



Lanham Act Damages: Equity, Actual Confusion, and Willfulness

The Eighth Circuit Court of Appeals recently re-affirmed that “all Lanham Act remedies are equitable in nature[.]” *Masters v. UHS Delaware, Inc.*, No. 09-3543, 2011 U.S. App. LEXIS 175, at *13 (8th Cir. Jan. 6, 2011). It found the rule, stated in its prior decisions, that actual confusion is a prerequisite of monetary damages to be dicta it was not bound to follow. *Id.* at *17. Whether proof of willful infringement as a prerequisite to monetary relief is required in the Eighth Circuit was left unresolved.

15 U.S.C. § 1117(a) states in relevant part:

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) or (d) of this title, or a willful violation under 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
- (c) the costs of the action.

The Eighth Circuit has consistently stated, “Because all Lanham Act remedies are equitable in nature, and because § 1114(1) makes available ‘the remedies hereinafter provided’ upon proof of the likelihood of confusion” monetary as well as injunctive relief are available Lanham Act remedies. *Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994).

Until *Masters*, the law of the Eighth Circuit was understood to require proof of actual confusion to support money damages, a greater showing than the likelihood of confusion required to support injunctive relief. As Judge Ericksen said, “This [money damages] requires a showing ‘that the defendant’s violation caused actual confusion among the consumers of the plaintiff’s product and, as a result of this consumer confusion, the plaintiff suffered



actual injury, such as a loss of sales, profits, or of present value.” *Am. Ass’n for Justice v. Am. Trial Lawyers Ass’n*, 698 F. Supp. 2d 1129, 1147-48 (D. Minn. 2010) (citations omitted).

The *Masters* court acknowledged its prior decisions “state that actual confusion is a prerequisite of monetary damages and likelihood of confusion a prerequisite to injunctive relief.” *Masters*, 2011 U.S. App. LEXIS 175, at *15. It found that statement to be dicta it was not bound to follow. The Lanham Act does not expressly require proof of actual confusion to support a monetary award, and the *Masters* court held that “requiring actual confusion would undermine the equitable nature of the Lanham Act’s remedial scheme.” *Id.* at *18.

The *Masters* court concluded, “Section 1117 makes an award of the infringing party’s profits subject only to the principles of equity.” *Id.* at *20. It aligned itself with the decisions of other circuits rejecting the notion that proof of actual confusion is always necessary to recover a monetary award, citing with approval the Ninth Circuit’s decision in *Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000), holding that money damages could be recovered upon proof of likelihood of confusion with willful infringement. *Id.* at *20-21.

The *Masters* court left unresolved whether willful infringement is a prerequisite to a monetary award in the Eighth Circuit, while acknowledging that the circuits are split on this issue. *Id.* at *14-15 n.2. The district court for the District of Minnesota is also split on this issue. *Am. Ass’n for Justice*, 698 F. Supp. 2d at 1147 n.23 (acknowledging the split in the district); *Wildlife Research Ctr. v. Robinson Outdoors, Inc.*, 409 F. Supp. 2d 1113, 1136 (D. Minn. 2005) (Doty, J.) (proof of willfulness not required); *Lutheran Ass’n of Missionaries & Pilots, Inc. v. Lutheran Ass’n of Missionaries & Pilots, Inc.*, No. 03-6173, 2005 U.S. Dist. LEXIS 4176, at *21 (D. Minn. Mar. 15, 2005) (Magnuson, J.) (proof of willfulness required). The split arises from 1999 amendments to section 1117(a) of the Lanham Act to expressly require proof of willful infringement only in actions brought under 15 U.S.C. § 1125(c).



The *Masters* court assumed, without deciding, that willful infringement is a prerequisite to monetary relief. *Masters*, 2011 U.S. App. LEXIS 175, at *14-15 n.2. It favorably noted Professor McCarthy's criticism of those courts that read the 1999 amendment to remove the willfulness requirement for money damages. *Id.* And, its favorable reference to the *Gracie* decision that proof of actual confusion is not required specifically included that proof of willfulness is required in the Ninth Circuit for money damages. Whether dicta or not, the *Masters* court gave no indication that its prior statements that willfulness is a prerequisite to money damages will change. *See, e.g., Minn. Pet Breeders*, 41 F.3d at 1247 ("If a registered owner proves willful, deliberate infringement or deception . . .").

The *Masters* decision underscores the equitable nature of the Lanham Act remedies. An award of money damages against a willful infringer deters against the deliberate trading on another's reputation, advances the policies against unjust enrichment, and gives some protection to the value of goodwill and the injury to reputation that follows from willful trademark infringement. Both an injunction and money damages are Lanham Act remedies in the appropriate case.

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