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A Practical Overview of Damages in Trademark Infringement Cases

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Meet the Speakers

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Agenda

- Statutory Framework for Monetary Relief: The Lanham Act
- Actual Damages: Why They Are So Difficult To Obtain
- Disgorgement of the Defendant’s Profits
- Attorneys’ Fees: What Constitutes an Exceptional Case
- Strategic Considerations for Plaintiffs and Takeaways
- Conclusion and Q&A

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Statutory Framework: The Lanham Act

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Statutory Framework: The Lanham Act

15 U.S. Code § 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 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 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.

Statutory Framework: The Lanham Act

Purpose of Trademark Law & Why Injunctions Are the Primary Remedy

- Trademark law protects consumers by preventing confusion about source
- Courts prioritize stopping confusion, not compensating the trademark owner
- *Likelihood* of confusion is sufficient; *actual* confusion is not required
- Once shown, courts typically issue an **injunction** to address the harm
- Monetary relief is governed by a patchwork of common-law and equitable principles with limited statutory guidance, making outcomes unpredictable
- Courts require "something more" (willfulness, actual losses, unjust enrichment)
- These elements are often difficult to prove and/or quantify

Modelo v. Counterfeit Beer Distributor

Legitimate Products

Infringing Products

CB Brand Strategies, LLC et al v. Oz Trading Group, Inc., 7:24-cv-00379

Actual Damages

Actual Damages Awards

Typical Measures of Recovery

- Lost profits
- Loss of goodwill
- Reasonably royalty
- Cost of corrective advertising

15 U.S.C. § 1117(a):

"[T]he plaintiff shall be entitled, . . . 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."

Separate From, But Not Necessarily Instead Of, Infringer's Profits

- Double recovery is not permitted
  - Results when a competing plaintiff seeks lost profits and the infringer's profits
  - Where parties do not compete, defendant's profits may be granted under an unjust enrichment theory
- The principles of equity govern
  - Trial courts have wide discretion to adjust awards to compensate, not penalize

The Plaintiff's Burden

A plaintiff must prove causation and the amount of damages

- Actual damages need not be specifically contemplated, but must be "***reasonably foreseeable***"
  - *Jason Scott Collection, Inc. v. Trendily Furniture, LLC*, 68 F.4th 1203, 1220 (9th Cir. 2023):
    - Attempt to contour the "reasonably foreseeable" standard
    - "Damaged business relationships" caused by infringement were a reasonably foreseeable consequence
    - Allows recovery for even "future or speculative harms"
- Requires that some consumers were ***actually confused or deceived***
  - Can be shown through direct or circumstantial evidence
  - Circumstantial evidence includes consumer surveys, market analyses, and consideration of the nature of the defendant's misconduct
  - Courts will consider common sense and relevant facts

The Plaintiff's Burden (Cont.)

- Plaintiff's burden is higher when establishing liability and a likelihood of confusion.
  - Preponderance of the evidence standard
  - A fact-intensive inquiry for the jury
- Plaintiff's burden eases once it satisfies this threshold.
  - Taken from classic tort law principles
  - Uncertainty regarding the proper amount of damages is resolved against the infringer
    - *Broan Mfg. Co., Inc. v. Assoc. Distributors, Inc.*, 923 F.2d 1232, 1237 (6th Cir. 1991)
  - "Once the court establishes that damages are warranted, 'there need only be substantial evidence to permit the [trier of fact] to draw reasonable inferences and make a fair and reasonable assessment' as to the amount of damages."
    - *Jason Scott Collection, Inc. v. Trendily Furniture, LLC*, 68 F.4th 1203, 1222 (9th Cir. 2023)

Willful Infringement

Intent is Relevant, Not Required

- Deliberate infringement can significantly increase the damages recovered, as courts have wide discretion to treble damages.
- A lack of intent is not a shield to plaintiff’s recovery.
  - Even the innocent infringer should reimburse the injured plaintiff.

