AWARDING PROFITS IN TRADEMARK INFRINGEMENT ACTIONS: RECONCILING THE CIRCUIT SPLIT ON THE WILLFULNESS REQUIREMENT WITH UNDERLYING TRADEMARK LAW RATIONALES

Timothy D. Kroninger*

2018 Mich. St. L. Rev. 793

TABLE OF CONTENTS

INTRODUCTION ................................................................. 794
I. THE FUNCTIONS AND RATIONALES OF TRADEMARKS ........ 799
   A. What are Trademarks?: An Overview ........................... 799
      1. Setting the Basis: Origins of Trademark Protection. 803
      2. Modern Theories: Protecting Producer Interests .... 805
      3. Modern Theories: Protecting Consumer Interests ... 807
   B. Theories and Rationales for Trademark Protection ..... 802
      1. Circuits Requiring a Showing of Willfulness .......... 813
      2. Circuits Using Willfulness as a Factor in the
         Determination ...................................................... 817
II. THE LANHAM ACT AND THE INITIAL WILLFULNESS CIRCUIT
    SPLIT: COURT DECISIONS PRIOR TO THE 1999 AMENDMENT .. 809
   A. The Lanham Act and Relevant Amendments............... 809
   B. The Initial Circuit Split ........................................ 813
      1. Circuits Requiring a Showing of Willfulness .......... 813
      2. Circuits Using Willfulness as a Factor in the
         Determination ...................................................... 817
III. THE SECOND WILLFULNESS CIRCUIT SPLIT: DECISIONS
     FOLLOWING THE 1999 AMENDMENT ......................... 820
IV. DISCARDING THE BRIGHT-LINE RULE ON WILLFULNESS ...... 826
   A. The Functions of Trademarks Are Destroyed by Any

* Managing Editor, Michigan State Law Review; Expected J.D. 2019, Michigan State University College of Law; B.S. 2014, Michigan State University. First and foremost, the author would like to thank his father, Timothy K. Kroninger, for introducing him to the legal profession at a young age and for acting as a mentor and a constant source of inspiration throughout law school. The author would additionally like to thank Professor Nancy Costello for her input on drafts of this Note, the members of Michigan State Law Review for their selfless dedication throughout the writing and publication process, and his mom and girlfriend for their unwavering love and support.
Griffin, a fledgling technology company, was in the process of developing its new logo and brand identity, and it had no intention of using another company’s logo to deceive consumers into buying its product. However, Griffin also wanted to get its products on the market quickly for the holiday shopping rush, so it did not conduct adequate research on what might and might not already be protected by trademark law. Griffin’s CEO is a grizzled veteran in the technology industry and knew from his own experience that logos with bold, block letters accented with stripes perform best in the market. Griffin therefore sent a proposed design to a graphic designer that said “GRIFFIN” in big, block green letters with horizontal white stripes intersecting each letter. The finished product created by the Griffin graphic designer looked somewhat similar to the IBM logo, but the executives honestly believed it was “different enough.” The logo was placed on all of Griffin’s boxes and holiday sales soared, causing IBM...
to lose some sales. Three weeks later, Griffin received notice of a trademark infringement action from IBM.

Cerberus is a small technology company that was also in the process of developing a new logo and brand identity. However, unlike Griffin, Cerberus only wanted to turn a quick profit and then completely exit the industry to reinvest elsewhere. Cerberus thus decided from the outset to take the Apple logo and subtly change some of the shading, hoping that consumers would see the Cerberus products, think that they were Apple products, and complete their purchase. Cerberus set up a small kiosk in one of the local shopping malls and sold thousands of products to rushed holiday shoppers, causing Apple to lose sales. Three weeks after raking in a handsome profit, it too received notice of an infringement action.

Both Griffin and Cerberus were eventually found liable of trademark infringement, as both instances involved the infringing use of a registered mark creating a likelihood of confusion. But in some circuits, the intent to deceive consumers will determine whether the court will divest the defendant of its profits. Griffin would escape without having to relinquish any profits while Cerberus would have to pay its profits back to Apple—even though the end result of infringement and harm to the plaintiff is the same.

---


8. See generally LA LONDE, supra note 2, at § 1.02.

9. See id. at § 5.09[2] (“When courts examine a defendant’s intent . . . they are asking whether the defendant meant to capitalize on the plaintiff’s good will by causing consumers to believe that the defendant’s product was created or sponsored by the plaintiff.”).

10. See Denicola, supra note 6, at 160, 163.

11. See id.

12. See § 1125(a) (identifying the requirements for a trademark infringement civil action).

13. See generally LA LONDE, supra note 2, at § 5.01 (describing the likelihood of confusion test for determining trademark infringement).

14. See, e.g., Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 434-35 (9th Cir. 2017); George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1541 (2d Cir. 1992) (discussing how the intent to deceive is what separates willful and non-willful infringement). The Ninth Circuit has been one of the longstanding proponents of the idea that only willful infringers—that is, those who intend to deceive or knowingly deceive—can be forced to give all profits earned to the plaintiff. See Stone Creek, 875 F.3d at 434-35.

15. Griffin had no intent to deceive and the infringement was not done knowingly, so it would not be forced to relinquish its profits to the plaintiff in a bright-
The remedies provision of the Lanham Act provides that, upon a showing of trademark infringement, a court may award to the plaintiff the defendant’s profits, the plaintiff’s damages, and the costs of the action, “subject to the principles of equity.” The meaning of the “subject to the principles of equity” language, which was not defined in the statute, has led to debate among the federal circuit courts, particularly as to whether the “principles of equity” require a showing of willful trademark infringement for an awarding of the defendant’s profits. Individually interpreting the “principles of equity,” some courts have established a bright-line rule requiring a showing of willfulness for awarding profits while other courts only took willfulness into account as one factor of many, thereby creating a circuit split that remains unsettled.

In 1996, Congress added a federal cause of action for trademark dilution to the Lanham Act. When Congress eventually linked the dilution cause of action provision to the remedies portion of the Lanham Act, it specifically added that only a willful, non-innocent violation would allow the plaintiff to recover the defendant’s profits in a dilution action. The application of the “willful” wording only to trademark dilution and not trademark infringement in the 1999 amendment further widened the circuit split and increased confusion on an already complicated and heavily divisive issue in trademark law.
In July 2017, the Court of Appeals for the Ninth Circuit visited the issue of awarding defendant profits for the first time since the 1999 amendment and reaffirmed its position that willfulness is a requirement for the disgorgement of a trademark infringer’s profits.22 The specific “willfulness” wording in the 1999 amendment applying to trademark dilution claims did not change the Ninth Circuit’s conclusion that willfulness is necessary to meet the “principles of equity” requirement for trademark infringement claims.23 This decision is consistent with the Federal Circuit’s holding that the 1999 amendment does not substantively change its analysis on willfulness with regard to trademark infringers and awarding of defendant’s profits.24 On the contrary, the Fourth and Fifth Circuits have adhered to the view that willfulness is only one factor in the overall determination of awarding profits in a trademark infringement action, and the Third Circuit changed its opinion based on the 1999 amendment and no longer requires a showing of willfulness to obtain an infringer’s profits.25

Trademarks and trademark law are in a unique position in the field of intellectual property law.26 Other forms of intellectual property such as patents and copyrights primarily play a role in protecting the interests of the producer while attempting to encourage invention or creation.27 Trademarks, paradoxically, play a dual role in protecting through the circuit courts, which remain divided on the role of willfulness in awarding profits.”.

22. See id. at 441.

23. See id. (“We now decide that the 1999 amendment does not change the foundation of Ninth Circuit precedent—willfulness remains a prerequisite for awarding a defendant’s profits.”).


25. See 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 Grp. PLC, 313 F.3d 338, 347-49 (5th Cir. 2002).

26. See Peter S. Menell et al., INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE: 2017 866-67 (2017) (“Trademarks differ in fundamental ways from the other types of intellectual property . . . . Patents, copyrights, and trade secrets are designed to protect and/or reward something new, inventive, or creative, whether it be an idea, discovery, or expressive work. A trademark, by contrast, does not ‘depend upon novelty, invention, discovery, or any work of the brain. It requires no fancy or imagination, no genius, no laborious thought.’ Rather, trademark protection is awarded merely to those who were the first to use a distinctive mark in commerce.” (internal citations omitted) (quoting Trade-Mark Cases, 100 U.S. 82, 94 (1879))).

27. See id. at 867 (“[T]here has been nothing in trademark law analogous to the desire to encourage invention or creation . . . . There is no explicit federal policy to encourage the creation of more trademarks.”).
both the interests of the consumer and of the producer, leading to a more obfuscated and varied list of rationales for protection.\textsuperscript{28} These underlying rationales should be a guiding factor for the decisions of courts and legislatures on difficult trademark-related decisions, including the recent circuit split over the willfulness requirement for awarding a defendant’s profits.\textsuperscript{29}

Intellectual property blogs have noted that the willfulness requirement for awarding a defendant’s profits in an infringement action is ripe for Supreme Court clarification; thus, it is pertinent to revisit the rationales behind why the United States protects trademarks in the first place.\textsuperscript{30} Part I of this Note therefore analyzes the rationales behind trademark protection.\textsuperscript{31} Part II describes the Lanham Act generally and the original, pre-1999 amendment circuit split, and Part III covers the post-1999 circuit split on willfulness that continues today.\textsuperscript{32} Finally, Part IV analyzes which of the conflicting approaches is most harmonious with the rationales behind why the United States protects trademarks in the first place.\textsuperscript{33} Ultimately, trademarks’ dual protection of both consumers and producers is best served by a flexible rule that does not require willfulness for awarding the plaintiff an infringing defendant’s profits, contrary to the Ninth Circuit’s recent decision in \textit{Stone Creek}.\textsuperscript{34} The harms that the underlying theories of trademark protection are designed to alleviate—including source

\textsuperscript{28} See id. at n.1 (“These are two very different interests held by different parties, both protected by a trademark granted to one of the parties.”).

\textsuperscript{29} See infra Part IV (explaining that the functions of trademarks are best protected when all infringement is eliminated; therefore, all courts should be able to use profit disgorgement to deter trademark infringement).


\textsuperscript{31} See infra Part I (discussing the historical origins of trademarks and the theories behind why trademarks are protected).

\textsuperscript{32} See infra Parts II & III (discussing the Lanham Act and the first and second circuit splits—both of which center around the willfulness requirement in awarding the plaintiff an infringing defendant’s profits).

\textsuperscript{33} See infra Part IV.

\textsuperscript{34} See MENELL, supra note 26, at 867; see also \textit{Stone Creek}, 875 F.3d at 441.
Awarding Profits in Trademark Infringement Actions

confusion, diversion of sales, and destruction of trademark goodwill—can occur regardless of whether the infringement is willful or innocent. Additionally, infringement destroys the beneficial functions of trademarks. Therefore, the lost profits provision should be available for courts to apply as a deterrent, even when infringement is not willful.

I. THE FUNCTIONS AND RATIONALES OF TRADEMARKS

Trademarks occupy a unique position in the intellectual property field. Trademarks have been around since antiquity and have always played a role in source identification, acting as the link between a good and its source. Since then, the popularity of trademarks, especially as business assets, has grown exponentially, and the litigation surrounding them has correspondingly increased. As the uses of trademarks and branding have shifted and expanded, and as policies emphasizing consumer protection have evolved, trademarks have taken on additional and more complicated roles. The modern trademark thus plays a dual role in protecting both the consumer and the producer while also aiding in economic efficiency.

A. What Are Trademarks?: An Overview

Despite the differing theories on the rationales for trademark protection, the trademark itself serves one main, overarching function—to distinguish goods from one manufacturer or merchant

35. See LAONDE, supra note 2, at §§ 1.03, 5.02; MENELL, supra note 26, at 867.
37. See, e.g., Synergistic Int’l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006); Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744 (7th Cir. 1985) (noting that damages under the Lanham Act must be sufficient to discourage infringement).
38. See MENELL, supra note 26, at 867.
39. See LAONDE, supra note 2, at § 1.06[1] (describing the history of trademark protection).
40. See, e.g., id. at § 1.01; Sean Stonefield, The 10 Most Valuable Trademarks, FORBES (June 15, 2011, 1:22 AM), https://www.forbes.com/sites/seanstoneyfield/2011/06/15/the-10-most-valuable-trademarks/#3c0fd5223b8 [https://perma.cc/VKM6-6Z6V].
41. See LAONDE, supra note 2, at § 1.03 (identifying the functions and rationales for trademark protection).
42. See id. at § 1.03[6][c] (noting that trademarks lower search costs).
from those of another. A trademark is a word, symbol, object, or sensation that is given legal protection because it designates the source of a product or service. Valid trademarks can therefore come in many forms, including logos, brand names, package designs, sounds, and even colors. Examples of some of the best known trademarks include Google, Microsoft, Walmart, Apple, and GE.

