and to restore the plaintiff to the position it would have been in had defendant not infringed. See*, e.g., Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 1375-76 (10th Cir. 1977) (following FTC practices, awarding plaintiff 25% of defendant's advertising budget, or $678,302, to cover the cost of plaintiff's corrective advertising).

D. Attorney's Fees

In *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967), the Supreme Court held that the Lanham Act did not provide for the award of attorney's fees to the

prevailing party. In 1975, Congress amended Lanham Act § 35(a), 15 U.S.C. 1117(a), by adding the sentence: "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

Up until the Supreme Court decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), the doctrine relating to what makes a trademark case "exceptional" for purposes of recovery of attorney's fees varied randomly across the circuits. *See Nightingale Home Healthcare, Inc. v. Anodyne Therapy, LLC*, 626 F.3d 958 (7th Cir. 2010) (Posner, J.) (reviewing the "jumble" of the circuits' tests for an award of attorney's fees); *Yankee Candle Co. v. Bridgewater Candle Co., LLC*, 140 F. Supp. 2d 111, 120 (D. Mass. 2001) (discussing the "rainbow of standards" among the circuits). The circuits generally required (i) bad faith by the defendant, (ii) willful infringement, or (iii) bad faith, vexatious, or "oppressive" litigation. *See Eagles, Ltd. v. American Eagle Foundation*, 356 F.3d 724, 728 (6th Cir. 2004) (defining "oppressive" litigation). Some circuits applied different evidentiary and substantive standards depending on whether the prevailing party was the plaintiff or the defendant. *See Nightingale Home Healthcare*, 626 F.3d at 961.

Octane Fitness has since begun to exert some discipline on the circuits' approaches. In *Octane Fitness*, the Supreme Court interpreted the meaning of the Patent Act's fee-shifting provision, 35 U.S.C. § 285, which is identical to Lanham Act § 35(a).[3] The effect of the Court's interpretation was to significantly relax the standard for fee-shifting in the patent context. In light of the identity of 35 U.S.C. § 285 and Lanham Act § 35(a), the circuits have begun to apply *Octane Fitness* in the trademark context as well. *See, e.g.*, *Derma Pen, LLC v. 4EverYoung Ltd.*, 999 F.3d 1240, 1246 (10th Cir. 2021); *Sleepy's LLC v. Select Comfort Wholesale Corp.*, 909 F.3d 519, 531 (2d Cir. 2018); *SunEarth, Inc. v. Sun Earth Solar Power Co.*, 839 F.3d 1179, 1181 (9th Cir. 2016); *Georgia–Pac. Consumer Prods. LP v. von Drehle Corp.*, 781 F.3d 710 (4th Cir. 2015), as amended (Apr. 15, 2015); *Slep–Tone Entm't Corp. v. Karaoke Kandy Store, Inc.*, 782 F.3d 313, 317–18 (6th Cir. 2015); *Fair Wind Sailing, Inc. v. Dempster*, 764 F.3d 303 (3d Cir. 2014).

Baker v. DeShong, 821 F.3d 620 (5th Cir. 2016), provides an example of the factors a court may consider to determine if the case before it is an "exceptional case" under Lanham Act § 35(a):

[3] The *Octane Fitness* standard is not itself especially clear. *See Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014) ("We hold, then, 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."). While *Octane Fitness* addressed whether a defendant could obtain attorney's fees for defending against a plaintiff's allegedly meritless claim, the case is understood in trademark law to apply to fee-shifting in either direction.

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

Id. at 625.

E. Counterfeiting Remedies

In essence, for the defendant's conduct to constitute counterfeiting, (1) the plaintiff's mark must be registered and in use at the time of the defendant's conduct, (2) the defendant's mark must be identical with or substantially indistinguishable from the plaintiff's mark, (3) the defendant must be using its mark in connection with goods or services for which the plaintiff's mark is registered, and (4) the defendant must be using its mark without authorization from the plaintiff. *See generally* Jessica Bromall Sparkman & Rod S. Berman, *Inconsistency and Confusion in the Judicial Treatment of Counterfeiting Claims*, 113 TRADEMARK REP. 553 (2023).