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Plaintiff's Lost Profits

What Plaintiff Would Have Made But For the Infringement

- Standard Calculations
  - Establishing a pre-infringement "base period" of plaintiff's profits to predict profits during infringement
  - Multiplying plaintiff's profit margin by number of sales by infringing competitor
- Plaintiff bears the burden on causation
  - Plaintiff must make a prima facie showing of reasonably forecast profits
  - Defendant then has the burden of proving that plaintiff's losses were caused by something other than defendant's wrongful conduct
- Plaintiff need not prove lost profits with certainty, but they must be more than speculative
- Direct Competitors
  - In some cases, courts use the profits of the directly competitive infringer as a proxy for plaintiff's lost profits
    - The theory is that every sale made by defendant would have been made by plaintiff but for defendant's precluding them from the market

Loss of Goodwill

- Plaintiffs may recover for all elements of injury to the business proximately caused by the infringer's misconduct, including intangible harm like reputational damage and loss of good will.
- Calculation/Variables
  - Expert analysis of reputational harm, market standing, etc.
  - Lost future profits calculation
  - Brand valuation analysis (before-and-after)
  - Corrective advertising to repair brand value
  - Reasonable royalty rate calculation
- Key: are the damages speculative?
  - *Nutradose Labs, LLC v. Bio Dose Pharma, LLC*, 710 F. Supp. 3d 1200 (S.D. Fla. 2024)
    - Plaintiff calculated lost goodwill as projected revenue based on a one-month pre-infringement sales period and multiplying by a weighted average gross profit margin x 18 months to repair goodwill
    - Court said Plaintiff's calculation had a basis in fact and Defendant failed to produce contrary evidence
    - "The rule which precludes the recovery of uncertain damages applies to such as are not the certain result of the wrong, *not to those damages which are definitely attributable to the wrong and only uncertain in respect of their amount.*"

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Reasonable Royalty

- No express Lanham Act provision, but recognized primarily in cases involving holdover licensees
- Methods of Calculation
  - If the parties had a prior license → look to the agreed-upon royalty rate
  - In the absence of a prior license → courts require a sufficiently reasonable basis for a fair royalty
    - Hypothetical Negotiation Framework (informed by *Georgia-Pacific* factors)
    - Expert opinion (comparable technologies, factual scenarios, etc.)
- Recently, SDNY excluded an expert opinion on reasonable royalty rates when there was no sufficiently reasonable basis on which to calculate a royalty
  - Defendant said they offered Plaintiff's goods when they didn't and never made any sales
  - *Makina Ve Kimya Endustrisi A.S. v. A.S.A.P. Logistics Ltd.*, 2024 WL 3638054 (S.D.N.Y. Aug. 2, 2024)

Corrective Advertising Costs

- *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365 (10th Cir. 1977)
  - Jury's Calculation:
    - Big O operated in 14/50 states (28%)
    - Goodyear spends approximately $10 million on the offending campaign
    - 28% of $10 million = $2.8 million
    - This was close to the FTC's guidance of 25% of the infringer's marketing budget used to infringe
  - The Appeals Court adjusted the award to $678,302
    - The Court took 28% of the cost of Goodyear's campaign and reduced it by 75% (per FTC guidance)
    - The Court reiterated that a dollar-for-dollar expenditure for corrective advertising is unnecessary to dispel the effects of confusing or misleading advertising
- Courts have followed and applied this rationale in other cases, with practical guardrails
- Actual expenditures on corrective advertising or the financial inability to do so are not prerequisites to recovery of corrective advertising damages
  - But actual expenditures reduce judicial guesswork
- Criticisms
  - Can grant a windfall, requires expert testimony, lacks a compensatory basis

Corrective Advertising Costs (Cont.)

Illustrative Cases

- **Corrective Advertising Damages Awarded:** *Lawn Managers, Inc. v. Progressive Lawn Managers, Inc.*, 959 F.3d 903 (8th Cir. 2020)
  - Ex-husband sued ex-wife for use of logo for competing lawn care business
  - District Court entered judgment for the plaintiff, entered an injunction, and awarded compensatory damages and corrective advertising damages
  - District Court awarded $71,346 for corrective advertising
    - Supported by expert testimony from economist
    - Cost of mailing a flyer to households in the zip codes the ex-wife advertised to
- **Corrective Advertising Damages Denied:** *Illinois Tool Works, Inc. v. Rust-Oleum Corp.*, 955 F.3d 512 (5th Cir. 2020)
  - Appeals Court vacated $925,617 corrective advertising award based on insufficient evidence
  - "[T]here was no evidence that the alleged reputational injury had any effect on Illinois Tool Works's bottom line."
  - Plaintiff "never even asserted that it plans to run corrective advertising" and "did not say what the advertising might consist of, offer a ballpark figure of what it might cost, or provide even a rough methodology for the jury to estimate the cost."
  - The Court said the jury's award was based on "pure speculation" because Plaintiff "did not show a loss for which it needs compensation"

Disgorgement of Defendant's Profits

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Rationales for Awarding Defendant's Profits

An accounting of profits is *not* automatic.

