

# Oklahoma Law Review

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Volume 67 | Number 1

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2014

## Intending to Confuse: Why Preponderance is the Proper Burden of Proof for Intentional Trademark Infringements Under the Lanham Act

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### Recommended Citation

Kelly Collins, *Intending to Confuse: Why Preponderance is the Proper Burden of Proof for Intentional Trademark Infringements Under the Lanham Act*, 67 OKLA. L. REV. 73 (2014), <https://digitalcommons.law.ou.edu/olr/vol67/iss1/2>

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## COMMENTS

### Intending to Confuse: Why Preponderance Is the Proper Burden of Proof for Intentional Trademark Infringements Under the Lanham Act\*

*To protect trade-marks . . . is to protect the public from deceit, to foster fair competition, and 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.*<sup>1</sup>

*[A] reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask.*<sup>2</sup>

-Judge Learned Hand

#### *I. Introduction*

Though not as domineering as it is in the realm of patents or copyright, federal law still plays a significant role with respect to trademarks—the most prominent promulgation coming in the form of the Lanham Act of 1946 (Lanham Act).<sup>3</sup> The Lanham Act provides for the national protection of trademarks, the importance of which was noted in Congress’s statement in connection with the Act’s adoption. There, Congress observed that its “[n]ational protection of trademarks” would serve the valuable purposes of fostering competition and ensuring quality “by securing to the producer the benefits of a good reputation.”<sup>4</sup>

Aside from the Act’s primary goal of facilitating commerce, it aims to “protect the ability of consumers to distinguish among competing producers.”<sup>5</sup> Consumers are often quick to develop brand loyalty, leading to

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\* I would like to thank Professor Megan Shaner for her incredibly helpful comments, edits, and insight. I would also like to thank the *Oklahoma Law Review* Editorial Board for helping shape this piece into what it is today.

1. S. REP. NO. 79-1333, at 4 (1946).
2. *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928).
3. Pub. L. No. 79-489, 60 Stat. 427 (codified at 15 U.S.C. §§1051-1141n (2012)).
4. *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985).
5. 74 AM. JUR. 2D *Trademarks and Tradenames* § 6 (2012). “Two goals of trademark law are reflected in the federal scheme. On the one hand, the law seeks to protect consumers who have formed particular associations with a mark. On the other hand, trademark law seeks to protect the investment in a mark made by the owner.” *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 873 (9th Cir. 1999).

subsequent purchases of the products for which they develop a sense of quality and satisfaction. If consumers could not ascertain whose product is whose, the use of copies and reproductions would become more prevalent, and the faith that purchasers had developed in a certain manufacturer would be diminished when the copycats failed to meet the original manufacturer's standards. Moreover, when a consumer buys a product with the false belief that it is the trademark owner's product and the mistakenly purchased product is of a lesser quality, that lower level of quality will likely be attributed to the trademark owner himself.<sup>6</sup> This may result not only in the consumer abandoning the brand altogether, but also in the consumer spreading word of her misguided belief. This culminates in other potential buyers refraining from purchasing that brand as well.

The Lanham Act offers a potential remedy to combat these problems: a cause of action.<sup>7</sup> Claims arise in many shapes, sizes, and combinations under the Lanham Act, including claims for trademark and trade dress infringement, as well as false advertising, unfair competition, and trade dilution.<sup>8</sup> Relief under the Act is available in both monetary and equitable form.<sup>9</sup>

Potential infringers (and thus defendants) under the Lanham Act exist in many forms as well, including manufacturers, suppliers, dealers, printers, and advertisers.<sup>10</sup> This is so because the Lanham Act allows a cause of action against any person who "has used the infringing mark in connection with 'the sale, offering for sale, distribution or advertising of any goods or services' when such use is likely to cause confusion."<sup>11</sup>

Oftentimes, a large part of a Lanham Act claim centers around whether the defendant intentionally infringed on the plaintiff's mark.<sup>12</sup> A finding of

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6. See 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 3:10 (4th ed. 2012); see also *El Greco Leather Prods. Co. v. Shoe World, Inc.*, 806 F.2d 392, 395 (2d Cir. 1986) ("One of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark.")

7. 15 U.S.C. § 1125; see also 74 AM. JUR. 2D *Trademarks and Tradenames* § 78 (2012).

8. See PATRICK J. FLINN, HANDBOOK OF INTELLECTUAL PROPERTY CLAIMS AND REMEDIES § 8.02 (2012).

9. 15 U.S.C. § 1116(a) (injunctive relief); 15 U.S.C. § 1117 (monetary relief).

10. See MCCARTHY, *supra* note 5, § 25:26.

11. *Id.* (quoting 15 U.S.C. § 1114(1)).

12. *Black's Law Dictionary* defines "intentional" as "[d]one with the aim of carrying out the act." BLACK'S LAW DICTIONARY 883 (9th ed. 2009). "Willful" is defined as "[v]oluntary and intentional, but not necessarily malicious." *Id.* at 1737. Lastly, a "willful

intent can have significant consequences for the parties, as evidenced in the landmark case of *adidas America, Inc. v. Payless Shoesource, Inc.*<sup>13</sup> In this case, the jury awarded adidas roughly \$305 million for multiple federal and state law claims, including claims for trademark infringement and unfair competition under the Lanham Act.<sup>14</sup>