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

> (B) As used in this subsection the term "counterfeit mark" means–
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> (i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or
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> (ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 220506 of Title 36 {relating to Olympics designations};
>
> but such term does not include any mark or designation used on or in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

Lanham Act § 45, 15 U.S.C. § 1127, additionally provides a definition of "counterfeit": "A 'counterfeit' is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." The Lanham Act § 45 definition of "counterfeit" is largely subsumed under the Lanham Act § 34 definition of "counterfeit mark," but § 45 adds the

important detail that the similarity standard for purposes of determining counterfeiting is identity or near identity ("substantially indistinguishable from").

The remedies for counterfeiting are severe. They may consist primarily of (1) mandatory treble damages or, at the plaintiff's election, statutory damages, (2) ex parte seizure of the counterfeit goods, (3) attorney's fees, (4) prejudgment interest, and (5) civil destruction orders. The statutory provisions relating to treble damages and statutory damages appear in Lanham Act § 35(b) & (c), 15 U.S.C. § 1117(b) & (c):

> (b) Treble damages for use of counterfeit mark
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> In assessing damages under subsection (a) for any violation of section 1114(1)(a) of this title or section 220506 of Title 36, in a case involving use of a counterfeit mark or designation (as defined in section 1116(d) of this title), the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee, if the violation consists of
>
> (1) intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services; or
>
> (2) providing goods or services necessary to the commission of a violation specified in paragraph (1), with the intent that the recipient of the goods or services would put the goods or services to use in committing the violation.
>
> In such a case, the court may award prejudgment interest on such amount at an annual interest rate established under section 6621(a)(2) of Title 26, beginning on the date of the service of the claimant's pleadings setting forth the claim for such entry of judgment and ending on the date such entry is made, or for such shorter time as the court considers appropriate.
>
> (c) Statutory damages for use of counterfeit marks
>
> In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of–
>
> (1) not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

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

Note that Lanham Act § 35(b)(1) limits treble damages only to intentional counterfeiting. When would counterfeiting not be intentional? Retailers may not be aware that they are selling counterfeit goods. *See* 2 GILSON ON TRADEMARKS § 5. 19 (2019). *See also, e.g.*, *Lorillard Tobacco Co. v. J.J. Shell Food Mart, Inc*., 2005 U.S. Dist. LEXIS 26626 (N.D. Ill. 2005) (finding defendant retail store did not act willfully or with willful blindness under Lanham Act § 35(b)(1) in selling counterfeit cigarettes, and awarding a modest $7500 in damages).

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

F. Federal Criminal Penalties for Counterfeiting

In 1984, Congress made trademark counterfeiting a federal crime. Congress has enhanced criminal penalties for counterfeiting with amendments in 1996, 2006, and 2008. *See* MCCARTHY § 30:116. The criminal penalty regime is set forth in 18 U.S.C. § 2320. The first offense by an individual may result in a fine of not more than $2,000,000 and/or imprisonment of not more than 10 years (for corporations, which are unimprisonable persons, the fine may not exceed $5,000,000). *See, e.g.,* Dorothy Atkins, *5-Hour Energy Scheme Nets Husband 7 Years, Wife 2 Years*, Law360, June 20, 2017, https://www.law360.com/articles/936408/5-hour-energy-scheme-nets-husband-7-years-wife-2-years (reporting criminal sentencing of ring leaders behind massive scheme to sell counterfeit 5-HOUR ENERGY drinks). A second offense by an individual may result in a fine of not more than $5,000,000 (for corporation, $15,000,000) and imprisonment of not more than 20 years. Individuals whose counterfeiting conduct results in "serious bodily injury or death" face significantly enhanced penalties. "Whoever knowingly or recklessly causes or attempts to cause serious bodily injury" from counterfeiting conduct faces up to 20 years in prison. "Whoever knowingly or recklessly causes or attempts to cause death" from counterfeiting conduct faces up to life in prison. Finally, individuals who engage in counterfeiting of "military goods or services" and pharmaceuticals also face enhanced penalties—for a first offense, not more than 20 years in prison and a fine of not more than $15,000,000; for a second offense, not more than 30 years in prison and a fine of not more than $30,000,000.