Trademark law broadly encompasses concepts such as brand names, trade dress, service marks, certification marks, and collective marks. These concepts generally share the same legal principles and are often colloquially, and perhaps confusingly, simply referred to as “marks” or “trademarks.” Although common law rights are available in the United States without registration upon only a showing of use, federally registering a mark with the United States Patent and Trademark Office (USPTO) offers a wide range of valuable benefits.

43. See id. at § 1.03[1] (“Though each [rationale] may be slightly different, these functions are inextricably linked. A trademark cannot be an indicator of a certain quality unless it signifies one particular source to the consumer. Nor can it be a symbol of good will or an effective method of advertising unless it has built up a reputation associated with a specific source. The consumer benefits of trademarks are all directly connected with these functions . . . .”).

44. See id. (“A term, symbol, object or sensation functions as a trademark and is accorded legal protection when it designates the source or origin of a product or service so as to distinguish that product or service from the products or services of others, even if the source is, to the consumer, anonymous.”).


46. See Stonefield, supra note 40.

47. See Borchard, supra note 45, at 3 (“Trademarks include brand names identifying goods (Dole for canned pineapple) and trade dress consisting of the graphics, color or shape of packaging or, after sufficient use, of goods (Coca-Cola Bottle for a soft drink); service marks identifying services (McDonald’s for a restaurant service); certification marks identifying goods or services meeting specified qualifications (Woolmark for apparel made of 100% wool); and collective marks identifying goods, services, or members of a collective organization (The International Game Fish Association for a game fishing organization).”); see also Lalonde, supra note 2, at § 1.02[c] (noting that, in some industries, the word “brand” or “brand name” is used interchangeably with the word “trademark”).

48. See Borchard, supra note 45, at 3.

49. See id. Note that trademark rights in some countries are solely dependent on registration, rather than use (i.e., use is not a prerequisite); cf. Lalonde, supra note 2, at § 10.02.

50. See Lalonde, supra note 2, at § 4.01 (“[A] federal registration gives rise to several important statutory attributes that unregistered marks lack. A federal trademark registration establishes federal jurisdiction in a trademark infringement action and can be the basis for standing and damages. A principal register trademark
Most notably, federal registration allows federal courts to hear infringement claims and is required to obtain increased remedies against counterfeiters.51

Trademarks are so intertwined with modern society that it would be virtually impossible to go a day without being exposed to one—or perhaps, even thousands—and the importance and popularity of trademarks continue to rise.52 Just to scratch the surface, trademarks can be found on clothes and accessories, electronics, billboards and advertisements, cars, food packages, websites, and television broadcasts.53 Unsurprisingly then, a strong trademark can be worth billions of dollars to a company, and trademarks are usually the largest source of a company’s intangible value.54 For example, in 2011, the world’s most valuable trademark, Google, was estimated to have a value exceeding $44 billion, with the Microsoft trademark close behind at just under $43 billion.55 Companies have not always been privy to the intangible value of trademarks, but that has changed in the last ten years.56 As a result, trademark registration popularity has likewise been growing exponentially.57 In 1870, the year of the earliest federal law on trademarks, 121 marks were filed for registration.58 Over a century later, just over 33,000 marks were filed, including

registration constitutes constructive notice, is prima facie evidence of the right to use the mark in interstate commerce to the exclusion of others, can allow the right to use the mark to become incontestable under certain circumstances, and may be recorded with the United States Bureau of Customs and Border Protection to bar importation of goods bearing an infringing trademark.”).  

51. See BORCHARD, supra note 45, at 4.  
52. See LALONDE, supra note 2, at § 1.01 (explaining how trademarks have become integral assets in business, and thus, extremely prevalent in everyday life).  
53. See, e.g., id. at § 1.02.  
54. See Stonefield, supra note 40 (noting that “intangible” refers to an asset that cannot be physically touched, unlike a building or machinery).  
55. Id. Other noteworthy examples include Walmart ($36.2 billion trademark value), IBM ($36.2 billion trademark value), Vodafone ($30.7 billion trademark value), and Apple ($29.5 billion trademark value). Id.  
56. See id. (“The single largest source of intangible value in a company is its trademark . . . [t]hat insight is a major sea change that has come about over the last couple of years . . . .”). Note that this Article was written in 2011. Id.  
57. See LALONDE, supra note 2, at § 1.01.  
58. Id. The first trademark issued in the United States as “U.S. Trademark Registration No. 1” was a design mark of an eagle accompanied by the words “Economical, Beautiful.” Anne H. Chasser, A Historical Perspective: The International Trademark Association and the United States Patent and Trademark Office, 93 TRADEMARK REP. 31, 34 (2003). Although the eagle design mark was the first trademark issued by the United States (Trademark No. 1), it was not the first application filed. See id. The first application was filed eight days after the 1870 Act by attorney David A. Burr for “‘EXCELSIOR No. 1 Peruvian Guano’ for use in connection with fertilizer [products].” Id.
registration number 1,000,000 in 1974. In 2016 alone, the total number of marks filed with the USPTO exceeded 390,000, and trademark registration number 5,000,000 was filed. Unsurprisingly then, nearly every part of an average day involves interacting with trademarks in some capacity. Trademarks are obviously extremely important in modern United States society, but trademark law has not always been such a centerpiece of business; it has taken thousands of years and the development and traditions of countless societies to reach the point it is at today.

B. Theories and Rationales for Trademark Protection

Unlike other forms of intellectual property, the rationales for trademark protection are much more obscure and varied. The Constitution plainly spells out the rationales for patent and copyright protection—rights granted to a producer as an incentive to promote progress in the science and arts. On the other hand, it is widely recognized that trademarks function broadly to distinguish goods from one manufacturer or merchant from those of another. Due to their broad, historical role as source identifiers from antiquity to common law and their fundamental roots in tort law, trademarks today intrinsically protect certain interests of both the producer and the consumer. Both parties are protected under one mark, although the
ownership of the mark is granted solely to the producer;\textsuperscript{67} however, rationales for why such protection is necessary or desirable are not inherently clear and have instead been posited by historians, scholars, and practitioners.\textsuperscript{68}

1. Setting the Basis: Origins of Trademark Protection

The origins of trademarks trace back to at least 3500 B.C. when Egyptian artisans used scratchy signatures to signify to customers that they were the creators of clay-fired pots, tools, and building materials; the artisans could then be linked to the quality and reliability of their craftsmanship.\textsuperscript{69} The Etruscans, a race that preceded the founding of Rome by hundreds of years, used similar signatory marks on intricately decorated cups, plates, and vases.\textsuperscript{70} Identifying marks were also used extensively in ancient Roman society in the seventh and sixth centuries B.C. on medicines, ointments, wine, cheese, cloth, clay pottery, metal ornaments, and glass vessels—playing much the same role as trademarks do in commerce today.\textsuperscript{71} The rise of organized groups of artisans known as “guilds” in the fourteenth century led to the use of a compulsory system of production marks to distinguish the works of individual guild members.\textsuperscript{72} This system was designed to ensure that defective guild-associated products bought by consumers could be traced back to the individual manufacturer, who could then

\textsuperscript{67} See Menell et al., supra note 26, at 867 n.1 (“These are two very different interests held by different parties, both protected by a trademark granted to one of the parties.”).

\textsuperscript{68} See id. Unlike patents or copyrights, which have a Constitutional basis and directive, trademark functions have developed organically. See id.

\textsuperscript{69} See Lalonde, supra note 2, at § 1.06[1] (“Through his mark, a scratchy form of commercial signature, the potter could be identified with the quality of his craftsmanship by all who saw his work.”); Gerald Ruston, On the Origin of Trademarks, 45 Trademark Rep. 127, 128 (1955) (noting that these types of “scratchy marks” might even be present as early as approximately 5,000 B.C. on stone-age pottery).

\textsuperscript{70} See Ruston, supra note 69, at 131-32.

\textsuperscript{71} See id. at 132-33; see also Edward S. Rogers, Some Historical Matter Concerning Trade-Marks, 62 Trademark Rep. 239, 240 (1972) (“Wherever exist relics of Roman life, from Syria to Britain are found the names of workmen, of manufacturers and of traders, pictorial marks, marks of local origin and chronograms.”).

\textsuperscript{72} See Lalonde, supra note 2, at § 1.06[1]. The rise of guilds later led to “to registration systems for marks used by individual guild members.” Id. There are also records of the guild systems setting penalties for infringement during the Middle Ages. See id.
be punished criminally or through police regulations. Records from this time period also indicate that infringers in both France and the Holy Roman Empire were subject to harsh penalties, even including death. Historically, the concept that trademark law is designed to protect the consumer can trace its roots back to these medieval guilds and royal decrees of punishment for defective manufacturing.

Building on the trademark system developed in medieval times, common law cases in Great Britain have contributed heavily to modern trademark law jurisprudence, including the creation of provisions designed to protect producers. The basic ideas behind injunctive relief for trademark infringement can be traced directly to the landmark common law decision of Millington v. Fox in 1838. In Millington, the plaintiff had long used a specific trademark on steel products and alleged the defendant was using the same mark on his own steel goods in an attempt to pass them off as the plaintiff’s. The English Court of Equity acknowledged that an injunction was proper to enforce the plaintiff’s valid title to his trademark when another was using the mark unlawfully. The court allowed the injunction even though the defendant’s infringement of the mark did not appear to be willful; there was no proof the defendant intended to defraud, and the defendant was actually unaware that the plaintiff even owned the

73. See Rogers, supra note 71, at 247. Use of marks in this manner helped to ensure only high-quality goods were produced by guild members and also allowed easy exclusion of goods from rival or neighboring guilds. See id.

74. See id. at 243-44 (noting that a French royal edict in 1564 “placed [mark] imitators . . . in the same category as counterfeits who were punished capitally”). Marks were regarded as property in France, and edicts directly from the King required marks to be placed on locally important products, such as tapestries, as a protectionist measure; violations of these edicts were therefore punished “in the barbarous manner characteristic of the times.” Id. at 243.

75. See id. at 250 (“[M]ost of the provisions of our modern trade mark statutes and many of the common law rules on the subject are to be found in surprisingly similar form in the mediaeval guild regulations, municipal ordinances and royal decrees.”).

76. See LaLonde, supra note 2, at § 1.06[2] (noting that Sandford’s Case in 1584 served as “the bridge sought by legal scholars, between trademark regulation by the medieval English trade guilds and the birth of modern trademark jurisprudence in the common law courts of the nineteenth century”). Sandford’s Case has “remarkable parallels to a twentieth-century case of intentional trademark infringement.” Id.

77. See id. (noting that Millington v. Fox was later cited by the United States Supreme Court for principles relating to injunctive relief—such principles are still followed today).

78. See id.

79. See id. (“[C]iting no authorities, [the Court of Equity] held that plaintiff ‘undoubtedly had a right to the assistance of a Court of Equity to enforce that title.’” (internal citations omitted)).
mark. These historical uses of trademarks and trademark-like notations set the baseline for modern theories of trademark protection designed to protect both consumers and producers.

2. Modern Theories: Protecting Producer Interests

Modern trademark protection plays an important role in safeguarding the interests of producers—especially as trademarks continue to grow in importance as intangible assets for businesses. Just as in early British common law cases like Millington, the source-designation function of trademarks is crucial for producers and ultimately forms the touchstone of traditional trademark theory. The ability of a producer to link its own product to its trademark protects against consumer confusion over the product’s source. A lack of consumer confusion, in turn, benefits producers because consumer confusion can result in a diversion of trade to another producer through a misrepresentation of source, even if the misrepresentation is innocent. If a consumer purchases goods because he or she believes the goods are actually from a different producer, that producer has lost a probable sale. For example, if a consumer sets out to purchase an IBM computer and believes one of Griffin’s computers is actually from IBM, IBM has lost that consumer’s sale.

