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The Infringement-Plus-Equity Model: A Better Way to Award Monetary Relief in Trademark Cases

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THE INFRINGEMENT-PLUS-EQUITY MODEL: A BETTER WAY TO AWARD MONETARY RELIEF IN TRADEMARK CASES

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TABLE OF CONTENTS

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I. INTRODUCTION

There is a conflict between the text of the Lanham Act and how courts interpret the Lanham Act. The Lanham Act states that once the plaintiff proves infringement, "the plaintiff shall be entitled, . . . 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."[1] Several courts, however, interpret the phrase "subject to the principles of equity" as imposing two requirements before the plaintiff can recover monetary relief: the plaintiff must prove actual confusion (i.e., that people were actually confused by defendant's use of the plaintiff's mark), and/or willfulness (i.e., that defendant's infringement was willful). While the courts are split on this issue, many courts impose either one or both of these requirements. The result is that if a case does not fit neatly into the boundaries of either requirement, the plaintiff is denied monetary relief without a full consideration of the equities.

This Article is not alone in arguing that many courts have misinterpreted the Lanham Act by creating the requirements of actual confusion and willfulness. The courts themselves are split on this question, with several circuits arguing against any such requirements.[2] While there is little academic commentary on this issue, several commentators argue against such requirements.[3] The Supreme Court has been asked to step in,[4] but it denied a petition for certiorari that would have squarely addressed the circuit split.[5]

The purpose of this Article is not to rehash the arguments that it is error to impose requirements of actual confusion or willfulness before a court awards monetary relief. These arguments are surely correct and are supported by the statute and sound policy. The problem with these arguments, however, is that stating that we should abolish these requirements begs the question—if there were no specific requirements for awarding monetary relief, in what circumstances *should* courts award monetary relief? This Article seeks to fill that void, and thus

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[1] 15 U.S.C. § 1117(a) (2000).

[2] *See infra* notes 36–37, 57 and accompanying text.

[3] *See generally, e.g.*, Danielle Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 SANTA CLARA L. REV. 863 (2002); Keith M. Stolte, *Remedying Judicial Limitations on Trademark Remedies: An Accounting of Profits Should Not Require a Finding of Bad Faith*, 87 TRADEMARK REP. 271 (1997) [hereinafter *An Accounting of Profits*]; Keith M. Stolte, *Remedying Judicial Limitations on Trademark Remedies: Monetary Relief Should Not Require Proof of Actual Confusion*, 75 DENV. U. L. REV. 229 (1997) [hereinafter *Monetary Relief*].

[4] Petition for Writ of Certiorari, Contessa Premium Foods, Inc. v. Berdex Seafood, Inc., 126 S. Ct. 472 (2005) (No. 04-1693).

[5] Contessa Premium Foods, Inc. v. Berdex Seafood, Inc., 126 S. Ct. 472 (2005).

advance the arguments for abolition of the current model, by proposing a new model called the Infringement-Plus-Equity Model.

The Infringement-Plus-Equity Model states that the plaintiff must prove (1) infringement *plus* (2) some equitable reason why it is entitled to monetary relief. Like the Lanham Act's "subject to the principles of equity," the Infringement-Plus-Equity Model leaves "some equitable reason" undefined and broad because the problem with the current model is that any requirement—actual confusion, willfulness, or anything else—is too confining. Instead, the Infringement-Plus-Equity Model realizes that there are an infinite variety of circumstances that, based on the equities, may warrant monetary relief. As a result, the Infringement-Plus-Equity Model comprises an extensive, open-ended list of factors that courts can consider when deciding whether to award monetary relief.[6] Under the Infringement-Plus-Equity Model, courts can still use actual confusion and willfulness as sufficient equitable reasons to award monetary relief. These doctrines have, after all, developed over the centuries for valid reasons, and they are important. They just should not be the only two available. The Infringement-Plus-Equity Model thus advances equity by permitting the plaintiff to argue any equitable reasons that fit the plaintiff's circumstance.

This Article argues in favor of the Infringement-Plus-Equity Model with six Parts. Part II describes the monetary relief provision of the Lanham Act. Part III describes how many courts have bypassed the text of this provision by imposing the requirements of actual confusion and/or willfulness before a plaintiff is eligible for monetary relief. Part IV argues that imposing any requirement before a plaintiff is eligible for monetary relief is problematic for three reasons: (1) neither the history of the Lanham Act nor the history of trademark caselaw supports any such requirements; (2) the rationales courts advance in favor of the current model fail, upon closer scrutiny, to justify requirements of actual confusion or willfulness; and (3) the current model has caused jurisprudential problems as courts try to temper its harshness. Part V advances the Infringement-Plus-Equity Model, explaining how it solves the problems of the current model while being more fair to litigants. This Part also includes three examples to explain how the Infringement-Plus-Equity Model will work in practice. Part VI concludes that courts should replace the current model with the Infringement-Plus-Equity Model.

[6] *See infra* Part V.A (describing the different factors that courts can use when deciding whether to award monetary relief).

II. THE MONETARY RELIEF PROVISION OF THE LANHAM ACT

The text of the Lanham Act creates a two-step process for awarding monetary relief in cases of trademark infringement and violations under Section 43(a).[7] First, the plaintiff must prove infringement.[8] This is generally accomplished by satisfying a multifactor test that determines whether there is a "likelihood of confusion" between the plaintiff's mark and the defendant's allegedly infringing mark.[9] Each circuit has its own multifactor test, although there is substantial overlap between them.[10] This multifactor test applies to many forms of trademark infringement, including common-law trademark infringement,[11] infringement of a federally registered trademark,[12] and violations under § 43(a).[13]

Second, and after the plaintiff proves infringement by satisfying the applicable circuit's likelihood-of-confusion test, the Lanham Act permits the plaintiff to recover both injunctive and monetary relief.[14] But neither form of relief is automatic upon proof of infringement. Instead, both injunctive and monetary relief are available "subject to the principles of equity."[15] In other words, the plaintiff must satisfy both the likelihood-of-confusion test and the principles of equity to qualify for monetary or injunctive relief. The Lanham Act grants courts the power to award monetary relief in § 1117(a), which reads in full:

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[7] 15 U.S.C. § 1125 (2000).

[8] *Id.*

[9] 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:1 (4th ed. 2006).

[10] *See, e.g.*, Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1527 (4th Cir. 1984) (establishing a seven-factor test); AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348–49 (9th Cir. 1979) (establishing an eight-factor test); *In re* E.I. DuPont DeNemours & Co., 476 F.2d 1357, 1361 (C.C.P.A. 1973) (establishing a thirteen-factor test); *see generally* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581 (2006) (describing Professor's Beebe's empirical results regarding each circuit's likelihood-of-confusion test).

[11] 4 MCCARTHY, *supra* note 15, § 23:1.

[12] 15 U.S.C. § 1116(a) (2000).

[13] 15 U.S.C. § 1125(a) (2000); U-Haul Int'l, Inc. v. Jartran, Inc., 793 F.2d 1034, 1042 (9th Cir. 1986) (holding that the remedies available under § 1117(a) apply to unfair competition claims as well as trademark infringement claims under § 1125(a)); *see also* New West Corp. v. NYM Co. of Cal., 595 F.2d 1194, 1201 (9th Cir. 1979) ("[U]nder the Lanham Act [Section 43(a)] the ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks. Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical—is there a 'likelihood of confusion?' " (citations omitted)).

[14] 15 U.S.C. § 1117(a) (2000).

[15] *Id.*; *see also* 15 U.S.C. § 1116(a) (2000) (giving courts the power to grant injunctions "according to the principles of equity"); 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:89 (4th ed. 2006) ("[T]he federal courts have held that § 35 of the Lanham Act does not mean that a successful plaintiff is entitled in all cases to a monetary award in addition to injunctive relief.").

> 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), (c), 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.[16]

As § 1117(a) makes clear, the Lanham Act establishes four types of monetary remedies: (1) defendant's profits, (2) plaintiff's damages, (3) costs, and (4) attorneys' fees.[17] This Article focuses on the first two remedies because there are separate rules and statutes that determine when and how a plaintiff can recover its costs,[18] and because § 1117(a) expressly provides that recovery of attorneys' fees are only available in "exceptional cases."[19]

Injunctions are the ordinary and presumptive remedy for trademark infringement.[20] The leading commentator on trademark law describes the reason

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[16] 15 U.S.C. § 1117(a) (emphasis added).

[17] *Id.*

[18] *See* 28 U.S.C. § 1921 (2000) (listing costs that a U.S. Marshal may collect as fees); 28 U.S.C. § 1920 (2000) (listing costs that may be taxed); FED. R. CIV. P. 54(d) (listing costs other than attorneys' fees).

[19] For a discussion about what types of cases qualify for attorneys' fees, see Lara A. Holzman et al., *What Makes a Case "Exceptional"?: Awarding Attorney Fees in Trademark Litigation*, N.Y. ST. B.A. J., Mar./Apr. 2006, at 34.

[20] SIEGRUN D. KANE, TRADEMARK LAW: A PRACTITIONER'S GUIDE § 17:1 (4th ed. 2006) ("Injunctive relief is the traditional remedy for trademark infringement, although in some cases

why injunctions follow as a matter of course after a plaintiff establishes likelihood of confusion: "If an injunction were denied, the court would be telling plaintiff to sit by and watch defendant continue to violate the law and infringe upon plaintiff's rights until such time as plaintiff decided to sue again for money damages as compensation for the past injury incurred."[21] Thus, in a typical case of trademark infringement, an injunction will satisfy the equities and there will be no need for monetary recovery.