In 2007, adidas brought suit against Payless Shoesource, claiming that Payless willfully infringed adidas's rights in its "Three-Stripe trademark" and "Superstar Trade Dress."<sup>15</sup> For over fifty years, adidas had used the "Three-Stripe Mark" and "promoted itself as '[t]he Brand With Three Stripes.'"<sup>16</sup> Payless began selling shoes not with three stripes, but rather with two stripes and four stripes in a design very similar to those of adidas.<sup>17</sup>

In its discussion of the defendant's intent, the court noted that Payless employees would frequently refer to the shoes either by the corresponding adidas model or oftentimes just as the "'adidas' shoes."<sup>18</sup> In addition, the purchasers of the Payless shoes repeatedly called the shoes adidas "knock-offs."<sup>19</sup> Although the district court subsequently found this nine-figure award to be excessive and therefore reduced it, the jury had determined that Payless's violations were willful based on the evidence that Payless knowingly imitated adidas's "Three-Stripe Mark."<sup>20</sup> Thus, this case illustrates how important it may be to the fact finder whether a defendant's use of the mark was willful.

Whether the infringement was committed willfully or intentionally is an element that appears in many sections throughout the Lanham Act,<sup>21</sup> yet,

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infringement" is defined as "[a]n intentional and deliberate infringement of another person's intellectual property." *Id.* at 852. Therefore, throughout this Comment "intentionally" and "willfully" are used synonymously.

13. No. CV 01-1655-KI, 2008 WL 4279812 (D. Or. Sept. 12, 2008).

14. *Id.* at \*1, \*11. Out of this \$305 million award, nearly \$137 million was attributable to the Lanham Act claims, with the punitive damages portion of the award resulting from the state law claims. *Id.* at \*13.

15. *adidas Am., Inc. v. Payless Shoesource, Inc.*, 529 F. Supp. 2d 1215, 1222 (D. Or. 2007).

16. *Id.* at 1223.

17. *Id.* at 1224.

18. *Id.* at 1239.

19. *Id.*

20. *adidas America, Inc. v. Payless Shoesource, Inc.*, No. CV 01-1655-KI, 2008 WL 4279812, at \*1, \*13 (D. Or. Sept. 12, 2008). After trial, Payless filed four motions for a new trial and/or judgment as a matter of law, each of which the district court rejected, contingent upon adidas' acceptance of a remittitur. *Id.* at \*1.

21. *See, e.g.*, 15 U.S.C. § 1125(c)(5)(B), (d)(1)(A).

courts are split with respect to what should be the proper burden of proof for these willful violations.<sup>22</sup> Some circuits, including the First and Fourth Circuits, have applied the preponderance of the evidence standard when looking to the defendant's intent.<sup>23</sup> Other circuits—such as the Third and Fifth Circuits—have applied the clear and convincing evidence standard.<sup>24</sup>

The number of Lanham Act elements that require a finding of intent further highlights the need for establishing a clear rule with respect to the proper standard of proof to show that intent. This Comment addresses the current lack of clarity regarding what the proper standard of proof should be when looking at an infringer's intent under a Lanham Act claim.

This Comment surveys the varying standards for evaluating intent under the Lanham Act to conclude that the preponderance of the evidence standard best serves the policies of the Act. Part II provides a brief background of trademark law and the Lanham Act, discussing its important aspects, which have fostered its evolution into the grandfather of federal trademark law. Part III delves into four major areas of Lanham Act claims that involve proof of the defendant's intent. Discussion of these four areas not only exposes the prevalence of intent within the Act, but also stresses the need for uniformity for treatment of intent throughout the Act. Part III also presents a principal case illustrating how the courts have dealt with the burden of proof in each of the four areas. Part IV then discusses the diverging standards courts have used in addressing a defendant's intent, ultimately asserting that preponderance of the evidence is the proper standard for intentional trademark violations under the Lanham Act. Part V then concludes this Comment.

## II. Background

### A. Defining and Classifying a "Trademark"

"A trademark is a word, name, symbol, device, or any combination thereof," which serves to classify and distinguish goods or services.<sup>25</sup> A

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22. See *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 193 (1st Cir. 2012).

23. E.g., *id.*; *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 227 (4th Cir. 2002).

24. E.g., *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 525 (5th Cir. 1998), *abrogated on other grounds by TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001); *Versa Prods. Co. v. Bifold Co. (Mfg.)*, 50 F.3d 189 (3d Cir. 1995).

25. Jonathan B. Schwartz, Comment, *Less Is More: Why a Preponderance Standard Should Be Enough for Trademark Abandonment*, 42 U.C. DAVIS L. REV. 1345, 1348 (2009); see also 15 U.S.C. § 1127 (2012).

distinctive sound may also qualify for trademark protection, a classic example being the “roar” of the MGM lion.<sup>26</sup> Courts have also granted protection to the ornamental aspects of a uniform, a popular case in point being the Dallas Cowboys Cheerleaders’ uniform.<sup>27</sup> Within the last twenty years, the Supreme Court has even gone so far as to recognize that a single color of a good is capable of trademark protection.<sup>28</sup> Justice Breyer, writing for the Court, posited, “If a shape, a sound, and a fragrance can act as symbols why, one might ask, can a color not do the same?”<sup>29</sup>

Trademarks also protect distinctive packaging and the overall appearance of a good, traditionally deemed “trade dress.”<sup>30</sup> Historically, Congress limited the protection of trade dress to just the packaging and labeling that created the overall appearance of a product.<sup>31</sup> Over time, however, trade dress has expanded to a broader definition and now includes “a combination of any elements in which a product or service is presented to the buyer.”<sup>32</sup> The semantic distinction between “trademarks” and “trade dress” is largely an archaic one; today both are generally lumped together under the trademark law umbrella and both represent potential Lanham Act infringement claims.<sup>33</sup>

Although the scope of this area of law has expanded from its origination, even today not all trademarks are treated equally. Instead, trademarks fall on a spectrum based on their distinctiveness.<sup>34</sup> “The term ‘distinctive’ is a key term of art in trademark law. . . . If a designation is not ‘distinctive,’ it

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26. See MARK S. LEE, ENTERTAINMENT AND INTELLECTUAL PROPERTY LAW § 2:27 (2012).

