



Trademark Statutory Damages Trends Summary

May 2019

Introduction

This project was the result of extensive collaboration of the members of the INTA's Anticounterfeiting Committee—U.S. Subcommittee under Chair Tara Steketee (Merck & Co., Inc.). The report provides information based on a survey that was completed in the 2018-2019 term. The Project was led by Justin R. Gaudio (Greer, Burns & Crain, Ltd.), who compiled this report.

INTA kindly thanks all those members who contributed to the project.

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Background

A rights owner can bring an action for trademark infringement under the Lanham Act¹. In a case involving the use of a counterfeit mark² the plaintiff may elect “to recover, instead of actual damages and profits under subsection (a), an award of statutory damages.” 15 U.S.C. § 1117(c). Subsection (1) authorizes courts to award \$1,000 - \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just, and Subsection (2) increases the range up to \$2,000,000 for willful infringement.

While Section 1117(c) dictates the boundaries for statutory damages awards, it does not provide guidance on what factors a court should consider when determining an award within those boundaries. A survey of 77 cases nationwide indicates that courts primarily consider the following factors when formulating a statutory damages award: (1) the plaintiff’s difficulty (or impossibility) in proving their actual damages; (2) the circumstances of the counterfeit activity; (3) deterrence both defendant and other similarly situated sellers; (4) expenses saved and the profits reaped by the defendant from selling illegitimate products; (5) the revenues lost by the plaintiff due to defendant’s counterfeiting; (6) the value of the plaintiff’s trademark; (7) the willfulness of the defendant’s conduct; (8) the defendant’s cooperation in court proceedings, including whether or not the defendant appears; (9) whether the counterfeiting activity took place online; and (10) whether there have been repeated violations of trademark laws by the defendant. Since most cases involve multiple factors, it is difficult to isolate any specific factor. However, a number of trends were identified by using a combination of analytical and anecdotal examination. A distribution of total damages awards from the case survey is below.

Total Damage Awards	
Awards above \$5,000,000	6 Cases
Awards between \$1,000,000 and \$5,000,000	13 Cases
Awards between \$500,000 and \$1,000,000	7 Cases
Awards between \$250,000 and \$500,000	5 Cases
Awards between \$100,000 and \$250,000	13 Cases
Awards below \$100,000	32 Cases

¹ 15 U.S.C. § 1051 *et seq.*

² a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered. 15 U.S.C. § 1116(d)(1)(B)

Trends

Statutory Amendment Resulted in Increased Awards Across the Board

In 2009, 15 U.S.C. § 1117(c) was amended by doubling the minimum and maximum statutory damage monetary amounts from \$500 - \$100,000 for non-willful counterfeiting and up to \$1 million for willful counterfeiting to \$1,000 - \$200,000 for non-willful counterfeiting and up to \$2 million for willful counterfeiting. Even though most cases do not approach the maximum limits, our data show a distinct jump in the average damages awarded per mark/good between pre-2009 cases and post-2009 cases. For the years 2009 and earlier, the average award per mark/good was approximately \$130,000. However, the average award post-2009 was approximately \$320,000 per mark/good.

Jury Awards Are Higher than Judge Awards

The vast majority of statutory damage awards for trademark counterfeiting are awarded by a judge as opposed to a jury trial. For cases that are heard in front of a jury, awards are substantially higher compared to awards from judges. In our study, total jury awards ranged from \$500,000 to over \$10,500,000, with a median jury award of \$3,520,000.

One likely reason for this trend is that jury cases typically involve substantial infringement by large big box stores or flea markets. For example, a jury awarded Coach \$240,000 per mark/good, for a total statutory damages award of \$5,040,000 in a case against a flea market³. Similarly, Luxottica was recently awarded \$100,000 per mark/ good for 22 mark/good combinations resulting in a \$2.1 million total award against a flea market selling counterfeit Ray-Ban and Oakley products. In some cases, awards for other remedies exceed the statutory damages maximums. For example, in *Tiffany v. Costco*, *Tiffany* a jury awarded the statutory maximum \$2,000,000 per mark/good. Even though the jury awarded the maximum in statutory damages, it was well below the \$21 million awarded for trebled profits, interest on those profits, and punitive damages under New York Law.⁴ Additionally

