Despite the 65-year history of the Lanham Act and the thousands of cases interpreting it, the law on monetary relief for violations is surprisingly unsettled. Even when courts permit trademark owners to recover damages, the circuits differ on what a trademark owner must prove to obtain them.

This raises some basic questions: When are courts likely to award money damages? Does a trademark owner have to prove an actual injury to obtain a monetary recovery? Does a judge or jury decide whether damages are awarded?

This article outlines recovering damages for trademark infringement plaintiffs, with a focus on seventh circuit rulings. After describing the distinct categories of monetary damages for trademark plaintiffs, the article discusses the monetary damages available to victims of trademark counterfeiting and whether monetary damages are tried to a judge or jury. Not unex-


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pectedly, prevailing trademark owners are most likely to receive money damages when they prove either actual confusion, unjust enrichment by the infringer, or the use and/or sale of a counterfeit trademark.

**Overview of monetary remedies**

The Lanham Act provides trademark owners five different types of monetary relief as compensation for infringement: (1) an accounting of an infringer’s profits (i.e., money the infringer made from the infringement), (2) the actual damages the trademark owner sustained (e.g., money diverted from the owner to the infringer), (3) a reasonable royalty representing a measure of the trademark owner’s damages, (4) attorney’s fees in exceptional cases, and (5) costs.2

A prevailing trademark plaintiff is not automatically entitled to a monetary recovery. In fact, as noted above, money damages are rarely awarded. Those who win them typically prove either customer confusion resulting in actual economic loss or that the infringer was unjustly enriched. In either case, damages are compensatory, not punitive.3

**An accounting of an infringer’s profits**

The Lanham Act authorizes a trademark owner to recover an infringer’s profits resulting from its violation of the Act, subject only to the principles of equity.4 An accounting compensates the trademark owner for its losses while also depriving the infringer of any improperly reaped benefits.5

**Proving confusion, willfulness.** Because the purpose of an accounting is to make trademark infringement unprofitable to redress the infringer’s actions, a trademark owner may obtain an accounting without proof of either actual customer confusion or an economic loss. Profits may be awarded based on unjust enrichment, deterrence, and compensation, even if the trademark owner’s actual losses were less than the infringer’s profits.6

Moreover, a finding of bad faith or willfulness may be unnecessary to recover an infringer’s profits. Although the majority of courts hold otherwise, the seventh circuit permits a trademark owner to recover an infringer’s profits without establishing willfulness.7

**Proving the infringer’s sales.** A trademark owner is entitled to recover an infringer’s profits attributable to the infringement.8 In calculating profits, however, the trademark owner is only required to prove the infringer’s sales.9

In WMS Gaming Inc. v. WPC Prod. Ltd., the seventh circuit held that a trademark owner may prove an infringer’s sales by simply establishing proof of the infringer’s gross revenues.10 Proof of sales does not need to be mathematically precise. Indeed, courts shift the burden to infringers and require them to prove any deductions from their established sales.

**The infringer must prove deductions.** Once a trademark owner establishes the infringer’s sales, it is entitled to an award based on them unless the infringer can prove appropriate deductions and show which portion of the profit is not attributable to the infringing use.11

In WMS, although the evidence established that the defendant also earned revenue from gaming products that did not infringe WMS’s marks, WMS had no duty to segregate the defendant’s legitimate revenues from those derived through its infringement.12

The infringer bears the burden of apportionment because it is in the best position to prove its own deductions.13 Deductions may only include variable costs such as labor, raw materials and other costs associated with the production of infringing goods.14 Fixed costs, taxes, and excessive expenses are not deductible.15

If it is impossible to isolate the profits attributable to an infringer’s use of an infringing mark, then the court must rely on evidence of sales, regardless of the “windfall to the trade-mark owner.”16

In WMS, the defendant submitted no evidence of deductions, leaving the court with only evidence of the defendant’s considerable sales data that established it earned hundreds of millions of dollars.17 The court remanded the case to the district court for further proceedings that would likely provide WMS with an award considerably larger than its actual damages.