Courts generally recognize three rationales for awarding defendant's profits:

(1) as an approximate measure of plaintiff's damages;

(2) to prevent the infringer from being unjustly enriched; ***or***

(3) if necessary to deter a willful infringer from infringing again.

Proof of actual confusion or actual damage to the plaintiff is *not* required.

How do Courts Decide Whether to Award Profits?

Recovery of defendant's profits is "subject to the principles of equity…." 15 U.S.C. § 1117(a).

- Because it is an equitable remedy, there is no Seventh Amendment right to a jury trial on the amount of disgorged profits.
- Willfulness is not required, but the "defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate." *Romag Fasteners, Inc. v. Fossil, Inc.*, 590 U.S. 212, 219 (2020).
- Several circuits weigh 5-6 factors when determining whether to award defendant's profits:
  1) Whether the defendant intended to confuse or deceive (willfulness)
  2) Whether the defendant diverted sales from the plaintiff
  3) The adequacy of other remedies
  4) Any unreasonable delay by the plaintiff in asserting its rights
  5) The public interest in making the misconduct unprofitable
  6) Whether it is a case of "palming off"

Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998); *accord Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 174 (3d Cir. 2005); *Synergistic Int'l, LLC v. Korman*, 470 F.3d 162 (4th Cir. 2006); *La Quinta Corp. v. Heartland Props. LLC*, 603 F.3d 327, 343 (6th Cir. 2010).
See also 4 Pillar Dynasty LLC v. New York & Company, Inc., 933 F.3d 202, 214 (2d Cir. 2019) (5 factors: (1) the degree of certainty that the defendant benefited from the unlawful conduct; (2) the availability and adequacy of other remedies; (3) the role of a particular defendant in effectuating the infringement; (4) any delay by plaintiff; and (5) plaintiff's clean (or unclean) hands).

Each Party's Burden

"In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed." 15 U.S.C. § 1117(a).

- The Lanham Act simply requires the **plaintiff** to prove the defendant's sales.
  - However, some courts might require the plaintiff to prove some connection between the defendant's sales and the defendant's infringement.
    - *E.g.*, *Hetronic Int'l, Inc. v. Hetronic Germany GmbH*, 99 F.4th 1150, 1173 (10th Cir. 2024) ("[T]he plaintiff must show more than the defendant's gross revenues…. Above all, the plaintiff needs to 'show *some connection* between the identified "sales" and the alleged infringement.'").

- The burden then shifts to the **defendant** to prove (1) deductible costs/expenses and (2) what portion of its profits were *not* attributed to use of the infringing mark (known as "apportionment").
  - Typically involves expert testimony; can involve a purchaser motivation survey.

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Courts Have Discretion to Adjust the Amount Disgorged

"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." 15 U.S.C. § 1117(a).

- There is no upper limit, but increased profits cannot be so high as to constitute an improper punitive award.

↑ *Forest River, Inc. v. inTech Trailers, Inc.*, 2024 WL 4234739, *1 (N.D. Ind. 2024):
Jury awarded **$2 million** in disgorged profits even though the defendant's CFO testified the defendant's net profit from infringing sales was about $5.56 million. The court increased the award to **over $5.56 million**.

↓ *Dewberry Eng'rs, Inc. v. Dewberry Grp., Inc.*, No. 1:20-CV-00610, 2022 WL 1439826 (E.D. Va. Mar. 2, 2022), *aff'd,* 77 F.4th 265 (4th Cir. 2023), *vacated and remanded,* 604 U.S. 321 (2025):
Plaintiff requested disgorgement of **$53.7 million**—the full amount of the defendant's revenue, since the defendant failed to prove any costs or deductions. The court made a 20% equity-based reduction to account for revenue not attributed to infringement, resulting in a final award of nearly **$43 million**.

Important Considerations for Disgorgement

Disgorgement is Limited to Named Defendants

Dewberry Group, Inc. v. Dewberry Engineers Inc., 604 U.S. 321 (2025)

- An award of “defendant’s profits” under the Lanham Act reaches only the *named* defendant’s profits.
- A plaintiff cannot recover the profits of non-party affiliates to the defendant.

No Disgorgement of Defendant’s Purely Foreign Sales

Abitron Austria GmbH v. Hetronic Int’l, Inc., 600 U.S. 412 (2023) / *Hetronic Int’l, Inc. v. Hetronic Germanry, GMBH,* No. CIV-14-650-F (W.D. OK.)

