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REMEDYING TRADEMARK INFRINGEMENT: THE ROLE OF BAD FAITH IN AWARDING AN ACCOUNTING OF DEFENDANT'S PROFITS

Danielle Conway-Jones*

We are little more than what we create and what we give back to the world. We speak of leaving our mark, but what if that mark is stolen, wrongly impugned, or desecrated—that mark, representing our very contribution to the world, fades like dust.

I. INTRODUCTION

The Trademark Act of 1946 ("Lanham Act") has a recent history as a federal law enacted to protect the power of a trademark from infringement.1 As any unauthorized encroachment on a right requires a corresponding remedy, so too does the unauthorized encroachment of a trademark.2 Thus, the explicit remedies of the Lanham Act include disgorging the defendant's profits, actual damages sustained by the owner of a mark, the cost of bringing an infringement action and, in exceptional cases, the award of attorney's fees.3 All of the remedies, except the first, have passed through the judiciary without much controversy.4

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3. See id.

Unfortunately, the circuit and district courts have muddied the waters in determining when a trademark owner will be entitled to an accounting of defendant's profits as a remedy for trademark infringement.\(^5\) The judicially created limitation on the accounting of profits remedy appears in the form of a bad faith requirement.\(^6\) The bad faith requirement has found a home in some circuit jurisdictions, while being downplayed or cast aside in other circuit jurisdictions.\(^7\) Although the Supreme Court appeared to render the definitive answer regarding the potential for a trademark owner to receive an accounting of profits for a defendant's infringement without mention of proof of bad faith,\(^8\) nearly five decades of circuit court and district court decisions have resulted in a schizophrenic view of the remedy of an accounting of profits and the nefarious bad faith requirement.\(^9\)

With the recent addition of the Federal Trademark Dilution Act ("FTDA")\(^10\) and the Anticybersquatting Consumer Protection Act ("ACPA"),\(^11\) it is becoming increasingly clear

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5. See infra App. tbl 1 (illustrating the number of cases decided in each circuit employing the three basic tests for recovery of an accounting of an infringer's profits).


7. See 4 MCCARTHY, supra note 6, $ 30.62; see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 20-25 (1995).

8. See Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co., 316 U.S. 203, 205-07 (1942); see also infra notes 23, 63-76 and accompanying text.

9. See infra App. tbl. 2 (tracking which circuits require a showing of bad faith in an accounting of defendant's profits).


'To protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks — a practice commonly referred to as 'cybersquatting.'

that Congress intends a straightforward interpretation that bad faith is not required before the Lanham Act remedies become available to a trademark owner for infringement of either a registered or unregistered trademark. Specifically, the language regarding the remedies for dilution, which are distinguishable from the remedies for infringement, expressly states that only a showing of willfulness under a claim for dilution will entitle the owner of a famous trademark to all of the Lanham Act remedies, including defendant's profits.\(^\text{12}\) The express requirement that a mark owner show a willful violation before perfecting his entitlement to Lanham Act remedies for dilution supports the premise that the theories of recovery underlying the remedies for trademark infringement, as opposed to trademark dilution, are not dependent upon the existence of a bad faith requirement.\(^\text{13}\) Instead, the bad faith requirement takes its place as but one factor in establishing that the equities in an infringement action demand an accounting of profits.\(^\text{14}\)

This article proposes that Congress did not intend a bad faith requirement be met before an owner of an infringed mark is able to recover a defendant's profits collected on the back of the infringed mark. This thesis, although seemingly simplistic, must travel a circuitous route through judicial precedent, statutory construction, and general empirical data to be proved. To legitimize this thesis, this article will first introduce in Part II the fundamental tenets and construction of trademark protection and trademark infringement law. In Part III, this article will explain the Pre-Lanham Act Su-


The protection of marks from dilution differs from the protection accorded marks from trademark infringement. Dilution does not rely upon the standard test of infringement, that is, likelihood of confusion, deception or mistake. Rather, it applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular.


\(^{13}\) See infra Part VI.

\(^{14}\) Congress, by its very expression, contemplated a case-by-case analysis approach to determining the appropriateness of an award of an accounting of defendant's profits. See 15 U.S.C. § 1117(a). There is no express congressional requirement that a trademark owner demonstrate the existence of bad faith before this remedy becomes available to the trademark owner. See id. Instead, courts must engage in a contemplative balancing of factors or a totality of the circumstances analysis before deciding to award or refrain from awarding an accounting of profits in a trademark infringement action. See id.
preme Court precedent bearing specifically on the remedy of an accounting of profits. In Part IV, this article will chart the statutory construction of the Post-Lanham Act remedy of an accounting for profits. Part V will begin the analysis of the three interpretations that circuit and district courts have developed to determine when to allow an accounting of profits, namely (a) that bad faith is not required before a trial judge can permit an accounting; (b) that proof of bad faith is only required to the extent that an owner's mark for non-competing goods is infringed before a trial judge can permit an accounting; and (c) that proof of bad faith is required in every instance of infringement before a trial judge can permit an accounting. Part VI uses the analysis in Part V as well as the language, purpose, and spirit of the newly enacted FTDA and the ACPA to deduce that Congress did not intend to require proof of bad faith before allowing an owner of a mark to receive an accounting of defendant's profits as one remedy for trademark infringement, a Lanham Act violation distinct and separate from trademark dilution and domain name piracy.

II. THE LAW OF TRADEMARK PROTECTION AND INFRINGEMENT

A. Trademark Protection

Graeme Dinwoodie describes the law of trademarks as a mercantile law.15 This is an apt description, because trademark use can be traced as far back as the earliest Chinese dynasties where craftsmen relied upon their stamps to identify goods.16 Even in the old English tradition, craftsmen from various guilds would identify their goods with the trademark

representing the guild as the source of the goods.\textsuperscript{17}

Trademark protection has two functions. First, trademark protection provides a means to identify the source of the goods.\textsuperscript{18} Second, trademark protection provides a means to achieve a market advantage in the marketing and sale of goods.\textsuperscript{19} Trademark protection has both social and economic consequences. Socially, the public is protected from the sale of unidentified goods whose quality is suspect.\textsuperscript{20} Economically, trademark protection provides a valuable means of capitalizing on customer goodwill.\textsuperscript{21}

Historically, the primary purpose of trademark protection was to prevent palming off, i.e., passing off goods of one

\textsuperscript{17} See PAUL GOLDSTEIN, COPYRIGHT, PATENT, TRADEMARK AND RELATED STATE DOCTRINES 200-24 (3d ed. 1990) (describing how trade guilds fastened a distinctive mark to their goods so that the townspeople would know that the goods came from a specific workshop). See also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995) (“The guild system of medieval England produced the first widespread use of trademarks.”). Although I did not find A Knight’s Tale a particularly interesting movie, I was humored by one scene that depicted a struggling female iron welder who belonged to a guild of male iron welders. See A KNIGHT’S TALE (Columbia Pictures 2001). She secured the opportunity to design armor for the Knight impersonator because the Knight could not afford the armor made by any of the guild’s male iron welders. See id. When the struggling Knight donned his new coat of armor during the jousting events, the Knight impersonator was struck by the strength, sleekness, and fine craftsmanship of the armor. Once the Knight impersonator signaled his approval of the armor, the female iron welder branded the armor with the Nike swoosh symbol as a trademark designating the origin of the armor as belonging to her guild. See id.

\textsuperscript{18} See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9, at 77 (“Manufacturers began to adopt marks expressly for the purpose of identifying their goods to prospective customers.”); see also S. REP. NO. 79-1333 (1946), reprinted in 1946 U.S.C.C.A.N. 1274 (stating that the statute protects “the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get.”).

\textsuperscript{19} See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9, at 78 (“As the geographic scope of markets expanded and systems of distribution became increasingly complex, trademarks came to function as an important instrument of advertising.”); see also S. REP. NO. 79-1333, at 4 (1946), 1946 U.S.C.C.A.N. 1274, 1275 (“To protect trade-marks . . . is . . . to secure to the business community the advantages of reputation and good will by preventing their diversion from those who have created them to those who have not.”).

\textsuperscript{20} See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9, at 78 (“The public benefits afforded by competitive markets cannot be fully realized unless prospective consumers can differentiate the products of competing sellers.”).

\textsuperscript{21} See id. (“If the trademark owner succeeds in creating a favorable image for its trademark in the marketplace, the mark itself can become a significant factor in stimulating sales. This ability of a mark to generate good will through advertising has also gained recognition under the law of trademarks.”).
producer or maker as those of another.\textsuperscript{22} For example, a junior producer of goods may be prevented from trading its goods by using the goodwill cultivated by a senior producer of goods. In the modern era, trademark protection also furthers the goals of various parties dependent upon commerce.\textsuperscript{23} First, the producer of goods who owns a mark seeks to protect that mark as well as promote the product associated with the mark, thereby developing goodwill in the mark.\textsuperscript{24} Next, the buyer of a product or good uses the trademark to exercise individual preference in product purchasing by assessing product quality through direct or indirect brand or mark comparisons.\textsuperscript{25} Therefore, trademark law protects the public's expectation of certain levels of quality when seeing a particular trademark on a product.\textsuperscript{26}

\textsuperscript{22} See Steven Schortgen, Note, "Dressing" Up Software Interface Protection: The Application of Two Pesos to "Look and Feel", 80 CORNELL L. REV. 158, 162, 164 ("[S]ection 43(a) is rooted in the common law tort of palming or passing off, which derives from the torts of fraud and deceit. . . . Drawing on this common law tradition, section 43(a) protects unregistered trademarks and explicitly proscribes both 'false designation of origin' and 'false or misleading description' of goods."); see also infra note 120.

\textsuperscript{23} Justice Felix Frankfurter articulated the purpose of trademark law in his opinion from Mishawaka Rubber & Woolen Manufacturing Company v. S.S. Kresge Company. In that opinion, Justice Frankfurter defined the purpose of trademark protection:

\begin{quote}
The protection of trade-marks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value. If another poaches upon the commercial magnetism of the symbol the owner has created, the owner can obtain legal redress.
\end{quote}


\textsuperscript{24} See RESTATEMENT (THIRD) OF UNFAIR COMPETITION, §9, at 78.

\textsuperscript{25} See id.

\textsuperscript{26} See id. ("[T]he presence of a trademark can signify that the goods or services are sponsored or approved by a particular business [and, thus,] the trademark functions as an indication of consistent and predictable quality."). See also Dennis S. Corgill, Measuring the Gains of Trademark Infringement, 65 FORDHAM L. REV. 1909, 1938 (1997) (explaining that today trademarks do much more than just identify the source of goods; amidst a myriad functions, trademarks signal the quality of a product).
The essence of trademark protection requires one to respect the intellectual and correspondingly developmental labors and toils of another, which are represented by distinguishing symbols, words, names, or devices. The work that a trademark owner puts into developing a mark to identify the source of goods will result in goodwill and enhanced reputation. Generally, trademark law protects an intangible property interest, which is the value of the association between an identifiable mark or symbol and its source.

Prior to Congress enacting federal legislation, trademark protection was accomplished through common law. Congress's first attempt in 1881 to legislate in the area of trademarks was unsuccessful, because the United States Constitution did not expressly recognize the subject matter of trademarks alongside the other properties of patents and copyrights. But, through the power of the Interstate Commerce Clause and the Necessary and Proper Clause, Congress passed the Trade-Mark Act of 1905. Subsequently, in


29. See James M. Koelemay, Jr., Monetary Relief for Trademark Infringement Under the Lanham Act, 72 TRADEMARK REP. 458, 460 n.6 (1982) (citing FRANK I. SCHECHTER, THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADE-MARKS (1925)). Koelemay states that “many of the rules governing monetary relief in trademark actions are found nowhere within the four corners of Section 35 [of the Lanham Act], but derive instead from the common law . . . .” Id. See also S. REP. NO. 79-1333, at 3 (1946), reprinted in 1946 U.S.C.C.A.N. 1274, 1276 (stating that “[t]he theory once prevailed that protection of trade-marks was entirely a state matter and that the right to a mark was a common-law right”).

30. The Copyright Clause of the United States Constitution authorizes Congress to adopt patent and copyright laws “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their Respective Writings and Discoveries.” U.S. CONST., art. I, § 8, cl. 8. Trademark protection owes its judicial origin to federal and state common law and later to the Interstate Commerce Clause, on which federal trademark legislation and unfair competition is premised. See, e.g., 2 JAY DRATLER, JR., INTELLECTUAL PROPERTY LAW: COMMERCIAL, CREATIVE, AND INDUSTRIAL PROPERTY §11.08[1]-[2] (1991).

31. U.S. CONST., art. I, § 8, cl. 3.

32. Id. art. I, § 8, cl. 18.

33. The Trade-Mark Act of 1905 presented basic legislation under which technical trademarks were registered and protected. See S. REP. NO. 79-1333, at 3 (1946), reprinted in 1946 U.S.C.C.A.N. 1274, 1275-76. Koelemay states, “[t]he Trade-Mark Act of 1905 was the first federal statute to provide a comprehensive scheme of civil remedies.” See Koelemay, supra note 29, at 474-75.
1946, Congress passed the Lanham Act to provide a structure within which the common law of trademarks could be enforced at the federal level.\textsuperscript{34}

The Lanham Act's scope of protection has increased since its inception. The Act protects trademark owners in the exclusive use of their trademarks\textsuperscript{35} when use by another would be likely to cause confusion.\textsuperscript{36} Protection extends to federally registered trademarks,\textsuperscript{37} unregistered trademarks,\textsuperscript{38} and trade

\begin{quote}
"[The Act remained silent as to] scienter as a prerequisite for monetary relief, and indeed the statute provided that upon a finding of infringement 'the complainant shall be entitled to recover' profits and damages." \textit{See id.}


35. Section 45 of The Lanham Act defines a trademark as:

\begin{quote}
[Al]any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

[to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.]


37. To succeed in a claim for trademark infringement under Section 32 of the Lanham Act, the owner of a valid and legally protectable mark must show that an alleged infringer has used a confusingly similar mark. \textit{See 15 U.S.C. § 1114(1)(a).} Section 32(1) provides in pertinent part:

\begin{quote}
(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; . . .

shall be liable in a civil action by the registrant for the remedies hereinafter provided.


38. \textit{Section 43(a) of the Lanham Act states, in pertinent part:}

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

\begin{quote}
(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities or geographic origin of his or her or
The underlying premise for protection is the need to avoid consumer confusion among ordinary purchasers exercising ordinary cautions when buying in commerce.\(^\text{39}\)

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another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.


39. The trade dress of a product involves the total image of a product and may include features such as size, shape, color or color combinations, texture, or graphics. See John H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966 (11th Cir. 1983). Trade dress will be protected if the following elements are satisfied:

(a) Proof of non-functionality. This element is required only for unregistered trade dress, not unregistered trademarks or trade names. See 15 U.S.C. § 1125(a).

(b) Proof of inherent distinctiveness.

(c) If not inherently distinctive at law or in fact, then proof of acquired "secondary meaning." When a trademark meets the threshold for distinctiveness, then it warrants protection under the Lanham Act. The level of distinctiveness is measured on a spectrum with a range of four categories: (1) arbitrary and fanciful marks; (2) suggestive marks; (3) descriptive marks; and (4) generic marks. The category in which a mark falls will determine its entitlement to registration and protection. If a mark is classed as arbitrary, fanciful, or suggestive, then it will be deemed inherently distinctive. But, if a mark is classed as descriptive, then the trademark owner will be required to show that the mark has acquired secondary meaning. Finally, at the generic end of the spectrum, a trademark owner will not be accorded trademark protection, because generic marks merely identify a genus or type of goods as opposed to the trademark operating as an indicator of the source of origin of the goods. See, e.g., Dratler, supra note 30, § 9.02[2].