**Recovering actual damages requires proof of actual confusion**

Unlike the evidence required to establish an accounting of profits, a trademark owner must prove that actual customer confusion caused an economic loss to recover damages.20 A trademark owner may prove customer confusion with evidence of diversion of sales or by presenting survey results establishing actual customer confusion with the mark’s true owner.21

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3. Id. (monetary relief awarded consistent with the principles of equity).
4. Port, supra note 1, at 622 (noting only 5.3% of all Lanham Act cases decided between 1947 and 2005 obtained any damages at all).
8. BASF Corp. v. Old World Trading Co., Inc., 41 F.3d 1081, 1096 (7th Cir. 1994); Web Printing, 906 F.2d at 1201-1206; Roulo, 886 F.2d at 941.
9. Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 961 (7th Cir. 1992); Roulo, 886 F.2d at 941; Louis Vuitton, S.A. v. Lee, 875 F.2d 584, 589 (7th Cir. 1989).
10. Compare Roulo, 886 F.2d at 941 (willfulness and bad faith are only factors in deciding whether to award profits), with, e.g., Bishop v. Equinox Int’l Corp., 154 F.3d 1220, 1223 (10th Cir. 1998) (“[A]n award of profits requires a showing that defendant’s actions were willful or in bad faith.”).
In certain circumstances, however, a trademark owner may recover actual damages without proof of customer confusion. Regardless of whether proof of customer confusion is necessary, a trademark owner must establish that it suffered an actual loss. To do so, it must demonstrate a loss of sales or profits, a loss of goodwill, or the cost of corrective advertising.

**Damages without proof of customer confusion.** In an exception to the rule, the seventh circuit permits a trademark owner to recover money damages without evidence of customer confusion if, as a result of an infringer’s deception, customers cannot verify the validity of the mark.

In *Zelinski v. Columbia 300, Inc.*, the trademark owner and infringer were bowling ball manufacturers. The *Zelinski* court found there was no reason to believe that the average customer would have been aware that the infringer’s bowling balls were not the trademark owner’s products. The court found that no amount of inspection would have revealed that the infringer, and not the trademark owner, manufactured the balls, and thus proof of actual confusion was unnecessary.

**Damages for lost profits or goodwill.** Once a trademark owner establishes that it suffered damages, it must demonstrate a reasonable basis for computing them. The most common way is by establishing lost profits or loss of goodwill.

Lost profits consist of the revenue the trademark owner would have earned but for the infringer’s actions, less the expenses that would have been incurred to earn those revenues.

In determining loss of goodwill, the fact-finder must compare the value of the trademark owner’s goodwill before and after infringement. Trademarks are valuable because the public associates certain qualities with the mark, such as reliability and durability.

**Damages for corrective advertising.** Trademark owners may also recover for the costs of corrective advertising that do not exceed the value of the mark. Corrective advertising seeks to counteract public confusion resulting from trademark infringement and is focused on future expenses.

Awards for prospective corrective advertising have been criticized as arbitrary and inefficient. The seventh circuit has opined that an award of corrective advertising should be limited to cases where the trademark owner shows not only that it was injured by confusion, but also that the “repair of the old trademark, rather than adoption of a new one, is the least expensive way to proceed.”

Corrective advertising is only available where the trademark owner proves that it competes with the infringer in the same market. Otherwise, it is considered a windfall or punitive.

**A reasonable royalty as an alternative measure of damages**

A trademark owner may recover a reasonable royalty as an alternative measure of damages that represents its actual loss or the infringer’s unjust enrichment. A royalty is a measure of compensation for past infringement based on the reasonable value of a trademark license that the infringer should have paid.

The reasonable royalty theory is generally limited to situations where the parties had an existing licensing relationship. However, in *Sands, Taylor & Wood v. Quaker Oats Co.*, the seventh circuit suggested that a hypothetical royalty calculation should be the starting point for damages in a case where the parties had no licensing relationship. In *Sands*, the court found that the plaintiff’s request for a $24 million award resulting from an accounting of profits was inequitable and would be “a windfall to the plaintiff” and that a reasonable royalty analysis would more accurately reflect the extent of the infringer’s unjust enrichment and the interest of the trademark owner.

If there is no established royalty for the mark, courts base the reasonable royalty on a “hypothetical negotiation” between a willing trademark owner and a willing licensee as of the date that the infringement began. A reasonable royalty rate is generally calculated using the so-called Georgia-Pacific factors to determine how much a reasonable licensee would have been willing to pay the owner for the use of the trademarks. These factors are the nature and scope of a licensee’s use, special value to the infringer, the amount a reasonable licensee would have been willing to pay for the use of the trademarks, profitability of infringing use, lack of viable alternatives, and the opinions of experts. Courts err on the high side in calculating a reasonable royalty to discourage infringement.

**Attorney fees for prevailing parties**

The final sentence of section 1117(a) provides that a “court in exceptional cases may award reasonable attorney fees to the prevailing party.” The statute does not define an “exceptional” case. The seventh circuit holds that an exceptional case is one involving some measure of culpability by the losing party. Another test is whether the conduct of the party from which payment of attorney fees is sought had been “oppressive.”

