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The 8th Circuit Clarifies its Position on Trademark Damages, Highlighting Fractures Among the Federal Circuits on Monetary Damages

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In *Masters v. UHS of Del. Inc.*, Appeal No. 09-3543 (8th Cir. January 6, 2011) ("*Masters*"), in contrast to at least one other appellate circuit, the Eighth Circuit held that actual confusion is *not* a prerequisite to an award of monetary damages under the Lanham Act.

Masters involved alleged trademark infringement, unfair competition, and breach of contract based on the defendant's use of the unregistered service mark, "MASTERS AND JOHNSON" outside the scope of a license agreement. Plaintiff Masters granted defendant UHS a license to use the mark for services it offered to treat sexual dysfunction and sexual trauma in accordance with Master's methodology. However, in addition to branding the agreed services with the mark, UHS used the mark for many years to promote treatment programs for eating disorders, chemical dependency, and other addiction disorders. UHS also used the mark to promote various treatment methods ranging from yoga to expressive dance to t'ai chi. Plaintiff Masters claimed that UHS exceeded the scope of the license agreement by using the mark to promote activities unrelated to the established MASTERS and JOHNSON methodology. A jury returned a verdict in favor of plaintiff Masters, finding that UHS had willfully infringed the mark and breached the license agreement. When asked to determine the amount of damages suffered by plaintiff Masters, the jury found "None." Nevertheless, the jury awarded the plaintiff \$2.4 million in disgorged profits from the defendant's sale of services outside the scope of the agreement. The Eastern District of Missouri upheld the verdict.

On appeal, the defendant challenged the monetary award levied against it by arguing, *inter alia*, that actual consumer confusion is required for an award of monetary damages under the Lanham Act, and that the record did not include any evidence of actual confusion. The Eighth Circuit rejected UHS's argument and affirmed.

In rejecting the defendant's argument, the court carefully examined Eighth Circuit precedent to reach the conclusion that actual confusion is *not* required for monetary recovery under the Lanham Act. The result is somewhat surprising given the court's acknowledgement that "[o]ur cases interpreting the Lanham Act state that actual confusion is a prerequisite of monetary damages..." Nevertheless, upon close examination, the court found that "[n]either the relevant statutes nor our previous case law dictates that we require actual confusion to support the jury's award in this case." Rather, the court found that the cases arguably requiring actual confusion were decided on other grounds or involved different fact patterns.

The court explained that the facts in *Masters* exemplify how an actual confusion requirement for monetary recovery under the Lanham Act would be problematic. In a typical trademark case, a plaintiff alleges that the defendant has used a mark that is the same or confusingly similar to its own. This type of allegation lends itself to direct proof of actual confusion through testimony and/or survey evidence. In *Masters*, the comparison between the use of the mark by the trademark owner and alleged infringer consisted of whether the use was within the scope of a license agreement between non-competitors. It would have been difficult for Masters to provide the court with extrinsic proof of consumer confusion because the relevant inquiry is whether UHS complied with a license agreement as opposed to whether its use of the mark was confusingly similar.

In the end, the court held that actual confusion is not required for a monetary damages award.

This decision adds to the fractured landscape already present in the federal appellate circuits regarding the proof necessary for monetary recovery under the Lanham Act. See 5 Thomas J. McCarthy, *McCarthy on Trademarks and Unfair Competition*, §30:63 (4th ed. 2010) (stating that the Sixth, Seventh, and Ninth Circuits do not require proof of actual confusion whereas the Fifth Circuit

requires such a showing). Indeed, in addition to the actual confusion issue, the Eighth Circuit noted another split in the circuits as to whether willful conduct is necessary for a monetary damages award. While noting the split, the Eighth Circuit did not resolve the latter issue in the *Masters* case since the jury had in fact found willful infringement.

The Second Circuit appears to straddle the line, requiring actual confusion or willful deception for monetary recovery under the Lanham Act. See *WE Media v. Cablevision Systems Corp.*, 94 Fed. Appx. 29, 33 (2d Cir 2004) (affirming dismissal of plaintiff's claims for monetary relief under the Lanham Act because plaintiff failed to submit sufficient evidence to establish actual consumer confusion or intentional deception); *Krasnyi v. Oktyabr, Inc. v. Royal Sweet Bakery, Inc.*, No. cv-05-3021, 2007 WL 2815808, at *5 (E.D.N.Y. Sept. 25, 2007) ("In order for plaintiff to receive an award of damages it must establish either "actual consumer confusion...or that the defendant's actions were intentionally deceptive thus giving rise to a rebuttable presumption of customer confusion."); *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998) (same).

Given these apparent splits in the circuits, the issue of what is required to obtain an award of money damages under the Lanham Act may be ripe for Supreme Court review.

Conclusion

While the *Masters* decision that actual confusion is not required for an award of damages provides some clarity within that Eighth Circuit, the result adds to the already muddied landscape among the federal appellate courts. The decision is important for those deciding where to bring a trademark infringement lawsuit, but the lack of uniformity among the circuits may be fodder for a petition for *certiorari*.

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