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Dunner Law PLLC

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Trademark Remedies

When the owner of intellectual property learns that its intellectual property rights have been violated and evaluates whether to enforce its rights, the owner must consider the various remedies available to it, both in court and out of court. While an out of court settlement may be less costly than a lawsuit and potentially reap a beneficial monetary settlement amount, there are in-court remedies that one cannot get out of court. In this issue of *Dicta*, the first of three addressing remedies, we address federal civil trademark remedies.

Trademark infringement occurs when one party uses a trademark that is confusingly similar to that of another party for related goods or services and such use is likely to cause consumer confusion as to the source or sponsorship of those goods or services. When a wronged party seeks to enforce its rights against an infringer, that party can choose to either enforce its rights in or out of court. Due to the high cost of litigation, many parties choose to explore an out of court resolution—typically in the form of a settlement agreement. However, pursuing an action in court provides the wronged party with certain remedies it otherwise would not have available to it out of court. Seeking such remedies may pay off, but they are not guaranteed, and the burden of proof may be high in some cases.¹

Injunctive Relief

The most common remedy for trademark infringement is injunctive relief. Injunctions are court orders commanding that the infringer immediately cease its unlawful activities. Injunctions address future conduct rather than past actions. In general, injunctions are granted upon a showing that the wronged party suffered an

irreparable injury and that there is no remedy at law (e.g. money damages) that can fully compensate the wronged party for the injury suffered. In the trademark context, injunctions protect the exclusivity of trademark rights because they typically order the infringer to stop using a trademark that it was not entitled to use. Injunctions are the preferred remedy in trademark cases because monetary damages can be speculative when trademark violations occur.

Although proof of irreparable harm is necessary before an injunction will be granted, it is presumed if the wronged party proves likelihood of confusion between its trademark and the trademark used by the infringer. The court also has the discretion to order the infringer to take affirmative measures to help dispel confusion, such as corrective advertising or publication of a disclaimer to prevent any perception of a connection with the legitimate trademark owner.

Monetary Relief

There are a variety of monetary awards that a wronged party can seek to recover in a trademark lawsuit including actual damages, the costs of the action, the infringer's profits, and in some cases, attorneys' fees. Each is addressed below.

Actual Damages

The purpose of awarding actual damages to the wronged party is to restore the trademark owner back to where the owner would have been prior to the act of infringement. Actual damages are measured by any direct injury the wronged party can prove that resulted from the infringement (e.g. lost profits the wronged party would have earned but for the infringement). The court has the discretion to award up

to three times the actual damages as the situation may warrant.

Infringer's Profits

The purpose of awarding infringer's profits is to deprive the infringer of profits that exceed the wronged party's own losses and profits and that resulted from the infringing activities. The wronged party needs to prove the infringer's gross sales attributable to the infringing activities (sales from non-infringing activities cannot be considered) and then it is up to the infringer to reduce that amount based on overhead and expense deductions. The court has the discretion to increase or decrease the award as may be just.

Costs of the Lawsuit / Attorneys' Fees

The costs of the lawsuit include all of the court-related filing fees, but do not necessarily include attorneys' fees. Attorneys' fees are reserved for "exceptional" cases such as acts of willful infringement – where the infringer knowingly infringed – and only reasonable attorneys' fees will be awarded (the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate). The party seeking attorneys' fees has the burden of proving that its request is reasonable.

Special Case: Remedies Involving Counterfeit Trademarks

The remedies available in lawsuits involving counterfeit trademarks are more severe than those discussed above, but the caveat is that the wronged party's trademark must be registered with the PTO prior to the act(s) of counterfeiting. A wronged party can be granted an injunction, but the monetary remedies available in a counterfeit case far exceed what is available for regular trademark infringement. In a counterfeiting case, the wronged party can seek either actual damages or the infringer's profits, whichever is greater, and the court will award three times that amount and grant reasonable attorneys' fees on top of that.

An enticing alternative is to elect statutory damages. Statutory damages are set by Congress and currently allow for recovery in the amount of \$1,000 to \$200,000 per counterfeit trademark per type of goods or

services sold, offered for sale, or distributed. If the court finds that the use of the counterfeit mark was willful, then the statutory award can be as high as \$2,000,000 per instance.

In addition to the above, the court may order that the counterfeit goods be seized and destroyed.

Conclusion

While in-court remedies appear enticing, a potential plaintiff needs to be aware of litigation costs and the burdens of proof required in court to ultimately win a case and be granted the remedies it seeks. Similarly, in out of court settlement, the wronged party needs to be aware that the potential back-and-forth between attorneys for both parties can get costly with no certainty of an agreed upon remedy. Seeking remedies in or out of court has pros and cons that need to be weighed on a case-by-case basis.

Endnotes

1. A federal registration makes it easier to obtain the remedies sought, because the registration provides an automatic right to sue in federal court, is prima facie evidence of the validity of the registered mark and the wronged party's ownership of the mark, and, if the trademark owner uses the ® symbol, such notice helps in obtaining damages for willful infringement.
2. Federal law defines counterfeit trademark infringement as the intentional use in commerce of a counterfeit of a federally registered trademark in connection with the sale, offering for sale, or distribution of goods or services with knowledge that the trademark is counterfeit.

The purpose of awarding infringer's profits is to deprive the infringer of profits that exceed the wronged party's own losses and profits and that resulted from the infringing activities.
