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Trademark Valuation through Damages in the United States



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Monetary Remedies in the U.S.

- Actual Damages
 - Plaintiff's Lost Profits
 - Reasonable Royalty
 - Diminished Value
 - Corrective Advertising
- Defendant's Profits



Statutory Basis for Monetary Relief in the U.S.

- Section 35(a) of the Lanham Act (15 U.S.C. § 1117(a)):
“Plaintiff shall be entitled, subject to . . . the principles of equity, to recover
 - (1) defendant’s profits
 - (2) any damages sustained by plaintiff
 - (3) costs of the action.”
- “ Remedies are intended to make violations of the Act unprofitable but not to act as a penalty.”

Monetary Relief: Actual Damages Generally

- “Damages may be awarded . . . Even when not susceptible to precise calculations.”

BUT

- Plaintiff still must prove (1) it suffered actual damages and (2) there is “a causal link between those damages and the Lanham Act violation.”

Actual Damages: Plaintiff's Lost Profits

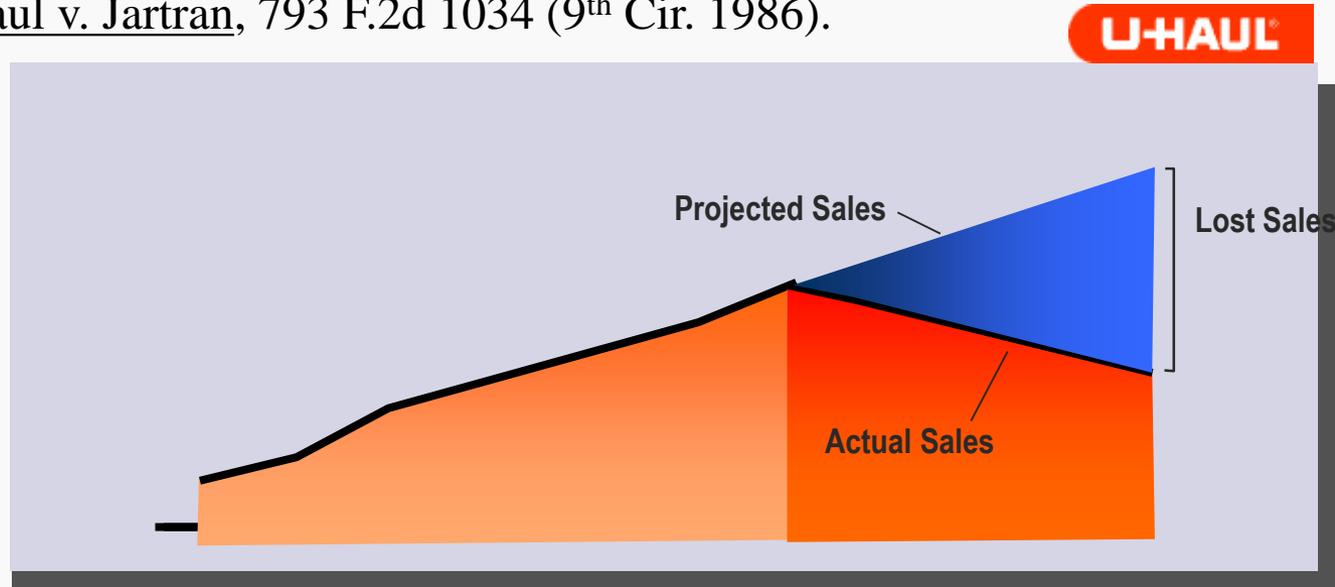
- In general, plaintiff cannot recover both its lost profits and the defendant's profits.
- To recover lost profits, must establish actual confusion (or, in some cases, defendant's bad faith)