There are two major categories of trade dress. The first category of trade dress is product packaging. The second category of trade dress is product design. The Supreme Court recently decided that unregistered product design or configuration could not, at law, meet the test for inherent distinctiveness no matter how unique or memorable the design may be. See Wal-Mart Stores, Inc. v. Samara Brothers, Inc., 529 U.S. 205 (2000). Therefore, to receive Lanham Act protection for the infringement of unregistered product design, the proprietor of the design must demonstrate that the design acquired "secondary meaning." The primary purpose of trade dress law is "to protect an owner of a dress in informing the public of the source of its products, without permitting the owner to exclude competition from functionally similar products." Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc., 58 F.3d 27, 33 (2d Cir. 1995). The major consideration for protection of unregistered product design is to distinguish an unprotected general type of appearance from a protected appearance or design. See id. To consider product design or appearance protected, the product design should rise above a certain level of generality, which can be described by previous use of the design by manufacturers of other kinds of products. See id. The product design has to be more than a general concept or idea that can or has been applied to various products. See id.

40. Consumers are inundated with multiple demands on their time. To avoid wasting time in the commercial arena, consumers rely on trademarks to associate a product with a particular source. Consumer use of trademarks can reduce shopping time thereby developing a use-benefit in the trademark for the
B. Trademark Infringement

Infringement embodies the unauthorized use of the mark of another, under circumstances that create confusion among customers purchasing in the market place.41 The touchstone of trademark infringement is "the likelihood of confusion."42 Yet another cornerstone of trademark infringement is "the likelihood of harm to reputation and goodwill," both of which have economic consequences to the trademark owner who faces potential infringement of her mark.43 Trademark infringement does not depend upon the use of identical words, nor whether they are so similar that a person looking at one would be deceived into the belief that it was the other. Infringement exists if one adopts a trade name or a trademark, so like another in form, spelling, or sound that one with an unclear recollection of the real trademark is likely to become confused or misled.44 Confusion cannot be reduced to a precise rule or measure. Confusion must be viewed from a totality of the relevant circumstances,45 taking into account the fol-

41. See generally Upadhye, supra note 28, at 552.
42. Courts rely on a multifactor test to measure the likelihood of confusion for purposes of protecting a trademark, which represents the origin or source of goods or services. The likelihood of confusion factors include:
   a. The similarity of the marks;
   b. The similarity of the goods or services;
   c. The similarity of the trade channels;
   d. The condition of the sale as either "impulse" or "considered";
   e. The strength of the mark;
   f. The number and nature of similar marks on similar goods;
   g. The length of time of concurrent use without actual confusion; and
   h. The variety of goods with which the mark is used.
See Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir. 1961) (multifactor test referred to as the "Polaroid test"); see also Morningside Group v. Morningside Capital Group, 182 F.3d 133 (2d Cir. 1999).
43. See Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492 (2d Cir. 1961).
44. See Polaroid, 287 F.2d at 495; see also Upadhye, supra note 28, at 553-54.
45. Polaroid brought an action against Polarad alleging state and federal trademark infringement and unfair competition for the defendant's use of the name "Polarad." See Polaroid, 287 F.2d at 493. Polaroid owned the trademark on the arbitrary name Polaroid as well as twenty-two related U.S. registrations and one New York state registration. See id. In responding to Polaroid's infringement claim, the Second Circuit pronounced the multifactor test now known as the Polaroid likelihood of confusion factors. See id. at 495. The Second Circuit did not apply the very test it pronounced, because the plaintiff's delay in bringing the infringement action against the defendant barred the claim.
lowing factors: the similarity in spelling, form, and sound of the trademarks in question; the similarity of the products involved; the prospective consumers that each product is marketed and sold to; and the similarity between product purchase conditions.46

Congress expanded a trademark owner's basis for recovery beyond actual infringement. In 1995, Congress enacted legislation to protect trademarks and trade dress from dilution.47 As recently as 1999, Congress extended the protection for trademarks and, by extension, trade dress, to encompass online piracy.48

See id. at 493, 495-96.
46. See Upadhye, supra note 28, at 561-64.
The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such order of relief as is provided in this subsection . . . .

A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—
(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and
(ii) registers, traffics in, or uses a domain name that—
(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;
(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or
(III) is a trademark, word, or name protected by reason of section 706 of Title 18 or section 220506 of Title 36.

III. PRE-LANHAM ACT TREATMENT OF THE ACCOUNTING OF PROFITS REMEDY

A. Supreme Court Precedent and the Accounting of Profits Remedy

As early as the turn of the twentieth century, the U.S. Supreme Court had occasion to broach the issue of remedies in equity and at law for the harm caused to a trademark owner from the infringement by another.\(^4\) Although a business interest is implicated in trademark infringement as opposed to a tangible property interest or bodily integrity as in most common tort actions, the former is no less deserving of protection and relief as are the latter. In this context, the Supreme Court addressed in *Hamilton-Brown Shoe Co. v. Wolf Brothers Co.*\(^5\) the question of whether a trademark owner is entitled to equitable and monetary remedies, particularly, the legal remedy of an accounting of defendant's profits.\(^5\) Plaintiff, the owner of the trademark "American Girl" and the producer of ladies shoes, upon which that mark was affixed, had its mark infringed by the defendant, whose mark "American Lady" for competing products, was similar to that of the trademark owner's mark.\(^5\) The Supreme Court concluded that the plaintiff's mark was arbitrary and fanciful, and not geographical and descriptive.\(^5\) The Court concluded further that the defendant did infringe on the plaintiff's mark.\(^5\) Although the Trade-mark Act of 1905 predated this decision, the Supreme Court rested its conclusion to affirm a decision by the lower court to permit an accounting on the prevailing analogous case law of the time.\(^5\)

In *Hamilton-Brown*, the Supreme Court examined various factors to determine whether to award an accounting of defendant's profits.\(^5\) The Court was concerned that the case provided very few facts with which to measure the actual


\(^5\) 240 U.S. 251 (1916).

\(^5\) See id.

\(^5\) See id. at 253.

\(^5\) See id. at 256-57.

\(^5\) See id. at 257.

\(^5\) See id. at 259-60.

\(^5\) See id. at 255, 261.
damages the trademark infringer caused to the trademark owner by virtue of the infringement. In addition, the Court considered who held the status as the more innocent party, the trademark owner or the alleged infringer. Finally, the Court considered the state of mind and the conduct of the alleged infringer with respect to the use of the trademark owner's label to market the infringer's competing goods. With respect to this factor, the Court characterized the alleged infringer's conduct as wrongful and fraudulent, two manifestations of a bad faith state of mind. Despite the Court's allusion to the alleged infringer's knowledge that the "American Girl" label belonged to another as a source-identifying symbol, the Supreme Court did not pronounce a rule of law in Hamilton-Brown that required a trademark owner to make an affirmative showing of bad faith, either through proof of fraud or wrongful conduct, to receive the remedy of an accounting of a defendant-infringer's profits. The Court merely buttressed its decision to affirm this award by employing the various factors it considered relevant to the case. The factor of bad faith in the form of fraud or wrongful conduct remained on equal footing with the two other factors analyzed by the Court; the nonexistence of other measures of actual damage to the trademark owner and status as the more innocent party.

57. See id. at 255. The Supreme Court affirmed the award of $1 nominal damages, because the complainant declared that damages “were practically incapable of exact computation.” Id.
58. See id. at 261. The Supreme Court, in castigating the defendant, instructed the jury to “remember that defendant does not stand as an innocent infringer. [The] abundant evidence [supports] that the imitation of complainant’s mark was fraudulent.” Id.
59. See id.
60. See id.; see also Koelemay, supra note 4, at 271-76 (providing a list of twenty-two factors courts have deemed relevant to a bad faith inquiry).
61. See Hamilton-Brown, 240 U.S. at 261-62 (holding only that “the profits included in the decree are confined to such accrued to defendant through its persistence in the unlawful simulation in the face of the very plain notice of complainant’s rights that is contained in its bill”).
62. The authors of the RESTATEMENT (THIRD) OF UNFAIR COMPETITION seek to minimize the force of Hamilton-Brown as precedent supporting the use of bad faith as a factor to be considered in awarding the remedy of an accounting of profits:

The decision of the Supreme Court in Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., is sometimes read to authorize an accounting of defendant’s profits in all cases of infringement regardless of the defendant's intent, although the Court in that case found that the defendant had
Consistent with the factor approach taken in Hamilton-Brown, the Supreme Court in Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co. again established that the remedy of an accounting of defendant's profits is, upon the face of the decision, automatic or, at the very least, dependent upon the facts and circumstances present in a trademark infringement case. In this case, the trademark owner sold complete shoes, which it manufactured, with a red circular plug embedded in the center of the heel of the shoe. The infringer sold detached rubber heels, which were manufactured by other companies, upon which it affixed circular plugs of red or reddish color so closely resembling the trademark owner's mark that it was difficult to distinguish the products sold by the infringer and those sold by the trademark owner. The Supreme Court found significant the fact that the infringer's use of a similar trademark, a circular reddish heel plug, on an inferior product would tarnish the goodwill built up in the trademark owner's superior shoe product. Equally important to the Court was the destruction of the trademark owner's power to direct consumers to its products through identification with its mark as well as the

intentionally infringed the plaintiff's mark. However, the Supreme Court denied an accounting [of profits] for trademark infringement in Champion Spark Plug Co. v. Sanders. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 cmt. c (1995) (citations omitted).

The authors of the Restatement all but ignore the teachings of Hamilton-Brown, which are to weigh the factual circumstances of each case of trademark infringement to gauge the appropriateness of awarding the remedy of an accounting of defendant's profits. Instead of explaining the impact of Hamilton-Brown, the authors chose to identify the Supreme Court's decision in Champion, which does support the position that some basis, like a defendant's willful palming-off or fraud, must be present before the courts award the remedy of an accounting of profits. See Champion Spark Plug Co. v. Sanders, 331 U.S. 125 (1947). However, Champion can be criticized as, at worst, straying from reading Hamilton-Brown as binding precedent or, at the very least, an example of confused interpretation, thus allowing a reading of the holding in Champion as requiring an affirmative showing of willful palming-off or fraud as opposed to requiring a "basis for finding damage to the trademark owner and profit to the infringer." Id.

63. 316 U.S. 203 (1942).
64. See id. at 206 ("Infringement and damage having been found, the Act [of 1905] requires the trade-mark owner to prove only sales of articles bearing the infringing mark [for the award of profits].").
65. Id. at 203.
66. See id. at 204.
67. See id.
trademark owner's loss of consumer goodwill previously associated with its mark. In affirming the lower court's decision to award the remedy of an accounting of defendant's profits, the Supreme Court concluded that a narrow reading of the rule allowing this remedy is not appropriate; rather, the trademark owner is required to prove only the sales of articles bearing the infringing mark. Proving fraud was not a prerequisite for the remedy; instead, the Court considered product inferiority, loss of goodwill to the trademark owner, and the possibility of a windfall to an infringer as justification for awarding the remedy of an accounting of defendant's profits.

In his cursory dissent, Justice Black, with whom Justices Douglas and Murphy concurred, first argued that no infringement occurred because the trademark owner's product was a completely manufactured shoe with the affixed trademark, and the defendant's product was a detached rubber heel having its own trademark. Justice Black concluded that even if an economic rivalry did exist between the two parties, the only remedy available would be injunctive relief because the trademark owner failed to prove willful palming-off or any evidence of actual injury. Without such proof, Justice Black concluded that the remedy of an accounting would grant a windfall to the trademark owner as well as impose a penalty on the infringer. Justice Black demonstrates that the majority in Mishawaka did not intend to pronounce a rule of law that would require a trademark owner prove an infringer's bad faith as a prerequisite for receiving the remedy of an accounting of profits. The language of the Trademark Act of 1905, the statute under which Hamilton-Brown and Mishawaka were decided, expresses the purpose of its remedial provision as balancing the equities between the parties in an infringement action. This balancing of the equi-

68. See id.
69. See id. at 206; see also supra note 64 (quoting Mishawaka).
70. See Mishawaka, 316 U.S. at 204.
71. See id. at 208 (Black, J., dissenting). The significance is a question of fact. Justice Black sought to characterize the goods as non-competing, presumably to sway the Court to assume that no harm befell the petitioner in the absence of diverted sales. See id.
72. See id. at 208-09.
73. See id. at 209.
74. Act of Feb. 20, 1905, ch. 592, 33 Stat. 724 (repealed 1946); see Mishawaka, 316 U.S. at 204.
ties in the Supreme Court’s precedent does not require a strict rule of a bad faith showing; rather, it requires a weighing of the facts and circumstances of a trademark infringement case before deciding the extent of a remedy and, specifically, a case-by-case determination of the appropriateness of the accounting of profits remedy.

In his decision in Champion Spark Plug Co. v. Sanders, Justice Douglas, who joined in the dissent in Mishawaka, ignored Supreme Court precedent spanning almost three decades when he set forth a two-pronged rule of law to be applied when an accounting of profits is being considered as a remedy for trademark infringement. The first prong of the rule simply requires a finding of infringement. Not as simply, the second prong requires a basis for finding damage to the trademark owner and profit to the infringer. This basis was not just a showing of conduct giving rise to unfair competition but, more pointedly, the basis referred back to Justice Douglas's mantra that an affirmative showing of willful palming-off or fraud is a prerequisite for awarding the remedy of an accounting of defendant's profits. Under Hamilton-Brown and Mishawaka, the remedy of an accounting of defendant's profits would probably have eluded the trademark owner in Champion, because, pursuant to a totality of the circumstances analysis, the facts in Champion would have disclosed that the infringer's use of the mark did not cause an appre-

waka, 316 U.S. at 206 n.1.

75. 331 U.S. 125 (1947). The trademark owner manufactured spark plugs under the trademark Champion. See id. at 126. The infringer reconditioned used spark plugs and retained the Champion trademark on the plugs and then sold the reconditioned, used plugs in the second-hand market. See id. The trademark owner alleged infringement and unfair competition. See id. The lower and circuit courts agreed on the existence of infringement, but neither permitted the remedy of an accounting of profits. See id. at 127.

76. See id. at 131. Justice Douglas stated as follows: *Mishawaka* ... states the rule governing an accounting of profits where a trademark has been infringed and where there is a basis for finding damage to the plaintiff and profit to the infringer. But it does not stand for the proposition that an accounting will be ordered merely because there has been an infringement.

*Id.* But see Mishawaka, 316 U.S. at 206; supra note 64 (quoting Mishawaka). The Mishawaka decision can be parsed neatly into two parts. The first part asked the question did infringement occur. The second part asked how will the profit award be measured, not when will an accounting of profits be awarded.

77. See Champion, 331 U.S. at 131.

78. *Id.*

79. See id.
ciable level of consumer confusion, nor did it cause significant loss of goodwill. As such, Justice Douglas did not have to formulate a bright-line test for the availability of an accounting of profits as a remedy for trademark infringement, because Supreme Court precedent aptly handled the balancing of the equities using a totality of the circumstances test, which more likely than not permitted the lower courts to weigh more critically the respective rights of the parties in controversy over the harm caused by trademark infringement.

B. Jurisprudential Bases for Recovery of Accounting of Profits

When courts sat in equity and at law, their jurisdiction to award remedies was critical to proper judicial administration. Because most trademark infringement and unfair competition claims require the issuance of injunctions, equity courts were the appropriate forums to institute these actions. Equity courts, in an effort to do complete justice, would award monetary relief, specifically an accounting of profits, to achieve judicial economy.