Unlike injunctions, however, monetary relief does not follow as a matter of course after a finding of infringement.[22] If a plaintiff is entitled to monetary relief, the two main types of relief available are the defendant's profits and the plaintiff's damages.[23] Profits and damages are two sides of the same harm: the defendant's profits represent the ill-gotten profits of the infringer, and the plaintiff's damages represent the injury suffered as a result of the infringement.[24] The reasons for both types of monetary relief are historical and practical. Historically, before the merger of law and equity, a plaintiff could allege trademark infringement at law for damages or at equity for an injunction.[25] But to avoid the need for separate actions, courts of equity often awarded monetary relief in addition to an injunction.[26] As a practical matter, the tenuous, market-based gains of trademark infringement are difficult to establish with the requisite degree of certainty necessary for legal damages, which makes an accounting of profits a convenient surrogate for the damages that a plaintiff suffered.[27]

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monetary relief will also be awarded."); *see, e.g.*, Century 21 Real Estate Corp. v. Sandlin, 846 F.2d 1175, 1180 (9th Cir. 1988) (describing injunctions as the "remedy of choice").

[21] 5 MCCARTHY, *supra* note 15, § 30:2 (footnote omitted).

[22] KANE, *supra* note 20, § 17:3 ("Monetary relief is by no means routinely awarded in trademark infringement actions. Under the Lanham Act, monetary relief, that is, profits, damages, and costs, will be awarded 'subject to the principles of equity.' "); *see, e.g.*, Quick Techs., Inc. v. Sage Group PLC, 313 F.3d 338, 349 (5th Cir. 2002) ("Section 1117(a) remedies are awarded 'subject to the principles of equity.' Thus, an award of the defendant's profits is not automatic.").

[23] 15 U.S.C. § 1117(a) (2000).

[24] RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. a (1995) (describing damages as "the loss suffered by the plaintiff," and an accounting of profits as "the defendant's gain rather than the plaintiff's loss").

[25] *Id.* § 36 cmt. b (chronicling the history of the damage remedy).

[26] *Id.*

[27] *See infra* note 51 and accompanying text; *see also* William G. Barber, *Recovery of Profits Under the Lanham Act: Are the District Courts Doing Their Job?*, 82 TRADEMARK REP. 141, 141 n.3 (1992) ("Although a more precise measure of damages for such diverted sales would be the profit the plaintiff would have made on those sales, for the sake of simplicity courts often award the defendant's profits as a surrogate measure of the plaintiff's damages."); Merchant Media, LLC v. H.S.M. Int'l, No. 05 Civ. 2817, 2006 WL 3479022, at *12 (S.D.N.Y. Nov. 30, 2006) ("[I]n the current evidentiary vacuum, there is no basis to award plaintiffs any damages under the Lanham Act."). But this surrogate is more convenient than accurate, especially when the litigants do not compete and

There is considerable confusion among the courts about the what and how of monetary recovery—what is the difference between profits and damages and how much money can the plaintiff recover?[28] For purposes of this Article, however, I need not delve into this confusion because I discuss the predicate, foundational question of whether the plaintiff is entitled to *any* monetary recovery. That is, I focus solely on what the plaintiff must (and should) do to recover any monetary award, not the secondary questions of what that monetary recovery would comprise.

III. COURTS HAVE INTERPRETED THE LANHAM ACT AS IMPOSING REQUIREMENTS OF ACTUAL CONFUSION AND WILLFULNESS

The previous Part described how the Lanham Act establishes a two-step process for awarding monetary relief: the plaintiff must first prove infringement by satisfying its circuit's likelihood-of-confusion test, and the court must then decide whether to award monetary relief "subject to the principles of equity."[29] Unfortunately, some courts have diverged from this process by circumscribing the universe of "the principles of equity" to a few limited fact patterns. This Part describes the two main court-imposed requirements: actual confusion and willfulness.

A. THE REQUIREMENT OF ACTUAL CONFUSION

Actual confusion is a slippery concept. To begin with, what qualifies as actual confusion, and what constitutes competent evidence of actual confusion, varies from court to court.[30] This Article, however, does not discuss these vagaries

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thus there is little correlation between a sale by defendant and a sale by the plaintiff. Indeed, there are several problems with viewing profits as a surrogate, such as different profit margins and cost structures that make a profit-to-damage correlation imperfect. One commentator described the problem of how, assuming the infringer enters the market with a typically downward-facing demand curve, it is likely that the infringer will sell more than the plaintiff would, rendering the correlation flawed. Dennis S. Corgill, *Measuring the Gains of Trademark Infringement*, 65 FORDHAM L. REV. 1909, 1920 (1997).

[28] *E.g.*, William L. Anthony, Jr. & Stephen N. Adams, *Proving Damages in Patent, Trademark, and Copyright Cases*, 717 PLI/PAT. 7, 33–34 (2002) ("[I]t is frequently difficult to maintain a clear distinction between recovery based on the defendant's profits and that based on the plaintiff's damages."); Michael Anthony Arciero, *Trademark Infringement and Plaintiff's Damages: Lanham Act § 35(a)*, 12 J. CONTEMP. LEGAL ISSUES 320, 320 (2001) (describing how courts confuse and conflate damages and profits and how "this phraseology does not account for the difference in the policies underlying each of these distinct remedies").

[29] *See supra* Part II.

[30] For a discussion about what constitutes actual confusion, see generally Mark D. Robins, *Actual*

because it instead focuses on whether there is, and should be, any requirement of actual confusion before a plaintiff can recover a monetary award. Therefore, this Article uses the phrase "actual confusion" broadly to mean any type of actual confusion that courts require before awarding monetary relief.

Another reason why actual confusion is a slippery concept is that it occurs in two contexts in trademark litigation—one of which is appropriate and the other is a subject of this Article. The first and appropriate context is that actual confusion is one factor among many in each circuit's multifactor test of trademark infringement. As described above in Part II, each circuit has its own multifactor test for determining whether a defendant's mark is likely to cause confusion with a plaintiff's mark.[31] And while all courts agree that actual confusion is not required for a finding of likelihood of confusion,[32] actual confusion is often called the "best evidence of likelihood of confusion"[33] because it provides tangible instances of confusion that substantiates the amorphous "likelihood of confusion" standard.[34]

Actual confusion also comes up in a second, improper context in which some courts require a plaintiff to surmount the obstacle of proving actual confusion before the plaintiff is eligible for monetary relief. In essence, courts that require evidence of actual confusion before awarding monetary relief are double-counting such evidence (i.e., once to determine liability and once to determine damages). The courts are split on the propriety of requiring actual confusion before they award monetary relief.[35] Several circuits hold that evidence of actual confusion is not necessary for a recovery of profits[36] or damages.[37] Others take the opposite

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Confusion in Trademark Infringement Litigation: Restraining Subjectivity Through a Factor-Based Approach to Valuing Evidence, 2 NW. J. TECH. & INTELL. PROP. 117 (2004); Michael J. Allen, *The Role of Actual Confusion Evidence in Trademark Infringement Litigation*, 83 TRADEMARK REP. 267 (1993).

[31] *See supra* note 10 and accompanying text.

[32] *See* 4 MCCARTHY, *supra* note 15, § 23:12 (collecting cases from each circuit for the proposition that "the plaintiff is not required to prove any instances of actual confusion" in order to prove infringement).

[33] Exxon Corp. v. Tex. Motor Exch. of Houston, Inc., 628 F.2d 500, 506 (5th Cir. 1980).

[34] *E.g.*, Hubbard Feeds, Inc. v. Animal Feed Supplement, Inc., 182 F.3d 598, 602–03 (8th Cir. 1999); Tools USA & Equip. Co. v. Champ Frame Straightening Equip., Inc., 87 F.3d 654, 660 (4th Cir. 1996); *Exxon Corp.*, 628 F.2d at 506.

[35] *E.g.*, James M. Koelemay, Jr., *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 TRADEMARK REP. 263, 263 (1995) (stating that several questions divide the courts, including whether bad faith, actual confusion, and actual injury are required for an accounting of profits or an award of damages).

[36] *E.g.*, Gracie v. Gracie, 217 F.3d 1060, 1068 (9th Cir. 2000) ("While *actual* confusion may be relevant as evidence of the *likelihood* of confusion (which *is* required for an award of profits under § 1114), under our precedents a showing of actual confusion is not necessary to obtain a recovery of profits."); Burger King Corp. v. Mason, 169 F.2d 779, 781 (11th Cir. 1988) ("[T]he law in this Circuit is well settled that a plaintiff need not demonstrate actual damage to obtain an award

view, holding that evidence of actual confusion is a prerequisite for any recovery of profits[38] or damages.[39]

But perhaps the dominant view is that actual confusion is necessary to recover damages, but not an accounting of profits.[40] An example of this view is the Second Circuit's decision in *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*[41] The plaintiff, the International Star Class Yacht Racing Association (ISCYRA), is a nonprofit corporation that owns the rights to design certain sailboats.[42] ISCYRA uses a five-pointed star as its insignia; one version of this star is red, which is placed alongside the words "STAR CLASS."[43] Tommy Hilfiger, a popular clothing designer, sold garments bearing the words "STAR CLASS" with a five-pointed red star.[44] The district court discussed actual confusion as part of its analysis of whether there was any likelihood of confusion.[45] The only source of actual confusion was one ISCYRA member who

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reflecting an infringer's profits under § 35 of the Lanham Act, 15 U.S.C.A. § 1117.").

[37] *E.g.*, Choice Hotels Int'l, Inc. v. Pennave Assocs., 43 Fed. Appx. 517, 519 (3d Cir. 2002) (holding, based on "the text of the statute itself," that the Lanham Act "does not require the actual confusion be proved for an award of damages"); Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1126 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992) (rejecting the argument that "a monetary award requires evidence of actual confusion").

[38] *E.g.*, MICHAEL A. EPSTEIN, EPSTEIN ON INTELLECTUAL PROPERTY § 7.03[C] (5th ed. 2006) ("To recover profits, a plaintiff must bear the burden of proving that it has been damaged by *actual* confusion or deception as a result of the defendant's infringement . . . .").

