



PROGRAM MATERIALS
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Consequences of Trademark Infringement

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Consequences of Trademark Infringement

WHAT IS A TRADEMARK?

- A trademark includes any word, name, symbol, or other device used to identify and distinguish the goods/services of one seller or provider from those of others, and to indicate the source of the goods/services.
- In other words, it differentiates a company's products or services from other companies' products or services.

TRADEMARK: A WORD



TRADEMARK: A SHAPE



TRADEMARK: A SOUND



LANHAM ACT: 15 USC 1125

(a) CIVIL ACTION

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

TRADEMARK INFRINGEMENT

- Trademark infringement occurs when the use of a term, symbol, or other device is “likely to cause confusion.”
- Likely to cause confusion as to:
 - Origin (who made the product)
 - Sponsorship (another party sponsors the product)
 - Approval (another party approves of the product)
 - Affiliation/association (another party is otherwise affiliated or associated with the product)

LIKELIHOOD OF CONFUSION

- The key question: would a “reasonable consumer” be deceived?
- Eight factors (often called the “Polaroid factors”)
 1. the strength of the senior mark
 2. the similarity between the marks
 3. the allegedly infringing product’s competitive proximity to the senior product
 4. the likelihood that the senior mark owner will bridge the gap to enter the same market as the alleged infringer
 5. actual confusion on the part of purchasers
 6. the alleged infringer’s good faith
 7. the quality of the alleged infringer’s product
 8. the sophistication of the buyers in the relevant market

CEASE AND DESIST LETTERS

- When a trademark owner believes its trademark is being infringed by another, that owner often sends a letter to the infringing party demanding that it stop the activity.
- Should explain basis for trademark ownership
 - Registered? Secondary meaning?
- Should explain in detail the conduct that allegedly infringes
 - If it is online activity, attach screen shots of the web page(s), with date stamp
- Should explain basis for believing the conduct would cause a likelihood of confusion
 - Walk through the “Polaroid factors”

PLAINTIFFS: WHAT SHOULD YOU DO?

- The tone of a cease and desist letter should take into account the circumstances of the infringement
 - Brazen hijacker?
 - Competitor?
 - Customer?
- If the infringer is a party with whom you want to have a friendly relationship, consider using softer language and tone
- If not, consider using strong language and tone
- Strongest approach is attaching a fully drafted Complaint to the letter

DEFENDANTS: WHAT SHOULD YOU DO?

- Take it seriously
- Evaluate the legitimacy and strength of the claims
- Determine what is at stake
- Determine whether to push back on allegations, change conduct, or settle

DEFENSES TO INFRINGEMENT

- The mark is invalid/not protected
 - Does not necessarily need to be registered
 - Is the mark strong enough to warrant protection
- No likelihood of confusion
 - Different appearances
 - Different industries
 - Different geographic areas
- Laches
 - Trademark owner “sat on its rights”

DEFENSES TO INFRINGEMENT



- Fair Use – Lanham Act 1115(b)(4)
 - Need to use the trademark to describe legitimate services
 - EX: “We fix Rolex watches”
 - EX: Newspaper conducting survey about public opinions on popular band New Kids on the Block

REMEDIES FOR INFRINGEMENT: INJUNCTION

- Injunctive relief: When a court orders a party to do something or stop doing something.
- Injunctive relief may include an order to:
 - Stop using the trademark
 - Recall from distribution any materials bearing the trademark
 - Destroy all materials bearing the trademark
 - Cancel any trademark registration
- Courts have broad discretion to fashion relief
- Permanent injunction vs. preliminary injunction
 - Preliminary injunction may be used when there is an emergency risk of “irreparable harm”

REMEDIES FOR INFRINGEMENT: ACTUAL DAMAGES

- Monetary losses the plaintiff actually sustained as a result of the defendant's infringement.
- Typically requires evidence that consumers were actually confused by the infringing trademark and that the confusion caused the plaintiff an economic loss

REMEDIES FOR INFRINGEMENT: ACTUAL DAMAGES

- Typical types of economic loss:
 - Lost profits
 - Plaintiff must demonstrate that it would have received certain revenue but for the defendant's infringement.
- Loss of goodwill
 - Plaintiff compares the value of the trademark before and after the infringement to show that the value decreased.
- Corrective advertising
 - Costs incurred to correct confusion caused by the defendant's infringement.
 - Only recoverable if the plaintiff and defendant are direct competitors in the same market.