Diversion of trade is not the only danger resulting from consumer confusion. If a customer is confused about the source of goods and ends up purchasing the infringing product, any defects or dissatisfaction with the infringer’s product will be misattributed to the senior producer. For instance, if a consumer purchases a Griffin
computer system believing that it is an IBM or is affiliated with IBM, but the computer subsequently falls apart within a month, the consumer’s dissatisfaction will be misattributed to IBM.\textsuperscript{89} IBM will thus suffer damage to its reputation as a reliable producer of state-of-the-art electronics.\textsuperscript{90} Therefore, trademark protection allows for producers to retain control over the reputation and “goodwill” of the mark.\textsuperscript{91} The availability of trademark policing and the remedies available to dissuade trademark infringement and dilution protect a producer’s investment in the mark.\textsuperscript{92} This investment includes the monetary and time investment in the creation and advertising of a mark, the advertising of the product associated with the mark, and the implementation of other product-related investments, such as high-quality materials, equipment, and quality assurance.\textsuperscript{93}

Furthermore, trademark protection provides producers with economic gain when consumers can identify the producer’s mark with higher quality.\textsuperscript{94} Once a reputation for quality is created, repeat purchasers and word-of-mouth references generate higher sales; consumers are more likely to pay greater sums for goods they can easily and quickly identify as higher quality.\textsuperscript{95} For example, if consumers commonly know that Apple products are of high quality, they will generally be willing to pay higher prices.\textsuperscript{96} However, free

\begin{itemize}
\item \textsuperscript{89} See generally id.
\item \textsuperscript{90} See generally id.
\item \textsuperscript{91} See id. at 163. “Goodwill” is often defined as the inherent value of a trademark and is tied to consumer recognition of and associations with the mark in conjunction with the extra revenue the mark generates. See Charles Internicola, \textit{What Is Trademark Goodwill?}, INTERNICOLA L. FIRM (Aug. 29, 2010), https://www.franchiselawsolutions.com/blog/what-is-trademark-goodwill [https://perma.cc/9ZRJ-YC82].
\item \textsuperscript{92} See MENELL, supra note 26, at 867-68 (“Trademark ‘ownership[]’ . . . essentially begins as something like a legal fiction that gives the trademark owner a cause of action he would not otherwise have . . . .”).
\item \textsuperscript{93} See id. at 868 (“Giving the originator of a mark the right to police counterfeiting also serves to protect [various] types of investment . . . .”).
\item \textsuperscript{94} See Landes & Posner, supra note 36, at 270. But see Jeremy N. Sheff, \textit{Biasing Brands}, 32 CARDOZO L. REV. 1245, 1245 (2011) (positing that the economic search costs model of trademark law is influenced by brand bias to the point where it is only efficient when paired with certain mandated government regulations that mitigate producers’ ability to manipulate consumer psychology, which does not currently exist).
\item \textsuperscript{95} See Landes & Posner, supra note 36, at 270 (“Once the reputation is created, the firm will obtain greater profits because repeat purchases and word-of-mouth references will generate higher sales and because consumers will be willing to pay higher prices for lower search costs and greater assurance of consistent quality.”).
\item \textsuperscript{96} See generally id.
\end{itemize}
riding can easily destroy any economic incentive to invest in a mark. A free-riding infringer can easily, and at little cost, leech off the goodwill of a strong trademark because some consumers will assume that the infringer’s goods are also of high quality—eventually destroying the “capital” invested in the mark. Adequate protection of trademarks is therefore necessary to protect both the goodwill of existing marks and the incentive to invest in the goodwill of marks in the future.

3. Modern Theories: Protecting Consumer Interests

Trademarks are incredibly prevalent in modern society, and by broadly acting as an identifier of the source of a product, they also play an important role in protecting the consumer’s interests. First and foremost, trademarks allow consumers to distinguish goods from one manufacturer from those of another, preventing a likelihood of consumer confusion as to source designation—consumers know when they are purchasing an IBM product versus a Griffin product. This function also prevents consumers from being deceived—for example, purchasing a competitor’s inferior or defective product thinking it is from another producer. Although consumers lack standing to sue under the Lanham Act, the right of the consumer to purchase the desired good without being deceived is still one of the primary protections underlying trademark law. Put simply, trademark law follows the long-entrenched tort-based policy that the court has an

97. See id. (“If the law does not prevent it, free riding will eventually destroy the information capital embodied in a trademark, and the prospect of free riding may therefore eliminate the incentive to develop a valuable trademark in the first place.”).

98. See id. (“The free-riding competitor will, at little cost, capture some of the profits associated with a strong trademark because some consumers will assume (at least in the short run) that the free rider’s and the original trademark holder’s brands are identical.”).

99. See id.

100. See, e.g., LaLonde, supra note 2, at §§ 1.03[1], [6] (“[A] trademark [] is accorded legal protection when it designates the source or origin of a product or service so as to distinguish that product or service from the products or services of others . . . .”).

101. See, e.g., Frank I. Schechter, The Rational Basis of Trademark Protection, 60 TRADEMARK REP. 334, 338 (1970); see also LaLonde, supra note 2, at § 5.01[3][a] (“[T]he ‘likelihood of confusion’ inquiry centers on whether members of the purchasing public are likely to believe that defendants’ products or services come from the same source as plaintiffs’ protected products or services.”).

102. See Schechter, supra note 101, at 338 (“The protection of trademarks originated as a police measure to prevent ‘the grievous deceit of the people’ by the sale of defective goods . . . .” (internal citations omitted)).

103. See LaLonde, supra note 2, at § 1.03[6][a].
overriding duty to protect the public; here specifically, the court has a duty to protect the public from confusion and deceit by enjoining the use of infringing trademarks.\textsuperscript{104}

Similarly, trademarks guarantee consumers a certain level of consistency in the quality or other attributes associated with a brand or mark.\textsuperscript{105} A consumer can thus walk into a store, pick up a product, and generally know the attributes of the product from the product’s trademark.\textsuperscript{106} Trademarks, therefore, also play a role in economic efficiency for the consumer who benefits from the concise and quick facts about a product that can be identified simply by seeing a trademark or brand.\textsuperscript{107} For instance, if a consumer knows he or she would like to purchase Apple’s latest portable electronic cellular device with the screen that stretches the entirety of the device’s face, it is much more efficient—quicker, shorter, and easier to remember—for the consumer to simply ask for an “iPhone X.”\textsuperscript{108}

The rationales of trademark protection have developed over thousands of years and countless societies.\textsuperscript{109} From Egyptian artisans to the modern centerpieces of billion-dollar companies, trademarks have evolved to protect the interests of both the consumer and the producer.\textsuperscript{110} These beneficial functions of trademarks reduce consumer confusion and deception, incentivize investment, and promote economic efficiency, but these benefits are undermined when

\textsuperscript{104} See id. This general, overreaching policy is also evidenced by anti-counterfeiting laws, anti-cybersquatting provisions, and unfair competition laws designed to protect consumers. See id.; MENELL, supra note 26, at 867 (“[F]undamental principles of trademark law have essentially been . . . unfair competition and the tort of deception of the consumer.”).

\textsuperscript{105} See In re XMH Corp., 647 F.3d 690, 695-96 (7th Cir. 2011).

\textsuperscript{106} See id. (“A trademark is a shorthand designation of a brand. It conveys information that allows the consumer to say to himself, ‘I need not investigate the attributes of the product I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the like-branded product I enjoyed earlier.’”).

\textsuperscript{107} See Landes & Posner, supra note 36, at 268-69 (“The benefit of the brand name is analogous to that of designating individuals by last as well as first names, so that, instead of having to say ‘the Geoffrey who teaches constitutional law at the University of Chicago Law School—not the one who teaches corporations,’ you can say ‘Geoffrey Stone—not Geoffrey Miller.’”).

\textsuperscript{108} See id. Landes and Posner make a similar analogy to a consumer asking in a retail store for “decaffeinated coffee made by General Foods” versus simply asking for “Sanka,” which is shorter to say, requires you to remember less, and requires the waiter or clerk to remember and read less. Id.

\textsuperscript{109} See, e.g., LAONDE, supra note 2, at § 1.06[1]; Ruston, supra note 69, at 128-41.

\textsuperscript{110} See, e.g., LAONDE, supra note 2, at § 1.06[1]; MENELL, supra note 26, at 867; Ruston, supra note 69, at 128-41.
Awarding Profits in Trademark Infringement Actions

infringement is not adequately deterred.\textsuperscript{111} In the United States, the Lanham Act chiefly protects the beneficial functions of trademarks.\textsuperscript{112} However, courts have not been able to fully agree on the interpretation of certain aspects of the Lanham Act’s remedies provision—which can deter infringing conduct.\textsuperscript{113}

II. THE LANHAM ACT AND THE INITIAL WILLFULNESS CIRCUIT SPLIT: COURT DECISIONS PRIOR TO THE 1999 AMENDMENT

The Lanham Act was passed in 1946 and governs federal trademark law in the United States.\textsuperscript{114} The circuit splits involving the awarding of the defendant’s profits in an infringement action focus on the wording in the remedies provision of the Act, 15 U.S.C. § 1117.\textsuperscript{115} Although the context and specific reasoning in each of the two circuit splits differ, the main dispute has remained the same—whether willfulness is required to award a plaintiff an infringing defendant’s profits.\textsuperscript{116} Unfortunately, the initial circuit split left many questions unanswered that remain unanswered to this day.\textsuperscript{117}

A. The Lanham Act and Relevant Amendments

Both sides of the circuit split on the award of profits in a trademark infringement action find their roots in the wording of the Lanham Act and its amendments.\textsuperscript{118} Trademark protection in the United States is “multi-layered” and is regulated by federal statutory law, state statutory law, and common law.\textsuperscript{119} Congress exercised the

\textsuperscript{111} See LALONDE, supra note 2, at § 1.06[1]; Landes & Posner, supra note 36, at 269-70 (explaining, for example, how free-riding destroys the incentive for companies to invest in a mark).

\textsuperscript{112} See LALONDE, supra note 2, at § 1.04[2] (describing the Lanham Act and its operative sections).

\textsuperscript{113} See, e.g., Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 439-42 (9th Cir. 2017) (describing the history of the disagreement over the remedies portion of the Lanham Act); see also Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989) (outlining the justifications, including deterrence, for certain aspects of the remedies provision).

\textsuperscript{114} See LALONDE, supra note 2, at § 1.04.

\textsuperscript{115} See Stone Creek, 875 F.3d at 439-42.

\textsuperscript{116} See id.

\textsuperscript{117} See id.

\textsuperscript{118} See id. at 439 (“The evolution of the remedies provision [of the Lanham Act]—including the ever-persisting circuit split—is key to understanding the impact of the 1999 amendment . . . ”).

\textsuperscript{119} See LALONDE, supra note 2, at § 1.04 (“The Lanham Act applies at the federal level, and both the common law of unfair competition and a network of statutory laws apply at the state level. Although federal and state trademark laws
power granted to it under the Commerce Clause of the United States Constitution and passed the Lanham Act in 1946 to cover federal trademark registration, trademark infringement actions, and associated remedies. Remedies available under the Lanham Act for a violation of trademark-related rights, such as infringement via a likelihood of confusion, are described in 15 U.S.C. § 1117. This provision allows, “subject to the principles of equity,” the plaintiff to recover the profits obtained by the defendant, damages sustained by the plaintiff, and the costs of the action. However, the Lanham Act does not define the “subject to the principles of equity” language, leaving courts to decide whether the “principles of equity” dictate that they treat willful and non-willful infringers the same for the purpose of determining remedies—thus creating the first of two circuit splits related to the remedies portion of the Act.

Courts have, however, generally been able to agree that “willful” infringement necessitates a bad faith intent to deceive consumers, rather than an attempt to imitate the successful features of a competitor’s product or mark. A deliberate attempt to incorporate overlap to a great extent, federal law is not ordinarily held to displace or pre-empt state law except where a conflict arises between the two.”). Furthermore, state law infringement actions are generally resolved under the same standards that are applied in federal court. See id.

120. See id. The Lanham Act was an “overhaul [of] the antiquated 1905 Trademark Act.” Id. Because the Lanham Act was enacted under Commerce Clause power, “[c]ontact with interstate commerce is thus required throughout the Act. For example, a trademark must be used in such commerce before it may be registered federally, and an infringer must commit its infringing acts in or affecting such commerce before they become actionable under the Act.” Id.; see also 15 U.S.C. § 1051(a) (2012).


122. 15 U.S.C. § 1117(a) (1996) (“When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a) 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.”).

123. See Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 440 (9th Cir. 2017) (“The spirited debate among the circuits has been reserved for how the phrase ‘subject to the principles of equity’ applies to an award of the defendant’s profits.” (internal citations omitted)).