Equity courts traditionally awarded an accounting of a defendant’s profits to a trademark owner in those circumstances when the owner provided proof of harm or damage. The purpose of equity was to compensate a trademark owner for the losses suffered as a result of a defendant’s infringing activity by treating the infringer’s

80. Compare id. at 131-32 (finding an injunction was an adequate remedy against vendor of reconditioned spark plugs because there was no showing of fraud or palming off and “the likelihood of damage to petitioner or profit to respondents due to any misrepresentation seems slight”), with Hamilton-Brown Shoe Co. v. Wolf Bros. & Co., 240 U.S. 251, 260 (1916) (allowing recovery of profits only and excluding “all sales where the term ‘American Lady’ was accompanied with any other matter clearly indicating that such shoes were the manufacture of Hamilton-Brown Shoe Company”), and Mishawaka, 316 U.S. at 204-05 (finding where “it is difficult to distinguish the products sold by the defendant [infringer] from the plaintiff’s [owner’s] products” such as to destroy the owner’s good will and create a “reasonable likelihood” of confusion among consumers, in assessing defendant’s profits, “the plaintiff shall be required to prove defendant’s sales only”).

81. See Corgill, supra note 26, at 1918-19 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36 cmt. b (1995) for the proposition that “[c]ourts in equity may have first awarded accountings because of concerns for judicial economy, but these courts also justified the recovery of the infringer’s profits as compensatory”).

82. See id.
profits as a surrogate measure of the trademark owner's lost profits.³³

Following the merger of courts of equity and law and after the paradigm shift from the application of tort principles for loss of sales due to infringement, to property principles to protect a trademark owner's interest in his valuable intangible asset, compensation theory alone was no longer adequate to justify the accounting of profits remedy.⁴⁴ Accordingly, the courts have elevated the unjust enrichment theory and, to a lesser extent, the deterrence theory, to justify awarding the accounting of profits remedy.⁸⁵

1. Unjust Enrichment

Unjust enrichment is a widely accepted theory of recovery for trademark infringement.⁸⁶ According to this theory of recovery, an alleged infringer who uses the trademark of another to make a profit should not be permitted to benefit from such conduct.⁸⁷ The unauthorized use of the mark to make a profit results in an unjust enrichment to the infringer. To remedy this inequity, the infringer becomes liable as a trustee for the profits he accrues from his infringing conduct. Thus, an adequate remedy is fashioned from the profits of the infringer.

Some courts and commentators insist that applying a theory of unjust enrichment only provides a windfall to the trademark owner by virtue of his interest in his mark.⁸⁸ Still, other courts and commentators challenge, and even reject, the notion that the prevention of unjust enrichment is a suffi-

³³ See id.
³⁴ See id. at 1925.
³⁵ See id. at 1928-31.
³⁶ See William G. Barber, Recovery of Profits Under the Lanham Act: Are the District Courts Doing Their Job?, 82 TRADEMARK REP. 141, 158-62 (1992) ("Many cases discuss unjust enrichment as a theory upon which to base an award of profits . . . ."); see also Texas Pig Stands, Inc. v. Hard Rock Cafe Int'l, Inc., 951 F.2d 684, 694 (5th Cir. 1992). Texas Pig Stands is a particularly humorous decision authored by Circuit Judge Sam D. Johnson, who accepted a jury instruction defining unjust enrichment as the "unjust retention of a benefit to the loss of another or unjust retention of money or property of another which is against the fundamental principles of justice or equity and good conscience." Texas Pig Stands, 951 F.2d at 694 & n.15.
³⁷ See Barber, supra note 86, at 159.
³⁸ See, e.g., Koelemay, supra note 29, at 541 (arguing that "[t]o avoid windfalls and to attempt a closer approach to justice, courts from time to time have imposed threshold criteria on award of profits").
cient rationale for awarding an accounting of defendant's profits in the case of trademark infringement.89 Neither of these challenges nor convictions is without logical flaws. The first contention ignores a converse windfall to the infringer when recovery for infringement becomes elusive due to the difficulty of proving actual damages. But more critically, the second contention disregards the underlying policy supporting the Lanham Act's remedy provision, which is that trademarks have property value, both tangible and intangible.90

An aim of the Lanham Act's remedy provision is to achieve a level of fairness and equity between those whose trademark and attendant business interests have been harmed and those who have caused the harm, either innocently or deliberately, willfully, or fraudulently.91 Another express goal is to provide a measure of recovery for a trademark owner who is otherwise unable to prove actual damages due to a lack of access to the infringer's business records in order to determine the motive for the infringement, the resource and monetary investment in the infringement, and the exact profits obtained as a result of the infringement.92 Still another policy of the Lanham Act's remedy provision is to make infringement an unprofitable venture.93

89. See id. at 491 (noting that in 1965, the Second Circuit, in Monsanto Chem. Co. v. Perfect Fit Prod. Mfg. Co., 349 F.2d 389, "refused to recognize property rights in trademarks, and thus recovery on an unjust enrichment theory was unavailable").

90. S. REP. NO. 79-1333, at 3 (1946), reprinted in 1946 U.S.C.C.A.N. 1274 (explaining that one of the purposes underlying any trademark statute is recognizing an owner's interest when he has spent energy, time, and money in presenting to the public the product, and he then should be protected in his investment from its appropriation by pirates and cheats).

91. See Keith M. Stolte, Remedying Judicial Limitations on Trademark Remedies: An Accounting of Profits Should Not Require a Finding of Bad Faith, 87 TRADEMARK REP. 271, 298 (1997) (arguing "that Congress intended the compensatory remedies provided for in Section 35 of the Lanham Act, particularly profits, to apply to all... infringers regardless of [their] intent").

92. See Corgill, supra note 26, at 1941-51. Professor Corgill explains that a trademark infringer benefits financially from infringing activity by avoiding fixed cost marketing efforts, increased revenues and sales, increased presence of brands in retail outlets, and augmented reputation. See id. at 1950. Therefore, while the infringer receives windfalls from the infringing activity, it is likely that he is not documenting these benefits in his accounting ledger. See id.

93. See Burger King Corp. v. Weaver, 169 F.3d 1310 (11th Cir. 1999) (holding that an accounting of profits has been determined by the Eleventh Circuit to further the congressional purpose by making trademark infringement unprofitable, and is justified because it deprives the defendant of unjust enrichment and provides a deterrent to similar activity in the future).
In a democratic, market-driven society, healthy competition for the most part ensures product quality, availability, and affordability in the marketplace; however, unfair competition, including trademark infringement, tends to have a deleterious impact on a market economy. Thus, it is critical for competition laws, like the trademark infringement remedy provision, to protect the interests of all parties converging on the marketplace. Such complete protection necessitates a decision to award the remedy of an accounting of defendant's profits attributable to unauthorized use of the trademark of another, if only to protect the integrity of the marketplace by ensuring stability and consistency in the treatment of market participants. The remedy of an accounting of profits is the very insurance required to instill faith in the competitive marketplace. Under the theory of unjust enrichment, it should not matter greatly that a trademark owner would not have used her mark to obtain the level of profits squeezed out by an infringer, because the very nature of infringement mandates a degree of cunning to exploit the value of a trademark in an unexpected profit area for a minimum duration. Rather, the focus of the disgorgement of profits should be placed squarely upon the infringer, who has invaded the interests of another for his own personal gain. It matters not that payments to ensure marketplace integrity inure to the trademark owner, as he is the party most injured by the unauthorized conduct of the infringer.

At the very least, the unjust enrichment theory accomplishes three goals. The first goal is increasing confidence in a democratic market economy. The second goal is providing a system of redress, which adequately and equitably ensures monetary relief for all parties directly and indirectly affected by trademark infringement. Finally, the third goal is establishing parameters for what is considered appropriate competitive conduct in the exploitation of a trademark. These goals and policies support unjust enrichment as a theory of recovery of the disgorgement of defendant's profits for trademark infringement, that range from innocent, deliberate or

94. See David J. Gerber, The Transformation of European Community Competition Law, 35 HARV. INT'L. L.J. 97 (1994) (summarizing that the generic benefits of competition and competition laws include lower prices, more rapid technological progress, and, in the case of the European Community, a unified market).
willful, to fraudulent in character.

2. Deterrence

Deterrence is another theory of recovery for trademark infringement, and possesses a dual character. Deterrence theory is invoked as either a penalty or a prod. To impose a penalty in response to certain conduct is to require an actor to pay more than mere compensation to ameliorate the harm resulting from such conduct. In essence, the actor is being punished to either make a stark example of the conduct, or to reward an injured party who took on the status of a private attorney general to protect his interests and society at large from the future harms of unregulated conduct. As a prod, deterrence theory discourages an actor or groups of actors from engaging in specific types of conduct. Justifiably, the deterrence theory supports the regulation of future deleterious conduct through negative encouragement. Because the Lanham Act’s remedy provision proscribes imposing penalties in trademark infringement cases, the deterrence theory supporting the award of a defendant’s profits must rely on the future regulation of conduct principle in order to remain true to congressional intent.

Deterrence theory in trademark and unfair competition law has the capability of protecting future or developing markets through active policing against potential economic harm resulting from innocent, deliberate or willful, or fraudulent infringement. With very few exceptions, trademark in-

95. See Koelemay, supra note 4, at 277 (“In 1965, the Second Circuit adopted deterrence as a third distinct rationale,... [and other] courts frequently have stated in dictum that one of the policies underlying the remedies afforded by the Lanham Act is to deter infringement and thereby protect the public.”).

96. See id.

97. See id. (“Section 35, however, requires that monetary awards ‘shall constitute compensation and not a penalty.’”); see also 15 U.S.C. § 1117(a) (Supp. V 1999). Professor Dennis Corgill has documented that “numerous courts have recognized that deterrence is achieved by making infringement unprofitable.” See Corgill, supra note 26, at 1926 n.77. He cites numerous cases to support this proposition. See, e.g., Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989), cert. denied, 493 U.S. 1075 (1990); Louis Vuitton S.A. v. Lee, 875 F.2d 584, 588 (7th Cir. 1989); Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744 (7th Cir. 1985).

98. See Corgill, supra note 26, at 1928 (stating “that Lanham Act remedies, like tort remedies in general, should protect the public interest and deter future misconduct. Courts following this view caution, for example, that ‘monetary re-
fringement in the modern era is accomplished with greater information available regarding the similarity of trademarks and the businesses to which they are associated. In the current technology-driven economy, registration is not the only means to provide notice of the adoption and use of trademarks or trade dress. Notice can be accomplished through the most cursory of searches of both registered and unregistered trademarks. Most businesses have access to legal sources and research sources to isolate competing products as well as valuable trademarks. This information can be readily employed to determine those products and trademarks currently in use by another. By prodding or warning potential infringers of the consequences of infringement through application of deterrence theory, the accounting of profits remedy is a capable tool to discourage prospective harm that infringers can cause to their competitors, the market economy, and the purchasing public.

3. Compensation

Compensation is the third and final theory of recovery for trademark infringement. Of the three, compensation is

99. A trademark search can be conducted for free on the Internet by visiting the U.S. Patent and Trademark Office's Web site, http://www.uspto.gov. Or else the Patent and Trademark Depository Libraries, available in every state, may be visited. These libraries offer a combination of hardcover directories of federally registered marks and an online database of both registered marks and marks for which a registration application is pending. Most of these libraries also have step-by-step instructions for searching registered and pending marks. In addition to searching for registered or pending marks, one may also use product guides and other materials available in these libraries to search for possibly conflicting marks that have not been registered. This can be important because an existing mark, even if it is unregistered, would preclude registering the same or confusingly similar mark in one's own name, and using the mark in any part of the country or commercial transaction where customers might be confused. See Nolo.com, Inc., Conducting a Trademark Search, at http://www.nolo.com/lawcenter/ency/article.cfm/objectid/79BB0841-5898-40C3-A441E98A7494A853/catID/D8932879-DC34-43DF-BF65FC92D55FEE5D (last visited Feb. 19, 2002). See also International Star Class Yacht Racing Association v. Tommy Hilfiger, U.S.A., Inc., 80 F.3d 749, 753 (2d Cir. 1996), in which the court found that the defendant's search "was limited solely to registered or applied-for federal trademarks; despite its attorneys' advice that a wider search be conducted . . . ." Accordingly, the Court of Appeals was not convinced "that such a limited search should exonerate Hilfiger, particularly when Hilfiger ignored the specific advice of its attorneys to search more thoroughly." Id.

100. See Koelemay, supra note 4, at 277.
probably the theory that is most acceptable to the courts, but least effective to those injured by trademark infringement.\textsuperscript{101} In early trademark infringement legislation, compensation theory was the only basis for recovery in trademark infringement actions.\textsuperscript{102} Under this theory, trademark owners injured by the infringement of others are reimbursed only their actual losses.\textsuperscript{103} Compensation theory imposed an extreme burden on trademark owners, who were left without sufficient remedies in circumstances where actual damages became impossible to prove because of the sheer speculation about the degree and extent of harm caused by the infringement.\textsuperscript{104} Compensation theory also changes the nature of trademark protection because it adds a second causation requirement in order to recover a monetary remedy.\textsuperscript{105} For instance, an owner of a trademark who is infringed by another must first prove the element of “likelihood of confusion” before infringement will become actionable.\textsuperscript{106} After determining that another’s infringement is actionable, and before monetary relief is recoverable, compensation theory would require the trademark owner to prove that the infringer’s conduct caused a certain amount of damage.\textsuperscript{107} Thus, compensation theory, as the only basis for recovery, creates a dual barrier to the accounting of profits remedy by requiring proof of causation, implicit in both the likelihood of confusion element and the entitlement to only actual losses. As discussed in Parts IV and VI of this article, Congress could not have intended a trademark owner to meet such a high level of proof before receiving an infringer’s profits.

\textsuperscript{101} See id. Koelemay explains that the first purpose for the award of damages or profits was for the compensation to plaintiff for losses. He explains that this was the sole basis for recovery under the statutory predecessors of the Section 35 of the Lanham Act. See id.

\textsuperscript{102} See id. According to Koelemay, Section 35 combined the damages provisions in sections 16 and 19 of the Trade-Mark Act of 1905, presumably to reflect the merger of law and equity. See Koelemay, supra note 29, at 459.

\textsuperscript{103} See id.

\textsuperscript{104} See Corgill, supra note 26, at 1923-24.

\textsuperscript{105} See id. at 1921.

\textsuperscript{106} See id. at 1921-22.