27. See *id.* § 2:29 (2012); see also *Dall. Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 207 (2d Cir. 1979); *NFL Props., Inc. v. Wichita Falls Sportswear, Inc.*, 532 F. Supp. 651, 664 (W.D. Wash. 1982).

28. See MCCARTHY, *supra* note 5, § 7:44; *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 166 (1995) (“[T]rademark law would protect Qualitex’s use of the green-gold color on its press pads.”).

29. *Qualitex Co.*, 514 U.S. at 162.

30. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 16 cmt. a (1995) (“Thus, if another seller markets a product incorporating a protected packaging or product feature in a manner that is likely to cause confusion as to the source of the product, the seller is subject to liability for trademark infringement.”).

31. See *id.*; MCCARTHY, *supra* note 5, § 8:1.

32. See MCCARTHY, *supra* note 5, § 8:1.

33. *Id.*

34. See *id.* § 11:2; DEP’T OF COMMERCE, REPORT TO CONGRESS: TRADEMARK LITIGATION TACTICS AND FEDERAL GOVERNMENT SERVICES TO PROTECT TRADEMARKS AND PREVENT COUNTERFEITING 5 (2011), available at [http://www.uspto.gov/ip/TMLitigationReport\\_final\\_2011April27.pdf](http://www.uspto.gov/ip/TMLitigationReport_final_2011April27.pdf).

is not a ‘mark.’”<sup>35</sup> To qualify as a candidate for trademark protection, the mark must either: (1) be inherently distinctive or (2) acquire its distinctiveness through a secondary meaning.<sup>36</sup>

Trademark law designates inherently distinctive marks as those that are fanciful, arbitrary, or suggestive.<sup>37</sup> These types are immediately protectable.<sup>38</sup> The benefit of having an immediately protectable mark is that the owner does not need to prove consumer recognition to receive judicial protection.<sup>39</sup> Examples of inherently distinctive marks include Apple computers, Godiva chocolates, and Clorox bleach.<sup>40</sup> When a trademark is not initially inherently distinctive, it can still become so by acquiring a secondary meaning.<sup>41</sup> This secondary meaning is interpreted as “a mental association in buyers’ minds between the alleged mark and a single source of the product.”<sup>42</sup> Examples of marks that have become distinctive through a secondary meaning include Beetle for Volkswagen and Coke for Coca-Cola.<sup>43</sup>

The bottom line with “distinctiveness” in trademark law is that the more distinctive a trademark is, “the greater the scope of protection the mark will receive in court against users of the same or similar marks.”<sup>44</sup> Strong protection means protection covering a wide spectrum of related products, including visual and aural format variations.<sup>45</sup> Thus, the more distinctive

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35. MCCARTHY, *supra* note 5, § 11:2.

36. *Id.*; *see also* *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992).

37. *See* MCCARTHY, *supra* note 5, § 11:4; *see also* DEP’T OF COMMERCE, *supra* note 34, at 5. To further elaborate on the classifications of inherently distinctive marks, definitions from *McCarthy* provide assistance. “A fanciful mark is a word that is coined for the express purpose of functioning as a trademark.” MCCARTHY, *supra* note 5, § 11:4. “An arbitrary mark consists of a word or symbol that is in common usage in the language, but is arbitrarily applied to the goods or services in question in such a way that it is not descriptive or suggestive.” *Id.* A suggestive mark is “a mark which merely suggested some quality or ingredient of goods.” *Id.* § 11:62.

38. *See* MCCARTHY, *supra* note 5, § 11:4.

39. *Id.*

40. *See* CORPORATE COUNSEL’S GUIDE TO UNFAIR COMPETITION § 12:28 (2012) [hereinafter UNFAIR COMPETITION].

41. *See* MCCARTHY, *supra* note 5, § 15:1.

42. *Id.* § 15:5.

43. *See* 3 LEWIS ALTMAN & MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 20:29 (4th ed. 2012); *see also* *Volkswagenwerk, AG v. Smith*, 471 F. Supp. 385 (D.N.M. 1979); *Coca-Cola Co. v. Koke Co. of America*, 254 U.S. 143 (1920), *superseded by statute*, Lanham Act of 1946, Pub. L. No. 79-489, 60 Stat. 427.

44. *See* DEP’T OF COMMERCE, *supra* note 34, at 5.