[39] *E.g.*, Zelinski v. Columbia 300, Inc., 335 F.3d 633, 639 (7th Cir. 2003) ("To recover damages, [the plaintiff] must show that the violation caused actual confusion among his customers and, as a result, he suffered actual injury."); Res. Developers, Inc. v. Statue of Liberty-Ellis Island Found., 926 F.2d 134, 139 (2d Cir. 1991) ("When a plaintiff seeks money damages in either a product infringement case or a false advertising case asserted under section 43(a), the plaintiff must introduce evidence of actual consumer confusion."); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. i (1995) ("[T]he recovery of damages ordinarily requires proof that some customers have actually been confused or deceived.").

[40] *E.g.*, Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc., 80 F.3d 749, 753 (2d Cir. 1996) (stating that actual confusion is required for money damages, but to recover profits, the plaintiff must only show bad faith); Web Printing Controls Co. v. Oxy-Dry Corp., 906 F.2d 1202, 1205 (7th Cir. 1990) (stating that actual confusion is "essential to a recovery of damages," but that a plaintiff can recover profits without actual confusion based on other factors, such as willfulness or under a deterrence rationale); Teaching Co. Ltd. P'ship v. Unapix Entm't, Inc., 87 F. Supp. 2d 567, 588–89 (E.D. Va. 2000) ("[T]o recover monetary damages, a plaintiff must prove actual confusion; however, to recover a monetary award of the defendant's profits, a plaintiff need not prove actual confusion.").

[41] 80 F.3d 749 (2d Cir. 1996).

[42] *Id.* at 751.

[43] *Id.*

[44] *Id.*

[45] Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger U.S.A., Inc., No. 94 Civ. 2663, 1995 WL 241875, *10–12 (S.D.N.Y. Apr. 26, 1995).

saw the Tommy Hilfiger goods and asked the ISCYRA if there was a royalty agreement for Tommy Hilfiger's use.[46] The district court held that this was "de minimus" and thus did not support a likelihood of confusion.[47] The district court then fully imported this conclusion into its discussion of damages, holding that "[b]ecause the evidence of actual confusion was 'de minimis' in this case, [ISCYRA] has not met the requirements for an award of monetary damages."[48] The Second Circuit affirmed the district court's decision on damages, reasoning that because ISCYRA did not prove actual confusion, it is not entitled to damages.[49]

The principal reason that courts advance to justify the requirement of actual confusion is that actual confusion is evidence of actual injury, and actual injury is required for any award of damages. In trademark infringement cases, a plaintiff only recovers its actual damages, which, as with all torts, a plaintiff must prove with reasonable certainty.[50] But actual damages are hard to establish because market-based harm is difficult to quantify given the multiplicity of factors that affect whether companies succeed in the marketplace.[51] Because of this difficulty, courts reason that actual confusion is either the only evidence that is sufficient to establish actual injury, or that actual confusion is the best surrogate for proof of actual injury because evidence that consumers were actually confused shows that the plaintiff was actually injured.[52] In other words, without tangible instances of

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[46] *Id.* at *12.

[47] *Id.*

[48] *Id.* at *13. *But see Zelinski*, 335 F.3d at 639 (holding that if two people were possibly confused, this is enough to constitute actual confusion).

[49] *Int'l Star Class Yacht Racing Ass'n*, 80 F.3d at 753.

[50] *See* Badger Meter, Inc. v. Grinnell Corp., 13 F.3d 1145, 1157 (7th Cir. 1994) ("Items alleged as either unjust enrichment to the defendant or damages suffered by the plaintiff must, of course, have been caused by the infringement itself; in addition the amount must be provable, although some uncertainty in making this calculation is allowed."); Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1407 (9th Cir. 1993) (noting that the plaintiff must establish its damages from trademark infringement "with reasonable certainty"); 5 MCCARTHY, *supra* note 15, § 30:72 (stating that "actual damage in trademark law is "measured by the tort standard under which the infringer-tortfeasor is liable for all injuries caused to plaintiff by the wrongful act"); TERRANCE P. ROSS, INTELLECTUAL PROPERTY LAW: DAMAGES AND REMEDIES § 4:03[1] (2006) ("[D]amages that are too speculative or too remote from the infringement are not recoverable."). Indeed, to be actionable, the Lanham Act requires the use of a mark "which . . . is likely to *cause* confusion." 15 U.S.C. § 1125(a)(l) (2000) (emphasis added).

[51] *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. b (1995) ("In a competitive market, proof of loss resulting from the wrongful conduct of a particular competitor is often difficult. The plaintiff's sales are subject to a variety of forces, including business cycles, shifts in consumer demand, and the legitimate marketing strategies of competitors.").

[52] Stolte, *Monetary Relief*, *supra* note 3, at 240–41 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. i (1995)).

actual confusion, courts doubt the plaintiff has suffered any actual injury that deserves monetary relief.

B. THE REQUIREMENT OF WILLFULNESS

Like actual confusion, willfulness is a slippery concept, principally because "willfulness" means different things to different courts. Depending on the court, "willfulness" covers a range of mental states from mere knowledge to bad faith to fraud.[53] I need not discuss these different interpretations because this Article focuses on willfulness as a prerequisite to monetary relief. Accordingly, this Article defines willfulness as any mental state that courts require before awarding monetary relief.[54]

Courts are divided on whether to require willfulness before a plaintiff is eligible for monetary relief. As one commentator noted, this division has "resulted in a schizophrenic view of the remedy of an accounting of profits."[55] Several circuits hold that evidence of bad faith or willfulness is required for a recovery of profits.[56] Others hold that evidence of bad faith or willfulness is not required for a recovery of profits.[57] Still others have adopted their own complex

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[53] *See* Koelemay, *supra* note 35, at 268–69 (citing several examples of inconsistent usage); Stolte, *An Accounting of Profits*, *supra* note 3, at 276–77 ("[T]he parameters of what constitutes bad faith or willful infringement has never been sufficiently defined by the courts.").

[54] Another reason why willfulness is a difficult concept is that, like actual confusion, willfulness (called intent) is part of each circuit's multifactor likelihood-of-confusion test described in Part II. As a result, courts that require willfulness before awarding monetary relief are double-counting evidence of willfulness.

[55] Conway-Jones, *supra* note 3, at 864.

[56] *See* W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc., 427 F.3d 1269, 1273 (10th Cir. 2005) (recognizing the split of authority, but holding nonetheless that "we require a showing that Defendant's actions were willful to support an award of profits under 15 U.S.C. § 1117(a)"); Elizabeth L. Plitzuweit, *Supreme Court Denies Certiorari in* Contessa*: Courts Remain Split in Determining Standard for Awarding Profits in Trademark Infringement Cases*, INTELL. PROP. L. NEWSL., Winter 2006, at 5 (2006) (listing which circuits require a finding of willful infringement in order to award an accounting of profits and which circuits do not); *see also* George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1534 (2d Cir. 1992) (holding "that in order to justify an award of profits, a plaintiff must establish that the defendant engaged in willful deception"); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 cmt. e (1995) ("The better view limits an accounting of profits to acts intended to create confusion or to deceive prospective purchasers."). *But see W. Diversified Servs., Inc.*, 427 F.3d at 1273 ("Even with a finding of willfulness, a court may still exercise its discretion to reduce or even eliminate a profit award in the name of fashioning an equitable remedy to meet the needs of each case.").

[57] *E.g.*, Synergistic Int'l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006) ("[A]lthough willfulness is a proper and important factor in an assessment of whether to make a damages award, it is not an essential predicate thereto."); Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 171 (3d Cir. 2005) (reversing its previous precedent and holding "that willfulness is an important equitable factor

rules.[58] There was some hope that the Supreme Court would resolve this circuit split in response to a petition for certiorari on the question of "[w]hether willfulness is a prerequisite for an award of profits for violations of Section 43(a)."[59] But the Supreme Court denied that petition without comment.[60]

The leading case holding that a plaintiff must prove willfulness before an award of profits is the Second Circuit's *George Basch Co. v. Blue Coral, Inc.*[61] In that

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but not a prerequisite to such an award"); Quick Techs., Inc. v. Sage Group PLC, 313 F.3d 338, 349 (5th Cir. 2002) ("In accordance with our previous decisions, and in light of the plain language of § 1117(a), however, we decline to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits."); Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989) ("Other than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer wilfully infringe the trade dress to justify an award of profits.").

[58] *See* Aktiebolaget Electrolux v. Armatron Int'l, Inc., 999 F.2d 1, 5 (1st Cir. 1993) (adopting the following four-part rule: "1) a plaintiff seeking damages must prove actual harm, such as the diversion of sales to the defendant; 2) a plaintiff seeking an accounting of defendant's profits must show that the products directly compete, such that defendant's profits would have gone to plaintiff if there was no violation; 3) the general rule of direct competition is loosened if the defendant acted fraudulently or palmed off inferior goods, such that actual harm is presumed; and 4) where defendant's inequitable conduct warrants bypassing the usual rule of actual harm, damages may be assessed on an unjust enrichment or deterrence theory"); Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1406 (9th Cir. 1993) (permitting an accounting of profits without proof of willfulness, but only if the companies compete); Merchant Media, LLC v. H.S.M. Int'l, No. 05 Civ. 2817, 2006 WL 3479022, at *11 (S.D.N.Y. Nov. 30, 2006) ("To be awarded profits under the Lanham Act, plaintiffs must show that an infringer acted with willful deception, in addition to showing (1) the defendant's unjust enrichment; (2) the plaintiff's damages from the infringement; or (3) that an accounting for profits is necessary to deter future willful infringement.").