\textsuperscript{107} See id. at 1919-20.
IV. STATUTORY CONSTRUCTION OF THE LANHAM ACT'S REMEDY PROVISION

Statutory protection of trademarks met several hurdles before crossing over into the fraternal patchwork of protections for intellectual property. In 1870, Congress first attempted to legislate on the subject of trademarks. At the time, Congress did not really distinguish between types of intellectual property when it interpreted article I, section 8, clause 8 of the United States Constitution. This failure to differentiate trademarks from both patents and copyrights led to the demise of Congress's attempts to exercise its authority over trademark subject matter. With the Trade-Mark Cases decision, the Supreme Court struck down Congress's interpretation of its authority to legislate in the trademark arena. Having learned from its mistake in 1870, Congress was successful in its 1881 attempt to regulate trademark subject matter by expressly linking the trademark statute to its authority to regulate interstate commerce. This ultimately led to a subsequent trademark statute called the Act of 1920 and to the present Trademark Act, commonly known as the Lanham Act. The Lanham Act provides for two remedies following a finding of infringement—injunction and monetary relief. The most generally applied remedy is injunctive relief pursuant to Section 34, which states:

108. Act of July 8, 1870, ch. 230, 16 Stat. 198; see also Robert, supra note 1, at 373.
109. See Trade-Mark Cases, 100 U.S. 82, 93-94 (1879) (stating that although Congress was apparently of the opinion that its power to regulate trademarks was found in article I, section 8, clause 8 of the U.S. Constitution, "[a]ny attempt . . . to identify the essential characteristics of a trade-mark with inventions and discoveries in the arts and sciences, or with the writings of authors, will show that the effort is surrounded with insurmountable difficulties").
110. See Robert, supra note 1, at 373-74.
111. 100 U.S. 82 (1879).
112. See id. at 94 ("While such legislation may be a judicious aid to the common law on the subject of trade-marks, and may by within the competency of legislatures whose general powers embrace that class of subjects, we are unable to see any such power in the constitutional provision concerning authors and inventors, and their writings and discoveries."); see also Robert, supra note 1, at 374.
114. See Robert, supra note 1, at 374.
Section 1116. Injunctive Relief

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title.\(^\text{116}\)

The other statutory remedy, monetary relief, is included in Section 35 of the Lanham Act. Section 35 states:

Section 1117. Recovery for violation of rights; profits, damages and costs; attorney fees; treble damages:

(a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a), (c), or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.\(^\text{117}\)

With its enactment of sections 1116 and 1117(a), Con-
gress intended these remedial provisions to protect trademark owners from infringement. First, Congress authorized courts to enjoin the activities of a person who infringes on the mark of another.\textsuperscript{118} Second, and central to this article, Congress expressly authorized, \textit{inter alia}, relief in the form of an accounting of defendant's profits.\textsuperscript{119} This relief is only limited by the court's adherence to the principles of equity. Congress did not impose any other prerequisites, like bad faith, on the remedy of an accounting of profits. Third, and conjunctive with an accounting of profits, Congress expressed the intent to permit the assessment of damages, premised upon a concept deriving from tort remedies.\textsuperscript{120} Fourth, and conjunctive with damages and an accounting of profits, Congress deemed costs of an action recoverable.\textsuperscript{121} Finally, Congress authorized the recovery of reasonable attorney fees to the prevailing party, either trademark owner or alleged infringer, but only to the extent that the court deems the case to be exceptional in its circumstances.\textsuperscript{122} Despite the breadth and reach of the remedy provisions, Congress tempered these provisions by proscribing the use of the stated recovery tools to assess penalties on an infringer.\textsuperscript{123} No doubt, Congress took this position

\textsuperscript{118} See id. § 1116(a).
\textsuperscript{119} See id. § 1117(a).
\textsuperscript{120} See \textit{RESTATEMENT OF THE LAW (FIRST) OF TORTS}, § 717, General Statement of Conditions of Infringement; see also \textit{RESTATEMENT OF THE LAW (SECOND) OF TORTS}, § 766B cmt. b, Intentional Interference With Prospective Contractual Relation (stating that "liability was imposed upon one who diverted another's business by fraudulently palming off his own goods as those of the other, or by infringing another's trademark or trade name"); \textit{but see Biebow & Co. v. Cox}, 732 F.2d 417, 431, n.10 (5th Cir. 1984), citing 2 J. \textit{MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION}, § 25.1 (1973) ("In modern law, the necessity for any 'wrongful intent' on the infringer's part has become totally unnecessary \textit{[sic]} for a court to find trademark infringement . . . . Thus, the policy has shifted from punishing infringers who have evil intentions to protecting the public from being confused by the use of similar marks."). \textit{See Corgill, supra} note 26, at 1918 ("Common law courts first granted accountings by reasoning that an infringer's profits are a surrogate measure of the trademark holder's own lost profits."); \textit{see also Bryan M. Otake, Comment, The Continuing Viability of the Deterrence Rationale in Trademark Infringement Accountings}, 5 U.C.L.A. ENT. L. REV. 221, 234 ("An accounting has historically been viewed as 'a surrogate for plaintiff's lost profits' or a proxy for exact measurement of damages in a complex market.").
\textsuperscript{122} See id.
\textsuperscript{123} See id. § 1117 (making recovery subject to principles of equity, granting the court discretion if it finds the amount awarded inadequate or excessive, and finally stating "[s]uch sum . . . shall constitute compensation not a penalty").
in the spirit of balancing the equities between parties in controversy as well as maintaining the equilibrium between appropriate and inappropriate use of another's trademark, which is protected as a registered mark, an unregistered mark, or by the principles of unfair competition.\textsuperscript{124}

While the rules guiding the recovery for trademark infringement may appear uncomplicated, commentators correctly recognize "that monetary recovery in infringement cases remains 'a confusing mélange of common law and equity principles.'\textsuperscript{125} The confusion can be attributed to the parts of the Lanham Act remedy provisions that subject recovery to "principles of equity," or that instruct a court that it "may enter judgment [on an assessment of damages] according to the circumstances of the case," or that permit a court to use "its discretion" in the face of "inadequate or excessive" recovery such as to enter a just judgment by employing the tools of additur or remittitur.\textsuperscript{126} From these statements, courts have fashioned myriad, often divergent requirements for trademark owners to meet to recover the express remedies listed in § 1116 and, especially § 1117(a), the recovery of an accounting of profits.

V. THE FUNCTION OF BAD FAITH IN THE AWARD OF AN ACCOUNTING OF PROFITS

A. Bad Faith as a Factor in the Award of an Accounting of Profits

Although the language is less than precise, the Fourth, Fifth, Seventh, Ninth, Tenth, Eleventh, and Federal Circuits in their decisions about the role of bad faith in the award of an accounting of profits tend to adhere to the balance of the

\textsuperscript{124} See DRATLER, supra note 30, §11.02.

\textsuperscript{125} The common law of unfair competition provides protection for unregistered trademarks . . . as long as they meet the fundamental requirements for protection. Although common law in the United States is largely the law of the individual states, Section 43(a) of the Lanham Act subsumes and federalizes much of this common law protection for unregistered marks. Thus, at common law, protection from unfair competition begins when a mark . . . is first used in commerce. Id. (citing 15 U.S.C. § 1125(a)); see also Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992).

equities approach in permitting or affirming monetary awards, specifically disgorgement of an infringer's profits. By no means are the decisions of the circuits harmonious, but whether 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.

Of the circuits applying a balancing of the equities approach, the Seventh Circuit's jurisprudence is most consistent with the plain meaning of the remedy provision of the Lanham Act. The Seventh Circuit explains that the primary function of a trial court presiding over a trademark infringement action is to "make violations of the Lanham Act unprofitable to the infringing party."\(^\text{127}\) To meet this obligation, the Seventh Circuit cautions that monetary relief "must be great enough to further the statute's goal of discouraging trademark infringement, but must not be so large as to constitute a penalty."\(^\text{128}\) In its quest to give the Lanham Act remedy provision its true meaning, the Seventh Circuit interpreted the language "subject to the principles of equity" to encompass a broader view of a district court's discretion to balance the considerations present in each case alleging trademark infringement.\(^\text{129}\) Thus, the Seventh Circuit instructs:

\(^{127}\) Otis Clapp & Son, Inc. v. Filmore Vitamin Co., 754 F.2d 738, 744 (7th Cir. 1985). The court held that monetary recovery for admitted trademark infringement included an accounting of the infringer's profits that was not awarded as a penalty and the award of attorneys' fees, because of the defendant's targeting of plaintiff as the "whetstone upon which it has unfairly sharpened its competitive weapons." \textit{Id.} at 746.

\(^{128}\) \textit{Id.} at 744.

\(^{129}\) See \textit{Sands, Taylor & Wood Co. v. Quaker Oats Co.}, quoting 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30.25, at 498 (2d ed. 1984), for the proposition that "[t]o obtain an accounting of profits, the courts usually require that defendant's infringement infer some connotation of 'intent,' or a knowing act denoting an intent, to infringe or reap the harvest of another's mark and advertising," but noting that Seventh Circuit law "is not, however, so limited." \textit{Sands, Taylor & Wood Co. v. Quaker Oats Co.}, 978 F.2d 947, 961 (7th Cir. 1992). The court found that, in fact, a broader view of the statute "is more consistent with the language of the Lanham Act than is the narrower (though perhaps more logical) rule espoused by [the defendant]." \textit{Id.}

The Seventh Circuit found defendant's urging of the narrower view more logical as confined to the specific facts of \textit{Sands} because of the following: first, the trademark owner alleged and proved reverse confusion, where a larger, well known, junior user sought to trade on the goodwill and reputation of the smaller, less known, senior user who, in spite of this paradoxical juxtaposition,
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 willfully infringe the trade dress [or trademark of another] to justify an award of profits. Profits are awarded under different rationales including unjust enrichment, deterrence, and compensation. Where a plaintiff seeks an award of damages [under a compensation theory], plaintiff must show that a defendant's infringement caused those losses. Here, however, an award of profits was appropriate under either a deterrence or unjust enrichment theory even if plaintiff's actual sustained losses may have been less.

The Seventh Circuit first recognizes that the remedy provision is surrounded by other statutory language providing more imposing monetary remedies against those who trade on a counterfeit mark; therefore, the remedies contained in the

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remains entitled to the use of its trademark; and second, the trademark owner had not used its trademark on the same or similar type of product that defendant used the mark to promote, even though the plaintiff made other uses of the mark. See id. at 961, 963. Based upon these two significant factors, the Seventh Circuit, while agreeing that an accounting of defendant's profits could be awarded, concluded "[i]n such a case, an award of $24 million in profits is not 'equitable'; rather, it is a windfall to the plaintiff." Id. at 963.

[The defendant] may have been unjustly enriched by using [the plaintiff's] mark without paying for it, but the award of profits bears no relationship to that enrichment. A reasonable royalty, perhaps related in some way to the fee [the plaintiff] was paid by [the licensee], would more accurately reflect both the extent of [the defendant's] unjust enrichment and the interest of [the plaintiff] that has been infringed. Id. at 963. In spite of the special factors in the Sands case, one concurring judge stated that the district court, in the exercise of its discretion, might well place substantial emphasis on deterrence, id. at 963-64, while the Senior Circuit Judge dissented and stated:

[The real question, ... is one of causation. What portion of [defendant's] profit resulted from its use of [the trademark], and therefore constituted unjust enrichment? I am unable to say that the district court's estimate of 10% was unreasonable or clearly erroneous. [The defendant] made no showing that it should have been a different number. The 90% ($216 million) of profit which [the defendant] retains is no paltry reward for everything it contributed to the success of the venture.

Id. at 964.


131. See 15 U.S.C. § 1117(b) (Supp. V 1999) (providing that an infringer's intentional use of a counterfeit mark will subject that infringer to damages for three times profits or damages, whichever is greater, together with a reasonable
general remedy provision should not be read as calling for the same quantum of proof that is required for the more imposing remedies, which are only available for specific infringing conduct. Second, the language "subject to the principles of equity" should be given its general meaning that allows for a case-by-case determination, not one based upon satisfying a bright line rule that must be met before the remedy provision can be applied. Third, the surrounding express statutory language, requiring proof of willfulness for monetary recovery in dilution actions, cases requesting attorneys' fees, and actions against a domain name registrar, negates application of this very same requirement in standard trademark infringement cases, where the remedy provision and the protection provisions for registered and unregistered trademarks are silent about any bad faith requirement for monetary relief upon proof of trademark infringement or unfair competition.

The Eleventh Circuit applies similar reasoning to justify its factor approach to assess the appropriateness of awarding the accounting remedy. Modern application of the Lanham Act remedy provision by the Eleventh Circuit appeared in Wesco Manufacturing, Inc. v. Tropical Attractions of Palm Beach, Inc. In Wesco, the defendant used the trademark owner's mark to advertise and sell its goods even after the trademark owner properly canceled its licensing agreement with the defendant. The district court found that the defendant violated the Lanham Act, and thus enjoined defendant's use of the trademark owner's mark, but it did not award monetary relief. In reversing the district court, the Eleventh Circuit held that denial of an accounting was error and a remand was necessary for the determination of the profits defendant derived from the infringement. To support its reversal, the Eleventh Circuit stated that "[t]he measure of recovery under section 35 includes the defendant's profits, any damages sustained by the plaintiff, and costs."
The Eleventh Circuit squarely addressed the defendant's argument that the trademark owner did not sustain any damages and, as such, should not be entitled to monetary relief, specifically an accounting of profits. The court noted that "[a] plaintiff need not demonstrate actual damage to obtain an accounting of an infringer's profits under section 35 of the Lanham Act." Instead, all that the statute requires is that the trademark owner prove the infringer's sales.

The Eleventh Circuit received another opportunity to solidify its position that the Lanham Act remedy provision does not require proof of bad faith before awarding an accounting in Burger King Corp. v. Mason. The appeal to the Eleventh Circuit, actually the second appeal to arise out of the litigation that spanned nearly a decade, was made in regard to the determination of the appropriate relief awarded under the Lanham Act with respect to the defendant's infringement of the Burger King trademark. Affirming its prior decisions that section 35 does not require a plaintiff to demonstrate actual damages to obtain an award reflecting an infringer's profits, the appellate body went on to state, "[n]or is an award of profits based on either unjust enrichment or deterrence dependent upon a higher showing of culpability on the part of defendant, who is purposely using the trademark." In 1999, the Eleventh Circuit spoke again in Burger King Corp. v. Weaver reasoning that, although the remedy could provide a windfall to a trademark owner, the principal focus of the remedy is to deter infringement by making it unprofitable

140. Id.
141. See id. at 1488.
142. 855 F.2d 779 (11th Cir. 1988).
143. See id. at 780 (noting the court's prior decision in Burger King Corp. v. Mason, 710 F.2d 1480 (11th Cir. 1983)).
144. Burger King, 855 F.2d at 781. The Eleventh Circuit buttressed its 1988 decision by reiterating that "no hard and fast rules dictate the form or quantum of relief" in a trademark infringement action. Id. at 783 (quoting a response to the defendant's argument that an award of profits would be improper, made in Burger King, 710 F.2d at 1495 n.11). The court unambiguously expressed the higher showing of culpability for the award of attorneys' fees by referencing the statutory language requiring proof that the infringement case is "exceptional." Id. at 781 (citing 15 U.S.C. §1117(a)). The court intended to contrast the limited degree of discretion afforded a trial judge in cases where there was a request for award of attorneys' fees with the broad discretion afforded a trial judge in cases where a trademark owner requested that the infringer be made to disgorge profits. See id.
145. 169 F.3d 1310 (11th Cir. 1999).
and to deprive infringers of unjust enrichment.\textsuperscript{146} In all of its precedent, the Eleventh Circuit has remained firmly rooted in its position that the principles of equity supporting the Lanham Act remedy of an accounting in no way requires specific proof of bad faith. Instead, the Eleventh Circuit chooses to review each case on its merits to determine if the district courts, in their wide discretion, are fashioning monetary relief consistent with the purposes of the Lanham Act and commensurate with the infringer's conduct. If a bad faith requirement were read into the remedy provision, the additur or remitittur language instructing the trial judge to exercise his discretion would become meaningless; a trademark owner could be denied recovery of an accounting where an infringer has been unjustly enriched, merely because the infringer cannot be deemed to have acted in bad faith. The Eleventh Circuit recognized that Congress did not intend for an infringer's invasion of a trademark owner's property interest to be excused merely because the infringer did not act deliberately or willfully or, even more perplexing, when an inefficient infringer failed to turn a profit from his infringing conduct.\textsuperscript{147}

The Ninth Circuit has expressly rejected bad faith as a requirement before permitting an award of the accounting of profits remedy. In \textit{Faberger, Inc. v. Saxony Products Inc.},\textsuperscript{148} the Ninth Circuit held that "[w]illful infringement may support an award of profits to the plaintiff, but does not require one."\textsuperscript{149} No language more plainly illustrates that willfulness or bad faith is one factor to be weighed by the district court. In analyzing when an accounting will be awarded, the \textit{Faberger} panel looked to the oft-cited \textit{Maier Brewing Co. v. Fleischmann Distilling Corp.}.\textsuperscript{150} \textit{Maier} was a Lanham Act trademark infringement case in which the producer of "Black & White" scotch sought to protect its name from use by the producer of "Black & White" beer, the latter deemed by the appellate court to affect adversely the sales and reputation of

\textsuperscript{146} See \textit{id.} at 1321.
\textsuperscript{147} See \textit{id.} ("An accounting for profits has been determined by this Court to further the Congressional purpose by making infringement unprofitable . . ").
\textsuperscript{149} \textit{Id.} at 429 (emphasis added).
\textsuperscript{150} 390 F.2d 117 (9th Cir. 1968).
the former. In *Maier*, the Ninth Circuit culled the legislative history of the Lanham Act remedy provision, digested the Supreme Court's decision in *Mishawaka*, and analyzed the Second Circuit's decision in *Monsanto Chemical Co. v. Perfect Fit Products Manufacturing Co.*, to arrive at a conclusion embracing the unjust enrichment theory to support an award of an accounting of profits. Specifically, the *Maier* Court considered the following:

"It seems scarcely equitable . . . for an infringer to reap the benefits of a trade-mark he has stolen, force the registrant to the expense and delay of litigation, and then escape payment of damages on the theory that the registrant suffered no loss. To impose on the infringer nothing more serious than an injunction when he is caught is a tacit invitation to other infringement."