45. *See* MCCARTHY, *supra* note 5, § 11:73.

the mark is, the more likely that using a similar mark will generate confusion.<sup>46</sup> The justification behind giving strong, inherently distinctive marks greater legal protection is that the more fame and marketing strength a mark gains, the broader the scope of protection it deserves.<sup>47</sup>

*B. The History and Evolution of the Purpose of Trademarks*

The desire to protect trademarks dates back to medieval England, when local guilds required manufactured goods to be distinctively marked.<sup>48</sup> Initially, the usage of trademarks was to indicate the origin and maker of the goods, serving primarily a regulatory function.<sup>49</sup> This compulsory production mark not only allowed faulty products to be traced to their maker, who would then be punished, but also aided in the confiscation of foreign goods that were smuggled into the region.<sup>50</sup>

Eventually, with the vast expansion of markets, a new purpose for trademarks arose.<sup>51</sup> Instead of merely existing for regulatory reasons, trademarks began to represent manufacturer identity, which meant that potential buyers had more options and could select based on reputation.<sup>52</sup> Soon, manufacturers viewed the use of their mark as a valuable advertising mechanism.<sup>53</sup> This identity theory behind the importance of trademarks continues to thrive today, both socially and economically.<sup>54</sup> After all, “[i]dentity of product is essential to the creation and development of a market, and the trademark is the means to this end.”<sup>55</sup>

The goal behind trademark usage has evolved drastically from the medieval days, with a trademark no longer just serving as a mere symbol of good will.<sup>56</sup> Modernly, a trademark is “often the most effective agent for the *creation* of good will, imprinting upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further

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46. *Id.*

47. *Id.*

48. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995).

49. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 814 (1927).

50. *Id.*

51. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 cmt. b (1995).

52. *Id.*

53. *Id.*

54. See Daphne Leeds, *Trademarks from the Government Viewpoint*, 44 CALIF. L. REV. 489, 489 (1956).

55. *Id.*

56. Schechter, *supra* note 49, at 818.



satisfactions.”<sup>57</sup> Broad recognition exists that trademarks have evolved to serve dual goals. They not only protect consumers from deception, but they also safeguard the trademark owner’s rights to his mark and the goodwill associated therewith.<sup>58</sup>

### C. Federal Protection for Trademarks

While the desire for trademark protection dates back to medieval times, federal statutory protection of trademarks did not emerge until the early twentieth century. Common law dominated the province of trademark law for hundreds of years.<sup>59</sup> Congress did not pass the first modern federal trademark statute until 1905.<sup>60</sup> Even then, the Trademark Act of 1905 proved to be very limited in scope, allowing only “arbitrary and fanciful trademarks” to be registered and offering weak enforcement for the registered marks.<sup>61</sup> It was not long before the need for more expansive protection became evident through persistent pressure on the legislature.<sup>62</sup>

In 1920, Congress amended the Trademark Act of 1905, extending the ambit of registration and establishing the predecessor to section 43(a) claims under the Lanham Act, which provides a claim for false designations of origin among other acts constituting unfair competition.<sup>63</sup> The “false designation of origin” provision in the 1920 amendment, however, required that the infringer’s violation occur “willfully and with intent to deceive.”<sup>64</sup> The legislature further amended and altered the Trademark Act of 1905,

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57. *Id.* at 819 (emphasis added).

58. *See* MCCARTHY, *supra* note 5, § 5:2.

59. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 cmt. e (1995).

60. *Id.* (citing Act of Feb. 20, 1905, ch. 592, 33 Stat. 724). The first federal trademark statute was actually enacted in 1870, but nine years later was held to be unconstitutional. *Id.* (citing *The Trade-Mark Cases*, 100 U.S. 82 (1879)). In 1881, a second federal statute was passed, but registration of a mark was limited to use in commerce with foreign nations and Indian tribes. *Id.* Therefore, the Trademark Act of 1905 is typically viewed as the first modern federal trademark statute. *Id.*

61. Sondra Levine, *The Origins of the Lanham Act*, 19 J. CONTEMP. LEGAL ISSUES 22, 23 (2010); *see also* MCCARTHY, *supra* note 5, § 5:3.

62. Thomalyn Epps, *Trademark Law: How We Got to Where We Are Today*, 19 J. CONTEMP. LEGAL ISSUES 3, 5 (2010) (“[This] limited scope invited continuing pressure for Congress to provide increased and expanded protection.”).

63. Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses “In the Manner of a Mark,”* 43 WAKE FOREST L. REV. 893, 935-36 (2008). Although discussed much more in-depth in this comment, as an introductory matter, section 43(a) claims include claims for false designation of origin. *Id.* at 942.

64. *Id.* at 936.

ultimately resulting in a tangled web of statutory arrangements leaving federal trademark law in dire need of clarity.<sup>65</sup>

In response to the shortcomings of the Trademark Act of 1905, Edward S. Rogers, a well-known Chicago attorney who specialized in trade identity law, drafted the Lanham Act.<sup>66</sup> Among other things, the Act aimed “to simplify trade-mark practice, to secure trade-mark owners in the good will they have built up, and to protect the public from imposition by the use of counterfeit and imitation marks and false trade descriptions.”<sup>67</sup>

Fritz G. Lanham, a Texas state congressman and businessman for whom the bill was named, heard of the draft by Rogers after dealing with a lack of protection for his own trademarks, as well as the trademarks of others.<sup>68</sup> In 1937, Rogers traveled to Washington to present his blueprint of the trademark statute to Congressman Lanham.<sup>69</sup> The draft impressed Lanham very much, leading him to introduce it to Congress in 1938.<sup>70</sup> Although World War II temporarily overshadowed the draft’s introduction to Congress, eight years later the draft became the Lanham Trademark Act of 1946.<sup>71</sup>

Since its initial adoption, Congress has frequently amended the Lanham Act, most substantially in 1989.<sup>72</sup> Though each particular amendment may have had a distinct goal, the result has been consistent: “an effective expansion of the Act to meet changing societal needs” in global commerce.<sup>73</sup>

Congressional desire to have federal laws regulating trademarks is even specified in section 45 of the Act, which in pertinent part provides:

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; . . . to protect

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65. *Id.* at 937.