[59] *See supra* note 4 and accompanying text. The Ninth Circuit has an unusual position on whether an accounting of profits requires a finding of willfulness. In *Lindy Pen Co.*, the court permitted an accounting of profits without willfulness because there was a sufficient deterrence rationale—namely, the litigants were competitors. 982 F.2d at 1406. But in the opinion that led to the petition for certiorari, the Ninth Circuit denied a "request for disgorgement of profits because of an absence of any evidence supporting a reasonable inference that any of the Defendants willfully infringed [Contessa Food Products'] alleged trademark." Contessa Food Prod. Inc. v. Lockpur Fish Processing Co., 123 Fed. Appx. 747, 751 (9th Cir. 2005).

[60] *See supra* note 5 and accompanying text.

[61] 968 F.2d 1532 (2d Cir. 1992). The plaintiff filed a petition for certiorari on the following question:

> Whether Section 35(a) of the Lanham Act which provides that a plaintiff who has established trade dress infringement shall be entitled 'subject to the principles of equity, to recover (1) defendant's profits,' requires that a plaintiff must also establish that a defendant acted with willful deception in committing the trade dress infringement in order to recover such profits.

Petition for Writ of Certiorari, George Basch Co. v. Blue Coral, Inc., 506 U.S. 991 (1992) (No. 92-530). The Supreme Court, however, denied that Petition. George Basch Co. v. Blue Coral, Inc., 506 U.S. 991 (1992).

case, the plaintiff sued the defendants based on the similarity of the two companies' packaging of their respective products.[62] The district court held that the plaintiff could not recover damages because, among other things, the plaintiff had no evidence that the defendant intended to deceive the public.[63] The district court nonetheless allowed the case to go to trial and eventually permitted an award of profits.[64] The Second Circuit reversed, holding that while § 1117(a) "vests the district court with some decree of discretion[,] . . . that discretion must operate within legally defined parameters."[65] The Second Circuit proceeded to cabin this discretion by examining three theories of remedies for trademark infringement and concluding that "under any theory, a finding of defendant's willful deceptiveness is a prerequisite for awarding profits."[66] Specifically, the Second Circuit reasoned that an award of the defendant's profits (1) is a substitute measure of the plaintiff's profits, but this is only fair if the defendant acted in bad faith; (2) deprives the defendant of its unjust enrichment, but enrichment is only unjust if there is a presumption that willfulness creates consumer confusion; and (3) deters infringers by creating an economic disincentive to infringe another trademark, but this disincentive only applies to willful actors.[67] Based on these theories, the Second Circuit concluded that willfulness is a requirement for an award of profits[68] and thus the district court erred in awarding profits without proof of willfulness.[69]

The principal reason that courts advance to justify their requirement of willfulness is the courts' fear of creating a windfall for the plaintiff.[70] Courts have this fear because a defendant earns profits from several actions, only some of which involve the infringing mark.[71] To award the plaintiff the entirety of the defendants' profits, therefore, is to risk overcompensating the plaintiff for its losses when only some of those losses are attributable to the infringement.[72]

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[62] *George Basch Co.*, 968 F.2d at 1534.

[63] *Id.* at 1535.

[64] *Id.*

[65] *Id.* at 1537.

[66] *Id.*

[67] *Id.* at 1537–39.

[68] *Id.*

[69] *Id.* at 1541.

[70] *Id.* at 1540 ("So as to limit what may be an undue windfall to the plaintiff, and prevent the potentially inequitable treatment of an 'innocent' or 'good faith' infringer, most courts require proof of intentional misconduct before allowing a plaintiff to recover the defendant's profits."); *see, e.g.*, RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 cmt. e (1995) ("An award of the defendant's profits creates a potential windfall to the plaintiff and a potential penalty to the defendant.").

[71] *See, e.g.*, *id.* § 37 cmt. d ("The defendant bears the burden of establishing which, if any, of the total sales are not attributable to the misconduct.").

[72] *See, e.g.*, *id.* ("An accounting awards only profits on sales that are attributable to the defendant's

Accordingly, courts will only take this risk if they are satisfied that the infringer acted willfully, reasoning that if the defendant is a bad actor, there is less concern about overcompensating the plaintiff because the defendant should bear the burden of any uncertainties springing from its willful infringement.[73]

IV. THE CURRENT MODEL, WITH ITS REQUIREMENTS OF ACTUAL CONFUSION AND WILLFULNESS, CREATES SEVERAL PROBLEMS

The previous two Parts were descriptive: Part II describes the structure and content of monetary relief under the Lanham Act, and Part III describes how courts interpret the Lanham Act as requiring the plaintiff to prove actual confusion or willfulness or both before that plaintiff is eligible for monetary relief. This Part is evaluative, arguing against any such requirements by demonstrating how they are contrary to law and policy. Specifically, this Part advances three reasons why the current model is flawed. First, neither the history nor text of the Lanham Act requires either actual confusion or willfulness before a successful plaintiff is entitled to monetary relief. Second, and contrary to those arguments advanced by certain courts, the rationales behind the current model do not support either requirement. Third, the current model has caused jurisprudential problems.

A. NEITHER THE HISTORY NOR TEXT OF THE LANHAM ACT SUPPORTS THE CURRENT MODEL

Nothing about the Lanham Act's history or text requires the plaintiff to prove actual confusion or willfulness before it is eligible for monetary relief. It is thus unsurprising that courts do not focus on the history and text of the Lanham Act when explaining their requirements of actual confusion or willfulness.[74] Courts instead usually cite the rule in their circuit and then apply that rule.[75] If the court gives any justification for that rule at all, it is almost always based on several policies that I debunk in the next subpart. Unlike the courts, therefore, I begin

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wrongful conduct.").

[73] *Id.* § 36 cmt. j (stating that courts may presume that "a defendant who intends to divert sales from the plaintiff through an infringement or misrepresentation is likely to have succeeded").

[74] Stolte, *An Accounting of Profits*, *supra* note 3, at 272 ("Indeed, most courts which have adopted these unwritten limitations to the statutory remedies have done so on the strength of prior court decisions and the Restatement and not on a thorough review of these limitations in the context of the Lanham Act itself or on an examination of the Act's legislative history.").

[75] *Id.* at 296 ("Rather than rely on the language of the Lanham Act itself or the legislative history, proponents of the bad faith requirement look to policy considerations to support their position.").

my argument against the current model by analyzing the text and history of the Lanham Act.

Canonical statutory construction begins and ends with the language of a statute if that language is plain.[76] It is also established canon that a statute should be construed such that no clause or word is superfluous.[77] Any requirement of actual confusion or willfulness violates both of these canons.

First, any requirement that a plaintiff prove actual confusion, willfulness, or anything else contravenes the text of 15 U.S.C. § 1171(a), which imposes none of these requirements.[78] Instead, the statute states that a plaintiff "shall be entitled" to defendant's profits, plaintiff's damages, and costs, "subject to the principles of equity."[79] While courts obviously use the "principles of equity" language to import their requirements of actual confusion or willfulness, this importation is beyond the plain, unambiguous text of the Lanham Act. Its text broadly refers to any "principles of equity," not just actual confusion and willfulness.

Second, any requirement would render the following sentence from § 1117(a) superfluous: "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.*"[80] This sentence makes clear that Congress gave courts authority to raise or lower the amount of profits awarded based on "the circumstances of the case." But suppose, for example, that a court follows its requirement that it cannot award profits unless the plaintiff proves willfulness. Suppose further that, based on the circumstances of that case, the court finds that not awarding profits produces an inadequate result. In that situation, the court would be confined by its rule even though the Lanham Act would mandate the court to "enter judgment for such sum as the court shall find to be just."[81] Accordingly, the current model reads this sentence out of the statute, rendering it superfluous.[82]

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[76] I.N.S. v. Phinpathya, 464 U.S. 183, 189 (1984) ("This Court has noted on numerous occasions that in all cases involving statutory construction, our starting point must be the language employed by Congress, and we assume that the legislative purpose is expressed by the ordinary meaning of the words used.") (citation and alterations omitted).

[77] TRW Inc. v. Andrews, 534 U.S. 19, 31 (2001) ("It is a cardinal principle of statutory construction that a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.") (citation and quotations omitted).

[78] *See* Synergistic Int'l, LLC v. Korman, 470 F.3d 162, 174 (4th Cir. 2006) (noting that "the Lanham Act gives little guidance on the equitable principles to be applied by a court in making an award of damages").

[79] 15 U.S.C. § 1117(a) (2000).

[80] *Id.* (emphasis added).

[81] *Id.*

[82] Some courts make a different statutory-construction argument by relying on a 1999

The current model, based on extra-statutory requirements of actual confusion or willfulness, does not satisfy the basic rules of statutory construction. But to take statutory construction to the next level, I will briefly survey the extensive historical analyses performed by others.[83]

Previous commentators have sifted through this history and come to different conclusions. Some commentators focus on the history of the Lanham Act itself and conclude that Congress did not intend any requirement of actual confusion or willfulness before a plaintiff can recover monetary relief.[84] This history includes draft legislation proposing a bad-faith requirement that was not adopted,[85] as well as statements by several representatives that there was no bad-

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amendment to § 1117(a), which substituted "a violation under section 43(a), or a willful violation under section 43(c)," for "or a violation under section 43(a)." Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 1118(c)(1), 113 Stat. 218, 219 (1999). *E.g.*, R&R Partners, Inc. v. Tovar, No. 03:04-CV-00145, 2007 WL 1202802, *1 (D. Nev. Apr. 23, 2007) (stating that although "[t]he Ninth Circuit has previously required a showing of willful infringement as a prerequisite to recovery of an infringer's profits when the parties are not in direct competition," the court holds that "[t]he plain language of [the 1999] amendment indicates that Congress intended to condition monetary awards for Section 43(c) violations on a finding of willfulness, but not Section 43(a) violations"); Gucci Am., Inc. v. Exclusive Imps. Int'l, No. 99 Civ. 11490, 2007 WL 840128, at *8 (S.D.N.Y. Mar. 19, 2007) ("Congress' 1999 revision makes plain that willfulness is a prerequisite for the awarding of profits, damages, and costs under § 43(c) of the Lanham Act. It is not a *statutory* prerequisite for the awarding of profits, damages, and costs under §§ 43(a) and (d)."). These courts have even gone so far as to reverse their precedent and, based on the addition of "willful" in 1999, hold "that willfulness is an important equitable factor but not a prerequisite to such an award." Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 171 (3d Cir. 2005). While this statutory construction supports my argument that neither actual confusion nor willfulness is part of § 1117(a), I cannot support this argument because the addition of "willful" did not change the requirements of the Lanham Act for traditional infringement, but was meant merely to address dilution cases. *See* 5 MCCARTHY, *supra* note 15, § 30:62 (describing the purpose of the amendment).