The Lanham Act is silent about treating the prevailing party differently depending on whether aPrevailing party. *Sands II*, 34 F.3d at 1344-45.

Id.

Id. at 344-45.

Id.

Id.

Id. at 335 F.3d at 640.

Id.

See also *Zelinski*, 335 F.3d at 640.


30. See BASF, 41 F.3d at 1092; Borg-Warner Corp. v. York-Shipley, Inc., 293 F.2d 88, 95 (7th Cir. 1961).


33. See *Zelinski*, 335 F.3d at 640.


37. Id.


39. *Sands I*, 34 F.3d at 1351.


41. See *e.g.*, *RASF*, 41 F.3d at 1099.

42. *Door Sys., Inc. v. Pro-Line Door Sys., Inc.*, 126 F.3d 1028, 1031 (7th Cir. 1997).
pending on its status as plaintiff or defendant. The seventh circuit, however, employs slightly different standards to determine whether a case is exceptional for a prevailing plaintiff versus a prevailing defendant.44

A prevailing plaintiff may recover its attorneys’ fees. A case is exceptional for a prevailing plaintiff based upon the circumstances surrounding the defendant’s infringement actions and the defendant’s conduct. An exceptional case is one where the acts of infringement can be characterized as malicious, fraudulent, deliberate, or willful.45 Courts seem to have heightened the requirement for an exceptional case by stating that it involves “truly egregious, purposeful infringement, or other purposeful wrongdoing.”46

Exceptional cases are not limited only to those in which the prevailing plaintiff shows willful infringement by the defendant. The seventh circuit has also recognized that wrongdoing beyond culpable infringement may justify declaring a case exceptional and awarding fees to a prevailing plaintiff.47 A defendant’s conduct is considered oppressive based on its willful infringement of the plaintiff’s trademark and its “vexatious litigation conduct.”48 i.e., the defendant lacked a solid justification for its defense or caused the plaintiff unreasonable expense in bringing suit.49

A prevailing defendant may also recover attorneys’ fees. A defendant may be awarded its attorneys’ fees if the plaintiff’s litigation conduct was “oppressive.”49 i.e., if it lacks merit, has elements of an abuse of process claim, and unnecessarily increases the cost of defending against the suit.50

A prevailing trademark owner may recover its costs

Section 35(a) of the Lanham Act provides that when a trademark owner establishes a violation, “the plaintiff shall be entitled...subject to the principles of equity, to recover...costs of the action.”51 The awarding of costs is discretionary. A court may only award costs described in 28 U.S.C. section 1920, such as filing fees, witness fees, and court reporter fees, not attorneys’ fees.52

Increased money damages for counterfeiting victims

Victims of counterfeiting may recover special monetary remedies pursuant to section 35(b) of the Lanham Act. In counterfeiting cases, the court must award attorneys’ fees and treble the prevailing trademark owner’s actual damages or the infringer’s profits, whichever amount is greater, absent extenuating circumstances.53

Statutory damages. A trademark owner may choose to recover an award of statutory damages, rather than actual damages and profits, for any use of a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services.54 Courts may award statutory damages in addition to compensatory damages in counterfeit cases, as long as the award is not for the same violation.55

No evidence of actual damages required. The statutory minimum and maximum damages for non-willful infringement are $1,000 and $200,000 for each counterfeit mark, and for each type of goods or services sold. Additionally, a court may award up to $2 million for each counterfeit mark if the infringement was committed willfully.56

Although a plaintiff can pursue statutory damages without proving actual damages, courts do not have to follow any rigid formula and have wide discretion in deciding the amount of an award.57 Courts look to an analogous provision of the Copyright Act, 17 U.S.C. section 504(c), for guidance to determine the standard for awarding statutory damages for willful infringement of the Lanham Act.58 In computing the statutory damages award, a court may consider factors such as “the difficulty or impossibility of proving actual damages, the circumstances of the infringement, and the efficacy of the damages as a deterrent.”59 When the infringement is willful, courts also consider statutory damages an appropriate means to “penalize the infringer and deter future violations.”60

Attorney fees. Courts must award a trademark owner attorney fees if an infringer intentionally uses or sells a trademark knowing that it is a counterfeit, barring “extenuating circumstances.”61 A trademark owner may also recover attorney fees that result from a defendant’s willful blindness, absent extenuating circumstances.62 If, however, an infringer is liable only because it had reason to know the products it was selling were counterfeits, the court will only award attorney fees if it finds that the circumstances were exceptional.63 An “exceptional case” is one in which the acts of infringement are “malicious, fraudulent, deliberate or willful.”64

Treble damages for intentionally using a counterfeit mark. The Lanham Act requires courts to treble either damages or an infringer’s profits—which is greater—as a penalty for an infringer’s knowing and willful sale of counterfeit merchandise.65 Courts also award treble damages for an infringer’s willful blindness to selling counterfeit products.