66. Beverly W. Pattishall, *The Lanham Trademark Act at Fifty — Some History and Comment*, 86 TRADEMARK REP. 442, 442 (1996).

67. Daphne Robert, *Commentary on the Lanham Trade-Mark Act*, 86 TRADEMARK REP. 373, 375 (1996).

68. Pattishall, *supra* note 66, at 442.

69. *See* MCCARTHY, *supra* note 5, § 5:4.

70. Pattishall, *supra* note 66, at 442.

71. *See* MCCARTHY, *supra* note 5, § 5:4.

72. Anne Haring, *Basic Principles of Trademark Law*, in UNDERSTANDING TRADEMARK LAW, at 27, 29 (PLI Patents, Copyrights, Trademarks, & Literary Prop., Course Handbook Series G-904 2007).

73. H. Peter Nesvold & Lisa M. Pollard, *Foreword*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 49, 51 (1996).

persons engaged in such commerce against unfair competition; [and] to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks . . . .<sup>74</sup>

Though state law offers some trademark protection, the broad scope of the Lanham Act powerfully safeguards trademarks owners' rights at the federal level.

#### *D. Lanham Act Claims*

The two primary sections that provide causes of action under the Lanham Act are section 32 and section 43(a), which are codified as 15 U.S.C. § 1114 and 15 U.S.C. § 1125, respectively.<sup>75</sup> Section 32 offers protection for those with registered trademarks; specifically, it provides:

(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; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of 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.<sup>76</sup>

Section 32 essentially allows a registered trademark owner to bring action against a defendant who uses a mark in commerce that is a reproduction, counterfeit, copy, or colorable imitation of the plaintiff's

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74. 15 U.S.C. § 1127 (2012).

75. Haring, *supra* note 72, at 53.

76. 15 U.S.C. § 1114.

mark and is likely to cause confusion. Section 32 also covers those who actually affix the mark to goods (i.e., the manufacturers).

Section 43(a) allows for much broader protection than section 32, protecting not only registered trademarks, but unregistered ones as well. Section 43(a) also encompasses what trademark law generally refers to as “unfair competition.”<sup>77</sup> Section 43(a) states:

(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—

(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 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.<sup>78</sup>

One key difference in section 43(a) is that it allows “any person who believes that he or she is or is likely to be, damaged’ by the defendant’s infringing acts” to bring a claim, whereas only the registrant may bring a claim under section 32.<sup>79</sup>

Two types of claims that generally fall under section 43(a) are claims for both “palming off” and “reverse palming off” (also referred to as “passing off” or “reverse passing off,” respectively).<sup>80</sup> In a typical “palming off” situation, defendant X sells his goods with the mark of the owner, Y.<sup>81</sup> With “reverse palming off,” defendant X sells Y’s goods with defendant X’s

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77. See FLINN, *supra* note 8, § 8.02.

78. 15 U.S.C. § 1125.

79. Danny Chase, *Attacking the Section 32(1) Claim*, 19 J. CONTEMP. LEGAL ISSUES 363, 368 (2010).

80. See UNFAIR COMPETITION, *supra* note 40, § 1:1.

81. See MCCARTHY, *supra* note 5, § 25:4. Both “palming off” and “reverse palming off” can be broken down into an “express” form and an “implied” form. *Id.* §§ 25:5-25:8.

trademark.<sup>82</sup> While these two claims represent classic instances where the defendant intends to confuse consumers, both fall under the broader umbrella of unfair competition.<sup>83</sup>

In sum, federal trademark law commonly treats section 32 as the general trademark infringement statute and section 43(a) as the statute for federal unfair competition.<sup>84</sup> Claims brought under these provisions of the Lanham Act are not mutually exclusive. Rather, it is common for section 32 and section 43(a) claims to be brought together because their remedies are essentially the same.<sup>85</sup>

The Lanham Act has not been without revisions, however. In 1996, Congress added section 43(c) of the Lanham Act to cope with the expansion of trademark law.<sup>86</sup> This new section, officially dubbed the Federal Trademark Dilution Act of 1995 (Dilution Act),<sup>87</sup> provides a federal claim for trademark dilution.<sup>88</sup> Trademark dilution occurs when a famous mark is: (1) “tarnished,” meaning that the use of a mark creates negative associations with the trademark owner’s famous mark, or (2) “blurred,” meaning that the famous mark has less capacity to distinguish or identify its goods.<sup>89</sup>

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82. *See id.* § 25:4.

83. *See id.* § 25:1.

84. *See* M. Elaine Buccieri, *Cause of Action for Trademark Infringement Under the Lanham Act*, in 10 CAUSES OF ACTION 2D 501, § 3 (1998).

85. *Id.* Generally speaking, remedies under the Lanham Act include injunctive relief, as well as the recovery of money damages and attorney’s fees. *Id.* § 45.

86. *See* FLINN, *supra* note 8, § 8.02.

