

What Is Your Trademark Worth In Litigation? **1998**

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Billions of dollars are poured in to corporate ad campaigns each year to place product names in front of potential consumers. Unfortunately, the "dividends" from these investments often include competitors trying to ride on the coattails of successful products.

When competition results in infringement, one of the first questions clients typically ask counsel is "what can we get if our trademark is infringed?" The usual answer is "at least an injunction." Clients may be surprised to learn that frequently, that is all a victorious trademark litigant recovers. No doubt, in many cases an injunction is valuable relief. But is there more?

In theory, under the Lanham Act trademark owners may recover two types of monetary remedies for infringement: (1) their actual damages due to the infringement, or (2) the profits the infringer gained due to the infringement. In practice, however, these remedies are not as straightforward as the statute makes them appear.

To recover the trademark owner's damages suffered from the infringement, courts will usually require trademark owners to prove "actual confusion." This does not refer to the "likelihood of confusion" standard that must be proved to establish liability for infringement. Nor is this satisfied by the results of consumer surveys often conducted in trademark litigation. Rather, actual confusion is a higher standard that goes beyond a mere "likelihood." It calls for proof that real consumers in the marketplace were confused as to the origination or affiliation between the trademark owner's products and the infringer's products.

The courts typically require more than mere infringement to obtain the alternative recovery of an infringer's profits. This remedy focuses on the amount the infringer benefited from the infringement, rather than the harm to the trademark owner due to the infringement. It is based on the equitable remedy that provided for disgorgement of a wrongdoer's gain. Because of its equitable underpinnings, many courts require proof of bad faith, or wrongful intent, to recover an infringer's profits. Such proof of bad faith may not be part of the underlying liability case because wrongful intent is not required to establish infringement.

Having invested in successful product marketing that has resulted in infringement, what can a trademark owner do to increase the chances of recovering one of these monetary remedies in subsequent litigation, and recoup some of its investment?

One way is to police marks aggressively. Keep an eye on the competition - scour trade publications and trade shows. Ask trademark counsel to monitor the Trademark Gazette where new marks are published every week. When a potentially infringing mark is identified investigate it promptly. Taking these steps will allow a trademark owner to put potential infringers on notice of its mark and claim as soon as possible. If the infringer continues to use the mark despite knowledge of the trademark owner's claim, the foundation for proving bad faith has been laid - a requirement for recovering the infringer's profits at trial.

Business practices can also be modified to increase the possibility of obtaining a trademark owner's actual damages due to infringement. Implement internal procedures to document actual confusion. Instruct sales and marketing personnel, customer service representatives, and anyone that has direct contact with customers, to make a record of any reported confusion. Obtain the details of any actual confusion: Who was confused? What is the confused person's name, phone number? What products were involved? When did it occur? Why was there confusion? Was it due to the similar names or packaging of the products? Or was it due to other factors not related to the trademarks involved?

By following these simple guidelines, a company can substantially increase the value of some of its most valuable assets - its trademarks. Armed with the evidence developed through its client's practices, trademark counsel will have ammunition to pursue claims for monetary remedies in any ensuing litigation.