Awards Against Online Stores Are Higher than Brick and Mortar

Due to their ability to reach a broad consumer audience, courts have been more aggressive against online counterfeiting activities compared to brick and mortar shops. In recent years, counterfeiters evolved from a traditional brick-and-mortar distribution model to direct to consumer sales through the Internet. As such, counterfeiters can reach a much wider audience with little additional investment. Because of this ability to reach a wider audience, Courts have regularly imposed steeper penalties on those who sold counterfeit merchandise online compared to brick and mortar counterparts. Specifically, the median award in online sales cases was

³ See *Coach Inc. v. Goodfellow*, 717 F.3d 498, 504 (6th Cir.2013)

⁴ See,

<https://www.bloomberglaw.com/public/desktop/document/TiffanyCovCostcoWholesaleCorpNo13CV1041LTSDCF2019BL5243SDNYJan072?1550872531>

approximately \$50,000, more than double the \$20,000 median award per mark/good for purely brick-and-mortar counterparts. Several courts have specifically noted online sales as a reason for an increased award.⁵ Additionally, defendants operating both a brick-and-mortar store and an online store are likely to be held liable for statutory damages similar to those defendants that only operate online stores.⁶ In sum, operating an online store acts will likely result in increased damages.

Willfulness and Egregious Conduct

A finding of willful counterfeiting results in a significant increase in the ceiling of a statutory damages award from \$200,000 to \$2,000,000. In practice, courts that found willfulness typically awarded more than five times the award per mark/good compared to those finding non-willful counterfeiting. Aside from willful conduct, awards further spike if that conduct is deceptive.

The total damages (a result of multiplying the award per mark/good by the number of marks and goods) awarded against willful counterfeiters was approximately fifteen times the damages awarded in non-willful cases. This disparity in the total damages award and the award per mark/good combination may indicate an unacknowledged factor in willfulness determination. Defendants that sell more types of goods over more marks are more likely to be held willful infringers. Similarly, willful counterfeiters are more likely to engage in large scale counterfeiting operations.

Median Award per Mark/Good		Median Total Award	
Willful	Non-Willful	Willful	Non-Willful
\$100,000	\$20,000	\$300,000	\$20,000

Deceptive conduct, such as concealing information from the court or a history of repeat counterfeiting violations, resulted in damages awards total awards that are significantly higher than average, and in many cases that are at or near the statutory maximum. For instance, in *Louis Vuitton Malletier S.A. v. LY USA, Inc., et al.*, the defendants engaged in a pattern of shifting corporate identities to avoid detection by customs agents, the court entered an award of \$500,000 for each of four different marks, and \$250,000 for another composite mark, for infringements on leather bags and wallets. The court additionally awarded \$250,000 for each of three marks on leather boxes, resulting in a \$3,000,000 total award. While represented sales in the *Louis Vuitton* case were approximate, the court noted that “U.S. customs seized, in 2004 alone, over 100,000 items produced by Defendant Marco Leather Goods, Ltd., and has fined that company over \$10 million”.⁷ Similarly, in *River Light V, L.P. v. Lin & J Int'l, Inc.*, the court awarded the statutory

⁵ See *Burberry Ltd. & Burberry USA v. Designers Imps., Inc.*, No. 07 CIV. 3997(PAC), 2010 WL 199906, at*8, 2010 U.S. Dist. LEXIS 3605, at *10 (S.D.N.Y. Jan. 19, 2010); see also *Luxottica USA LLC v. The P'ships*, No. 14-cv-9061, 2015 WL 3818622, at *2 (N.D. Ill. June 18, 2015).

⁶ *Coach, Inc. v. Becka*, No. 5:11-CV-371(MTT), 2012 U.S. Dist. LEXIS 157311, 2012 WL 5398830, at *6-7 (M.D. Ga. Nov. 2, 2012) (awarding \$2,000 per mark/good, as the defendant was "operating out of a single small retail location, and [she] did not sell or advertise the counterfeit items on the Internet"); *Coach, Inc. v. Treasure Box, Inc.*, No. 3:11CV468-PBS, 2014 U.S. Dist. LEXIS 28713, 2014 WL 888902, at *4 (N.D. Ind. Mar. 6, 2014) (awarding \$3,000 per mark/good against a brick-and-mortar operation that had already closed, citing "the small scale of [its] brief operation").