87. Pub. L. No. 104-98, 106 Stat. 3568.

88. FLINN, *supra* note 8, § 8.02. The original statutory language of section 43(c) did not explicitly set the standard for dilution, but rather stated that the mark must “cause dilution.” *See* *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 436 n. 1 (2003). After the Supreme Court held in *Moseley* that section 43(c) required proof of actual dilution, Congress amended section 43(c), effective as of October 6, 2006, to set the standard as “likely to cause dilution,” reversing the Court’s holding. *See* ALTMAN & POLLACK, *supra* note 43, § 22:18. Section 43(c) of the Lanham Act, titled the Trademark Dilution Revision Act, now states:

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner’s mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

15 U.S.C. § 1125(c)(1) (2012).

89. FLINN, *supra* note 8, § 8.02.

With trademark dilution claims, there is no need to show likelihood of confusion or deception, which distinguishes these claims from other trademark infringement claims.<sup>90</sup> Rather, the famous trademark owner has the burden of proving that the defendant's use was likely to cause dilution.<sup>91</sup> In such claims, the famous trademark owner is typically only entitled to injunctive relief and the defendant's intent does not need to be proven. However, there is one major caveat. Monetary damages may be awarded to the famous trademark owner if the claim is: (1) for dilution by blurring and the defendant "*willfully intended* to trade on the recognition of the famous mark," or (2) for dilution by tarnishment and the defendant "*willfully intended* to harm the reputation of the famous mark."<sup>92</sup>

Finally, in 1999, Congress added section 43(d) of the Lanham Act to include a new cyberpiracy provision, known officially as the Anticybersquatting Consumer Protection Act.<sup>93</sup> The legislature enacted this amendment to combat the problems with the expansion of trademark infringement due to commerce on the Internet.<sup>94</sup> Courts coined the phrase "cybersquatting" after defendants began registering domain names on the Internet that were "identical to or confusingly similar" to a distinctive or famous trademark with the "bad faith intent to profit' from the mark."<sup>95</sup>

On a broad level, the law may view trademark dilution claims and anticybersquatting claims under the Lanham Act as types of "trademark infringements."<sup>96</sup> But these two claims are more appropriately treated separately due to their more narrow substantive coverage and unique standards for establishing violations.

In order to prevail on a Lanham Act trademark infringement claim, the plaintiff must show that: "(1) the plaintiff has a protectable ownership interest in the mark, and (2) the defendant's use of the mark is likely to cause consumer confusion."<sup>97</sup> "Likelihood of confusion" occurs when the

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90. *Id.*

91. See ALTMAN & POLLACK, *supra* note 43, § 22:25.

92. 15 U.S.C. § 1125(c)(5)(B) (emphasis added).

93. 1 CHARLES E. MCKENNEY & GEORGE F. LONG III, FEDERAL UNFAIR COMPETITION: LANHAM ACT 43(A) § 3:38 (2012).

94. S. REP. NO. 106-140, at 4 (1999).

95. Elizabeth D. Lauzon, Annotation, *Validity, Construction, and Application of Anticybersquatting Consumer Protection Act*, 15 U.S.C.A. § 1125(d), 177 A.L.R. FED. 1 (2002) (quoting § 1125(d)).

96. See FLINN, *supra* note 8, § 8.02.

97. 74 AM. JUR. 2D *Trademarks and Tradenames* § 78 (2012); see also *Tana v. Dantanna's*, 611 F.3d 767 (11th Cir. 2010); *Amazing Spaces, Inc. v. Metro Mini Storage*,

infringer's use of a mark is so similar to that of the owner's mark that consumers are likely to be confused as to the source of the goods or services.<sup>98</sup> A plaintiff is not required to prove that the defendant *intended* to confuse consumers as to the source of a good.<sup>99</sup> However, proving the defendant's intent is not only a key factor in the likelihood of confusion test, but also in the plaintiff recovering amounts based on an accounting of the infringer's profits as well as attorney's fees.<sup>100</sup> It is in the realm of the defendant's intent where the circuits have split, particularly as to what the proper burden of proof should be: some courts select the preponderance of the evidence standard, while other courts choose the clear and convincing evidence standard.<sup>101</sup> Thus, an in-depth look into the infringer's intent under Lanham Act claims is necessary.

### *III. The Infringer's Intent*

When a defendant intentionally uses a mark so similar to the plaintiff's trademark that it is likely to cause confusion, the defendant is attempting to get a free ride off of the plaintiff's goodwill or reputation, which is largely what the Lanham Act was enacted to prevent.<sup>102</sup> Though finding that a defendant used a mark intentionally to cause confusion does not automatically result in liability under Lanham Act infringement claims,<sup>103</sup> it is still a crucial factor in the likelihood of confusion test on which liability could ultimately hinge.

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608 F.3d 225 (5th Cir. 2010); Synergistic Int'l, LLC v. Korman, 470 F.3d 162 (4th Cir. 2006); Anderson v. Upper Keys Bus. Grp., Inc., 61 So. 3d 1162 (Fla. Dist. Ct. App. 2011).

98. MCKENNEY & LONG, *supra* note 93, § 2.

99. MCCARTHY, *supra* note 5, § 23:107.

100. *See id.* § 23:110; *see also* James M. Koelemay, Jr., *A Practical Guide to Monetary Relief in Trademark Infringement Cases*, 85 TRADEMARK REP. 263, 269, 300 (1995).

101. *See supra* notes 23-24.

102. *See* S. REP. NO. 79-1333 (1946); MCCARTHY, *supra* note 5, § 23:110 ("If there is proof of defendant's intent and purpose to trade on another's good will by using a similar mark to cause confusion, then the court will follow the alleged infringer's judgment and find a likelihood of confusion."). It is important to keep in mind that this anti-free-riding principle should be limited to the goodwill of the trademark or brand itself, as opposed to the type of good or product. Free riding on the demand created for a particular class of goods is not only economically desirable; it also does not elicit the same moral concern as that associated with free riding on a particular trademark. Robert G. Bone, *Taking the Confusion out of "Likelihood of Confusion": Toward a More Sensible Approach to Trademark Infringement*, 106 NW. U. L. REV. 1307, 1356 (2012).