[83] Several articles discuss the historical development of these court-created obstacles. *See, e.g.*, Conway-Jones, *supra* note 3, at 874–89 (2002) (discussing the development of the bad-faith requirement in an accounting of profits); Corgill, *supra* note 27, at 1915–24 (surveying the history and rationale of an accounting of profits); Koelemay, *supra* note 35, at 266–81 (discussing the development of actual confusion, bad faith, and purpose-based requirements); Stolte, *An Accounting of Profits*, *supra* note 3, at 273–84 (discussing the development of the requirement that a plaintiff must prove bad faith to receive an accounting of profits, and concluding that there is no support for such a requirement); and Stolte, *Monetary Relief*, *supra* note 3, at 233–42 (discussing the requirement that a plaintiff must prove actual confusion to receive a monetary recovery).

[84] *See* Stolte, *An Accounting of Profits*, *supra* note 3, at 294–99 (reviewing various sources of legislative history and concluding that "the legislative history is also silent on a bad faith requirement").

[85] *See* Stolte, *Monetary Relief*, *supra* note 3, at 295 n.127 (describing a draft of the legislation that was proposed but omitted in the final draft that would become the Lanham Act and that includes a provision that "there shall be no recovery of profits from any defendant whose adoption and use of an infringing trade-mark was in good faith and without knowledge of the plaintiff's right

faith requirement.[86] Other commentators focus on the structure of the Lanham Act and conclude that when Congress wanted to create specific requirements, such as a heightened standard for infringement, they did so explicitly.[87] This argument is persuasive because there are several provisions of the Lanham Act that explicitly impose a requirement of willfulness, such as the dilution statute passed in 2006,[88] the Anticybersquatting Consumer Protection Act that requires a "bad faith intent,"[89] and the provision of trademark infringement for printers that requires "knowledge that such imitation is intended to be used to cause confusion or to cause mistake, or to deceive."[90] In contrast to these commentators, others have examined the history of the Lanham Act and monetary relief in early trademark infringement cases and concluded that the plaintiff must prove either actual confusion or willfulness.[91] This history includes the evolution of monetary awards that derive from centuries of common-law cases that often imposed these requirements based on the strictures of equity courts.[92]

The only conclusion from reviewing the history of the Lanham Act is that there is no conclusive answer for what circumstances entitle a plaintiff to monetary relief. Before the Lanham Act, courts had discretion and adopted inconsistent rules.[93] After the Lanham Act, Congress gave discretion to the

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thereto").

[86] *See id.* at 296 n.130 (quoting from a 1947 handbook).

[87] *See* Conway-Jones, *supra* note 3, at 864–65 ("With the recent addition of the Federal Trademark Dilution Act (FTDA) and the Anticybersquatting Consumer Protection Act (ACPA), it is becoming increasingly clear that Congress intends a straightforward interpretation that bad faith is not required before the Lanham Act remedies become available to a trademark owner for infringement of either a registered or unregistered trademark."); *see also* Stolte, *An Accounting of Profits*, *supra* note 3, at 293 ("If Congress wished to predicate the remedy of an accounting on proof of an infringer's bad faith, it could have added an express requirement to this effect in Section 35 of the Lanham Act.").

[88] Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (2006).

[89] 15 U.S.C. § 1125(d)(1)(A)(i) (2000).

[90] 15 U.S.C. § 1114(1) (2000).

[91] James M. Koelemay, Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 TRADEMARK REP. 458, 545–46 (1982).

[92] *Id.* at 460 ("Many of the rules governing monetary recovery in trademark actions are found nowhere within the four corners of Section 35, but derive instead from the common law and from decisions under earlier trademark statutes and under copyright and patent statutes. An understanding of the history of the remedies for trademark infringement is a necessary foundation for understanding Section 35."). Mr. Koelemay provides a detailed archaeology of monetary awards in trademark cases from the seventeenth century until the Lanham Act in 1946. *See id.* at 460–95. This history includes a description of monetary awards under the Trade-Mark Act of 1905 that, like the 1946 Lanham Act, left "the questions of entitlement to relief and the measure of relief to be answered by courts." *Id.* at 474.

[93] *Id.* at 475–87, 495.

courts and no consistency has emerged.[94] As summarized by one commentator more than twenty years ago, in adopting the 1946 Lanham Act, Congress sought to codify the decisions interpreting the 1905 Act:

> Unfortunately, judicial decisions prior to 1946 were not in agreement as to the circumstances justifying monetary relief, and efforts by the drafters of the Lanham Act to clarify the right did not survive the legislative process. Thus, [the Lanham Act], by its silence, left to the courts the task of organizing the rules of recovery into a coherent and rational scheme. To date, no satisfactory scheme has emerged.[95]

In the end, legislative and judicial history is inconclusive and only reveals that courts do not agree on whether there should be any requirement of actual confusion or willfulness. This inquiry into history thus ends where it began: because the statute is unambiguous, the current model contravenes the text and purpose of the Lanham Act.

B. POLICY RATIONALES USED TO JUSTIFY THE CURRENT MODEL FAIL TO JUSTIFY REQUIREMENTS OF ACTUAL CONFUSION OR WILLFULNESS

Because neither the text nor history of the Lanham Act supports the courts' requirements of actual confusion or willfulness, courts justify their decisions based on various rationales. Without exception, these rationales do not compel any such requirement.

First, and as described in Part III.A, the main reason that courts invoke to justify their requirement of actual confusion is that actual confusion is evidence of actual injury, which is required for any award of damages. Courts reason that actual confusion is either the only evidence that is sufficient to establish actual injury or at least that actual confusion is the best surrogate for proof of actual injury because evidence that consumers were actually confused shows that the plaintiff was actually injured.[96] But either view—actual confusion is the only type of actual injury or is a good surrogate for actual injury—is far too limiting.

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[94] *Id.* at 495–505.

[95] *Id.* at 495. Some courts and commentators cite to *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947), as a case holding that the Supreme Court requires willfulness. But as pointed out many times before, *Champion* advanced no such rule. *See, e.g.*, Stolte, *An Accounting of Profits*, *supra* note 3, at 282–83 (arguing that it is "an incorrect reading" to suggest that *Champion* requires willfulness, and stating that the correct reading is that willfulness is one factor among many to consider); Conway-Jones, *supra* note 3, at 878–79 (same).

[96] *See supra* note 52 and accompanying text.

The Lanham Act permits the plaintiff to recover "*any* damages sustained by the plaintiff."[97] A plaintiff can thus recover for any injury caused by the defendant, of which actual confusion is only one such injury. Other categories of injuries include the trademark owner's lost profits, price erosion, damage to goodwill, the costs of corrective advertising, a reasonable royalty, defendant's profits, and statutory damages.[98] These broad categories can only hint at the number of situations in which a plaintiff can be injured, and thus eligible for damages.[99] For an example of one such unusual situation, the Sixth Circuit awarded a plaintiff damages caused by having to defend future product-liability suits based on the defendant's defective yet confusingly similar products.[100] As demonstrated by this example and many other cases granting relief based on unique facts, a singular focus on actual confusion is too limiting.

Second, and as described in Part II.B, the principal reason courts invoke to justify the requirement of willfulness is the fear of creating a windfall for the plaintiff. This fear of windfall profits is rational: the defendant's profits may not be coterminous with the plaintiff's damages. The courts' response to this fear—imposing the requirement of willfulness—is both unnecessary and wrong. It is unnecessary because the Lanham Act already gives the defendant the power to limit the plaintiff's recovery to only those profits that are related to the infringement. Specifically, the Lanham Act provides that "[i]n assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed."[101] In other words, if the

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[97] 15 U.S.C. § 1117(a) (2000) (emphasis added); *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. i (1995) ("Once the fact of loss caused by the defendant's misconduct has been established, the plaintiff's burden may be satisfied by evidence that furnishes a reasonable basis for computing damages. The plaintiff is not obliged to provide individualized proof of lost sales.").

[98] *See* ROSS, *supra* note 50, § 4:03 (describing each type).

[99] *See* Koelemay, *supra* note 35, at 283 (describing other categories of damages that courts have awarded: "(a) extra marketing support paid to a franchisee that competed with the infringer; (b) profits or franchisee fees lost due to delay in entering a market; (c) the cost of defending future mistaken product liability claims; (d) lost profits or royalties on future sales the plaintiff would have made to a defendant-distributor if the distributor had not begun selling infringing goods; (e) franchise fees not paid by a terminated 'hold-over' franchisee; (f) the anticipated cost of developing a replacement franchisee; and (g) attorneys' fees incurred in taking action against retailers that purchased infringing goods from the defendant").