⁷ *Louis Vuitton Malletier, S.A. v. LY USA*, No. 06-cv-13463, 2008 WL 5637161 (S.D.N.Y. Oct. 3, 2008).

maximum of \$2,000,000 award per mark/good, across four categories of goods, for a total award of \$8,000,000.⁸ In *River Light*, the defendants had engaged in an “extensive and flagrant fraud . . . by fabricating and altering documents, as well as repeated instances of perjury and other dishonest conduct.”

Geographic Trends

The Second, Seventh, and Ninth circuits have considerably more experience with counterfeiting cases and award higher damages than the other circuits. Of the 77 cases examined, over half (46 cases) were from the second, seventh, or ninth circuit. In addition to the large awards from the Southern District of New York discussed above, the Northern District of Illinois has handed down multiple statutory damages awards in the seven figures. These awards include a \$2,500,000 total award in 2008, when the defendant in *Lorillard Tobacco v. Montrose* obstructed discovery, resulting in a default judgment for Lorillard.⁹ The Monster Energy Company won successive \$2,000,000 verdicts in 2015 and 2016 against online actors who trafficked in gloves, hats, and other apparel bearing the plaintiff’s trademarks.¹⁰ Online counterfeiters took another \$1,300,000 hit in 2017, when the NBA and MLB brought suit against a group of online counterfeiters of hats, jerseys, and other clothing, winning \$50,000 per mark/good across a multitude of marks, goods, and defendants.¹¹ The highest award in the seventh circuit came from the Eastern District of Wisconsin in 2018, when the court handed down a \$19,200,000 award of statutory damages, or \$300,000 per mark/good across 64 different types of goods bearing plaintiff’s marks.¹² The award considered the massive output of Sunfrog’s store, as well as Sunfrog’s repeated violations of a preliminary injunction and misrepresentations to the court regarding their response to that injunction. In an opinion littered with phrases such as “[t]his sort of error pervades Sunfrog’s fact briefing”, “[h]ere is found another of Sunfrog’s puzzling attempts at disputing facts”, and “[t]his lamentable practice wasted the Court’s time while adding nothing to its consideration of the issues”, the Court lambasted Sunfrog’s conduct during the case, likely contributing to this sizeable damages award.

In the Ninth Circuit, the Central District of California awarded UL, LLC \$1,000,000 against an online counterfeiter who used UL’s certification marks in connection with sales of hoverboards in 2017.¹³ In 2007, the Central District also awarded \$1,000,000 per mark/good to Phillip Morris in connection with a willfully blind defendant who imported cigarettes for sale at a brick-and-mortar shop, the final award totaling \$2,000,000.¹⁴ Additionally, the Northern District of California awarded \$1,000,000 per mark/good to Louis Vuitton in 2011 in relation to a group of online counterfeiters selling fake luxury items bearing their marks.¹⁵ A contributing factor to the success of counterfeiting lawsuits across these circuits is the number of counterfeiting cases filed in these circuits which results in judges with more experience for challenges faced by brand owners.

⁸ *River Light V, L.P. v. Lin & J Int'l, Inc.*, No. 13-cv-3699, 2015 WL 3916271 (S.D.N.Y. June 25, 2015).

⁹ *Lorillard Tobacco Co. v. Montrose Wholesale Candies and Sundries, Inc.*, No. 03-cv-5311, 2007 WL 2580491 (N.D. Ill., Sept. 10, 2007).

¹⁰ *See Monster Energy Co. v. Jing*, No. 15-cv-277, 2015 WL 4081288 (N.D. Ill. July 6, 2015); see also *Monster Energy Co. v. Wensheng*, No. 15-cv-4166 (N.D. Ill. June 30, 2016).

¹¹ *NBA Properties, Inc. v. Yan Zhou, et al.*, No. 16-cv-11117, 2017 WL 4074020 (N.D. Ill., Sept. 14, 2017).