. . . In those cases where there is infringement, but no direct competition, [making trademark infringement unprofitable] can be accomplished by the use of an accounting of profits based on unjust enrichment rationale. . . .

All this, of course, would be carried out subject to the principles of equity. In certain cases an injunction will fully effectuate the policies of the Act; others will arise when there will be sufficient provable damages to effectuate the policies of the Act without the granting of an accounting of profits; and in still other cases only the granting of an accounting of profits will effectuate the policies of the Act.

It is apparent from the court's pronouncements that Ninth Circuit precedent requires a factor approach to analyzing the accounting of profits issue. Ninth Circuit teachings instruct its district courts to make "any violations of the Lanham Act unprofitable" to the infringing parties by considering the purpose and the function of the Lanham Act and then weighing the relevant conditions that would make an award of an

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151. *Id.* at 120.
152. See *id.* at 121-23 (discussing Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co., 349 F.2d 389 (2d Cir. 1965)).
154. Playboy Enterprises, Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1274 (9th Cir. 1982). The *Playboy* court does not make discernable distinctions between innocent infringers, willful infringers, or deliberate infringers.
infringer's profits appropriate.\footnote{See id. at 1274-75 (considering deterrence, harm to the consumer, and harm to the owner's reputation in fashioning a remedy, "which will take all of the economic incentive out of trademark infringement").}

It appears from the most recent Ninth Circuit decisions that the appellate court has added another dimension to its accounting of profits jurisprudence. In \textit{Reebok International, Ltd. v. Marnatech Enterprises, Inc.},\footnote{970 F.2d 552 (9th Cir. 1992).} the panel, citing to \textit{Playboy Enterprises, Inc. v. Baccarat Clothing Co.},\footnote{692 F.2d 1272 (9th Cir. 1982).} stated, "[a]lthough the relief provided by § 1117 is explicitly 'subject to the principles of equity,' we have held that it is a per se abuse of discretion to fail to award relief under § 1117 that is adequate to make willful trademark infringement unprofitable."\footnote{See Reebok, 970 F.2d at 559; see also Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400, 1405 (9th Cir. 1993). The Lindy Pen court stated: [W]here 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. Lindy Pen, 982 F.2d at 1405 (citations omitted).} By capturing the accounting remedy language in the context of a standard of review, the Ninth Circuit described when it would overturn a district court's decision not to award an accounting. This, however, does not change the Circuit's approach to determining when an award of an accounting of an infringer's profits would be appropriate.

Unfortunately, the circuit panels in three subsequent cases either inadvertently or unconsciously decided to morph the factor approach into a bright line test requiring willfulness or bad faith, without first distinguishing between trademark infringement actions brought pursuant to § 1114(1)(a) of the Lanham Act and those brought pursuant to § 1114(1)(b) of the same Act. The former applies to anyone who uses in commerce a copy or imitation of the registered mark of another in connection with the sale of goods or services that is likely to cause confusion as to source,\footnote{See 15 U.S.C. § 1114(1)(a) (Supp. V 1999).} and the latter applies to publishers and printers not covered by § 1114(2) and other advertisers who are induced to copy or imitate registered trademarks onto labels, signs, prints, packages, wrap-
pers, receptacles, or advertisements.\textsuperscript{160} Section 1114(1)(a) violations will not require a trademark owner to show bad faith on the part of the infringer before an accounting may be awarded, but § 1114(1)(b) violations will require a trademark owner to show that the induced infringer committed the copying with knowledge that such imitation was intended to cause confusion before the owner is entitled to recover profits or damages provided for in § 1117.

An example of this misreading of the Lanham Act protection provisions and the misapplication of § 1114 in the context of § 1117 monetary recovery is Adray v. Adry-Mart, Inc.\textsuperscript{161} In Adray, the Ninth Circuit, in a cursory one paragraph review of the issue of willful infringement as a prerequisite to an award of defendant's profit, stated:

An instruction that willful infringement is a prerequisite to an award of defendant’s profits may be error in some circumstances (as when plaintiff seeks the defendant’s profits as a measure of his own damage), but was appropriate on the record in this case. In these circumstances, [the plaintiff] could recover [the infringer’s] profits only if the infringement was willful.\textsuperscript{162}

In an even more cursory analysis, the Ninth Circuit panel in Gracie v. Gracie stated:

The Lanham Act provision upon which [defendant-counter claimant’s] trademark infringement rested, 15 U.S.C. §

\textsuperscript{160} See id. § 1114(1)(b); see also 4 McCarthy, supra note 6, § 25.28 ("[P]rofits or damages cannot be recovered from one who merely reproduces and applies the mark to labels or advertising 'unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion . . . .').

\textsuperscript{161} 76 F.3d 984 (9th Cir. 1995).

\textsuperscript{162} Id. at 988 (citation omitted). Interestingly, the trademark owner filed a petition for rehearing, which, although not granted, motivated the panel to reconsider and amend the specific one paragraph section titled: "Willful Infringement as a Prerequisite to an Award of Defendant’s Profits." Id. Despite the amendment, the substance of the dicta did not change, but the court did append language that described the suggestion for a rehearing en banc and no receipt of a request by any judge for an en banc hearing. See id. This judicial inaction may signal many things including, but not limited to, this being an inappropriate case to clarify the law of awarding an accounting considering that the particular litigation spanned over thirty years, the application of the factor test as opposed to the bright line test for the award of an accounting to facts of the case would have led to the same outcome, or that the Ninth Circuit may be poised to join those circuits that require proof of bad faith before permitting an award of an accounting of an infringer’s profits.
1114, does not require actual consumer confusion for recovery of profits. Rather, by its terms § 1114 requires only a likelihood of confusion combined with willful infringement: "The registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to cause confusion, or to cause mistake, or to deceive." While actual confusion may be relevant as evidence of the likelihood of confusion (which is required for an award of profits under § 1114), under our precedents a showing of actual confusion is not necessary to obtain a recovery of profits.  

In addition, another Ninth Circuit panel in Kassbaum v. Steppenwolf Productions, Inc. stated in passing that "[a]ctual consumer confusion is not required for profit recovery; it is sufficient to show a likelihood of confusion combined with willful infringement." In citing to Lindy Pen Co. v. Bic Pen Corp. and other Ninth Circuit decisions for the above quoted propositions, the Ninth Circuit started in 1995 to offend its own precedents, which require district courts to use their discretion to weigh relevant factors when considering awarding an accounting in response to proven violations of the Lanham Act. Instead, in brief dicta, the Adray, Gracie, and Kassbaum panels, by misreading the standards set for trademark infringement actions under § 1114(1)(a), which do not make willful infringement a prerequisite for recovery of an accounting, confused long-standing Ninth Circuit jurisprudence to the potential detriment of trademark owners, who already are saddled with heavy burdens of proof in trademark infringement cases.

163. Gracie v. Gracie, 217 F.3d 1060, 1068 (9th Cir. 2000).
164. Kassbaum v. Steppenwolf Productions, Inc., 236 F.3d 487, 492 (9th Cir. 2000). Because the panel did not find likelihood of confusion, it did not reach the question of willful infringement and, thus, it did not broach the argument that willfulness is not a prerequisite to recovery of an accounting of profits in the Ninth Circuit.
165. 982 F.2d 1400 (9th Cir. 1993).
166. The misapplication of the statutory language of § 1114(1)(b), which restricts a registrant's recovery of profits and damages to acts by an induced infringer who knowingly imitates a registered mark with the intent to use the imitation to cause confusion in Adray, 76 F.3d 984, a case itself falling outside of the section because the infringed mark was not registered, infected Gracie, 217 F.3d 1060, a case in which the Ninth Circuit failed to state whether the infringement was premised upon § 1114(1)(a) or (b). This misreading later wormed its way into Kassbaum, 236 F.3d 487, a case in which the circuit panel expressly stated that the infringement was based solely on § 1114(1)(a).
The Fifth Circuit routinely articulates its totality of the circumstances test, which considers bad faith as one of several non-exhaustive factors, to determine the correctness of awarding the accounting of profits remedy in a trademark infringement action. However, the Fifth Circuit jurisprudence also states in dicta that thorough research in the circuit fails to uncover any situations when bad faith is not present, but an award of the accounting remedy is still made. In the seminal case Maltina Corp. v. Cawy Bottling Co., the Fifth Circuit broached the issue of whether diversion of sales is a prerequisite to an award of an accounting. This issue reflects the compensation theory, which proposed that one of the underlying goals of a remedy for trademark infringement is placing the injured party in the position he would have been in absent the infringement. Compensation as the focal point of a remedy provision necessarily requires an assessment of harm to an injured party—lost or diverted sales in the case of an injury resulting from trademark infringement. Had the Maltina court followed the compensatory theory to its natural end, there would be no chance of monetary recovery for other types of harm absent a showing of diverted sales. Such a result would ignore the harm a trademark owner suffers to reputation, goodwill, and the cost of protecting the property interest inherent in a registered or unregistered trademark. As such, Maltina also recognized the unjust enrichment theory and the deterrence theory in justifying an award of an accounting of profits. To that end, the Fifth Circuit espoused, "[t]he recognition of a trademark as property is consistent with the view that an accounting is proper even if the defendant and plaintiff are not in direct

167. See, e.g., Texas Pig Stands, Inc. v. Hard Rock Cafe Int'l, Inc., 951 F.2d 684, 695-96 (5th Cir. 1992); Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998); Rolex Watch U.S.A., Inc. v. Meece, 158 F.3d 816, 823 (5th Cir. 1998); Seatrax, Inc. v. Sonbeck Int'l, Inc., 200 F.3d 358, 369 (5th Cir. 2000).
168. See Seatrax, 200 F.3d at 372 n.9 (stating that “[a]lthough [this court has] not expressly held that a finding of willfulness is required to trigger § 1117 damages, . . . our independent research reveals [no] cases from this circuit where an accounting of profits has been awarded without a finding of willfulness”).
169. 613 F.2d 582 (5th Cir. 1980).
170. Id. at 585.
171. See supra Part III.B.3.
172. Cf. Maltina, 613 F.2d at 585.
173. See id.
competition, and the defendants' infringement has not diverted sales from the plaintiff.\textsuperscript{174} The Fifth Circuit, in aligning itself with the other circuits that give the Lanham Act remedy provision its congressional meaning—to make infringement unprofitable, stated in \textit{Texas Pig Stands, Inc. v. Hard Rock Cafe International, Inc.}\textsuperscript{175} that "diversion of sales is not a prerequisite to an award of profits;" instead it, like palming off, is "one of the factors to be considered."\textsuperscript{176}

Relying on the reasoning and policies from \textit{Maltina} and \textit{Texas Pig Stands}, the Fifth Circuit announced that the Lanham Act entitles a trademark holder to recovery of defendant's profits, subject to the principles of equity, not based upon the satisfaction of a bright line test; but rather, on a weighing of relevant factors to arrive at a fair result for both litigants. Specifically, the Fifth Circuit in \textit{Pebble Beach Co. v. Tour 18 I Ltd.} stated:

While the court has not required a particular factor to be present, relevant factors to the court's determination of whether an award of profits is appropriate include, but are 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. Once an award is found to be appropriate, a [trademark holder is only entitled to those profits attributable to the unlawful use of its mark.\textsuperscript{177}

Viewing the award of profits under a case-by-case paradigm comports with the underlying principles that trademark protection and infringement concepts are fact intensive and require a focused eye to the dispute at hand. The existence of such a course of conduct by an infringer, which tips the scales toward awarding monetary relief for a trademark holder, should not be expunged merely because one or several circuits believe in the supremacy of what can be a non-contextual and ill-defined element—bad faith—that may play a minor role in

\textsuperscript{174} Id.
\textsuperscript{175} 951 F.2d 684 (5th Cir. 1992).
\textsuperscript{176} Id. at 695.
\textsuperscript{177} Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998) (citations omitted).
categorizing the specific type of invasion engaged in by an infringer.\textsuperscript{178} Moreover, the factor approach to determining the appropriateness of an award of profits is consistent with the great discretion that the Lanham Act remedy provision vests in the trial judge,\textsuperscript{179} who is charged with bringing principles of equity to the resolution of an infringement. There is no mistaking that in any legitimate trademark infringement action, the trademark holder is placed in the unenviable position of incurring losses for the purpose of protecting a real and valuable property interest. Such losses should not be viewed as unrecoverable on the injection of an apparition-like requirement of bad faith.

The Tenth Circuit's early precedent favored treating the infringer as a trustee for profits accruing from illegal acts, despite a lack of direct competition or actual confusion.\textsuperscript{180} The Tenth Circuit recognized that the award of equitable remedies created a "welter of confusion" about both the legal and equitable concepts of balanced, appropriate monetary relief in trademark infringement cases.\textsuperscript{181} Despite this apparent confusion, the Tenth Circuit decided each trademark infringement case in accordance with the view that monetary recovery, specifically an accounting of profits, remained a matter to be considered at the discretion of the district court.\textsuperscript{182} Thus, the Circuit refused to disturb district court decisions when

\begin{itemize}
\item[\textsuperscript{178}]{According to the Fifth Circuit, the goal behind the remedies of §§ 1116 and 1117 is to achieve equity between or among the parties. In fashioning the appropriate remedy, a legal determination of liability is not dispositive. Because each case presents a different set of facts and circumstances, a case-by-case evaluation is warranted to determine the nature of the infringing conduct and its adverse effects, if any, on the plaintiff. Seatrax, Inc. v. Sonbeck Int'l, Inc., 200 F.3d 358, 369 (5th Cir. 2000). Seatrax was a Texas Corp. that manufactured offshore marine cranes known as "SEAKING." Id. at 362. Defendants were former employees of plaintiff and, upon leaving Seatrax, allegedly misappropriated production designs, formed a new company, and competed with plaintiff by disseminating service manuals, absent consent, for SEAKING parts that bore the SEAKING mark registered to plaintiff. See id. at 362-63.}
\item[\textsuperscript{179}]{See supra Part IV; see also 15 U.S.C. § 1117(a) (Supp. V 1999) ("The court shall assess such profits and damages ... under its direction.").}
\item[\textsuperscript{180}]{See Blue Bell Co. v. Frontier Refining Co., 213 F.2d 354, 363 (10th Cir. 1954).}
\item[\textsuperscript{181}]{Id. at 362-63.}
\item[\textsuperscript{182}]{See id.; see also Friedman v. Sealy, Inc., 274 F.2d 255 (10th Cir. 1959); Bishop v. Equinox Int'l Corp., 154 F.3d 1220, 1224 (10th Cir. 1998) (remanding for a determination of whether an accounting of profits was appropriate).}
\end{itemize}
they demonstrated that trial judges first weighed various factors, such as intentional efforts to palm off goods as those of the plaintiff, the amount, if any, of a damage award, and the relative positions of the parties. Even in its most recent accounting of profits decision favoring a denial of the monetary remedy, the Tenth Circuit stayed true to the balancing or factor approach when it quoted the district court with approval:

[T]his court believes the task before it is to consider all the equities in the case anew and make a determination on the applicability of an award of profits.