[100] Broan Mfg. Co. v. Associated Distribs., Inc., 923 F.2d 1232, 1238 (6th Cir. 1991) (accepting the following chain of causation: "(1) [defendant's] 'knock-off' bathroom fan units are of inferior quality; (2) a certain number of those products will fail in the future, causing fires; (3) some of [defendant's] products which cause fires will be misidentified as [plaintiff's] products; and (4) of those that are misidentified as [plaintiff's] products, a number will result in claims against [plaintiff], which will result in investigative and defense costs and, in some cases where fire renders the fan's manufacturer unidentifiable, settlements to claimants").

[101] 15 U.S.C. § 1117(a) (2000).

defendant can apportion its profits, then the plaintiff is given the appropriate amount and not a windfall. If the defendant cannot apportion its profits, equity supports the view that, having already been held liable for infringement, it is the defendant who should suffer the consequences of its own failure to apportion its profits.[102] Thus, adding willfulness as a barrier to windfall profits is unnecessary because the defendant, already liable for trademark infringement, has the power to protect itself.[103]

The courts' response of imposing a willfulness requirement is also wrong because in attempting to prevent the plaintiff from receiving a windfall, the courts give the infringer a windfall. The courts' myopic focus on willfulness ignores the many situations in which a defendant was not willful, but was still significantly enriched by free riding on the plaintiff's mark.[104] In such a case, a willfulness requirement prevents the plaintiff from receiving any of this unjust enrichment, leaving the defendant free to keep its ill-gotten gains.[105]

C. THE CURRENT MODEL CREATES JURISPRUDENTIAL PROBLEMS

The goals for adopting the requirements of actual confusion and willfulness were to make the law governing monetary relief predictable and determinate. These goals are ill-served by the current model that has spawned a host of exceptions and exceptions-to-exceptions that have proliferated into a complicated body of law. Take the requirement of actual confusion, for example. All courts agree that actual confusion is difficult to establish and offer into evidence,[106] yet

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[102] Wynn Oil Co. v. Am. Way Serv. Corp., 943 F.2d 595, 606 (6th Cir. 1991), *quoting* Mishawaka Rubber & Woolen Mfg. v. S.S. Kresge Co., 316 U.S. 203, 206–07 (1942) ("There may be a windfall to the trade-mark [sic] owner where it is impossible to isolate the profits which are attributable to the use of the infringing mark. But to hold otherwise would give the windfall to the wrongdoer.").

[103] The Lanham Act also imposes yet another check on windfalls, which permits courts to use their discretion and "enter such judgment for such sum as the court shall find to be just," but that sum "shall constitute compensation and not a penalty." 15 U.S.C. § 1117(a).

[104] *See* Stolte, *An Accounting of Profits*, *supra* note 3, at 298 ("Essentially, a stringent bad faith requirement will never result in a windfall to a trademark owner, but may very well result in an automatic windfall to an infringer who, regardless of intent, takes a free ride on the trademark owner's good will."). For an example of such free riding, see *infra* HYPOTHETICAL 3: THE INNOCENT, BUT FREE-RIDING DEFENDANT in Part V.C.

[105] While these seem to be the primary reasons for the current model, courts and commentators have advanced others. *See generally, e.g.*, Polo Fashions, Inc. v. Craftex, Inc., 816 F.2d 145, 149 (4th Cir. 1987) (arguing that the defendant's profits are the best measure of the plaintiff's damages available); Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2102–81 (2004) (arguing that the enforcement costs of bringing a trademark case and error costs of over- and under-enforcement account for many trademark doctrines, including the requirement of actual confusion).

[106] *See* Stolte, *Monetary Relief*, *supra* note 3, at 245–50 (chronicling the practical and evidentiary

several courts have adopted it as a requirement for monetary relief.[107] To ameliorate the harshness of this requirement, some courts have created a presumption that once a plaintiff proves willfulness, the plaintiff is entitled to a presumption of actual confusion.[108] Other courts note that "direct proof of actual confusion or deception is often unavailable, and the proof may consist instead of circumstantial evidence such as consumer surveys, market analysis, or the nature of the defendant's misconduct."[109] The problem, however, is that these exceptions lead to practical problems, such as determining what level of willfulness is necessary to overcome a failure to prove actual confusion.

Another way in which these requirements create jurisprudential problems is the different, and often competing, ways in which courts define actual confusion and willfulness. As described in Part III.A, some courts have a low threshold for actual confusion, while other courts require much more.[110] And as described in Part III.B, some courts hold that knowledge is enough to establish willfulness whereas other cases require affirmative bad intent.[111] These differing standards show how the current model fails to achieve equity. Requirements like actual confusion and willfulness were meant to simplify a court's analysis: if there is no confusion or willfulness, there is no monetary relief. But equity is not so simple. As a result, courts have had to find play in the joints. So instead of focusing on whether there is actual confusion or willfulness, courts focus on *what kind* of actual confusion or willfulness qualifies for monetary relief. Courts are still engaging in an analysis of the equities, but they are doing so within narrow and incomplete categories. At best, these categories are rough measures of the equities; at worst, they limit a court's ability to achieve justice between the parties.

Yet another problem with the current model is that it obscures a court's true reasoning. By adopting requirements of actual confusion and willfulness, courts are foreclosed from evaluating all of the equities in a case. Courts instead must cabin their analysis to two factors that arise frequently in trademark

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difficulties of proving actual confusion); *see also generally* Robins, *supra* note 30 (listing the difficulties inherent in actual confusion evidence and suggesting a multi-factor test for evaluating such evidence).

[107] *See supra* notes 38–40 and accompanying text.

[108] George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1537 (2d Cir. 1992) (finding a "rebuttable presumption of consumer confusion" if the defendant's actions were intentionally deceptive). *But see* Conopco, Inc. v. May Dep't Stores Co., 46 F.3d 1556, 1565 (Fed. Cir. 1994) (applying Eighth Circuit law and holding that "[t]he District Court erred in concluding that under Eighth Circuit law actual confusion could be presumed from defendants' intent to copy the overall package design. Consequently, there is a complete absence of proof of actual confusion, the required element in plaintiff's claim for monetary relief.").

[109] RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. i (1995).

[110] *See supra* note 30 and accompanying text.

[111] *See supra* note 53 and accompanying text.

litigation—actual confusion and willfulness. These factors are just part of the equitable picture that a court considers. But to the extent a court considers the broader equitable landscape, it must obscure its true reasoning by couching its decisions in terms of actual confusion or willfulness. In an attempt to explain their reasoning, courts frequently point to the various policy rationales that support monetary awards. These include deterrence, compensation, and unjust enrichment.[112] But the courts have widely differing tolerances for these rationales, with some accepting all of them[113] and others only some.[114] It would improve the transparency of decisions, and thus the process of decisionmaking, if courts were not forced to limit their explanations to two categories, but could instead consider all of the equitable reasons or theories that favor and disfavor monetary relief.

V. THE INFRINGEMENT-PLUS-EQUITY MODEL

While the previous Parts described and criticized the current model in which courts require actual confusion or willfulness before awarding monetary relief, this Part advances a solution to the problems caused by the current model. This Part begins with a description of the Infringement-Plus-Equity Model and then explains how it solves each of the problems of the current model. This Part concludes with three examples to show how this model will work in practice.

A. THE INFRINGEMENT-PLUS-EQUITY MODEL, DEFINED

Although several courts interpret the Lanham Act as creating requirements of actual confusion or willfulness, this Article argues that the Lanham Act establishes an Infringement-Plus-Equity Model. The Infringement-Plus-Equity Model states that the plaintiff must prove (1) infringement *plus* (2) some equitable reason why it is entitled to monetary relief. This Article does not and cannot exhaustively list all of the equitable factors that a court could consider because it is impossible to catalogue the myriad ways in which infringement occurs. Instead, courts must examine the circumstances of each case when deciding whether to award monetary relief. "Some equitable reason" is thus as infinite as the number of factual situations that arise in trademark litigation.

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[112] Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989).

[113] *E.g.*, Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 178 (3d Cir. 2005) (viewing the three rationales disjunctively and stating "any one will do").

[114] *E.g.*, ALPO Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958, 969 (D.C. Cir. 1990) (rejecting the view that deterrence alone is sufficient for monetary relief because "deterrence is too weak and too easily invoked a justification for the severe and often cumbersome remedy of a profits award").

Nevertheless, "some equitable reason" certainly includes actual confusion and willfulness. These doctrines have, after all, developed over the centuries for valid reasons and are important. Other equitable factors[115] include all established equitable principles, such as unclean hands, laches, acquiescence,[116] as well as any of the dozens of other factors that, even though they do not fall in the classical equity category, courts have considered relevant,[117] such as the amount of attorneys' fees or other relief awarded,[118] any discovery misconduct that prejudiced the defendant,[119] and the parties' respective sizes and financial

[115] These equitable principles, while used primarily by the plaintiff in arguing that it is entitled to monetary relief, cut both ways. That is, defendants can also argue that, based on the equities, the plaintiff is not entitled to monetary relief.

[116] *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 36(3), 37(2) (1995) (describing these three as some of the factors that courts should consider in awarding damages); *see, e.g.*, Reno Air Racing Ass'n, Inc. v. McCord, 452 F.3d 1126, 1138 (9th Cir. 2006) ("Laches is an equitable time limitation on a party's right to bring suit . . . [and] is a valid defense to Lanham Act claims." (quoting Jarrow Formulas, Inc. v. Nutrition Now, 304 F.3d 829, 835 (9th Cir. 2002) (internal quotations and citations omitted))). Powerhouse Marks LLC v. Chi Hsin Impex, Inc., 463 F. Supp. 2d 733, 739–40 (E.D. Mich. 2006) (refusing to award profits based on several reasons, including that the trademark owner was aware of the defendant's use of the mark for at least five years).

[117] *See* Koelemay, *supra* note 35, at 271–76 (listing twenty-two factors that courts have considered relevant in their willfulness analysis).