Actual Damages: Plaintiff's Lost Profits

- Need not be proven with specificity; but cannot be speculative.
 - Joint Stock Soc'y v. UDV North Am., 266 F.3d 164 (3d Cir. 2001)
- “[P]laintiff can prove his lost profits by showing the reasonable profits he would have made, but for the infringing sales made.”
 - Parallax Power Supply LLC v. Victory Components, Inc., 2005 U.S. Dist. LEXIS 36893, *22-23 (N.D. Ind. 2005).
- Once plaintiff proves evidence of lost profits, the burden shifts to defendant to show that factors other than the infringement caused the lost sales.
 - Lon Tai Shing v. Koch+Lowy, 21 USPQ2d 1858 (S.D.N.Y. 1992)

Actual Damages: Lost Profits

U-Haul v. Jartran, 793 F.2d 1034 (9th Cir. 1986).



- Defendant's nationwide newspaper advertising campaign compared itself to U-Haul.
- Defendant's revenues increased while U-Haul revenue declined for first time in the company's history.
- Defendant awarded "Golden Effie" award for effectiveness of advertising campaign.
- Damages calculated under two distinct methods:
 - Projected financial performance v. actual financial performance - \$20M
 - Corrective Advertising - \$20M
- Court arrived at identical damages amount under each methodology.

Actual Damages: Reasonable Royalty

- Where difficult to assess lost profits, or where lost profits are very small, some courts will award damages based on a reasonable royalty rate.
 - Often determine based on past negotiations between the parties. Boston Hockey v. Dallas Cap, 597 F.2d 71, 76 (5th Cir. 1979)
 - Sometimes determine based on custom or usage in the industry. Deering v. Gilbert, 269 F.2d 191, 193 (2d Cir. 1959)
- Court may not award reasonable royalty if defendant did not get full enjoyment of a mark that a licensee would have enjoyed.
 - Bandag v. Al Bolster's, 750 F.2d 903, 920 (Fed. Cir. 1984)

Actual Damages: Reasonable Royalty

Sands, Taylor v. Quaker Oats, 978 F.2d 947 (7th Cir. 1992)

- Reverse confusion case involving Defendant's use of the slogan, "Gatorade is thirst-aid for that deep down body thirst"
- District Court awarded Plaintiff 10% of Defendant's profits on sales of Gatorade based upon finding of bad faith: \$24.7M
- Appeals court overturned award, finding disgorgement of Defendant's profits to be an inappropriate windfall to Plaintiff
- Court determined that a reasonable royalty would "more accurately reflect the extent of Quaker's unjust enrichment...", thus lost profits unavailable



Actual Damages: Corrective Advertising

- Purpose: to allow plaintiff to counteract effect of confusion from infringement.
 - Adray v. Adray-Mart, 76 F.3d 984, 988 (9th Cir. 1995)
- Usually involves recovery of amount already spent, but can involve amount of prospective campaign.
 - Durbin v. Schuler, 532 F. Supp. 41, 44 (E.D. Mo. 1982)

Actual Damages: Corrective Advertising

Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365 (10th Cir. 1977)

- Reverse confusion case involving Goodyear's use of the trademark, "Big Foot" for its radial tires.
- Goodyear spent \$9.6M on its advertising campaign; Big O Tire's net worth at the time of infringement was approximately \$200,000.
- District court upheld jury verdict of \$2.8 million based on a need by Big O Tire to introduce corrective advertising (reduced to \$678,000 based on FTC 25% rule).
- Big O Tire awarded \$16.8M in punitive damages, "Only from Goodyear" (reduced to \$4.1 based on FTC 25% rule).



Defendant's Profits Generally

- Court's discretion whether to award
- Standards vary by jurisdiction
- Generally awarded:
 - If the defendant is unjustly enriched
 - If the plaintiff sustained damages from the infringement
 - If necessary to deter future infringements
 - George Basch v. Blue Coral, 968 F.2d 1532, 1537 (2d Cir. 1992)

Relative Burdens of Proof When Seeking Defendant's Profits

- Plaintiff proves infringing sales at issue; burden then shifts to the defendant to prove allowable deductions to arrive at defendant's profit.