103. MCCARTHY, *supra* note 5, § 23:107.

As a foundational matter, it is important to consider what evaluating the defendant's intent means. To phrase differently: Exactly what outcome did the defendant need to intend? Modernly, the only intent of the defendant that is relevant is "intent to confuse."<sup>104</sup> Although the likelihood of confusion standard is a multifactor test, in some circuits, evidence of intent to confuse creates a presumption of likelihood of confusion.<sup>105</sup> This reasoning is premised on a belief that if the defendant purposely used a mark similar to that of the plaintiff with the expectation of creating customer confusion and gaining profits, then the court will presume that he succeeded.<sup>106</sup>

Yet other courts, such as the Sixth and Eleventh Circuits, go further, allowing the intent to copy to create a presumption of intent to confuse.<sup>107</sup> In turn, this creates a presumption of likelihood of confusion.<sup>108</sup> Intent to copy is broader than intent to confuse, however, because it can occur in circumstances where the copier was not aiming to benefit from the trademark owner's goodwill.<sup>109</sup> By allowing intent to copy to create a presumption of intent to confuse, the courts must pile inference upon inference. This is dangerous because mere "copying" is not always impermissible.<sup>110</sup> For instance, the law does not prohibit the copying of generic or functional words and shapes in the public domain, but rather encourages it as a part of our competitive economic system.<sup>111</sup>

Instead of allowing intent to copy to result in a presumption of likelihood of confusion, a court would be wiser to focus solely on the defendant's intent to confuse, which is the majority view.<sup>112</sup> This would better serve the purposes of the Lanham Act and safeguard innocent conduct from

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104. *See id.* § 23:110 (4th ed. 2012).

105. *See id.* § 23:111 (4th ed. 2012); *see also* *Cashmere & Camel Hair Mfrs. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 317 (1st Cir. 2002); *Res. Developers, Inc. v. Statue of Liberty-Ellis Island Found., Inc.*, 926 F.2d 134, 140 (2d Cir. 1991).

106. *See* MCCARTHY, *supra* note 5, § 23:110.

107. *See, e.g.,* *Bauer Lamp Co. v. Shaffer*, 941 F.2d 1165, 1172 (11th Cir. 1991); *Ferrari S.P.A. Esercizio Fabriche Automobile E Corse v. Roberts*, 944 F.2d 1235, 1243 (6th Cir. 1991).

108. *See* MCCARTHY, *supra* note 5, § 23:111; *Bone, supra* note 102, at 1337.

109. *See* ALTMAN & POLLACK, *supra* note 43, § 21:84. For example, the copier may have believed in good faith that her use of the mark fell under the defense of "fair use." *Id.*

110. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 22 (1995); MCCARTHY, *supra* note 5, § 23:122; *Bone, supra* note 102, at 1337-38.

111. *See* MCCARTHY, *supra* note 5, § 23:122.

112. As evidenced by the courts' varying uses of presumptions, this is an issue open to disagreement and a more in-depth analysis is beyond the scope of this Comment.



triggering liability. Therefore, reference to the defendant's intent throughout this Comment focuses on the appropriate and modern interpretation of intent to confuse.

Although the courts have not been shy to discuss the defendant's intent, what the proper burden of proof should be with respect to that intent has arisen in four areas under the Lanham Act. Some circuits choose clear and convincing evidence as the proper standard; others deem preponderance of the evidence to be the proper standard. The following four principal cases will present the circuit split and help bring to light the dominant arguments for both the preponderance of the evidence standard and the clear and convincing evidence standard.

*A. Weighing the Infringer's Intent Under the "Likelihood of Confusion" Standard: Versa Products*

When a plaintiff brings a section 32 or 43(a) claim under the Lanham Act, the test employed is whether there was a "likelihood of confusion."<sup>113</sup> This asks whether the defendant's use of the mark was likely to cause confusion, to cause mistake, or to deceive consumers as to the source of the goods or services.<sup>114</sup>

*1. Circuit Application of the Likelihood of Confusion Test*

When looking to see whether "likelihood of confusion" is present, the courts examine a variety of factors.<sup>115</sup> The factors used by a single court are not dispositive—rather each court selects its own set and number of factors.<sup>116</sup> For example, the Eighth Circuit has employed six factors to consider in determining whether a "likelihood of confusion" exists:

- (1) the strength of the owner's mark;
- (2) the similarity of the owner's mark and the alleged infringer's mark;
- (3) the degree of competition between the products;
- (4) *the alleged infringer's intent to "pass off" its goods as the trademark owner's*;
- (5)

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113. See MCCARTHY, *supra* note 5, § 23:1.

114. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992); see also MCCARTHY, *supra* note 5, § 23:1.

115. *Id.* § 23:19.