124. See George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1541 (2d Cir. 1992). In George Basch, the court specifically notes that “[t]here is an ‘essential distinction . . . between a deliberate attempt to deceive and a deliberate attempt to compete. Absent confusion, imitation of certain successful features in another’s product is not unlawful and to that extent a ‘free ride’ is permitted.’” Id. (quoting Norwick Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569, 572 (2d Cir. 1959)). However, courts such as the Ninth Circuit have held that choosing a designation with
successful features of another’s mark to compete in the market, even if confusion occurs, is not considered willful infringement. The difference between the conduct of Griffin and Cerberus illustrates the distinction. Griffin took the successful features from others’ marks in an attempt to compete in the market and inadvertently crossed the line into infringement; therefore, the infringement is not considered willful. Cerberus intended to deceive consumers from the start by knowingly and intentionally making its logo confusingly similar to the Apple logo, and therefore, the infringement is considered willful. Awarding the plaintiff profits obtained by the defendant through use of the infringing mark has historically been justified on different grounds, including principles of unjust enrichment, deterrence, and compensation. The Lanham Act also specifically notes that the available remedies, including lost profits, shall not constitute a penalty and must only serve as compensation.

In 1996, Congress substantively amended the Lanham Act to create a federal cause of action for trademark dilution, codified in 15 U.S.C. § 1125(c). Trademark dilution differs from trademark infringement in that it functions chiefly to protect against the loss of knowledge it is another’s trademark permits an assumption of intent to deceive. See Stone Creek, 875 F.3d at 434 (citing Hokto Kinoko Co. v. Concord Farms, Inc., 738 F.3d 1085, 1096 (9th Cir. 2013)).

125. See George Basch, 968 F.2d at 1541 (“Of course, even when a likelihood of confusion does arise, that does not inexorably lead to the conclusion that the defendant acted with deliberate deceit. Depending upon the circumstances, consumer confusion might as easily result from an innocent competitor who inadvertently crosses the line between a ‘free ride’ and liability, as it could from a defendant’s intentionally fraudulent conduct.”).

126. See id.
127. See id.
128. See id.
129. See Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989) (“Profits are awarded under different rationales including unjust enrichment, deterrence, and compensation.”). But see Rachel Anne Zisek, Note, Where There’s a Will, There’s a Way: Reconciling Theories of Willful Infringement and Disgorgement Damages in Trademark Law, 22 J. INTELL. PROP. L. 463, 486-87 (2015) (echoing that awarding profits has been justified on the three aforementioned grounds, but further arguing that deterrence may only serve—or would better serve—to deter future conduct of willful infringers but not innocent infringers).

131. See Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 440-41 (9th Cir. 2017); see also 15 U.S.C. § 1125(c)(1) (2012) (“Subject to the principles of equity, the owner of a famous mark that is distinctive . . . . shall be entitled to an injunction against another person who, at any time after the owner’s mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion . . . .”).
distinctiveness or uniqueness of famous marks, even if other uses of the mark would not be confusing.\textsuperscript{132} Trademark infringement under § 1117, on the other hand, is only actionable when there is a likelihood of confusion between the marks.\textsuperscript{133} The 1898 British case \textit{Eastman Kodak Co. v. Kodak Cycle Co.} exhibits an early example of the dilution principle.\textsuperscript{134} There, the court allowed the famous Kodak film company to stop the Kodak bike company from using the Kodak mark even though consumers knew the two entities were distinct and made separate types of products.\textsuperscript{135} The court reasoned that the Kodak film company could suffer harm regardless of the lack of confusion due to a loss of distinctiveness of its mark.\textsuperscript{136} Allowing the same mark to represent two different companies and their associated products would “dilute” and weaken the distinctiveness of Kodak’s famous brand in the minds of consumers.\textsuperscript{137}

When Congress added the dilution provision to the Lanham Act, it initially failed to cross-reference the cause of action for trademark dilution to the remedies provision of the Act.\textsuperscript{138} It subsequently amended the remedies provision of the Lanham Act in 1999 to fix the mismatch and thus made it clear that a plaintiff bringing a trademark dilution claim could recover the same damages that would be available in trademark infringement actions.\textsuperscript{139} However, when Congress amended the statute, it added that a \textit{willful} violation of the dilution provision would entitle the plaintiff to remedies, but it did not

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{132} See \textit{Menell}, supra note 26, at 1030-31. The concept of trademark dilution originated with practitioner Frank Schechter and attempts to protect against famous marks “inevitably be[ing] lost in the commonplace words of language, despite the originality and ingenuity in their contrivance, and the vast expenditures in advertising them which the courts concede should be protected to the same extent as plant and machinery.” \textit{Id.} at 1031; see also 15 U.S.C. § 1125(c)(1).
\item \textsuperscript{133} See 15 U.S.C. § 1117.
\item \textsuperscript{134} See \textit{Menell}, supra note 26, at 1030-31.
\item \textsuperscript{135} See \textit{id.}
\item \textsuperscript{136} See \textit{id.}
\item \textsuperscript{137} See \textit{Lalonde}, supra note 2, at § 5A.01[2] (“If the allegedly diluting trademark lessens the distinctiveness of the famous mark— in other words, if it reduces or weakens the mark’s ability to indicate the source of goods— there is a violation of Section 43(c).”).
\item \textsuperscript{138} See \textit{Stone Creek}, 875 F.3d at 440 (“But Congress failed to make the requisite cross-reference in § 1117(a) to harmonize that section with the amendment and soon discovered the missing link between the two statutory provisions.”).
\item \textsuperscript{139} See \textit{id.} at 440-41 (“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, \textit{or a willful violation under} [the dilution provision], 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.” (quoting 15 U.S.C. § 1117(a) (2012))).
\end{itemize}
\end{footnotesize}
otherwise modify any other existing language—thus leaving unanswered the applicability of the willfulness requirement in likelihood of confusion-based trademark infringement actions. The 1999 amendment caused further confusion among the courts and renewed the previous circuit split that had yet to be resolved. To date, the Supreme Court has not weighed in on the willfulness requirement for awarding profits in infringement actions.

B. The Initial Circuit Split

The enigmatic “subject to the principles of equity” wording in the pre-1999 Lanham Act created the preliminary division among the federal courts of appeals on the willfulness requirement. The courts wrestled as to whether “the principles of equity” required a showing of willful infringement when awarding a defendant’s profits in likelihood of confusion-based infringement actions. Two “camps” ultimately emerged—those that absolutely required a showing of willfulness and those that “viewed willfulness as one factor in the overall determination of whether an award of profits is appropriate.” With some limited exceptions, circuits generally relied upon previous precedent within the circuit and remained firmly entrenched in one camp or another until the 1999 amendment was passed, which then necessitated a fresh look at the issue.

1. Circuits Requiring a Showing of Willfulness

The first camp in the pre-1999 Lanham Act circuit split required a showing of willfulness to award a defendant’s profits to the plaintiff

---

140. See id. Thus, the statute references (1) a violation under the infringement provision and (2) a willful violation under the dilution provision. See id.

141. See id.

142. See Turner & Ball, supra note 30 (“As Stone Creek deepens the divide among circuits, the issue of whether willfulness is required for disgorgement of a defendant’s profits in trademark cases is ripe for Supreme Court review.”).

143. See Stone Creek, 875 F.3d at 439-40.

144. See id. (“The spirited debate among the circuits has been reserved for how the phrase ‘subject to the principles of equity’ applies to an award of the defendant’s profits.”).

145. Id. at 440.

146. See generally 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, 889-90 (2002); see also Stone Creek, 875 F.3d at 442 (noting the “entrenched circuit split on willfulness” and that the Ninth Circuit is “well-settled” on the willfulness requirement).
in a trademark infringement action.147 These circuits opted for a bright-line rule rather than a multi-factor approach.148 This camp ultimately included the Second Circuit, Third Circuit, Ninth Circuit, and District of Columbia Circuit.149

At one point, scholars regarded the Second Circuit as perhaps the biggest proponent of the bright-line rule.150 Second Circuit jurisprudence has long advocated the willfulness requirement in trademark infringement actions, possibly dating back to 1965 in Monsanto Chemical Co. v. Perfect Fit Products Manufacturing.151 In more recent cases prior to the 1999 amendment, the Second Circuit articulated its concern that awarding profits in the absence of willfulness, including under a multi-factor approach, could lead to an excessively harsh, “draconian” result.152 Unlike an accounting of the plaintiff’s lost profits— which are generally computed as part of the plaintiff’s overall damages and actually measure harm to the plaintiff—the defendant’s profits measure not the plaintiff’s loss, but the defendant’s gain.153 Thus, remedies based on the defendant’s profits tend to overcompensate for a plaintiff’s actual injury, creating a windfall judgment for the plaintiff at the defendant’s expense.154 For example, if IBM has $1 million in damages due to Griffin’s non-willful infringement, and Griffin gains $500,000 in profits non-willfully using the infringing mark, IBM would be able to recover $1.5 million, despite an “actual injury” of only $1 million.155

147. See Conway-Jones, supra note 146, at 907-08.
148. See id.
149. See id. at 907; see also Stone Creek, 875 F.3d at 439-40.
150. See Conway-Jones, supra note 146, at 907-08 (“Spearheading the movement toward a bright line rule for recovery of an accounting is the Second Circuit.”); see also George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1539-40 (2d Cir. 1992) (“In view of this, the American Law Institute has recently concluded that a finding of willful infringement is the necessary catalyst for the disgorgement of ill-gotten profits. . . . We agree.”).
151. See Monsanto Chem. Co. v. Perfect Fit Prods. Mfg., 349 F.2d 389, 390-93 (2d Cir. 1965). The court in Monsanto affirmed the holding on the defendant’s willful infringement and an award of profits, but it did not directly state that a recovery was dependent on a bad faith showing. See id. However, it was likely “presumed.” Conway-Jones, supra note 146, at 909.
152. George Basch, 968 F.2d at 1540 (“[W]e believe that this requirement is necessary to avoid the conceivably draconian impact that a profits remedy might have in some cases.”).
153. See id. (“While damages directly measure the plaintiff’s loss, defendant’s profits measure the defendant’s gain . . . [o]f course, this is not to be confused with plaintiff’s lost profits, which have been traditionally compensable as an element of plaintiff’s damages.”).
154. See id.
155. See generally id.
On these principles, the Second Circuit reasoned that a windfall judgment at an innocent or good faith defendant’s expense was inequitable and therefore inconsistent with the wording of the Lanham Act in George Basch Co. v. Blue Coral, Inc., a case of alleged trade dress infringement of metal polish cans. The Second Circuit ruled that the district court erred in awarding George Basch the profits obtained by Blue Coral because Blue Coral had no intent to deceive consumers or violate George Basch’s rights with its metal polish can; rather, Blue Coral only intended to “compete” in the market, so the infringement was therefore not considered willful. The Second Circuit decided that a higher burden for trademark owners to demonstrate entitlement to monetary relief, such as showing willful infringement, was required for compliance with the “principles of equity.”

The Third Circuit was one of the last circuits to weigh in on the issue prior to the enactment of the 1999 amendment, and like the Second Circuit, it decided that a bright-line test best fit with the principles of equity, but it offered only a cursory analysis as to why. In SecuraComm Consulting Inc. v. Securacom Inc., the Third Circuit analyzed the district court’s award of profits to the plaintiff, SecuraComm Consulting, which the district court justified as a measure to deter the defendant’s misconduct for willfully infringing with its “Securacom” name. The Third Circuit reversed the district

156. See id. at 1540 (noting that some “courts require proof of intentional misconduct” before allowing a plaintiff to recover a defendant’s profits to otherwise limit inequitable results).
157. Id. at 1541. The court specifically reasoned that there is an essential distinction between an attempt to deceive and an attempt to compete: “[I]mitation of certain successful features in another’s product is not unlawful and to that extent a ‘free ride’ is permitted.” Id. (quoting Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569, 572 (2d Cir. 1959)). The court also noted that consumer confusion does not always equate to deceit (i.e., willful infringement). See id.
158. Conway-Jones, supra note 146, at 889. “By requiring the trademark owner to show . . . bad faith[. . .] the Second Circuit increased the burden for trademark owners to demonstrate their entitlement to monetary relief . . . .” Id. at 912.
159. See Conway-Jones, supra note 146, at 917; see also SecuraComm Consulting Inc. v. Securacom Inc., 166 F.3d 182, 190 (3d Cir. 1999) (“[A] plaintiff must prove that an infringer acted willfully before the infringer’s profits are recoverable.”).
160. See SecuraComm, 166 F.3d at 189-90 (“The District Court concluded that an award of 10% of Securacom New Jersey’s profits for the years in question was appropriate to deter a willful infringer such as Securacom New Jersey from such acts in the future.”); see also SecuraComm Consulting v. Securacom Inc., 984 F. Supp. 286, 303 (D.N.J. 1997) (“The rationale underlying [the deterrence theory] is not compensatory in nature, but rather seeks to protect the public at large. By awarding the profits of a bad faith infringer to the rightful owner of a mark, [the courts] promote
court’s award of profits because the infringement was not willful—there was no evidence that Securacom knew it was copying SecuraComm Consulting’s mark. Chiefly, the court noted that a failure to conduct a trademark search for similar marks is not a sufficient basis to determine that infringement is willful, absent key facts that a search is specifically needed, such as evidence of knowledge of another using a similar name. Rounding out this camp is the District of Columbia Circuit, which followed the rulings and reasoning of the Second Circuit and offered only a cursory analysis of its own on the willfulness issue.