[118] Estate of Bishop v. Equinox Int'l Corp., 256 F.3d 1050, 1056 (10th Cir. 2001) (affirming the district court's refusal to award defendant's profits, even though there was willful infringement, because the plaintiff was already adequately compensated by the court's $100,000 award in attorney's fees).

[119] Wynn Oil Co. v. Am. Way Serv. Corp., 943 F.2d 595, 605–16 (6th Cir. 1991) (reversing a district court's refusal to grant speculative profits because defendant's furtive discovery tactics were the source of speculation). Some courts are already considering numerous factors, such as the Third, Fourth, and Fifth Circuits, which list six, nonexclusive factors that courts can use in deciding whether to award profits:

> (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off.

Synergistic Int'l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006); Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 175 (3d Cir. 2005); Quick Techs., Inc. v. Sage Group PLC, 313 F.3d 338, 349 (5th Cir. 2002) (quoting Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998)). Importantly, these courts recognize that these factors are nonexclusive, and thus courts can consider all relevant factors. *E.g.*, *Synergistic Int'l*, 470 F.3d at 176 (stating that "although each trademark dispute is fact specific, the foregoing factors, as well as others that may be relevant in the circumstances, should guide a court's consideration of the damages issue"). District courts in these circuits follow this multi-factor test and consider other factors were relevant. *E.g.*, Synergistic Int'l, LLC v. Korman, No. 2:05CV49, 2007 WL 517677, at *5–12 (E.D. Va. Feb. 8, 2007) (applying these six factors and two others—knowledge short of willfulness and use of other trade names without regard to others' rights—in deciding what profits to award); Merisant Co. v. McNeil Nutritionals, LLC, No. 04-5504, 2007 WL 707359, at *19 (E.D. Pa. Mar. 2, 2007) (denying a motion for summary judgment because conditions.[120] Applicable factors also include various economic theories, including whether the parties are competitors[121] and whether there is unjust enrichment or a need for deterrence.[122]

Given this wide-ranging list of potential equitable considerations, the burden is on the plaintiff to plead facts to justify monetary relief. In most cases, this will be easy. The obvious equitable factors (e.g., actual confusion, willfulness, competition, laches, unclean hands, the adequacy of other remedies) are well known. In other cases, however, the plaintiff needs the flexibility to plead a novel theory. In such cases courts should be more circumspect before accepting a novel theory, but circumspection is better than the outright refusal.

B. THE INFRINGEMENT-PLUS-EQUITY MODEL SOLVES THE PROBLEMS OF THE CURRENT MODEL

The Infringement-Plus-Equity Model solves each of the problems caused by the current model. First, the Infringement-Plus-Equity Model, with its broad grant of discretion that permits courts to consider each of the equitable reasons to grant or deny monetary relief, better comports with the text of the Lanham Act than the current model. The Lanham Act is broadly written and provides that after a plaintiff proves infringement, it "shall be entitled" to defendant's profits, plaintiff's damages, and costs, "subject to the principles of equity."[123] There is no requirement of actual confusion and/or willfulness; there is only the broad grant of authority to award monetary relief that comports with the "principles of equity."

Second, the current model does not implement the policies that are meant to support it. The Infringement-Plus-Equity Model, on the other hand, better executes these policies. Part IV described the main rationales used to justify

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there were issues of material facts regarding these six factors).

[120] *E.g.*, *Synergistic Int'l*, 2007 WL 517644, at *10 (stating "that, in awarding damages, it would consider the Defendant's financial information as established by the evidence").

[121] *See, e.g.*, Aktiebolaget Electrolux v. Armatron Int'l, Inc., 999 F.2d 1, 5 (1st Cir. 1993) (adopting a four-part rule for awarding profits, in which the second factor requires "that the products directly compete, such that defendant's profits would have gone to plaintiff if there was no violation"); Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1406 (9th Cir. 1993) (permitting an accounting of profits without proof of willfulness, but only if the companies compete); Collegenet, Inc. v. XAP Corp., No. 03-CV-1229, 2007 WL 927946, *6 (D. Or. Mar. 26, 2007) ("Accordingly, disgorgement of profits in direct-competition cases may be necessary 'to secure the return of all profits' to the plaintiff.").

[122] *E.g.*, W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc., 427 F.3d 1269, 1272 (10th Cir. 2005) ("An award of profits in the absence of actual damages is usually predicated on one of two theories: (1) unjust enrichment; or (2) deterrence.").

[123] 15 U.S.C. § 1117(a) (2000).

actual confusion and willfulness.[124] Courts justify the requirement of actual confusion by stating that actual confusion is necessary to show actual injury.[125] But as shown above,[126] actual confusion is only one type of actual injury; the Lanham Act, in contrast, permits the plaintiff to recover "*any* damages sustained by the plaintiff."[127] The Infringement-Plus-Equity Model is broad enough to permit courts to consider the various kinds of damages plaintiffs can suffer. Furthermore, courts justify the requirement of willfulness as necessary to avoid giving the plaintiff a windfall recovery.[128] But if the courts are concerned about a windfall, it is better to address that concern directly than to rely on an imperfect surrogate. The Infringement-Plus-Equity Model permits courts to consider the circumstances of each case and, if an award of damages would be a windfall, to deny recovery by the amount of that windfall.

Another reason that justifies the current model, although not frequently stated by courts, is that an injunction is very easy to get in a trademark case and that something more should be required for monetary relief. The leading commentator on trademark law describes the concern well:

> Perhaps one explanation for judicial uncertainty as to monetary awards in these cases is the view that while injunctive relief is largely a matter of strict liability, monetary relief should require "something more." That is, injunctive relief is generally granted upon a strong showing of a "likelihood of confusion" and neither proof of actual confusion nor proof of intent or willfulness is required. But when it comes to making an award of monetary relief for past acts of infringement, judges are hesitant to do so, whether it is labeled "damages," "profits" or "attorney fees," without that indefinable "something more."[129]

In response to this concern that "something more" is required for monetary relief, courts have created two such somethings—actual confusion and willfulness. But these requirements are both over- and under-inclusive. They are over-inclusive because there are some situations in which a plaintiff can prove neither actual confusion nor willfulness, but the equities still support monetary relief.

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[124] *See supra* Part IV.B.

[125] *See supra* note 52 and accompanying text.

[126] *See supra* notes 97–100 and accompanying text.

[127] *See* 15 U.S.C. § 117(a) (2000)..

[128] *See supra* notes 70–73 and accompanying text.

[129] 5 MCCARTHY, *supra* note 15, § 30:58 (footnotes omitted); *see also* ROSS, *supra* note 50, § 4.02 ("In effect, a defendant can be liable for trademark infringement without having actually injured the owner of the mark and without fault on its part (the so-called, 'innocent infringer').").

They are also under-inclusive because there are some situations in which the equities do not warrant monetary relief, even when the plaintiff can prove actual confusion or willfulness.

In contrast to the courts' failed attempt to solve the "something more" problem by erecting per se requirements, the Infringement-Plus-Equity Model is sufficiently flexible to permit courts to deny relief if the plaintiff has not shown "something more." In order to get monetary relief in addition to an injunction, the plaintiff must prove infringement *plus* some equitable reason why it is entitled to monetary relief. In other words, the plaintiff would still have to prove this "something more," but this "something more" would not be limited to the two limited per se requirements.

Third, the Infringement-Plus-Equity Model solves the jurisprudential problems of the current model. As described in Part IV.C, the current model, with its veneer of simplicity, has created problems as courts that adopt the requirements of actual confusion or willfulness quickly retreat from the draconian effects of the requirements by carving out exceptions.[130] The Infringement-Plus-Equity Model, in contrast, is specifically designed to consider any of the varied circumstances that may arise in trademark litigation.

The obvious retort to my argument is that courts adopted the current model because the world of equity was too amorphous, and thus the Infringement-Plus-Equity Model does not provide enough guidance about when courts should award monetary relief. The problem with this retort is that it is not the world of equity that is too amorphous, it is that the world of trademark litigation is. The economic value of trademarks and the effects of infringement have always been difficult to quantify. As the economics of trademarks have changed and become more sophisticated,[131] the world of trademark litigation has become even more amorphous. But the solution is not to throw up our hands, state we cannot evaluate the equities of each case, and rely on two limited, imperfect doctrines of actual confusion and willfulness. Such a solution is contrary to the primary goal of the Lanham Act, which is to achieve equity between the parties[132] and make infringement unprofitable.[133] Rather, the only solution is to give courts the

[130] *See supra* notes 108–09 and accompanying text.

[131] Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1687 (1999) ("The economics of trademarks and advertising has grown increasingly sophisticated over [the past fifty years].").

[132] Seatrax, Inc. v. Sonbeck Int'l, Inc., 200 F.3d 358, 369 (5th Cir. 2000) ("The goal behind §§ 1116 and 1117 remedies is to achieve equity between or among the parties.").

[133] Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744 (7th Cir. 1985) ("The trial court's primary function is to make violations of the Lanham Act unprofitable to the infringing party."); Playboy Enters., Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1275 (9th Cir. 1982) ("[T]rial courts carefully fashion remedies which will take all the economic incentive out of trademark

discretion to evaluate all of the circumstances and, based on the equities, decide whether to award monetary relief.