¹² *H-D U.S.A., LLC v. SunFrog, LLC*, 311 F.Supp.3d 1000 (E.D. Wis. 2018).

¹³ *UL LLC v. Space Chariot, Inc.*, 250 F. Supp. 3d 596 (C.D. Cal. 2017).

¹⁴ *Philip Morris USA Inc. v. Liu*, 489 F. Supp. 2d 1119 (C.D. Cal. 2007).

¹⁵ *Louis Vuitton Malletier, SA v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011)

Size of Operation

As expected and alluded to above, defendants engaged in large-scale counterfeiting operations see significantly higher total damages awards than their smaller counterparts. What may be less obvious is that the award per mark/good combination also appears to be significantly greater when leveled at large-scale counterfeiters. In our study, both the award per mark/good combination and the total damages award were higher for large defendants compared to smaller entities, though the total damages were drastically higher. The latter is presumably a combination of the higher mark/good award and a larger operation counterfeiting more marks across more goods. However, courts appear to punish large-scale counterfeiters even more so than would be accounted for by their larger quantities of marks and goods.

Larger Counterfeiting Operation		Smaller Counterfeiting Operation	
Median Total Award	Median Award per Mark/Good	Median Total Award	Median Award per Mark/Good
\$1,250,000	\$240,000	\$60,000	\$20,000

In evaluating the above trends, size of the infringing activity is often a greater factor in damages awards than willfulness. Courts regularly award lesser damages in the event of smaller volume, willful infringement compared to larger volume, non-willful infringement. Defendants' cooperation during proceedings can be a mitigating factor for statutory damages.¹⁶

Goods for Human Consumption

Courts have issued higher statutory damages when the counterfeit products can cause serious harm to the consumer. For example, in a 2016 case involving counterfeit energy shots sold under the "5-hour ENERGY" marks and copyrights, the court awarded the maximum statutory damages amount of \$2,000,000 per mark/good, for a total award against one group of defendants of \$10,000,000.¹⁷ The court described a defendant's "reckless disregard for public health and safety" as warranting this maximum award, despite no reports of adverse effects from consumers. The group of defendants responsible for the \$10,000,000 award had "ultimately filled and delivered more than four million counterfeit bottles" of energy drink. The court considered the high dollar figure "warranted to punish and deter such dangerous activity", and cited to precedent regarding counterfeiters of "HELLMANN'S" mayonnaise.¹⁸ The "HELLMANN'S" case ultimately resulted in a \$500,000 statutory damages award, despite the defendant only selling to one customer for one month and bringing in less than \$50,000 in revenue. While the "5-hour ENERGY" defendants ran a massive operation compared to the relatively small "HELLMAN'S" defendants, both awards were significantly higher than the average awards in this study.

¹⁶ *Coach, Inc. v. Becka*, No. 5:11-CV-371(MTT), 2012 U.S. Dist. LEXIS 157311, 2012 WL 5398830, at *6-7 (M.D. Ga. Nov. 2, 2012)

¹⁷ *Innovation Ventures, LLC v. Ultimate One Distributing Corp.*, 176 F. Supp. 3d 137 (E.D.N.Y. 2016)

¹⁸ *Unilever Supply Chain, Inc. v. I & I Wholesale Food Inc.*, No. 10-cv-1077, 2011 WL 1113491, at *3-4 (E.D.N.Y. Feb. 17, 2011)

Conclusion

While the facts of every case are different and the judges presiding over the cases consider damages factors in their own way, notable trends are forming in statutory damages cases under the Lanham act. Most evidently, changes in statutory damage limits in 2009 are correlated with a nearly immediate increase in the amount of damages awarded by the courts. Additionally, the studied cases show a judicial preference for imposing higher statutory damages against online and willful defendants, while reserving statutory maximums for defendants engaged in egregious activity. The second, seventh, and ninth circuits remain the most popular venues for such cases, in part because of the significant volumes of case law from each of these circuits that judges and plaintiffs can rely on. Defendants operating large counterfeiting schemes or trafficking in goods designed for human consumption are often subject to penalties significantly higher than defendants who didn't engage in such activity.