- A jury awarded Hetronic about **$90 million** in disgorged profits for willful infringement.
- Supreme Court held the Lanham Act is not extraterritorial and applies only to a defendant’s domestic “use in commerce” of the mark (e.g., U.S. sales, U.S. advertising, U.S. distribution) that is likely to cause confusion.
- On remand, the Tenth Circuit held that Hetronic can recover only profits tied to Abitron’s *domestic infringing conduct*, not purely foreign sales to foreign customers.
- Willful infringement award reduced to **$261,842.44** on remand to the district court.
- The district court declined to treble the disgorgement amount.

Attorneys’ Fees and Costs

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Attorneys' Fees: Exceptional Cases

15 U.S.C. § 1117(a)

*"The court in **exceptional cases** <u>may</u> award **reasonable attorney fees** to the prevailing party."*

Supreme Court's *Octane Fitness* standard: a case is "exceptional" if it:

(a) "stands out" from others with respect to the **substantive strength** of a party's position, or

(b) involves an **unreasonable manner of litigation**

Factors Courts Commonly Consider:

- Frivolousness of claims or defenses
- Objective unreasonableness (factually or legally)
- Motivation of the parties
- Litigation misconduct
- Behavior that unreasonably prolonged litigation

Attorneys' Fees: Exceptional Cases

Examples

Bluegreen Vacations Unlimited, Inc. v. Timeshare Lawyers P.A. (S.D. Fla. 2024)

- A case is not "exceptional" simply because one side wins
- Throughout the litigation, the defendants advanced weak arguments and suffered repeated losses
- The court granted summary judgment for plaintiff on two affirmative defenses, finding the defenses unsupported and unsubstantiated
- The substantive weakness of defendants' position and the unreasonable manner in which they litigated made the case exceptional
- Over **$1.3 million** in fees awarded

H.I.S.C., Inc. v. Franmar International Importers, Ltd. (S.D. Cal. 2020), *aff'd*, 2021

- Defendant (mark owner) prevailed on its counterclaim
- Court found plaintiffs attempted to drive defendant out of business through abusive, anticompetitive conduct
- The parties had a longstanding business relationship, and plaintiffs used knowledge gained from that relationship to set up a competing enterprise
- Plaintiffs' motivation was not to litigate meritorious trademark claims, but to corner the market for the products at issue
- $134,000 in attorneys' fees awarded

Court Costs

Federal Rule of Civil Procedure 54(d) and Lanham Act 15 U.S.C. § 1117(a)

- Prevailing Party Standard
  - A party is the “prevailing party” if it obtains **some relief on the merits** and there is a **judicially sanctioned change** in the parties’ legal relationship (e.g., injunction without damages)
  - No showing of willfulness, fraud, or bad faith is required; awards are subject to the court's equitable discretion
- Examples of Recoverable Costs
  - Filing fees, service-of-process fees, court reporter and transcript fees, witness travel allowances, copy costs, and docket fees
  - Some courts also allow recovery of online legal research charges and ESI hosting/processing expenses
- Procedural Requirements
  - A bill of costs must include an affidavit confirming that the items are correct, necessarily incurred, and actually performed.
- Courts have broad discretion, and that discretion is reviewed for abuse only

Strategic Considerations for Plaintiffs and Takeaways

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Should You Seek Monetary Damages?

Key Questions for Plaintiffs

- Do you expect to have evidence of **actual marketplace harm**?
- Has the defendant made **meaningful infringing sales**?
- Is there likely to be evidence of **willful infringement** or "something more"?
- Is the defendant **financially able** to satisfy a judgment?

Practical Litigation Considerations

- Damages claims increase **time**, **cost**, and **complexity** of the case.
- Seeking monetary relief opens the door to **invasive financial discovery**.
- **Dueling damages experts** are common and expensive.
- Expect disputes about **deductible costs**, **apportionment**, and profit calculations.

Should You Seek Monetary Damages?

Additional Questions and Considerations to Discuss with the Business

- What are your **settlement goals**?
- Would **injunctive relief** be sufficient?
- Optics matter.
- Consider the risk of counterclaims or escalation.
- Do you want a **jury**?
- Possibility of a Rule 68 offer of judgment.
- If the mark is licensed, who is suffering actual damages?
- Who was unjustly enriched by the infringement?

Questions?

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