C. THREE EXAMPLES OF HOW THE INFRINGEMENT-PLUS-EQUITY MODEL SOLVES THE PROBLEMS OF THE CURRENT MODEL

The current model limits those situations that deserve monetary relief to situations in which the plaintiff can prove actual confusion or willfulness. But actual confusion and willfulness are only two of the many equitable factors that support monetary relief. The current model, therefore, is unduly harsh on litigants in situations in which actual confusion and willfulness are not present. This subpart advances three hypotheticals that show situations in which the requirements of actual confusion and/or willfulness would unfairly deny or grant monetary relief, and how an Infringement-Plus-Equity Model would better fit these cases.[134]

HYPOTHETICAL NO. 1: THE NEFARIOUS DEFENDANT

Consider a hypothetical market for wine glasses. The market leader sold "Taste-Right" glasses, which set the standards for premium, hand-blown crystal stemware. But bad times had fallen on the company and it was creeping towards bankruptcy. A clever, nefarious defendant adopted the mark "Taste-It-Right" for wine glasses, knowing about "Taste-Right" glasses but relying on the advice of counsel that, based on the niche, sophisticated market for premium stemware, customers would not be confused. As a result of the competition and the similarity of the marks, the defendant hastened the demise of the market leader.

"Taste-Right" sued and, despite the good-faith noninfringement opinion letter from counsel, the court found likelihood of confusion. But an injunction does not help "Taste-Right" because it is out of business, meaning that its only hope for recovery is monetary relief. The nefarious defendant was clever, however, because it knew that in its circuit, the good-faith (even if wrong) advice of counsel prevented a finding of willfulness.[135] Under the requirement of willfulness, if

infringement.").

[134] These three examples can only hint at the potentially infinite number of circumstances in which the equities support or do not support an award of monetary damages, but the current model compels a different outcome. But all of these examples reiterate the same argument that is the central premise of this Article: because of the varying situations that arise in trademark cases, courts need the flexibility to evaluate those situations without having to limit their inquiry to the two incomplete categories of actual confusion and willfulness.

[135] *E.g.*, Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 962 (7th Cir. 1992) ("A party who acts in reasonable reliance on the advice of counsel regarding a close question of

there is no willfulness then there is no accounting of profits. The nefarious defendant also knew that, based on the reasonable-certainty standard of recovering damages, it would be too speculative to determine how much longer the plaintiff would have been in business, meaning that there were no damages. Thus, even though the defendant infringed plaintiff's mark by intentionally selecting an infringing mark, and even though defendant benefited from that infringement, the court was constrained by its requirement of willfulness and thus could not award any monetary relief.

While the Infringement-Plus-Equity Model does not lessen the regular, tort-based rules of reasonable certainty, and thus would likewise not have permitted an award of damages, the Infringement-Plus-Equity Model would permit an accounting of profits. In awarding profits, the court would note that while there was no willfulness because of the advice of counsel, there was still sufficient knowledge (i.e., "Taste-It-Right" knew about "Taste-Right" and its financial troubles), intent (i.e., "Taste-It-Right" selected a similar mark to benefit from the mark of the market leader), and injury (i.e., as a proximate result of "Taste-It-Right," "Taste-Right" went out of business faster than it otherwise would have). Alternatively, the court could also base an accounting of profits on the need to deter future nefarious defendants and prevent any unjust enrichment from such infringement.[136] Either way, the point is that the Infringement-Plus-Equity Model is sufficiently flexible to permit a court to consider all of the relevant factors and equitably award monetary relief.

HYPOTHETICAL NO. 2: THE ARDUOUS BURDEN OF ACTUAL CONFUSION

In the market for tennis racquets, imagine that the color of a player's strings signifies the brand of string, and imagine that most tennis players can easily tell certain brands by certain colors. The most-recognizable brand had the venerable mark "Royal Purple," which demands a premium for its dark violet strings. For purposes of social commentary, a progressive competitor adopted the mark "The People's Purple," which used lighter colors of purple, including mauve, lavender, and magenta. "The People's Purple" never made a profit, but it injured the market position of "Royal Purple" by damaging the goodwill of its once-premium status (i.e., people were less willing to buy "Royal Purple" out of fear of appearing

trademark law generally does not act in bad faith.").

[136] RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 cmt. b (1995) (chronicling the history of the accounting-of-profits remedy, and stating that "courts gradually adopted the view that in an appropriate case an accounting of the defendant's profits could be awarded to prevent unjust enrichment and to deter future infringement").

elitist), and by forcing "Royal Purple" to institute a corrective-advertising campaign to restore its image.

The trial was marked by dueling experts: because they used different methodologies, the expert for "Royal Purple" found actual confusion while the expert for "The People's Purple" did not. The court believed the expert for "The People's Purple," finding that most tennis players would not be confused because they can easily recognize "Royal Purple" by its color and would see "The People's Purple" as a parody. The court nonetheless found that "The People's Purple" was likely to be confused with "Royal Purple," based on several factors, including the similarity of the marks, the strength of the plaintiff's mark, the proximity of the goods, and the proximity of the channels of distribution.[137] But the Court denied the request from "Royal Purple" for monetary relief because of its requirements of actual confusion and willfulness. It could not award an accounting of profits because "The People's Purple" was a progressive competitor that did not make any profit. And it could not award damages because the court ruled that there was no evidence of actual confusion.

This hypothetical shows the danger of preventing a plaintiff from recovering damages unless it shows actual confusion. As described in Part III.A, each circuit uses actual confusion as one factor among many in its likelihood-of-confusion test, but no circuit requires actual confusion to find infringement.[138] This is the correct result because as this hypothetical shows, a plaintiff can be injured if a mark is likely to confuse consumers, even if there is no actual confusion. But for those courts that go further and elevate actual confusion to a requirement for awarding damages, worthy plaintiffs are denied recovery. Under the Infringement-Plus-Equity Model, however, a court could award damages in such circumstances, including compensation for diminished goodwill, lost sales, and corrective advertising.

HYPOTHETICAL NO. 3: THE INNOCENT, YET FREE-RIDING INFRINGER

A small group of movie buffs adopted the mark "Netfilms" for their movie-distribution website of hard-to-find movies. These movie buffs knew about movies, but not about business, and they had no knowledge of the Neflix® mark. "Netfilms" sold their movies one-by-one for 99¢ apiece, which is a different,

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[137] *See* KANE, *supra* note 20, § 12:1.3 (stating the general rule that "a parody trademark, no matter how funny, may still be enjoined if it is likely to cause confusion with plaintiff's mark"); *see also* Mutual of Omaha Ins. Co. v. Novak, 775 F.2d 247, 249 (8th Cir. 1985) (upholding the district court's preliminary injunction finding that "Mutant of Omaha" was likely to cause confusion with "Mutual of Omaha" because "a validly established trademark may be protected from ridicule which rises to the level of infringement of the mark").

[138] *See supra* note 32 and accompanying text.

lower pricing model than Netflix's monthly subscription service. At least in part because of its similar name, "Netfilms" was able to attract many visitors who were searching for the popular Netflix website. And because of its price, "Netfilms" quickly developed a vast, loyal customer base and began earning substantial profits. Netflix sued.

While the court found likelihood of confusion and issued an injunction forcing "Netfilms" to change its name, it denied Netflix's request for monetary relief. The court denied an accounting of profits because the court found that the movie fans adopted "Netfilms" without any willfulness. The court also denied an award of damages, reasoning that there was no causation because "Netfilms" focused on hard-to-find movies at a low individual price point while Netflix offers more mainstream movies on a subscription plan. Thus, the only relief available was an injunction. But an injunction does not help Netflix because "Netfilms" already had a loyal customer base that would easily and eagerly find its new name and website. It does not matter for purposes of the current model that "Netfilms" acquired this customer base during infringement, or that it was able to keep this base after infringement. The current model is too limited to consider such situations. In the end, "Netfilms" grew by free-riding on Netflix's trademark and extensive goodwill, but the courts' requirements of actual confusion and willfulness denied Netflix's recovery.[139] The Infringement-Plus-Equity Model, in contrast, would take an expansive view of all of the circumstances, and reason that while there was no willfulness, "Netfilms" profited because of its similar mark and should be required to forego those profits.

VI. CONCLUSION

The current model for awarding monetary relief in trademark infringement cases, at least in several circuits, requires the plaintiff to prove actual confusion or willfulness or both. This model is broken. It contravenes the text and history of the Lanham Act, it fails to achieve its own objectives, and it causes a host of jurisprudential problems. If the point of the current model was to create a formal

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[139] This example was based in part on one provided by Corgill, *supra* note 27, at 1949–51. Mr. Corgill argued that this was an unfair result because even though there were no recoverable profits, there was still unjust enrichment that demanded compensation. *See also* Synergistic Int'l, LLC v. Korman, No. 2:05CV49, 2007 WL 517677, at *11 (E.D. Va. Feb. 8, 2007) (finding the following fact to have "the most impact" in deciding whether to award profits: "[p]laintiff so competes after having been found to have built her business while improperly using Plaintiff's mark and impermissibly similar marks, thus Plaintiff enters the market competing with a business built while violating its rights and is farther deprived of its right to build its business anew through the initial use of its protected mark"). Corgill proceeded to provide a persuasive argument about the several ways in which an infringer can benefit from infringement without becoming profitable. *Id.*

and simple regime, the current model has done a rather poor job. Nor is the current model, despite its complexity, sufficiently versatile to address the diverse facts that give rise to trademark infringement. The law in place now, therefore, provides neither the determinateness one would expect from a formal system, nor the versatility that modern trademark litigation demands. A disappointing hybrid of law and equity, the current regime reflects the virtues of neither.

This Article proposes that courts abolish the current model in favor of the Infringement-Plus-Equity Model. The Infringement-Plus-Equity Model adheres closely to the text of the Lanham Act by permitting the plaintiff to argue, and the court to consider, all of the equitable reasons that the plaintiff is entitled to monetary relief. The chief virtue of the Infringement-Plus-Equity Model is its flexibility. While the current model rigidly requires either actual confusion or willfulness, the Infringement-Plus-Equity Model considers these as two factors among many that, depending on the equitable circumstances of the case, favor or disfavor monetary relief. In the end, the Infringement-Plus-Equity Model still requires the plaintiff to prove that it is entitled to monetary relief, but the plaintiff will no longer be unnecessarily constrained in what arguments it can advance.