The lone circuit that waived in its viewpoint and switched camps prior to the 1999 amendment was the Ninth Circuit. Originally opting for a weighing of factors in 1979’s Faberge, Inc. v. Saxony Products, Inc. and in subsequent cases, the court’s opinion changed in Lindy Pen Co. v. Bic Pen Corp. in 1993, and it has remained in favor of the bright-line rule ever since. In Lindy Pen, the secondary effect of deterring public fraud regarding the source and quality of consumer goods and services.

161. See SecuraComm, 166 F.3d at 190-91 (“In this case, however, the District Court awarded profits to deter defendant’s assertedly egregious misconduct; a plaintiff must prove that an infringer acted willfully before the infringer’s profits are recoverable. . . . Because the evidence in the record does not support the finding of willful infringement, we reverse the award of profits and attorneys’ fees.”).

162. See id. at 188-89 (“In the absence of these key details, it is unreasonable to conclude that Securacom New Jersey’s failure to conduct a trademark search established willful ignorance akin to willful infringement[,] . . . [i]t was at most careless[,] . . . [a]nd carelessness is not the same as deliberate indifference with respect to another’s rights in a mark or a calculated attempt to benefit from another’s goodwill.” (internal citations omitted)).

163. See ALPO Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958, 968 (D.C. Cir. 1990) (“[A]n award based on a defendant’s profits requires proof that the defendant acted willfully or in bad faith.”); see also Conway-Jones, supra note 146, at 914-15 (noting that the District of Columbia Circuit followed the Second Circuit without discussing the three theories of recovery or the willfulness provision).

164. See Conway-Jones, supra note 146, at 894-99.

165. See Faberge, Inc. v. Saxony Products, Inc., 605 F.2d 426, 429 (9th Cir. 1979) (“Willful infringement may support an award of profits to the plaintiff, but does not require one.”).

166. See Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1405-06 (9th Cir. 1993) (“Where trademark infringement is deliberate and willful, this court has found that a remedy no greater than an injunction ‘slights’ the public. This standard applies, however, only in those cases where the infringement is ‘willfully calculated to exploit the advantage of an established mark.’ The intent of the infringer is relevant evidence on the issue of awarding profits and damages and the amount.” (internal citations omitted)). The Ninth Circuit later reaffirmed that the Lindy Pen holding was intended to require willfulness. See Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 440 (9th Cir. 2017). Paradoxically, in both Faberge and Lindy Pen the Ninth Circuit cited the same case as its basis for the decision despite reaching opposite
both the Lindy Pen Company and Bic Pen Corporation used the word “auditor’s” on the barrels of various pen models, but Lindy held superior rights to the mark. Finding a likelihood of confusion, the lower court refused, however, to award Lindy an award of Bic’s profits on pens using the “auditor’s” mark. The Ninth Circuit affirmed the lower court’s holding, simply stating that profits must be granted in light of equitable considerations, and equity dictates that the plaintiff must show the defendant’s actions were accompanied by intent, which Lindy could not show. The adherence of the Second, Third, Ninth, and District of Columbia Circuits to a bright-line rule starkly contrasted the remaining circuits’ flexible, equity-based balancing approach to willfulness in infringement actions.

2. Circuits Using Willfulness as a Factor in the Determination

The second camp in the original willfulness circuit split determined that a showing of willfulness was just one of many factors to consider in weighing whether a court can order the plaintiff an award of the defendant’s profits in a trademark infringement action. This camp consisted of the Fifth Circuit and Seventh Circuit. Although their specific reasoning differed, the rationale of both circuits primarily reflected an attempt to “balance equities” rather than use a bright-line rule.

---

results. See Lindy Pen, 982 F.2d at 1405; Faberge, 605 F.2d at 429 (citing Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117, 121 (9th Cir. 1968)). At least one commentator has noted that the Ninth Circuit’s decision to shift away from the factor-based approach appeared to be inadvertent due to a misreading of the Lanham Act, but this now seems unlikely due to the Ninth Circuit’s steadfast adherence to the bright-line approach in all recent cases. See Conway-Jones, supra note 146, at 896-97; see also Stone Creek, 875 F.3d at 439.

167. See Lindy Pen, 982 F.2d at 1403-04.
168. See id.
169. See Stone Creek, 875 F.3d at 440 (noting that in Lindy Pen, the Ninth Circuit “held that an award of the defendant’s profits is not automatic and must be granted in light of equitable considerations”; equity dictates that the plaintiff must show that the defendant’s infringing acts were accompanied by some form of intent” (quoting Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1405-06 (9th Cir. 1993))).
170. See id.
171. See id. (noting that the second camp included circuits that viewed willfulness “as one factor in the overall determination of whether an award of profits is appropriate”).
172. See id.
173. See Conway-Jones, supra note 146, at 889-90 (“[W]hether expressed or implied, analytical or conclusory, fair or inequitable, these decisions reflect a judicial attempt to balance various factors, as opposed to applying a bright line rule, to determine the appropriateness of the award of the accounting remedy.”).
Early on, the Seventh Circuit in Roulo v. Russ Berrie & Co. directly addressed the question of awarding a defendant’s profits and the willfulness requirement. Although the court’s discussion of the subject was brief, it dismissed the idea that there were any specific, determinative requirements or factors to justify an award of profits beyond “general equitable considerations.” Thus, the court held that a showing of willfulness was not required to award profits. For example, in Roulo, the Seventh Circuit felt it was appropriate to award Roulo Russ Berrie’s profits because of evidence of “intentional imitation” of Roulo’s greeting cards, although not with an intent to deceive, and substantial similarities of the goods. The trial court’s primary function in a trademark infringement case is to make it unprofitable to violate the Lanham Act. In order to accomplish this objective, the Seventh Circuit, in Ruolo, decided it must have the latitude to award damages sufficient to deter violations.

The Fifth Circuit also refused to adopt the bright-line rule advocated by a majority of the circuits. Since as early as 1980, the Fifth Circuit has utilized a factor-based approach for awarding the defendant’s profits in infringement actions, but it was not until the 1998 case Pebble Beach Co. v. Tour 18 I Ltd. that the court applied its

175. Id. (“The Lanham Act specifically provides for the awarding of profits in the discretion of the judge subject only to principles of equity. . . . Other than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer wilfully [sic] infringe the trade dress to justify an award of profits.”). The defendant in Roulo contended that the district court should have directed a verdict against the recovery of profits because the plaintiff “failed to demonstrate any actual damages, confusion, competition between the parties or willfulness [sic] on the part of [the defendant].” Id.
176. See id.
177. Id.
178. See id. (“The trial court’s primary function is to make violations of the Lanham Act unprofitable to the infringing party.” (quoting Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744 (7th Cir. 1985))). Additionally, the Seventh Circuit (and Ninth Circuit) have noted that:
[A]n award of little more than nominal damages would encourage a counterfeiter to merely switch from one infringing scheme to another as soon as the infringed owner became aware of the fabrication. Such a method of enforcement would fail to serve as a convincing deterrent to the profit maximizing entrepreneur who engages in trademark piracy.
Otis Clapp, 754 F.2d at 744 (quoting Playboy Enters., Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1274 (9th Cir. 1982)).
179. See Roulo, 886 F.2d at 341.
180. See, e.g., Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554-55 (5th Cir. 1998), abrogated on other grounds by TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23 (2001) (abrogating Pebble Beach for reasons unrelated to this Note, specifically regarding the trademark functionality doctrine).
approach to a case potentially involving willful infringement.\textsuperscript{181} In this case involving copied golf course layouts and related service marks, the court emphasized that the appropriateness of awarding profits in a trademark infringement action needed to be determined on a case-by-case basis through a weighing of factors.\textsuperscript{182} The test articulated in \textit{Pebble Beach} listed “whether the defendant had the intent to confuse or deceive” to be weighed along with five other relevant, although not determinative or exhaustive, factors, including: the presence of diverted sales, the “adequacy” of other Lanham Act remedies, any delay in bringing the action, public interest considerations, and whether the action involved palming off.\textsuperscript{183} Defendant Tour 18 had a good-faith belief that it could copy plaintiff Pebble Beach’s course designs and related marks, and it did not divert sales or attempt to palm off Pebble Beach’s mark; thus, the district court’s denial of Pebble Beach’s demand for Tour 18’s profits was appropriate.\textsuperscript{184}

Even after decades of litigation, courts were not able to come to a consensus on the willfulness requirement in trademark infringement or even a consistent viewpoint on how to best interpret the “principles of equity.”\textsuperscript{185} Additionally, the Supreme Court never granted certiorari to clarify the matter.\textsuperscript{186} Thus, when Congress amended the Lanham Act in 1999, courts had to deal with the uncertainty of both the new amendment and the old, unresolved issues above.\textsuperscript{187}

\begin{footnotes}
\footnote{181}{See \textit{id.} at 524, 544; \textit{see also} Conway-Jones, \textit{supra} note 146, at 899.}
\footnote{182}{See \textit{Pebble Beach}, 155 F.3d at 554-55.}
\footnote{183}{\textit{Id.} at 554. (“\textit{R}elative factors to the court’s determination of whether an award of profits is appropriate include, but are not limited to, . . . whether the defendant had the intent to confuse or deceive, . . . whether sales have been diverted, . . . the adequacy of other remedies, . . . any unreasonable delay by the plaintiff in asserting his rights,. . . the public interest in making the misconduct unprofitable, and . . . whether it is a case of palming off.”). Palming off occurs “[w]hen a party misrepresents its own products or services as those of a competitor. . . . If Defendant Dress Manufacturer sells its own dresses under the label of Plaintiff Dress Manufacturer, that is [palming] off.” \textit{LAONDE}, \textit{supra} note 2, at § 7.02[b].}
\footnote{184}{See \textit{Pebble Beach}, 155 F.3d at 555.}
\footnote{185}{\textit{Stone Creek, Inc. v. Omnia Italian Design, Inc.}, 875 F.3d 426, 439-40 (9th Cir. 2017).}
\footnote{186}{See, e.g., \textit{Lindy Pen Co. v. Bic Pen Corp.}, 982 F.2d 1400 (9th Cir. 1993), \textit{cert. denied}, 510 U.S. 815 (1993); \textit{George Basch Co. v. Blue Coral, Inc.}, 968 F.2d 1532 (2d Cir. 1992), \textit{cert. denied}, 506 U.S. 991 (1992); \textit{Roulo v. Russ Berrie & Co.}, 886 F.2d 931 (7th Cir. 1989), \textit{cert. denied}, 493 U.S. 1075 (1990); \textit{see also Stone Creek}, 875 F.3d at 439-40 (discussing the initial circuit split and implying that the Supreme Court never answered the willfulness question).}
\footnote{187}{See \textit{Stone Creek}, 875 F.3d at 439-42.}
\end{footnotes}
III. THE SECOND WILLFULNESS CIRCUIT SPLIT: DECISIONS FOLLOWING THE 1999 AMENDMENT

The 1999 amendment to the Lanham Act renewed the debate and deepened the circuit split over whether awarding a defendant’s profits requires a showing of willful infringement.188 The amendment corrected a simple drafting error—Congress initially failed to cross-reference the new cause of action for trademark dilution to the remedies provision.189 The amendment thus connected the cause of action for trademark dilution to the recovery section of the Lanham Act—15 U.S.C. § 1117(a).190 With the amendment, Congress made it clear that a plaintiff bringing a dilution claim can recover damages, but based on the new, plain statutory language, this recovery can seemingly only occur when the violation is willful.191 This revision contrasts with the other non-dilution causes of action, which lack the “willful violation” qualifier.192 Thus, based on the language of the statute, a plaintiff is entitled to relief when there is infringement of a registered mark, an unregistered mark, or a mark used as a domain name, or when there is a willful violation under the trademark dilution provision.193 This revision further obfuscated the confusion among the circuits, as disagreement resulted over not only the interpretation of the “principles of equity” wording and its relation to willfulness, but