In considering all of the equities in this case, the relative weakness of the mark, the lack of customer confusion or deception, and that [the infringer] did not benefit from [the trademark owner's] mark, the court rejects, as it did in the original findings, the notion that prevention of unjust enrichment is a sufficient rationale for awarding profits.

While the Tenth Circuit appears to reject the unjust enrichment theory to justify recovery of an accounting of profits, this statement can be viewed as an inadvertent misstatement of the law. Specifically, dissenting Circuit Judge Baldock stated that "[u]njust enrichment is a well-established theory of recovery for trademark infringement in [the Tenth Circuit]." Judge Baldock continued to explain that the district court's statement regarding the rejection of unjust enrichment was "presumably ... intended ... to apply only to the circumstances of the [presently litigated] case." Judge Baldock supported his conclusion by pointing to the district court's weighing of the various factors surrounding the case to decide that an award of profits was not necessary because, among other things, the district court had, within its discretion, awarded attorney's fees to the infringed trademark owner. In so holding, the district court strengthened the argument that the Lanham Act remedy provision requires a

183. See Friedman, 274 F.2d at 255; see also Bardahl Oil Co. v. Atomic Oil Co. of Okla., 351 F.2d 148, 150 (10th Cir. 1965).
185. Id. at 1059 (Baldock, J., dissenting in part and concurring in part).
186. Id.
187. See id. at 1060.
factor approach as opposed to a bright line bad faith test for recovery of profits; otherwise, the district court’s finding of exceptional circumstances supporting the award of attorney’s fees would also have required an award of an accounting, if recovery of the latter is predicated on a bad faith requirement. As such, either the courts will require double proof from a trademark owner, for example, to show bad faith and then prove that a balancing of the equities favors her position; or one level of proof consistent with the equitable principles of the Lanham Act remedy provision, which requires only a weighing of the factors in a case-by-case analysis.

The Fourth and Federal Circuits have not weighed in heavily on the correctness of awarding an accounting of an infringer’s profits in trademark infringement actions. For example, in *Shell Oil Co. v. Commercial Petroleum, Inc.*, the Fourth Circuit summarily stated that “equitable damages, as measured by the infringer’s profits, can be awarded to the trademark owner without proof of actual loss. However, the district court has broad discretion to award any monetary relief necessary to serve the interests of justice.” Similarly, the Federal Circuit, in *Bandag, Inc. v. Al Bolser’s Tire Stores, Inc.*, implicitly approved a factor approach when it articulated that “good faith is less probative than bad faith [when deciding] the likelihood of confusion, yet [good faith/bad faith] may be given considerable weight in fashioning a remedy.” The pronouncements from the Fourth and Federal Circuits suggest that the factor approach is the more effective means to execute the Lanham Act remedy provision and adhere to the spirit of its underlying policies, which are precluding unjust enrichment, compensating the most innocent party, and deterring infringement through warnings or discouragement.

B. *Bad Faith and the Case of Competing Goods Versus Non-Competing Goods*

The First Circuit is the lone trumpeter of the competing

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188. 928 F.2d 104 (4th Cir. 1991).
189. Id. at 108 (citations omitted).
190. 750 F.2d 903 (Fed. Cir. 1984).
191. Id. at 915 (quoting AMF, Inc., v. Sleekcraft Boats, 599 F.2d 341, 354 (9th Cir. 1979)).
192. See supra Part III.B.
goods paradigm for recovery of an accounting of defendant’s profits in trademark infringement actions. Few cases stand out for the proposition that the accounting of a defendant’s profits will be awarded only to the extent that the trademark owner and the infringer’s goods are in direct competition, or in the case of non-competing goods, that the accounting remedy is available only upon a showing of bad faith. Under the Lanham Act, the First Circuit has had only scant opportunities to refine a rule of law for when an accounting of defendant’s profits will be awarded. From its early decision in 1963 to its most recent holding in 1993, the First Circuit has established a circuitous test for when an accounting will be allowed, despite the fact that, practically, the test recognizes only the compensation and deterrence theories of recovery.

Although the First Circuit is acquainted with the unjust enrichment theory and its potential application to remedies for trademark infringement, it continues to view trademark violations as matters occupying the realm of torts, without regard to the distinct property nature that trademarks have attained. As recently as 1993, the First Circuit affirmed a

195. See id. at 6 (demonstrating that the First Circuit prefers to adhere to the compensation theory of recovery in response to infringement when its rule of law for an accounting requires a trademark owner to show direct competition and the infringer’s profits would have gone to the trademark owner if there was no infringement).
196. Compare Baker, 325 F.2d 580 (holding that a trademark infringer is liable as a trustee for profits accruing from defendant’s activity of using the name “Simmonds” in connection with the business of upholstering and reupholstering furniture, even though the owner of the trademark “Simmons” in connection with the manufacture of furniture and sofa beds was not doing business in the consuming market where the infringement occurred), with Valmor Prods. Co. v. Standard Prods. Corp., 464 F.2d 200 (1st Cir. 1972) (concluding that defendant, using the name “VALMOR” for electrical personal care items, was not engaged in direct competition with plaintiff, Valmor, using its corporate name to do business in the beauty aid market, and thus could not be considered a trustee for profits that, but for the infringement, would have been Valmor’s), and Quabaug Rubber Co. v. Fabiano Shoe Co., 567 F.2d 154 (1st Cir. 1977). In Quabaug, the court noted:

[T]he district court based its award on an accounting of profits and did not evaluate actual damages. Although this method is appropriate in situations where the parties are selling competing goods in the same market, in cases involving noncompeting goods, “the assumption cannot be made that the defendant’s profits constitute a fair measure of
rule of law that continues to ignore the property nature of trademarks as well as the Lanham Act's national protection paradigm. In *Aktiebolaget Electrolux v. Armatron Int'l, Inc.*, the First Circuit synthesized its rule of law for establishing a "clear distinction between the showing required to establish a right to injunction and that required to establish a right to damages." In contrast to the plain meaning of the Lanham Act, the First Circuit required an additional showing for the award of monetary damages in four rules:

1. [A] plaintiff seeking damages must prove actual harm, such as the diversion of sales to the defendant; (2) a plaintiff seeking an accounting of defendant's profits must show that the products directly compete, such that defendant's profits would have gone to plaintiff if there was no violation; (3) the general rule of direct competition is loosened if the defendant acted fraudulently or palmed off inferior goods, such that actual harm is presumed; and (4) where defendant's inequitable conduct warrants bypassing the usual rule of actual harm, damages may be assessed on an unjust enrichment or deterrence theory.

The four rules articulated by the First Circuit are firmly entrenched in tort principles. The first three rules require a
trademark owner to prove the tort element of factual causation before any monetary award, either damages or an accounting, will be allowed. This factual causation requirement places a burden on the infringed trademark owner that even the Lanham Act recognizes as intolerably too high. The rules announced by the First Circuit make it more difficult for the injured party to receive a statutorily authorized monetary award, while the infringer benefits from an additional layer of protection from liability. Interestingly, the First Circuit, in affirming a district court decision to award an accounting based upon the state law requirement of first finding fraudulent intent on the part of a defendant, stated that “the district court exercised its equitable powers appropriately by giving a windfall to the trademark owner rather than the trademark infringer.” In support of the balancing windfalls language, the First Circuit cited Mishawaka Rubber & Woolen Manufacturing Co. v. S.S. Kresge Co., the Supreme Court precedent that certain circuits and commentators marginalize when professing the requirement for a showing of bad faith before awarding an accounting of defendant’s profits.

Not only is the Lanham Act silent about the requirement

201. See Aktiebolaget, 999 F.2d at 5 (stating the “plaintiff must prove actual harm, such as diversion of sales to the defendant,” and “plaintiff seeking an accounting of defendant’s profits must show that the products directly compete, such that defendant’s profits have gone to plaintiff. . .”).


203. Schroeder v. Lotito, 747 F.2d 801, 802 (1st Cir. 1984). The district court found infringement of plaintiff’s registered trademark by defendant who tried to attract political printing business by using plaintiffs’ union symbol. See id. The district court, applying Rhode Island state law, issued an injunction and awarded plaintiffs an accounting of profits totaling $635.91 as well as attorney’s fees and costs totaling $5,175. See id. Based upon the legislative history of the Lanham Act, the First Circuit affirmed the award of attorney’s fees by stating “[t]he only requirement Congress placed upon the award of attorney’s fees was that the case be ‘exceptional.’ The legislative history shows that Congress intended ‘exceptional’ to mean malicious, fraudulent, deliberate, or willful infringement.” Id. (citation omitted). The First Circuit’s reliance on legislative history to give meaning to “exceptional” for purposes of awarding attorney’s fees begs the question why some circuits require a showing of bad faith before awarding an accounting of defendant’s profits, when the word “exceptional” is not used in § 1117(a) as a condition on the first listed remedy of defendant’s profits.

204. See Schroeder, 747 F.2d at 802 (citing Mishawaka Rubber & Woolen Mfg. Co. v. Kresge Co., 316 U.S. 203, 207 (1942)).
of showing bad faith before awarding an accounting, the Act itself is meant to provide a national standard for the uniform protection of registered and unregistered trademarks and trade dress. Accordingly, the First Circuit's proliferation of cases, which make arbitrary and unauthorized distinctions between competing goods and noncompeting goods, is contrary to the national protection paradigm of the Lanham Act. This distinction is unnecessarily duplicative of the Polaroid "likelihood of confusion" test inherent in the Lanham Act's infringement analysis. If goods are noncompeting, the Lanham Act's "likelihood of confusion" analysis would consider this fact when finding for a party under the "similarity of goods or services" and the "similarity of trade channels" factors. Accordingly, from a legal standpoint, the First Circuit's rule is antiquated and repetitious of the widely accepted "likelihood of confusion" test for infringement. From a policy standpoint, the First Circuit's adherence to proof of causation and a distinction between competing and noncompeting goods fails to recognize that trademark infringement is not only viewed as a tort concept, where diversion of monetary gain is the measure of harm, but also that trademark infringement in this technological and information age is considered increasingly an invasion of a property interest for which a wrongful actor will receive a benefit or windfall if allowed to escape monetary accountability. While the First Circuit theoretically recognizes a remedy based on unjust enrichment in trademark infringement cases, it does not give unjust enrichment any practical affect, because it adheres to the competing goods tort-like paradigm when deliberating on the type of remedy that should be awarded.

C. Bad Faith as a Sine Qua Non in the Award of an Accounting of Profits

Counter to the factor approach, the Second, Third, Sixth, Eighth, and District of Columbia Circuits have required a showing of bad faith before the courts can consider ordering an infringer to disgorge his profits. Spearheading the movement toward a bright line rule for recovery of an accounting is

206. See supra note 42 and accompanying text.
207. See supra Part III.B.
the Second Circuit. Based on Second Circuit jurisprudence, if an owner of a trademark proves willful, deliberate infringement, or deception, an accounting of profits may be awarded, which may be premised upon any one of three theories, including unjust enrichment, compensation, or deterrence. According to the Second Circuit, a trademark owner needs to consider other factors in addition to bad faith to justify an accounting of an infringer's profits. These other factors include the following: the degree of certainty that the defendant benefited from the unlawful conduct; the availability and adequacy of other remedies; the role of a particular defendant in effectuating the infringement; plaintiff's laches; and plaintiff's unclean hands. The Second Circuit liberally cites to the Restatement (Third) of Unfair Competition to support the new, heightened standard, while authority for such a proposition is conspicuously absent from prior Second Circuit precedent following the passage of the Lanham Act.

208. See George Basch Co., Inc. v. Blue Coral, Inc., 968 F.2d 1532, 1537 (2d Cir. 1992). The Second Circuit explained its rule as follows:

The rule in this circuit has been that an accounting for profits is normally available only if the defendant is unjustly enriched, if the plaintiff sustained damages from the infringement, or if the accounting is necessary to deter a willful infringer from doing so again. Courts have interpreted the rule to describe three categorically distinct rationales.

. . . [T]hat willfulness expressly defines the third rationale (deterrence) may suggest that the element of intentional misconduct is unnecessary in order to require an accounting based upon a theory of unjust enrichment or damages . . . . [A] closer investigation into the law's historical development strongly supports our present conclusion that, under any theory, a finding of defendant's willful deceptiveness is a prerequisite for awarding profits.

Id. (internal quotation marks and citations omitted).

209. See id. at 1540.

210. See id. ("Having stated that a finding of willful deceptiveness is necessary in order to warrant an accounting for profits, we note that it may not be sufficient. While under certain circumstances, the egregiousness of the fraud may, of its own, justify an accounting, generally, there are other factors to be considered." (citations omitted)).

211. See id. at 1540-41 (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 (1995)). In addition to expressing bad faith as a prerequisite for an accounting, the Basch court stated:

The district court's discretion lies in assessing the relative importance of these factors and determining whether, on the whole, the equities weigh in favor of an accounting. As the Lanham Act dictates, every award is "subject to equitable principles" and should be determined "according to the circumstances of the case."

Id.
For example, in Monsanto, the Second Circuit adopted for the first time each of the three theoretical bases supporting recovery of an infringer's profits. What it did not do was require a showing of bad faith in addition to proof of other factors before approving the award of an accounting of an infringer's profits. The Monsanto court affirmed a finding that the defendant "deliberately infringed the plaintiff's mark by selling mattress pads falsely labeled as Acrilan-filled," a product plaintiff produced and marketed as Acrilan. Defendant claimed that Acrilan constituted 100% of the filling in its mattress pads, when in reality, defendant used only between 9% and 25% of the product to fill its pads. Even though the Monsanto court affirmed a finding of deliberate infringement, it did not state that the test for recovery of an accounting of the infringer's profits required a bad faith showing. Such might have been presumed, but the court's focus was to articulate the nature of the right asserted by a trademark owner in order to provide a legal foundation for establishing an award structure consistent with the identity and value of a trademark.