Jury trials for an accounting of profits

Trademark infringement claims that seek actual damages can be tried to a jury.66 Claims seeking costs and attorneys’ fees, witness fees, and court reporter fees, are recoverable in 28 U.S.C. section 1920, such as filing fees, witness fees, and court reporter fees, but are not attorneys’ fees.54

45. Compare, BASF, 41 F.3d at 1099 (finding defendant’s conduct exceptional in awarding attorneys’ fees to plaintiff) with S Indus., Inc. v. Centro 2000, Inc., 249 F.3d 645, 627 (7th Cir. 2001) (finding plaintiff’s conduct exceptional in awarding attorneys’ fees to defendant).
46. See e.g., BASF, 41 F.3d at 1099.
47. Badger Meter, 13 F.3d at 1159.
49. Id.
50. Door Sys., 126 F.3d at 1031–32.
51. S Indus., 249 F.3d at 627.
52. Central Mfg., Inc. v. Brett, 492 F.3d 876 (7th Cir. 2007) (finding attorney fee award to prevailing defendant warranted in trademark infringement action in which court found no commercial use by plaintiff and no infringement; plaintiff filed action without evidence of any sales to support its claim, ignored requests to produce documents to support its claim, and offered confused and misleading deposition testimony featuring unfilled promises of cooperation); see also Door Sys., 126 F.3d at 1031.
57. 15 U.S.C §§ 1117(d); Gabbanelli Accordions & Imports, L.L.C. v. Gabbanelli, 575 F.3d 693, 698 (7th Cir. 2009).
60. See, e.g., Lorillard Tobacco, 2004 WL 2534378 at *3; Tony Jones Apparel, 2005 WL 1667789, *8; Microsoft Corp. v. V3 Solutions, Inc., 2003 WL 22038593 at *14 (N.D. Ill).
61. 930 F.2d 1030, 1031 (7th Cir. 1991).
62. 392 F.3d 248, 261–63 (7th Cir. 2004).
64. See Hard Rock Café Licensing Corp. v. Concessions Serv., Inc., 955 F.2d 1143, 1151 (7th Cir. 1992).
65. Id. at 1151.
66. BASF, 41 F.3d at 1099.
ney's fees are equitable and are tried to
the bench. Whether a trademark in-
fringement plaintiff has the right to a
jury when it seeks an accounting of prof-
ts is less clear.

The determination of whether an ac-
counting of profits is equitable or legal
relief turns on the facts present in each
case. An accounting of profits is often
considered an equitable remedy that
does not provide a trademark plaintiff
the right to a jury trial.

However, there may be a right to a
jury in cases where a claim for a trade-
mark infringer’s profits is more analo-
gous to a suit at law for damages than
a claim in equity for restitution. A de-
mard for an accounting only requires
equitable jurisdiction when there are
mutual accounts, the accounts are too
complicated for a jury to resolve, or
when a fiduciary relationship exists be-
tween the parties.

Courts typically award accounting
of profits as a remedy for unjust enrich-
ment or as restitution. Those claims can
be considered both legal and equitable
remedies for which the U.S. Supreme
Court has permitted juries. Accord-
ingly, an accounting of profits can be
considered an action at law that prop-
erly gives rise to a jury demand.

Conclusion

Trademark infringement plaintiffs
need to know that, in addition to equita-
brable relief, several distinct monetary rem-
edies may also be available. Although
the odds of obtaining monetary recovery
are usually long, damages are available
if there is proof of actual confusion, un-
just enrichment by the infringer, or the
use or sale of a counterfeit trademark.
Moreover, these claims may be tried to
a jury if the plaintiff can establish that
the claims are more likely legal and not
equitable in nature. These are powerful
tools for trademark plaintiffs and their
lawyers.

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69. Empresa Cubana Del Tabaco v. Cadbro Corp.
    and General Cigar Co., Inc., 123 F. Supp. 2d 203, 211
    (S.D.N.Y. 2000).
70. See e.g. SPSS, Inc. v. Nie, 2009 WL 2579232, 3
    (N.D. Ill.).
    65792, at *7 (N.D. Ill).
72. Medtronic, Inc. v. Intermedics, Inc., 725 F.2d 440,
    443 (7th Cir. 1984).
73. See e.g., Dairy Queen, 369 U.S. at 477.