188. See id. at 439, 441-42 (noting that the addition of the 1999 amendment “caused ripples” on the role of willfulness in awarding profits through the already divided circuit courts).
189. See id. at 440 (“But Congress failed to make the requisite cross-reference in § 1117(a) to harmonize that section with the amendment and soon discovered the missing link between the two statutory provisions. That statutory mismatch spurred the 1999 amendment.”).
190. See id. at 440-41. Following the amendment, the remedies provision read: 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 [the dilution provision], 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. 15 U.S.C. § 1117(a) (2012).
191. See Stone Creek, 875 F.3d at 440-41. Congress’ revision specifically added the availability for remedies when establishing a “willful violation” under the dilution provision. § 1117(a) (emphasis added).
192. See Stone Creek, 875 F.3d at 441.
193. See id.
also over whether the willfulness requirement is even applicable to non-dilution actions due to the wording of the new amendment.\footnote{194}{See David Welkowitz, \textit{Willfulness(R)}, 79 ALB. L. REV. 509, 514 (2016) ("Moreover, the addition of ‘willful violation of section 1125(c)’ caused interpretive issues with the rest of the section. Prior to this addition, courts generally agreed that recovery of defendant’s profits required some element of bad faith; after the language was added, courts disagreed on the proper interpretation of the rest of the section."); see also \textit{Stone Creek}, 875 F.3d at 441.}

The initial circuit to weigh in on the impact of the 1999 amendment was the Fifth Circuit with the trademark infringement case \textit{Quick Technologies, Inc. v. Sage Group PLC} in 2002.\footnote{195}{See \textit{Quick Techs., Inc. v. Sage Grp. PLC}, 313 F.3d 338, 349-50 (5th Cir. 2002).} Here, the Fifth Circuit acknowledged the presence of the 1999 amendment but did not analyze the amendment itself beyond a passing mention of the amended statute’s “plain language.”\footnote{196}{See \textit{id.} at 348 ("It is important to note, however, that prior to the amendment of § 1117(a) on August 5, 1999, there were no references to the term ‘willful’ in § 1117(a), thus the decisions of our sister circuits are of limited utility to the decision we are faced with today."). The court later went on to decide whether the district court’s jury instruction was in error, noting “[i]n accordance with our previous decisions, and in light of the plain language of § 1117(a), however, we decline to adopt a bright-line rule.” \textit{Id.} at 349.} In \textit{Quick Technologies}, the Fifth Circuit held that the district court improperly issued a jury instruction that an award of the defendant’s profits was only proper if the infringement was willful.\footnote{197}{See \textit{id.} at 350 (noting that the district court erred because “[i]n this case, the district judge instructed the jury that it should not reach the issue of awarding profits unless it determined there was willful infringement . . . the jury was only afforded the opportunity to consider one factor, albeit an important one”).} While the court reiterated that willful infringement remains one important factor to be considered in an overall analysis, it again refused to adopt a bright-line rule requiring willfulness given its longstanding view that the principles of equity are best served by a case-by-case analysis.\footnote{198}{See \textit{id.} at 349 ("It is obvious from our cases that willful infringement is an important factor which must be considered when determining whether an accounting of profits is appropriate . . . we decline to adopt a bright-line rule in which a showing of willful infringement is a prerequisite to an accounting of profits.").} It thus opted to adhere to the same “relevant factors” approach it advocated prior to the 1999 amendment in \textit{Pebble Beach}.\footnote{199}{See \textit{id.} As seen in \textit{Pebble Beach}, the Fifth Circuit factor-based determination of awarding profits includes but is not limited to: (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.}
The Third Circuit next addressed the 1999 amendment’s impact on the willfulness requirement in 2005. Unlike the Fifth Circuit in Quick Technologies, the Third Circuit in Banjo Buddies, Inc. v. Renosky specifically analyzed the 1999 amendment itself and then switched sides on the willfulness requirement, holding that its previous bright-line test was now inappropriate. The Third Circuit reasoned that Congress’s particular addition of willfulness language only to trademark dilution actions must have been intentional, and therefore, Congress intended to supersede previous circuit court decisions holding willfulness as a prerequisite. Interestingly, the Third Circuit briefly articulated this view two years earlier in Gucci America, Inc. v. Daffy’s, Inc., but the court’s majority did not decide which test to adopt because it found that the district court did not abuse its discretion in refusing to award profits under the application of either test. With no previous decisions using a factor-based approach, the Third Circuit in Banjo Buddies endorsed and applied the Fifth Circuit’s Quick Technologies factors for determining whether profits should be awarded.

Prior to the 1999 amendment, the Fourth Circuit had not clearly addressed the role of willfulness in awarding profits in an infringement action. However, in 2006’s Synergistic International, LLC v. Korman, the Fourth Circuit sided with the Third and Fifth Circuits, holding that willfulness is an important, but not dispositive, factor in

201. See id. at 175 (holding that the bright-line test from SecuraComm was superseded by the 1999 amendment).
202. See id. at 174 (“By adding [willfulness] to the statute in 1999, but limiting it to § 43(c) violations, Congress effectively superseded the willfulness requirement as applied to § 43(a).”).
203. See id. at 175 (“In Gucci America . . . the panel majority noted that the 1999 amendment might affect the continued validity of SecuraComm’s bright-line willfulness requirement. . . . The majority determined it did not need to decide the issue, however, reasoning that even under the Quick Technologies factor-based approach, the District Court did not abuse its discretion in refusing to order an accounting of the infringer’s profits.”). Judge Rosenn’s dissent in Gucci America specifically concluded that the bright-line test was no longer appropriate due to the wording of the 1999 amendment, and only an awarding of profits under the factor-based approach could make the plaintiff whole—even though the infringement was not willful. See Gucci Am., Inc. v. Daffy’s, Inc., 354 F.3d 228, 243-49 (3d Cir. 2003) (Rosenn, J., dissenting).
204. See Banjo Buddies, 399 F.3d at 175 (“Relying on the Quick Technologies factor-based approach endorsed in Gucci America, we further conclude that the District Court did not abuse its discretion . . . .”). For the Quick Technologies factor-based approach, derived directly from Pebble Beach, see Quick Techs., Inc. v. Sage Grp. PLC, 313 F.3d 338, 349-50 (5th Cir. 2002).
205. See Conway-Jones, supra note 146, at 903.
the overall analysis. The Fourth Circuit based its decision mainly on an analysis of the plain statutory language of the amendment rather than the principles of equity. Like the Third Circuit, the court decided that the “willful violation” language included only for the trademark dilution cause of action in the amended Lanham Act suggested that willfulness was not required to award a defendant’s profits in an action for trademark infringement. Following the Third and Fifth Circuits, the court then adopted the same factor-based approach articulated in Quick Technologies.

Some courts have acknowledged the presence of the amendment but have not yet had to decide, or have declined to decide, whether it alters court precedent on the willfulness requirement. The First Circuit had previously declined to reach the willfulness requirement question altogether and later decided not to address the issue again in a 2008 case. Additionally, the Second Circuit, a steadfast advocate of the bright-line rule prior to the 1999 amendment, noted in a 2013 case that the amendment could possibly alter its analysis on awarding profits in an infringement action. However, the court ultimately did not need to resolve the question relating to willfulness and profits and still has not yet had the opportunity to do so.

---

206. See Synergistic Int’l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006) (“We agree, however, with the Third and Fifth Circuits that although willfulness is a proper and important factor in an assessment of whether to make a damages award, it is not an essential predicate thereto. . . . In other words, a lack of willfulness or bad faith should weigh against an award of damages being made, but does not necessarily preclude such an award.” (internal citations omitted)).

207. See id. at n.13.

208. See id. (noting that a party’s willfulness contention “may have been more persuasive prior to the 1999 amendment to the Lanham Act” because “[p]rior to the amendment . . . there was no reference in § 1117(a) to the term ‘willful.’ . . . In light of this revision, we agree that willfulness is not an essential prerequisite for a damages award, but that it remains a highly pertinent factor.”).

209. See id. at 175 (“In making a damages award under the Lanham Act, the Third and the Fifth Circuits have identified six factors to guide the process.”). For the Quick Technologies factor-based approach, see Quick Techs., 313 F.3d at 349-50.


211. See Venture Tape, 540 F.3d at 63 (“We have previously declined to reach the question of whether ‘willfulness’ is required as a foundation for such an award . . . and we need not decide the issue here.”).

212. See Conway-Jones, supra note 146, at 907-08.

213. See Fendi Adele, 507 F. App’x at 31.

214. See id. (“[S]ome of our sister circuits [have held] that a 1999 amendment to the Lanham Act changed the governing rule. However, we need not resolve the question . . . .”); see also Romag Fasteners, Inc. v. Fossil, Inc., 817 F.3d 782, 790-91
The two most recent cases on the willfulness split come from the Federal Circuit in 2016 and the Ninth Circuit in 2017. In both cases, the courts held in favor of the bright-line rule requiring willfulness to award profits. In *Romag Fasteners, Inc. v. Fossil, Inc.*, the Federal Circuit, applying Second Circuit law, held that there was nothing to indicate that Second Circuit precedent predating the 1999 amendment was no longer good law—willfulness is required under the “principles of equity.” In its analysis, the court primarily focused on the circumstances surrounding the amendment. According to the court, the purpose of the 1999 amendment was limited to correcting only an error in the dilution cause of action, and further, the legislative history gave no indication that Congress had any intention to make a change to the law of trademark infringement for likelihood of confusion-based claims.

The Ninth Circuit in *Stone Creek* conducted an analysis similar to the Federal Circuit in *Romag Fasteners*. In *Stone Creek*, the court took perhaps the most detailed look into the circuit split in any modern case. After detailing the continued presence of disagreement between the circuit courts on the subject of the willfulness language, the Ninth Circuit subtly criticized the other circuit courts for making decisions based on the 1999 amendment without incorporating the context of the amendment into the analysis. For the Ninth Circuit,

---

215. *See Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 441 (9th Cir. 2017); *Romag Fasteners*, 817 F.3d at 791.

216. *See Stone Creek*, 875 F.3d at 441; *Romag Fasteners*, 817 F.3d at 791.

217. *See Romag Fasteners*, 817 F.3d at 790-91 (“[W]e see nothing in the 1999 amendment that allows us to depart from Second Circuit precedent requiring willfulness for the recovery of infringer’s profits, much less indicate a desire to change it. Given the alleged significance of the purported change, one would have expected to see an acknowledgement or discussion from Congress of the courts of appeals cases in the relevant area if Congress had intended to resolve the circuit conflict.”).

218. *See id.*

219. *See id.* at 789-90 (“[T]he legislative history indicates only that Congress sought to correct the mistaken omissions . . . . In short, there is no indication that Congress in 1999 intended to make a change in the law of trademark infringement as opposed to dilution. The history does not even acknowledge the pre-1999 split in the courts of appeals on the willfulness requirement for a recovery of infringer’s profits, much less indicate a desire to change it. Given the alleged significance of the purported change, one would have expected to see an acknowledgement or discussion from Congress of the courts of appeals cases in the relevant area if Congress had intended to resolve the circuit conflict.”).

220. *See Stone Creek*, 875 F.3d at 441-42.

221. *See id.* at 439-42 (noting that the history of the circuit split and evolution of the remedies provision is imperative to properly understanding the impact of the 1999 amendment).

222. *See id.*

223. *See id.* at 441 (“We agree with its approach to start with the history of the amendment and thoroughly examine the context in which the amendment came to be.
the 1999 amendment was illustrative; Congress only amended the Act to correct a conspicuous drafting error and did not alter the original “subject to the principles of equity” language. As a result, Ninth Circuit precedent could not be upended.

The Ninth Circuit’s decision in Stone Creek arguably leaves the circuit split in just as much flux as it has ever been. Even if the 1999 amendment does not, as the Ninth Circuit and Federal Circuit advocate, change the substantive provisions in the Lanham Act, the relationship of the underlying principle of equity to willful infringement still has left a deep divide among the circuits that has yet to be resolved. Currently, three circuits advocate for a factor-based approach in which willfulness is not required for awarding a defendant’s profits, and two circuits advocate for a bright-line approach where willfulness is absolutely required for awarding a defendant’s profits. Of the circuits that have not yet revisited the issue after the 1999 amendment, two previously advocated for the bright-line rule, and one previously advocated for a factor-based determination. Because trademarks play such an integral role in

Several circuits have ruled the other way without looking at the backstory of the remedies provision. That history is illuminating and reveals why the 1999 amendment does not upend our prior interpretation of the remaining language in § 1117(a).” (internal citations omitted)).

224. Id. at 441-42 (“Congress created a new predicate—namely, a willful violation of § 1025(c)—that permits monetary recovery. But it did not touch the other language in § 1117(a), which has consistently provided for an award of defendant’s profits under the ‘principles of equity.’ Our holding in Lindy Pen—that a plaintiff can secure the defendant’s profits only after establishing willfulness—is based entirely on an interpretation of that unaltered language.” (internal citations omitted)).