The Monsanto court defined this right by distinguishing between a trademark as "a means of protecting a business man from injury resulting from another's use of his mark" and, in the alternative, a trademark as a form of property. Under the former view, a plaintiff would not be entitled to a defendant's profits. To the extent that a legal fiction exists to support an award of an accounting as an indirect measure of the plaintiff's injury, the plaintiff would still have to demonstrate some relationship between the infringer's profits and his injuries. Such a narrow view implicitly requires the

213. See id. at 392-93.
214. See id. at 397 (finding an injunction inadequate to deter deliberate infringement that defrauds consumers and injures a legitimate owner).
215. Id. at 390.
216. See id.
217. See id.
218. See id. at 391-93.
219. Id. at 392.
220. See id.
221. Id. (stating that injunctive relief may provide protection from injury that has not yet happened, "but a monetary award... is justified only to the extent that injury is shown already to have been suffered").
plaintiff to prove his and the infringer's goods are competing for trade and, that as a consequence, some diversion of sales by the defendant from the plaintiff resulted. The diversion of sales concept has in all circuits, except the First, been rejected as applied to unjust enrichment and deterrence because the view ignores several points. These include, but are not limited to, the following: the Lanham Act in its entirety was meant to have a nationwide impact on notice and protection of distinctive trademarks, which provides for uniformity in trademark protection as well as recovery, stating a requirement to show competing goods before allowing a monetary award of profits ignores the loss to the value of a distinctive trademark that can occur in addition to losses in revenues and profits; and adhering to a competing goods rule necessarily implies that there are also geographic competition restrictions, which would be counter to the nationwide purpose and application of the Lanham Act.

In Monsanto, the court saw the proof of injury and diversion of sales requirements as too onerous, because the plaintiff would have had to trace the sale of mattress pads priced at $3.98 a piece from the defendant to its retailer to the ultimate purchasers as well as provide the trial court with testimony of a sampling of purchasers just to show some relationship between defendant's infringement and plaintiff's injury. Instead, the Second Circuit viewed the right of the trademark owner as a pure property right, and thereby adopted the unjust enrichment and the deterrence theories to justify awarding an accounting of defendant's profits.

The Monsanto court identified the two purposes of the Lanham Act as protecting a trademark owner's investment in a mark from misappropriation, and maintaining the public's confidence in the marketplace by providing a mechanism to ensure that the public will get the products it expects. The first purpose is achieved only by viewing the trademark as a form of property for which its owner receives exclusive use

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223. See Monsanto, 349 F.2d at 395; see also Minnesota Pet Breeders, 41 F.3d at 1246-47.
224. See Monsanto, 349 F.2d at 395.
225. See id. at 395-96.
226. See id. at 392-93.
227. See id. at 396.
and enjoyment as against all others. Establishing the parameters of appropriate future business conduct for the protection of the public achieves the second purpose. The Second Circuit affirmed that treating the mark as property is the more appropriate rationale to effect the first purpose of the Lanham Act’s remedy provision; therefore, the theory of unjust enrichment, as opposed to compensation theory and its concept of injury and diversion of sales, is the benchmark standard to apply when a court considers awarding an accounting of an infringer’s profits. The court also deemed deterrence an appropriate theory to derail future infringing activity, realizing that infringement becomes a principal line of business not easily dissuaded absent an award of present day monetary recovery.

The Second Circuit’s more recent position on the award of the accounting of profits remedy presented itself in George Basch Co., v. Blue Coral, Inc. Although affirming a finding of trade dress infringement, the Second Circuit refused to allow an award of an accounting of an infringer’s profits for a number of reasons. First, under the unjust enrichment rationale, the trademark owner failed to show diversion of sales. Second, even if the trademark owner proved diversion, the trademark owner failed to show bad faith. Third, even if bad faith is shown, it may not be sufficient on its own, due to “an essential distinction . . . between the deliberate attempt to deceive and a deliberate attempt to compete,” the latter being distinguishable in the court’s analysis by its implicit approval of lawful imitation of certain successful features of another’s product. Accordingly, the Second Circuit concluded that a lawful imitation of another’s trade dress would not have subjected the infringer to liability in the first instance and, therefore, a monetary remedy would not be forthcoming because there would be no infringement to rem-

228. See id. at 395-96.
229. See id. at 392-97.
230. 968 F.2d 1532.
231. Id. at 1537.
232. Id. at 1541.
233. See id. (citing Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569, 572 (2d Cir. 1959) for the proposition that “[a]bsent confusion, imitation of certain successful features in another’s product is not unlawful and to that extent a ‘free ride’ is permitted”).
If an alleged infringer is actually engaging in deliberate competition, his conduct will not subject him to liability until that conduct moves from competitive to infringing. By requiring the trademark owner to show diversion, bad faith, and unfair competition, the Second Circuit increased the burden for trademark owners to demonstrate their entitlement to monetary relief absent any statutory indication that Congress contemplated such a three-tiered burden.

The Sixth Circuit appeared to be in lock step with the Second Circuit with its articulation of a bad faith requirement as a prerequisite for recovery of an infringer's profits, at least until its decision in *Wynn Oil Co. v. American Way Service Corp.* Prior to *Wynn Oil*, the Sixth Circuit mechanically cited and followed the Second Circuit's conclusion "that for an accounting, plaintiff must show 'not only that the infringer infringed, but that he did so with the deliberate intent to cause confusion, mistake, or to deceive purchasers; in other words, to purposely palm off the infringer's goods as those of the infringed.'" The Sixth Circuit has not taken steps to weigh the import of the three underlying theories supporting the Lanham Act remedy provision. Instead, the Sixth Circuit relies upon the bright line rule that a showing of bad faith will justify an accounting, and if bad faith is rebutted an injunction would restrain any further violation of the property interest in a trademark owner's mark.

More recently, the Sixth Circuit has begun to distance itself from the bright line rule for recovery of an accounting of

234. See id.
235. 943 F.2d 595 (6th Cir. 1991).
236. Nalpac Ltd. v. Corning Glass Works, 784 F.2d 752, 755 (6th Cir. 1986) (holding that the owner of the registered mark "Common Scents" for a line of incense sticks could not receive monetary relief, specifically an accounting, from an infringer who conducted an inadequate search of the registry before using the "Common Scents" mark on its line of candles housed in a glass mason jar, because the infringer raised a good faith defense and the trial judge concluded "that equity . . . weighed[ed] in favor of granting the permanent injunction [and not the award of] monetary relief").
237. See Frisch's Restaurants, Inc. v. Elby's Big Boy, 849 F.2d 1012, 1015 (6th Cir. 1988) ("If a plaintiff has the absolute right to the use of a particular word or words as a trade mark, then, if an infringement is shown, the wrongful or fraudulent intent is presumed, and although allowed to be rebutted in exemption of damages, the further violation of the right of property will nevertheless be restrained."). See also WSM, Inc. v. Tennessee Sales Co., 709 F.2d 1084 (6th Cir. 1983) (requiring plaintiff to prove wrongful intent as required by 15 U.S.C. § 1114(1)(b) in awarding defendant's profits).
profits, but whether this distancing portends a change from the adoption of the Second Circuit rule remains to be seen. In Wynn Oil, the Sixth Circuit affirmed the trial court's finding of trademark infringement, where the plaintiff used its registered mark "X-TEND" for a line of products designed for use by professional automobile service technicians, and defendant used the registered mark "X-TEND" in marketing its extended warranty insurance program to new and used car dealers.\(^\text{238}\) Although the plaintiff prevailed on the liability, the trial court "declined to award damages because it could not 'on the facts of the record ascertain the profits made as a result of Defendants' willful infringement."\(^\text{239}\) The Sixth Circuit reversed the trial court and concluded that "the district court abused its discretion by refusing to award plaintiffs a recovery based on defendants' profits."\(^\text{240}\) The Sixth Circuit did not take a hard line view about the meaning and import of bad faith. Instead, the court borrowed the analysis of the intent factor from the likelihood of confusion test to justify its determination that the defendant in Wynn Oil engaged in intentional infringement, which is defined by either use of a mark with knowledge of another's prior use or presumed knowledge through a showing of long use and wide advertisement of a trademark.\(^\text{241}\) The Sixth Circuit's retreat to intentional infringement, a standard requiring a showing of conduct not amounting to willfulness, as the basis for recovery of an accounting of profits is a recognition of both the property interest in trademarks and an appreciation that the Lanham Act remedy provision calls upon courts to view all of the circumstances of a case before deciding, based upon equitable principles, whether an accounting of an infringer's profits is warranted. This conclusion is reinforced by the Sixth Circuit's use of language from the Seventh Circuit, the leader in asserting the nonexistence of a bad faith requirement for award of an accounting, which stated:

The Lanham Act specifically provides for the awarding of profits in the discretion of the judge subject only to principles of equity . . . . The trial court's primary function is to

\(^{238}\) See Wynn Oil, 943 F.2d at 598-99, 604.
\(^{239}\) Id. at 605 (quoting Wynn Oil Co. v. Am. Way Serv. Corp., 736 F. Supp. 746, 758 (E.D. Mich. 1990)).
\(^{240}\) Id. at 607.
\(^{241}\) See id. at 602-03.
make violations of the Lanham Act unprofitable to the infringing party. Other than general equitable considerations, there is no express requirement that the parties be in direct competition or that the infringer willfully infringe the trade dress to justify an award of profits. Profits are awarded under different rationales including unjust enrichment, deterrence, and compensation.\textsuperscript{242}

The Sixth Circuit has even realized the validity of an accounting absent bad faith when it applied Michigan law in a diversity of citizenship case, where a prior user of a trademark relied upon state law regarding unfair competition to protect its common law right to use the trademark within the state against a federal registrant of substantially the same mark.\textsuperscript{243}

"Under Michigan law, a demonstration of bad faith is not required; [r]ather, once the infringing party is put on notice of its possibly infringing behavior, it then subjects itself to potential liability for profits it realizes from the infringing conduct."\textsuperscript{244} While the Sixth Circuit has yet to question directly its prior jurisprudence, the Circuit does seem to be relaxing its previous adherence to the Second Circuit bright line rule of bad faith as a prerequisite for the award of an accounting of profits.

The District of Columbia Circuit also adopted the bright line rule. This circuit admonished the district court for failing to make findings of fact in \textit{Foxtrap Inc. v. Foxtrap, Inc.}\textsuperscript{245} before approving a monetary award. The District of Columbia Circuit, on remand, instructed the district court to state the basis for a monetary award and, in so doing, recognized that "courts customarily require a plaintiff to show bad faith or willful infringement by the defendant" in trademark infringement cases; but, absent a showing of bad faith, "some courts [base] an award of defendant's profits on an unjust enrichment theory," which then requires "a showing that plaintiff's sales actually had been diverted, thus necessitating a showing of actual competition."\textsuperscript{246} The District of Columbia Circuit, like the Sixth Circuit, chose to follow the Second Cir-

\textsuperscript{242} Id. at 606-07 (quoting Roulo v. Russ Berrie & Co., 886 F.2d 931, 941 (7th Cir. 1989)) (internal quotation marks omitted).
\textsuperscript{244} Id. at *5.
\textsuperscript{245} 671 F.2d 636 (D.C. Cir. 1982).
\textsuperscript{246} Id. at 641-42.
circuit without distinguishing the three theories of recovery supporting the monetary remedy of an accounting.

To further confuse this area of the law, the District of Columbia Circuit implicitly suggests that the unjust enrichment theory requires some showing of actual competition and diversion of sales. In addition, the District of Columbia Circuit suggests that the unjust enrichment theory would provide the possibility for a court to award damages in the event of infringement. This assertion again strips the unjust enrichment theory of its property characteristics and masquerades the theory as a tort principle available only to make an injured party whole. While the District of Columbia Circuit sealed its allegiance to the bad faith requirement, it paradoxically admitted that the Lanham Act's remedy provision "entitle[s] [a] party to monetary relief," subject to equitable principles, upon that party establishing a trademark infringement violation. The statement is significant in two respects. First, the District of Columbia Circuit attempted to

247. See id. at 642 n.9. "Where no bad faith was shown, some courts have based an award of defendant's profits on an unjust enrichment theory. In such cases, the courts have required a showing that plaintiff's sales actually had been diverted, thus necessitating a showing of actual competition." Id.

248. See Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc., 821 F.2d 800, 807-08 (D.C. Cir. 1987). The court in Reader's Digest stated:

This court has held that a district court generally may award profits under the Lanham Act only when a defendant's infringement was "willful" or in "bad faith." We also left open the possibility that a court could properly award damages to a plaintiff when the defendant has been unjustly enriched.

Id. (citation omitted).

249. Alpo Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958, 970 (D.C. Cir. 1990). Alpo Petfoods held, in a case where both parties sued each other for false advertising under 15 U.S.C. § 1125(a), that both litigants violated the Lanham Act and, therefore, a monetary award may become due to both parties regardless of the greater wrongdoing by one party over the other, an approach the district court relied upon in determining one party deserving of a monetary award over the other party. See id. The District of Columbia Circuit stated that:

The Lanham Act does not authorize courts to deny monetary relief for these reasons. Once a party establishes a violation of section 43(a), section 35(a) "entitle[s]" that party to monetary relief, subject only to the statutes referred to in the section and to the principles of equity. Since section 35(a) expressly provides for compensation, rather than punishment, courts dealing with offsetting meritorious claims must let the degree of injury that each party proves, rather than the degree of opprobrium that the court attaches to each party's conduct, determine the monetary relief.

Id. (citations omitted).
give the Lanham Act remedy provision its plain meaning, which arguably would require the Second Circuit and its followers to admit that the remedy provision does not state a requirement for a showing of bad faith before a trademark owner who has proved trademark infringement may receive an accounting of an infringer’s profits. Second, the District of Columbia Circuit implicitly realizes that once a trademark owner proves infringement, an invasion has occurred pursuant to property principles and an entitlement in the trademark owner to recover the accounting of profits remedy is perfected because of a defendant’s infringing conduct, not by a showing of a compensable injury.

Trailing the circuits requiring a bad faith showing is the Eighth Circuit, which has only recently been able to discard regional, pre-Lanham Act market penetration principles to arrive at viewing remedies in light of the post-Lanham Act national trademark protection paradigm. By parroting Second Circuit decisions, the Eighth Circuit settled on the requirement to provide proof of bad faith before recovering an accounting of profits in *Minnesota Pet Breeders, Inc. v. Schell & Kampeter, Inc.*

Like several other circuits, the Eighth Circuit did not attempt to analyze whether a showing of bad faith is necessary before a court can consider disgorging an infringer’s profits. The Eighth Circuit summarily concluded that “[i]f a registered owner proves willful, deliberate infringement or deception, ‘an accounting of profits may be based upon: 1) unjust enrichment, 2) damages, or 3) deterrence of a willful infringer.”

The *Minnesota Pet Breeders* court states that because the remedy provision is “grounded in equity and bars punitive remedies, ‘an accounting will be denied in a trademark infringement action if an injunction

250. The legislatively overruled Tea Rose-Rectanus doctrine applied in Pre-Lanham Act common law trademark actions involving an infringing use of a trademark in a geographic area where the trademark owner’s products were not sold. The owner of the senior common law mark could not prohibit a good faith junior user from infringing on the same or similar mark when the junior user used the mark in a local market remote from the senior user’s trade area. *See Minnesota Pet Breeders, Inc. v. Schell & Kempeter, Inc.*, 41 F.3d 1242, 1245 (8th Cir. 1994); *see generally United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918) (discussing and applying the common law of trademarks, specifically the good faith of a junior user and the remote geographical area of trade principles).

251. 41 F.3d 1242, 1247 (8th Cir. 1994).

252. *See id.*
will satisfy the equities." This position is flawed to the extent that it presumes the accounting remedy is penal in nature as opposed to being a method to ensure that accrued benefits inuring from the use of a trademark owner's property is placed back with the owner and not lost to the infringer.