REMEDIES FOR INFRINGEMENT: ACTUAL DAMAGES

- Proved through:
 - Evidence of diverted sales
 - Consumer survey
 - Expert witness
 - Reasonable royalty
 - Measures damages based on the reasonable value of a trademark license fee the defendant should have paid the plaintiff instead of infringing
 - Some circuits require the parties to have had an existing licensing relationship; some circuits allow hypothetical negotiation on the date the infringement began
- Exercise caution before conducting a consumer survey. The results may be discoverable by opposing party, even if you end up not wanting to use them

REMEDIES FOR INFRINGEMENT: DISGORGEMENT OF PROFITS

- An accounting of the defendant's profits obtained as a result of the infringement (aka "disgorgement")
- Deprives the infringer of any improperly reaped benefits
- Plaintiffs: seek to show that a high percentage of the defendant's profits during the relevant time were gained because of the defendant's improper use of the infringing trademark
- Defendants: focus on only those specific profits, if any, that were directly attributable to its use of the trademark.
 - Undertake a rigorous analysis to identify all of the legitimate ways its business earns revenue unrelated to any infringing trademark, and exclude those revenues from the plaintiff's damages calculation.

REMEDIES FOR INFRINGEMENT: DISGORGEMENT OF PROFITS

- 15 U.S.C. 117(a): “In assessing profits the plaintiff shall be required to prove defendant’s sales only; defendant must prove all elements of cost or deduction claimed.”
- Once plaintiffs prove the amount of the defendant’s gross revenues attributable to infringing sales, the burden shifts to the defendant to demonstrate all costs that should be deducted from the plaintiff’s calculation to arrive at an accurate lost profit award.

REMEDIES FOR INFRINGEMENT: DISGORGEMENT OF PROFITS

- Until recently, the circuit courts were divided on whether disgorgement of profits required a plaintiff to show that the defendant willfully infringed.
- Willfulness = when defendant knew it was infringing or was willfully ignorant of potential infringement.
- *Romag Fasteners, Inc v. Fossil, Inc.*, 140 S. Ct. 1492 (2020)
 - The U.S. Supreme Court resolved the circuit split
 - Held that a plaintiff need not show that the infringement was willful to be entitled to disgorgement of the defendant's profits.

REMEDIES FOR INFRINGEMENT: ATTORNEYS' FEES & COSTS

- Attorneys' fees available in “exceptional cases”
- Available to any prevailing party (plaintiff or defendant)
- Lanham Act does not define what makes a case “exceptional”
 - Prevailing plaintiffs: when infringement is shown to be malicious, fraudulent, deliberate, or willful.
 - Prevailing defendants: when the plaintiff's conduct lacks merit, abuses the litigation process, or unnecessarily increases the costs of defending the lawsuit.
- The awarding of costs is discretionary
 - Includes costs such as filing fees, witness fees, and court reporter fees.

REMEDIES FOR INFRINGEMENT: DISCRETION

- Courts have very wide discretion in determining an appropriate award, and the text of the Lanham Act imposes few restrictions.
- If a court finds that the calculated amount of monetary recovery is either inadequate or excessive, it can modify the amount to a sum it finds to be “just” under the circumstances of the case. 15 U.S.C. § 1117(a).
- Restrictions:
 - The amount awarded must constitute a method for compensating the plaintiff rather than penalizing the defendant.
 - The court may only increase a damages award by up to three times the calculated amount of actual damages.

REMEDIES FOR INFRINGEMENT: TRIAL

- Implications of damages sought on jury trial
 - Legal remedies implicate seventh amendment right to a jury
 - Equitable remedies implicate no right to a jury
- Legal remedies
 - Actual damages
- Equitable remedies
 - Injunction
 - Disgorgement
- Strategy tip: Assess whether bifurcation would be in your advantage
 - Federal Rule 42(b): Court may bifurcate issues “[f]or convenience, to avoid prejudice, or to expedite and economize”

AVOIDING TRADEMARK INFRINGEMENT

- An easy way to avoid infringing anyone's trademark is by performing a search with the U.S. Patent & Trademark Office.
- Trademark Electronic Search System ("TESS")
- <https://www.uspto.gov/trademarks-application-process/search-trademark-database>



Any
Questions?