225. See id.

226. See Turner & Ball, supra note 30 (noting that the Stone Creek holding has deepened the divide among circuit courts and simultaneously rejected the push by some legal organizations to reduce the impact of the willfulness requirement).

227. See, e.g., Stone Creek, 875 F.3d at 442 (“This conclusion [that the 1999 amendment was only added to correct the drafting error] has added force because we see no indication that the legislature meant to take sides in the entrenched circuit split on willfulness.”); see Turner & Ball, supra note 30.

228. See Stone Creek, 875 F.3d at 441 (holding that willfulness is required); Romag Fasteners, Inc. v. Fossil, Inc., 817 F.3d 782, 791 (Fed. Cir. 2016) (holding that willfulness is required); Synergistic Int’l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006) (holding that willfulness is not required); Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 174-75 (3d Cir. 2005) (holding that willfulness is not required); Quick Techs., Inc. v. Sage Grp. PLC, 313 F.3d 338, 348 (5th Cir. 2002) (holding that willfulness is not required).

229. See George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1541 (2d Cir. 1992) (holding that willfulness is required); ALPO Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958, 968 (D.C. Cir. 1990) (holding that willfulness is required); Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989) (holding that willfulness is not required).
modern society, the circuit split should be analyzed and ultimately resolved in favor of the approach that best limits and deters infringement.\textsuperscript{230}

IV. DISCARDING THE BRIGHT-LINE RULE ON WILLFULNESS

The dual nature of trademarks to protect both the consumer and producer is best served by not requiring a rigid, bright-line rule that willfulness is required for awarding a defendant’s profits.\textsuperscript{231} The beneficial functions of trademarks are destroyed when infringement is not adequately deterred; the lost profits provision should therefore also be available for courts to apply as a deterrent regardless of whether the infringement is willful.\textsuperscript{232} The factor-based approach currently advocated by the Third, Fourth, and Fifth Circuits best balances both the statutory “principles of equity” and protects underlying theories of trademark protection; it should therefore be adopted over the Ninth Circuit’s rigid, bright-line rule.\textsuperscript{233}

A. The Functions of Trademarks Are Destroyed by Any Infringement, Willful or Not

The underlying theories and rationales behind trademark protection that have developed over thousands of years operate best when all trademark infringement is limited, regardless of whether the infringement is willful.\textsuperscript{234} The unique, dual nature of trademarks in protecting the rights of both producers and consumers has resulted in a myriad of modern theories for protection revolving primarily around source identification—the benefits of which are nullified by infringement, willful or not.\textsuperscript{235} The main modern theories and benefits of trademark protection with respect to producers include limiting

\begin{enumerate}
\item \textsuperscript{230} See Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744 (7th Cir. 1985); Turner & Ball, supra note 30.
\item \textsuperscript{231} See generally Roulo, 886 F.2d at 941 (discussing the merits of a factor-based approach with respect to the court’s role in an infringement action); see also Menell, supra note 26, at 866-67 (discussing the dual nature of trademarks in protecting the interests of both the consumer and producer).
\item \textsuperscript{232} See Synergistic, 470 F.3d at 175; Otis Clapp, 754 F.2d at 744; see also Landes & Posner, supra note 36, at 269-70.
\item \textsuperscript{233} See, e.g., Synergistic, 470 F.3d at 175; Banjo Buddies, 399 F.3d at 175; Quick Techs., 313 F.3d at 347-49.
\item \textsuperscript{234} See Synergistic, 470 F.3d at 175; Otis Clapp, 754 F.2d at 744; see also Landes & Posner, supra note 36, at 269-70.
\item \textsuperscript{235} See Lalonde, supra note 2, at § 1.03; Menell, supra note 26, at 867; see also Landes & Posner, supra note 36, at 270 (noting that infringement such as free-riding destroys the incentive to invest in the “goodwill” of a mark).
\end{enumerate}
diversion of trade due to consumer confusion, limiting misattribution of a consumer’s dissatisfaction with an infringing product to the senior producer, and protecting and incentivizing investment in the goodwill of a mark.\textsuperscript{236} First, consumer confusion that results in a diversion of trade can occur whether a mark is infringed willfully or non-willfully.\textsuperscript{237} While Griffin, a non-willful infringer of the IBM mark, and Cerberus, a willful infringer of the Apple mark, both had different intents when infringing, consumers were still equally confused by the source of the goods to the extent that they purchased goods from the wrong company, diverting sales.\textsuperscript{238} Further, the test for any trademark infringement action is centered on showing a likelihood of consumer confusion, and infringer intent plays a minor role, if any, in creating that confusion; infringement that destroys the underlying functions of a trademark can, and does, occur regardless of the intent of the infringer.\textsuperscript{239}

Second, when a consumer purchases a lower-quality infringing product from a non-willful infringer, the consumer may still attribute dissatisfaction with the goods to the original trademark holder.\textsuperscript{240} This dissatisfaction could thwart the producer’s goodwill investment in the mark, including both time and money, and could resultingly impact economic gain if the trademark owner’s reputation is harmed.\textsuperscript{241} It did not ultimately matter that Griffin and Cerberus had different intentions when infringing.\textsuperscript{242} If consumers bought their subpar products thinking they were an IBM or Apple product—or otherwise believed that they were affiliated with IBM or Apple—the consumer would be likely to attribute the low quality to the senior users rather than the infringing companies of Griffin or Cerberus.\textsuperscript{243} The producer’s control over the reputation and quality of its mark and goods can be lost when an

\begin{itemize}
\item \textsuperscript{236} See Denicola, supra note 6, at 160-63 (discussing the theories of trademark protection relating to diversion of trade, misattribution, and the “good will” of the mark); LALONDE, supra note 2, at § 1.03.
\item \textsuperscript{237} See LALONDE, supra note 2, at §§ 1.03[2], 5.09[1][a] (explaining that a misattribution of source resulting in a diversion of trade can effectively happen anytime there is a likelihood of confusion—caused willfully or otherwise).
\item \textsuperscript{238} See id. at § 1.03[2].
\item \textsuperscript{239} See LALONDE, supra note 2, at § 5.02; MENELL, supra note 26, at 982 (explaining that the likelihood of confusion test is used to determine trademark infringement). Most circuits include “defendant’s intent” as one of many (generally around ten) non-dispositive factors in the likelihood of confusion analysis. See LALONDE, supra note 2, at § 5.09.
\item \textsuperscript{240} See Denicola, supra note 6, at 163; LALONDE, supra note 2, at § 1.03[2].
\item \textsuperscript{241} See Denicola, supra note 6, at 163; LALONDE, supra note 2, at § 1.03[2]; see also MENELL, supra note 26, at 867.
\item \textsuperscript{242} See LALONDE, supra note 2, at § 1.03[2].
\item \textsuperscript{243} See id.
\end{itemize}
infringer’s harmful actions are linked to the producer’s mark, regardless of whether the infringer is acting in bad faith or has non-malicious intent. If other competitors such as Griffin and Cerberus are constantly infringing on Apple’s or IBM’s products with other low quality goods, there is little—if any—incentive for Apple or IBM to spend money and time to ensure their goods are high quality if their reputations would be ruined regardless. Apple or IBM’s ability to manage the reputation and goodwill of their marks is effectively destroyed no matter the intent of the infringer.

For the consumer, trademarks most importantly function to allow the differentiation of goods, which reduces the likelihood of confusion or deception and fulfills the long-standing tort-based policy that the court has an overarching duty to protect the public. It is inherently good under today’s system of law for consumers not to be deceived or confused. However, regardless of whether a company intends to deceive consumers by willful infringement or does so accidentally, both types of infringement can cause consumer confusion. As noted above, consumers became confused over both Griffin’s non-willfully infringing goods and Cerberus’ willfully infringing goods.

Beyond the inherent good in reducing deception and confusion for consumers, trademarks also provide economic efficiency for consumers. The economic efficiency of trademarks is destroyed when trademarks are falsely duplicated, regardless of willfulness or intent; consumers cannot quickly use trademarks to distinguish the brands of products when trademarks are duplicated. A consumer

244. See LaLonde, supra note 2, at § 1.03[2] (“Much of trademark law is focused on preventing a likelihood of consumer confusion as to the source of goods. Say that a consumer believes in error that brand new BOUNCE chewing gum is made by the same producer as established BOUNCY chewing gum. The owner of the BOUNCY mark has lost control over its reputation and is unable to maintain the quality of its product in consumers’ minds. The consumer could find that BOUNCE gum tastes like dirt and disintegrates when chewed, and would attribute that poor quality to BOUNCY gum because of his or her confusion as to source.”).

245. See Landes & Posner, supra note 36, at 270 (noting that if a trademark does not lower search costs due to inconsistent quality—perhaps because of infringement—companies will be reluctant to make additional expenditures).

246. See Denicola, supra note 6, at 163.

247. See, e.g., LaLonde, supra note 2, at § 1.03[6][a].

248. See Menell, supra note 26, at 867.

249. See LaLonde, supra note 2, at § 5.09[1][a] (explaining that a likelihood of confusion—and actual confusion—can be found even without intent).

250. See id.


252. See id. at 269 (“To perform its economizing function a trademark or brand name . . . must not be duplicated.”).
who likes Apple phones can easily walk into the store and use Apple trademarks to explain to a clerk which item he or she would like to purchase—for instance, the “iPhone X.” However, if Cerberus willfully infringes or Griffin non-willfully infringes and creates another “iPhone X,” the consumer would no longer be able to specify his or her preference using the trademark alone. The consumer instead would have to describe the product in some detail, which takes more time and is more confusing overall. Simply stating that one would like to purchase an “iPhone X” is much easier than attempting to specifically describe which of the many Apple products the consumer wants to purchase.

Ultimately, infringement is a thorn in the side of trademark owners because it undermines the value and benefit of trademarks and the reason they are protected in the first place. This undermining holds true regardless of whether the infringement is willful or non-willful or whether the injured party is a consumer or producer. Courts should therefore have available every action under their power to limit infringement—including the option to award trademark owners the infringer’s profits—whether the infringement is willful or not.

B. Applying the Lost Profits Remedy to More Conduct Expands the Deterrent Scope

Many courts state that the role of the court under the Lanham Act is primarily to make violations of the Act unprofitable so as to limit and deter violations. It follows that courts should utilize the deterrent power of the lost profits measure to best discourage both

253. See id. at 268-69. This example is analogous to Landes’s and Posner’s “Sanka” example; it is easier to ask for and remember “Sanka” rather than “the decaffeinated coffee made by General Foods.” Id.

254. See id. at 269 (“To allow another maker of decaffeinated coffee to sell its coffee under the name ‘Sanka’ would destroy the benefit of the name in identifying a brand of decaffeinated coffee made by General Foods . . .”).

255. See id. (“This takes longer to say, requires you to remember more, and requires the waiter or clerk to read and remember more . . .”).

256. See id. at 268-69.

257. See LALONDE, supra note 2, at § 1.03; MENELL, supra note 26, at 867.

258. See LALONDE, supra note 2, at §§ 1.03, 5.09; MENELL, supra note 26, at 867.

259. See Synergistic Int’l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006); Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 746 (7th Cir. 1985); see also Landes & Posner, supra note 36, at 270.