Finally, the Third Circuit recently weighed in on the question of whether a showing of bad faith is required before an accounting of profits can be awarded. The Third Circuit has answered this question in the affirmative with one of the most current cases in accounting of profits federal jurisprudence, "Secureacomm Consulting Inc. v. Secureacom Inc." The plaintiff in Secureacomm began a small security systems consulting company in Pennsylvania, developed and used the trade name in 1981, and federally registered the name in 1997. The defendant began using a similar name in 1987 and failed at federal registration in 1992. The plaintiff became aware of the defendant's use of the name and sent a cease and desist letter in 1993, four years before the plaintiff received its registration. The parties attempted to settle the matter, but the defendant stalled on several occasions,

253. Id. (citations omitted).
254. Previous Third Circuit jurisprudence dealt with the issue of whether actual damages must be shown before an accounting of profits remedy can be awarded. These decisions rely on a showing of past harm from trademark infringement measurable in dollars and cents. These cases do not provide precedent for requiring a showing of bad faith before an award of the accounting remedy will be permitted. See, e.g., Nat'l Dryer Mfg. Corp. v. Nat'l Drying Mach. Co., 228 F.2d 349, 350 (3d Cir. 1955) ("With respect to plaintiff's claim for profits, the trial court [was] correct in its finding that there is no proof of any damages suffered . . . ."); Williamson-Dickie Mfg. Co. v. Davis Mfg. Co., 251 F.2d 924, 927 (3d Cir. 1958) ("[A]n accounting for profits will be denied . . . where there is a clear showing that no profit was made."); Caesars World, Inc. v. Venus Lounge, Inc., 520 F.2d 269, 274 (3d Cir. 1975) ("If the record in the district court contains no evidence of actual damage or actual profit in dollars and cents no monetary award may be made under § 35 of the Lanham Act and the trademark owner must be content with injunctive relief."); Donsco, Inc. v. Casper Corp., 587 F.2d 602, 607 (3d Cir. 1978) (explaining that it is a "misapprehension that reasonable damages could be assessed without regard to actual damages," and that damages must be "based on either actual damages to the plaintiff or actual profits of the infringer, measurable in dollars and cents"); A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc., 166 F.3d 197, 209 (3d Cir. 1999) (quoting Williamson-Dickie, 251 F.2d at 927).
255. 166 F.3d 182 (3d Cir. 2001).
256. See id. at 184.
257. See id. at 184-85.
258. See id. at 185.
thus, causing the plaintiff to file suit.\textsuperscript{259} The district court found that infringement had occurred, that actual confusion also occurred, and that the confusion prejudiced the plaintiff; regardless, the district court declined to enter an amount of compensatory damages, because, although plaintiff likely suffered damages, the damages could not be measured with reasonable precision.\textsuperscript{260} Instead, the district court found that an award of defendant's profits was necessary to deter the defendant's infringing conduct.\textsuperscript{261} On appeal, Judge Alito concluded that the record did not support a finding of willful infringement and, therefore, found the district court's award of profits not warranted and the trebling of damages inappropriate.\textsuperscript{262} Specifically, the Circuit court held, surprisingly, that willful infringement did not exist in \textit{Securacomm}, because the defendant was not aware of the plaintiff's company before the cease and desist letter, the defendant was not required to conduct a trademark search, and the defendant was not required to stop using the trademark, even after receiving notice, because the defendant reasonably believed he had a legal right to use the mark.\textsuperscript{263} The Circuit court premised its authority to reverse the district court's monetary awards for trademark infringement on the question of willfulness.\textsuperscript{264}

As such, the Third Circuit defines the equitable principles of the Lanham Act remedy provision as requiring a showing of willfulness. In \textit{Securacomm}, the Third Circuit stated:

\begin{quote}
Whether [a defendant] engaged in willful infringement is significant because courts, looking to the principles of equity, have held that a finding of willfulness or bad faith is important in determining whether to award profits, enhance damages, and award attorneys' fees . . . . Since the evidence does not support a finding that [defendant] willfully infringed [the plaintiff's] trademark rights, we conclude that the award of profits was not appropriate in the present case.\textsuperscript{265}
\end{quote}

The Third Circuit's holding falls in line with the circuits above, particularly the Second Circuit, which has read into

\begin{footnotes}
\textsuperscript{259} See \textit{id.}.
\textsuperscript{260} See \textit{id.} at 186.
\textsuperscript{261} See \textit{id.}.
\textsuperscript{262} See \textit{id.} at 190.
\textsuperscript{263} See \textit{id.} at 187-89.
\textsuperscript{264} See \textit{id.} at 188.
\textsuperscript{265} \textit{Id.} at 187-90.
\end{footnotes}
the Lanham Act remedy provision a bad faith requirement as the single measure of the balancing of the equities. When a trademark owner is unable to prove bad faith or willfulness, this unfortunate reading has the effect of giving a trademark infringer a pass on his infringement, in spite of any undeserved benefit he received from the infringing activity. Had Congress intended this result, it would have substituted the language “subject to equitable principles” with the language “subject to a showing of bad faith or willfulness.”

VI. CONGRESSIONAL INTENT AND JUDICIAL CONFUSION ABOUT THE FUNCTION OF BAD FAITH IN THE AWARD OF AN ACCOUNTING OF PROFITS

A. The Function of Bad Faith in the Federal Trademark Dilution Act

An addition to the Lanham Act, the Federal Trademark Dilution Act of 1995 (“FTDA”) authorizes a federal cause of action for dilution. The act defines dilution as the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of competition or likelihood of confusion. Generally, the remedy for dilution is an injunction, unless the owner of the famous mark is able to show


The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion. H.R. 1295 does this by amending Section 43 of the Trademark Act of 1946 to add a new subsection (c) to provide protection against another’s commercial use of a famous mark, which results in dilution of such mark. Presently, the nature and extent of the remedies against trademark dilution vary from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner.

H.R. 1295 would add a new section 43(c) to the Lanham Act, 15 U.S.C. et. seq., to create a federal cause of action to protect famous marks from unauthorized users that attempt to trade upon the goodwill and established renown of such marks and, thereby, dilute their distinctive quality. The provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark.


that the offending party acted willfully.\textsuperscript{268} If willfulness is shown, monetary remedies, including an award of damages, treble damages, attorney's fees, and an accounting of profits may be available to the owner of the famous mark.\textsuperscript{269}

One need only look to the language of the FTDA,\textsuperscript{270} which protects both registered and unregistered famous trademarks from dilution, to comprehend the role of bad faith in a determination of monetary recovery for dilution as opposed to infringement. The FTDA was designed to protect owners of famous marks from those who would lessen the degree of distinctiveness of such marks by using them on either similar or dissimilar products, goods, or services.\textsuperscript{271} The federal cause of action for dilution, unlike the cause of action for infringement, does not require proof of competition or a showing of likelihood of confusion. The goal of the provision is to protect a famous mark from injuries unrelated to consumer confusion or competition.\textsuperscript{272} A diluter often seeks to disparage an otherwise respected mark or intends to create a dual, non-confusing psychological association in the minds of the consuming public, such that the public recognizes both producers

\textsuperscript{268} See \textit{id.} § 1125(c)(2).

In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief as set forth in section 1116, unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 . . . subject to the discretion of the court and the principles of equity.

\textit{Id.}

\textsuperscript{269} See \textit{id.} § 1117.

\textsuperscript{270} See \textit{id.} § 1125(c).


Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

\textit{Id.}

\textsuperscript{272} See H.R. REP. NO. 104-374, at 3 (1995), \textit{reprinted in} 1995 U.S.C.C.A.N. 1029, 1030 ("Dilution does not rely upon the standard test of infringement, that is, likelihood of confusion, deception or mistake. Rather, it applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular.").
as independent sources of the famous mark.\footnote{273} Because a diluter may not necessarily desire to inflict direct monetary injury to the trademark owner, a damage remedy allowing for monetary relief would not completely respond to the type of injury suffered by the owner of a famous trademark. Therefore, Congressional wisdom dictated that an injunction would be the first line of defense against dilution of famous marks,\footnote{274} to ensure that the nationwide identity of a mark will represent only one source, not many, for once diluted, a famous mark loses the essence of its value—the ability to identify one source—and this essence can neither be regained once lost nor replenished by a monetary remedy.\footnote{275}

Dilution is an extraordinary cause of action that requires the trademark owner to prove a mark's fame before the owner can assert that a subsequent user diluted the distinctive quality of the mark.\footnote{276} Because of the unique protection afforded famous trademarks, any corresponding remedy is required to be premised on equally unique and exceptional circumstances.\footnote{277} Congress expressly recognized that unique circumstances required extraordinary relief when it defined the type of monetary relief available for trademark owners pursuing certain types of actions or seeking certain types of relief.\footnote{278} For example, to recover any monetary relief for dilution, the

\footnote{273. See Jerre B. Swann, Sr., \textit{Dilution Redefined for the Year 2000}, 37 HOUS. L. REV. 729, 768 (2000) ("The sine qua non of dilution is association. To impact a commercial definition, a junior mark must 'conjure an association with the senior.'" (footnote omitted)).}

\footnote{274. Upon passage of the FTDA, made with the Senate's approval of S. 1513, the companion bill to H.R. 1295, a section-by-section analysis of the FTDA was printed in the \textit{Congressional Record} that stated, in part: With respect to relief, a new Section 43(c)(2) of the Lanham Act would provide that, normally, the owner of a famous mark will only be entitled to injunctive relief upon a finding of liability. An award of damages, including the possibility of treble damages, may be awarded upon a finding that the defendant willfully intended to trade on the trademark owner's reputation or to cause dilution of the famous mark.\textit{141 CONG. REC. S19311 (1995).}}

\footnote{275. See Swann, supra note 273, at 768 ("[C]ommunicative clarity [of a famous mark], once lost, cannot be readily reestablished.").}

\footnote{276. See 15 U.S.C. § 1125(c)(1) (Supp. V 1999) ("The owner of a famous mark shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.").}

\footnote{277. See id. § 1125(c)(2).}

\footnote{278. See id.}
trademark owner must show willfulness. Similarly, in infringement actions as well as dilutions actions, a trademark owner must show exceptional circumstances before receiving an award of attorney’s fees. Unlike these two forms of monetary relief, the remedy of an accounting of a defendant’s profits in response to a proven claim of trademark infringement is not restricted by proof of extraordinary or exceptional circumstances.

B. The Function of Bad Faith in the Anticybersquatting Consumer Protection Act

In 1999, Congress further added to the Lanham Act and enacted the Anticybersquatting Consumer Protection Act ("ACPA"), which provides a cause of action against anyone who, with bad-faith intent to profit from the goodwill of another’s trademark or service mark, registers, traffics in, or uses a domain name that is identical to, confusingly similar to, or in the case of famous marks, dilutive of such trademark. In determining bad faith, a court may consider factors such as, but not limited to the following:

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person’s prior use, if any of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person’s bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person’s intent to divert consumers from the mark owner’s online location to a site accessible under the domain name that could harm the goodwill represented by the mark . . . ;

(VI) the person’s offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for

279. See id.
280. See id. § 1117(a).
281. See supra Parts IV, V.A; see also 15 U.S.C. § 1117(a).
financial gain without having used, or having an intent to
use, the domain name in the bona fide offering of any
goods or services . . . ;

(VII) the person's provision of material and misleading
contact information when applying for the registration of
the domain name . . . ;

(VIII) the person's registration or acquisition of multiple
domain names which the person knows are identical or
confusingly similar to marks of others that are distinctive
at the time of registration . . . ; and

(IX) the extent to which the mark incorporated in the per-
son's domain name registration is or is not distinctive and
famous [with respect to a claim of dilution].

This anti-cyberpiracy provision addresses only one of the
many dilemmas that cyberspace raises—the illicit use of do-
main names on the Internet. 283

Despite its limited scope, the ACPA provides an excellent
example of Congress's intent to premise recovery for acts of
cyberpiracy upon a showing of bad faith intent to profit from
the use of another's mark. An action under the ACPA is also
an extraordinary protection, because it recognizes and pro-
tects the property rights of a trademark owner in cyberspace
against Internet service providers and the like as well as ac-
tual squatters registering with these service providers. 285

284. See Shields v. Zuccarini, No. 00-2236, 2001 WL 671607 (3d Cir. June 15,
2001).
285. See 15 U.S.C. § 1125(d)(2)(D)(i)-(ii). This type of protection has constitu-
tional First Amendment implications because trademark owners, particularly
those whose marks are in the form of words, may be able to exercise in rem ju-
risdiction to obtain courts orders to forfeit, cancel, or transfer another's regis-
tered domain name to the trademark owner upon a showing of bad faith. The
constitutional dilemma is evident. A domain name is merely a group of words
that provide instructions to a network of computers to pull up a copy of a coded
page on the World Wide Web. A domain name in its simplest sense is language
used to communicate a location in cyberspace. If such language is permitted to
be monopolized pursuant to trademark protection, then the public's use of this
language becomes restricted. A basic definition of a domain name is that it is part
of the official name of a web site and/or e-mail on the Internet. It consists of a
unique name, called second-level domain; and the top-level extension (TLD). These two components are separated by a dot, also
called a root. For example, yourname.com. A domain name replaces a
series of numbers called Internet protocol (IP) numbers that are used
by computers to locate e-mail and web sites.

YVETTE LE BLANC, DICTIONARY OF INTERNET TERMS: Category: Internet do-
While recovery is typically limited to equitable actions, domain name registrars may be liable for injunctive or monetary relief if they show reckless disregard, bad faith, or a willful failure to comply with such court orders. In this context, such monetary relief is also considered extraordinary because the anti-cyberpiracy provision's primary goal is to place the domain name in the hands of the trademark owner, not necessarily to provide monetary relief. Thus, the ACPA like the FTDA, is an extraordinary action that permits a monetary remedy in only exceptional circumstances, while again, the language of the remedy of an accounting for profits in response to trademark infringement is not so restrictive.

VII. CONCLUSION

Congress did not intend bad faith to be a requirement for an award of the remedy of an accounting of profits in response to cases of trademark infringement. As demonstrated by a review of the newest substantive additions to the Lanham Act—the FTCA and the ACPA—it is apparent that Congress had several opportunities to consider and include a bad faith requirement before permitting an award of an accounting of an infringer's profits. With each opportunity, Congress remained silent on this issue. Taking the language surrounding the Lanham Act's remedy provision and reviewing the legislative history of the Trademark Act, the FTCA, and the ACPA, it is evident that the accounting of profits remedy is restricted to bad faith showings only when the cause of action pressed by the trademark owner is dilution or cybersquatting. Nowhere in the language of the statute or the legislative history is there a requirement to show...
bad faith in trademark infringement actions before the accounting remedy can be awarded. The only limitation on the award of accounting of a defendant's profits in infringement actions is the discretion of the trial judge.\textsuperscript{293} Thus, it is the role and obligation of the trial judge to balance the equities, without using bad faith as the benchmark standard, in deciding whether a particular trademark infringement case necessitates an award of an accounting of profits to a trademark owner whose property has been invaded by an infringer.

\textsuperscript{293} See id. § 1117(a).
Table 1

Number of Cases by Circuit Chart

<table>
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<th>Factor</th>
<th>Directly Competing Goods</th>
<th>Prerequisite</th>
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**Table 1**: Number of Cases Deciding the Role of Bad Faith in the Award of an Accounting of a Defendant's Profits in Response to a Trademark Infringement Action.
APPENDIX, CONT'D

Table 2

Test by Circuit Chart

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Table 2: Circuit-by-Circuit Analysis of the Use of Bad Faith in the Award of an Accounting of a Defendant's Profits in Response to a Trademark Infringement Action