260. See, e.g., Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989); Otis Clapp, 754 F.2d at 744 (“The trial court’s primary function is to make violations of the Lanham Act unprofitable to the infringing party.”).
willful and non-willful trademark infringement, especially because trademarks function most optimally when all infringement is limited.261 By advocating an approach where willfulness is required, courts like the Ninth Circuit do not deter infringing conduct to their full capacity because there are inherently fewer scenarios in which the bright-line rule applies.262 Willful infringement, as universally accepted by courts, includes infringement with intent to deceive consumers and, in some cases, also includes situations where bad faith is presumed because the infringer knows or understands that he or she is infringing.263 Other intentional conduct, such as imitating the commercially successful aspects of a plaintiff’s design, is considered non-willful conduct and is wholly excluded from the lost profits remedy in the Ninth Circuit and Federal Circuit.264 Each of these two scenarios can constitute infringement and both can include intentional, conscious acts, but courts such as the Ninth Circuit do not treat the two scenarios similarly when determining remedies.265 Thus, in the Ninth Circuit, the court’s ability to use the extra deterrent measure of awarding an infringer’s profits to the trademark owner is extremely limited and not used optimally to limit infringement.266 Courts should employ the full extent of their powers to deter such infringement and protect a trademark’s functions.267

Some commentators contend that awarding a defendant’s profits to the plaintiff is only effective and permissible for willful infringers based on the idea that only willful infringers have conducted a

263. See, e.g., Stone Creek, 875 F.3d at 434 (discussing how, in some scenarios, the Ninth Circuit can presume an intent to deceive if the infringement is knowing or understood); George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1537 (2d Cir. 1992) (discussing how willful infringement requires intent to deceive).
264. See George Basch, 968 F.2d at 1541 (“There is an ‘essential distinction . . . between a deliberate attempt to deceive and a deliberate attempt to compete. Absent confusion, imitation of certain successful features in another’s product is not unlawful and to that extent a ‘free ride’ is permitted.”); LAONDE, supra note 2, at § 5.09 (discussing how courts determine intent, although in the analogous likelihood of confusion determination).
265. See Stone Creek, 875 F.3d at 439-43 (discussing that the Ninth Circuit only uses the lost profits provision for willful infringers).
267. See Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989) (discussing that the Seventh Circuit and Ninth Circuit have stated previously that the court’s function is to make violations of the Lanham Act unprofitable—presumably to deter infringement); Landes & Posner, supra note 36, at 269.
deliberate wrong that could be deterred in the future.\textsuperscript{268} However, willful infringement only encompasses infringement with intent to deceive, or in some courts, when deception is presumed based on knowledge that the use would be infringing.\textsuperscript{269} This view does not account for instances of non-willful infringement that can also be deterred. For example, Griffin knowingly and intentionally took commercially successful aspects of IBM’s logo, but it was unaware that the amount taken would be infringing and it did not intend to be deceptive.\textsuperscript{270}

Requiring willfulness as a bright-line rule to award profits actually seems to encourage willful blindness and to discourage producers from performing due diligence because there is no penalty for neglecting to invest time and resources in doing adequate research.\textsuperscript{271} A business can skimp on its due diligence of researching previously registered marks with no fear of losing profits earned using that mark if it becomes the subject of a future infringement action.\textsuperscript{272} Unless the business intended to deceive or knew the use would cause confusion, it will not have to relinquish profits, even if it intended to copy commercially successful aspects.\textsuperscript{273} This concept is undesirable from a policy perspective as well as from an “equity” perspective.\textsuperscript{274} Thus, the factor-based approach, which considers intent as one of many factors, incentivizes companies to do sufficient research prior to

\textsuperscript{268} See Zisek, supra note 129, at 486-87 (“Deterrence is an attractive aim because it can prevent future willful violations of a trademark through disregarding a competitor’s rights, belittling a competitor’s mark, and blatantly utilizing a mark despite knowledge of its previous use. This theory indicates to the general public that this deliberate conduct is wrongful and could be subject to punitive exemplary damages, subject to equitable limitations.”).

\textsuperscript{269} See, e.g., Stone Creek, 875 F.3d at 434; George Basch, 968 F.2d at 1541.

\textsuperscript{270} See George Basch, 968 F.2d at 1541. Griffin is an example of an infringer of the type referenced by the court that inadvertently and non-willfully crosses the line into infringement intending only to compete in the market using what “works” and is commercially successful. See id.

\textsuperscript{271} See Stone Creek, 862 F.3d at 434; George Basch, 968 F.2d at 1541; see also LALONDE, supra note 2, at § 5.09[4][e]. This is because the bright-line rule is only applicable to producers that intend to deceive, or sometimes, knowingly use an infringing mark. See, e.g., Stone Creek, 862 F.3d at 434; George Basch, 968 F.2d at 1541.

\textsuperscript{272} See Stone Creek, 862 F.3d at 434; George Basch, 968 F.2d at 1541; see also LALONDE, supra note 2, at § 5.09[4][e].

\textsuperscript{273} See George Basch, 968 F.2d at 1541.

\textsuperscript{274} The Lanham Act requires remedies to be given “subject to the principles of equity.” 15 U.S.C. § 1117(a) (2012); cf. LALONDE, supra note 2, at § 5.09[4][e].
adopting a trademark because there is more for companies to lose if profits are at stake.\footnote{275}{See Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744 (7th Cir. 1985) (discussing the importance of the deterrence effect and the court’s role).}

Forcing a defendant trademark infringer to turn over profits is a powerful deterrent.\footnote{276}{See id. at 744 (“Such a method of enforcement [allowing only nominal damages] would fail to serve as a convincing deterrent to the profit maximizing entrepreneur who engages in trademark piracy.”).} Allowing infringers who fail to do adequate due diligence or willfully blind themselves to avoid relinquishing infringing profits encourages bad business practices.\footnote{277}{See Synergistic Int’l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006); Otis Clapp, 754 F.2d at 744; see also Landes & Posner, supra note 36, at 269-70.} Therefore, using the lost profits remedy only for willful infringers is not effective deterrence and it further puts the underlying functions of trademarks in jeopardy.\footnote{278}{See Otis Clapp, 754 F.2d at 744.}

C. Applying the Bright-Line Test Creates Inequitable Results

Courts not requiring infringers to turn over earned profits in cases of non-willful infringement potentially allows infringers to walk away with a windfall if they intentionally used aspects of another’s mark but did not intend to deceive consumers outright.\footnote{279}{See George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532, 1541 (2d Cir. 1992) (explaining that actions similar to those of Griffin are not considered willful infringement).} For example, Griffin intentionally used aspects of the IBM logo because it is commercially successful, yet Griffin did not intend to infringe IBM’s mark or deceive consumers.\footnote{280}{See id.} Griffin then made a profit—even if only minimal—and pocketed it despite using an infringing mark.\footnote{281}{See id.} In a jurisdiction such as the Ninth Circuit, despite the obvious harm to the plaintiff, if the trademark infringement was not done with “an intent to deceive” or while knowingly infringing, the plaintiff cannot recover any of the defendant’s earned profits.\footnote{282}{See Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 439 (9th Cir. 2017).} The infringer could theoretically pay attorney’s fees and the plaintiff’s damages as ordered by the court but still leave with a net profit earned from using the infringing mark.\footnote{283}{See 15 U.S.C. § 1117(a) (2012) (listing the damages allowed under the Lanham Act).} Giving infringers the theoretical ability to emerge from an infringement action breaking even or pocketing profits does
not deter infringement.\textsuperscript{284} In contrast, in an identical scenario under the factor-based approach, the court could determine that an infringer is required to give the plaintiff the profits earned directly by infringing, destroying any incentive to infringe in the first place.\textsuperscript{285} Even where the defendant does not satisfy the “willful infringement” factor of the \textit{Pebble Beach} and \textit{Quick Technologies} balancing test, the court still has the latitude to order the defendant to pay profits based on other factors, including evidence of diverted sales, the adequacy of other \textit{Lanham} Act remedies in producing an equitable result, and the public interest in making the misconduct unprofitable.\textsuperscript{286}

Furthermore, courts like the Second Circuit have justified applying the bright-line rule because, in the absence of such a rule, windfall judgments can be awarded to the plaintiff, which frustrates principles of equity.\textsuperscript{287} However, the factor-based test employed by the Third, Fourth, and Fifth Circuits takes equity principles into account when determining if an award of profits is even appropriate in the first place.\textsuperscript{288} For example, factors in the overall weighing—which are not exhaustive—include the actual harm to the plaintiff and the adequacy of other \textit{Lanham} Act remedies in producing an equitable result.\textsuperscript{289} If the plaintiff is not actually harmed or other remedies proscribed by the \textit{Lanham} Act\textsuperscript{290} adequately compensate the plaintiff and deter the infringing conduct, the court can decline to award the defendant’s profits to avoid a windfall judgment.\textsuperscript{291} In turn, it seems that the bright-line rule actually creates a “draconian impact” in favor of the infringer rather than the innocent party due to its rigid, all-or-nothing criteria.\textsuperscript{292}

\begin{flushleft}
\textsuperscript{284} See \textit{Otis Clapp}, 754 F.2d at 744. \\
\textsuperscript{285} See, e.g., Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 174-75 (3d Cir. 2005); \textit{Quick Techs.}, Inc. v. Sage Grp. PLC, 313 F.3d 338, 349-50 (5th Cir. 2002). \\
\textsuperscript{286} See \textit{Quick Techs.}, 313 F.3d at 349-50. \\
\textsuperscript{287} See \textit{George Basch Co. v. Blue Coral, Inc.}, 968 F.2d 1532, 1540 (2d Cir. 1992) (“[W]e believe that this requirement is necessary to avoid the conceivably draconian impact that a profits remedy might have in some cases.”). \\
\textsuperscript{288} See \textit{Quick Techs.}, 313 F.3d at 349. The \textit{Quick Technologies} test includes the following factors (though not exhaustive) to determine if an award of profits is even appropriate: \\
(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. \\
\textit{Id.} \\
\textsuperscript{289} See \textit{id}. \\
\textsuperscript{290} These other remedies can include attorney’s fees and the plaintiff’s lost profits. See, e.g., \textit{George Basch}, 968 F.2d at 1540. \\
\textsuperscript{291} See \textit{Quick Techs.}, 313 F.3d at 349. \\
\textsuperscript{292} Cf. \textit{id}; \textit{George Basch}, 968 F.2d at 1540.
\end{flushleft}
The factor-based approach currently adopted by the Third, Fourth, and Fifth Circuits should be adopted universally because it best balances protecting both the “principles of equity” and the beneficial functions of trademarks.293 The functions of trademarks are destroyed by infringement, willful or not, as both willful and non-willful infringement can create a likelihood of confusion.294 Allowing courts the option of applying the lost profits remedy to a greater range of infringement actions, rather than only when the infringement is willful, expands the court’s deterrent scope and optimally limits infringement.295 Furthermore, the factor-based approach discourages willful blindness and encourages businesses to do adequate due diligence and research prior to adopting a trademark.296 Regardless of any statutory interpretation of the Lanham Act and its amendments, the beneficial functions of trademarks dating back thousands of years are best protected by the factor-based approach that does not require willfulness to award a defendant’s profits in trademark infringement actions.297

CONCLUSION

Trademarks can be found nearly anywhere in modern society—whether at home, at work, in stores, on television, or on the internet.298 Each individual in society interacts with thousands of trademarks each day, and trademarks, in some respects, even make lives easier.299

293. See, e.g., Synergistic Int’l, LLC v. Korman, 470 F.3d 162, 174-75 (4th Cir. 2006); Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 175 (3d Cir. 2005); Quick Techs., 313 F.3d at 347-49.

294. See Synergistic, 470 F.3d at 175; Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744 (7th Cir. 1985); see also LALONDE, supra note 2, at § 5.09; Landes & Posner, supra note 36, at 269-70.

295. See Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989) (noting that it is the court’s primary function to limit violations of the Lanham Act); see also Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 434-35 (9th Cir. 2017). The deterrent function of courts such as the Ninth Circuit are limited because an award of profits can only be given when the infringement was intended to deceive or was done with knowledge that the mark was infringing—not when the infringer intended to compete in the market and inadvertently crossed the line into infringement. See id.

296. See Stone Creek, 875 F.3d at 434; George Basch, 968 F.2d at 1541; see also LALONDE, supra note 2, at § 5.09[4][e].

297. See LALONDE, supra note 2, at §§ 1.03, 5.02; MENELL, supra note 26, at 867.

298. See, e.g., LALONDE, supra note 2, at § 1.01; Stonefield, supra note 40; Turner & Ball, supra note 30.

299. See, e.g., LALONDE, supra note 2, at § 1.01; Stonefield, supra note 40; see also Landes & Posner, supra note 36, at 268-69.
Accordingly, trademarks have become huge, intangible assets for businesses, with top trademarks worth billions of dollars. Trademarks protect interests of both the consumer and the producer, but they are vulnerable to the danger of infringement via a likelihood of confusion, which destroys the modern functions of trademarks even if infringement is not willful. It is therefore imperative that courts use all available means, including the threat of awarding the infringer’s profits, to deter infringers and protect the underlying functions of trademarks. The courts should universally adopt the factor-based approach currently advocated by the Third, Fourth, and Fifth Circuits because it best balances the “principles of equity” required by the Lanham Act with the deterrent ability of the courts.

300. See Turner & Ball, supra note 30.
301. See Landes & Posner, supra note 36, at 269-70; Menell, supra note 26, at 867.
302. See Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744 (7th Cir. 1985) (noting that damages under the Lanham Act must be sufficient to discourage infringement).
303. See Synergistic Int’l, LLC v. Korman, 470 F.3d 162, 175 (4th Cir. 2006); Banjo Buddies, Inc. v. Renosky, 399 F.3d 168, 174-75 (3d Cir. 2005); Quick Techs., Inc. v. Sage Grp. PLC, 313 F.3d 338, 348 (5th Cir. 2002).