116. *Id.* For an in-depth analysis of the variety of factors courts use in their "likelihood of confusion" test, see Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581 (2006).

incidents of actual confusion; and, (6) the type of product, its cost, and conditions of purchase.<sup>117</sup>

On the other hand, the Sixth Circuit takes a different approach, examining eight factors, which are the:

(1) strength of the senior mark; (2) relatedness of the goods or services; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) likely degree of purchaser care; (7) *the intent of defendant in selecting the mark*; and (8) likelihood of expansion of the product lines.<sup>118</sup>

Lastly, the *Restatement on Unfair Competition* follows eight foundational factors in determining “likelihood of confusion,” summarized as follows:

(1) [t]he degree of resemblance between the conflicting designations; (2) [t]he similarity of the marketing methods and channels of distribution; (3) [t]he characteristics of the prospective purchasers and the degree of care they exercise; (4) [t]he degree of distinctiveness of the senior user’s mark; (5) [w]here the goods or services are not competitive, the likelihood that prospective buyers would expect the senior user to expand into the field of the junior user; (6) [w]here the goods or services are sold in different territories, the extent to which the senior user’s designation is known in the junior user’s territory; (7) *[t]he intent of the junior user*; and (8) [e]vidence of actual confusion.<sup>119</sup>

In each of these approaches, the defendant’s intent plays a critical role in determining whether she is liable for trademark infringement. “As likelihood of confusion is the touchstone of infringement, a finding of intentional use of another’s registered mark increases the chance that the use will be found infringing.”<sup>120</sup>

Recently, much scholarly debate has arisen over the workability of the “likelihood of confusion” test, particularly due to the inconsistency of the

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117. *Luigino’s, Inc. v. Stouffer Corp.*, 170 F.3d 827, 830 (8th Cir. 1999) (emphasis added).

118. *Daddy’s Junky Music Stores, Inc. v. Big Daddy’s Family Music Ctr.*, 109 F.3d 275, 280 (6th Cir. 1997) (emphasis added).

119. MCCARTHY, *supra* note 5, § 23:19 (emphasis added) (citing RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 20-23 (1995)).

120. *Buccieri*, *supra* note 84, § 26.

test's application among the circuits.<sup>121</sup> Much of this disagreement centers largely on the role of the defendant's intent itself, further highlighting the need for clarity in this realm.<sup>122</sup>

But although the test may be in a state of imprecision, the courts still agree that "likelihood of confusion" is the proper test for establishing trademark infringement liability.<sup>123</sup> And while the standard for trademark infringement is settled, the courts split on the issue of the proper burden of proof with regard to the defendant's intent in these trademark violations.<sup>124</sup> The Third Circuit's decision in *Versa Products Co. v. Bifold Co. (Manufacturing)* provides an example of how one court handled the issue.<sup>125</sup>

### 2. Standard of Proof for Likelihood of Confusion: Versa Products

Versa Products, a manufacturer of control valves used in the offshore oil industry, alleged that Bifold was producing valves with configurations similar to those produced by Versa.<sup>126</sup> As a result, Versa brought a trade dress infringement claim under section 43(a) of the Lanham Act, along with state statutory and common law unfair competition claims.<sup>127</sup> After Bifold appealed the district court's finding of likelihood of confusion, the Third Circuit evaluated ten different factors that it had previously used in a trademark infringement case, including "the intent of the defendant in adopting the mark."<sup>128</sup>

When discussing the defendant's intent and the corresponding burden of proof, the court focused on a desire to "harmonize [product configuration cases] with the federal patent laws."<sup>129</sup> In its analysis, the court concentrated on how, in many *patent* infringement cases, the plaintiff must prove the

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121. See Bone, *supra* note 102, at 1308.

122. See, e.g., *id.* at 1307. In his article, Professor Bone argues that in cases of intentional deception, the element of intent should be removed entirely from the "likelihood of confusion" test and instead should be the sole basis for infringement liability. *Id.* at 1351-52; see also Blake Tierney, *Missing the Mark: The Misplaced Reliance on Intent in Modern Trademark Law*, 19 TEX. INTELL. PROP. L.J. 229 (2011). Taking a starkly different approach, Mr. Tierney's article argues that the courts should no longer rely on the defendant's intent in their "likelihood of confusion" assessment. *Id.* at 261.

123. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20 (1995); ALTMAN & POLLACK, *supra* note 43, § 21:1; MCCARTHY, *supra* note 5, § 23:1.

124. See *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 193 (1st Cir. 2012).

125. 50 F.3d 189 (3d Cir. 1995).

126. *Id.* at 193.

127. *Id.*

128. *Id.* at 205.

129. *Id.* at 207.

defendant's willful infringement by clear and convincing evidence, placing emphasis on the desire to not restrict competition.<sup>130</sup> Although the Third Circuit recognized the inherent differences and policies involved with trademark and trade dress cases on the one hand and patent cases on the other, the court nonetheless turned to patent infringement cases as justification to apply that burden of proof to the defendant's intent.<sup>131</sup>

The *Versa Products* court thus held that "a defendant's intent weighs in favor of a finding of likelihood of confusion only if intent to confuse or deceive is demonstrated by clear and convincing evidence."<sup>132</sup> The court made no mention of any trademark cases under the Lanham Act addressing the burden of proof suitable to the defendant's intent, clearly indicating that the issue had yet to be developed.

*B. Considering the Infringer's Bad Faith Intent to Profit Under the "Cyberpiracy Provision": Harrods*

Evaluation of the defendant's intent may also occur under the Lanham Act's new cyberpiracy provision. This provision, formally titled the Anticybersquatting Consumer Protection Act (Anticybersquatting Act), is codified at 15 U.S.C. § 1125(d).<sup>133</sup> Claims involving trademark cyberpiracy are a much more specific form of trademark infringement and prohibit a different form of conduct than what normally occurs in trademark infringement claims. With cyberpiracy, the infringer registers an Internet domain name that is similar or identical to an existing trademark, but without intent to actually use the name in commerce.<sup>134</sup> Instead, the infringer seeks to sell the domain name to the company associated with that highly valued trademark.<sup>135</sup> The Anticybersquatting Act requires that the plaintiff's mark be either distinctive or famous, and the defendant's domain name must be "identical or confusingly similar to that mark."<sup>136</sup>

Because the defendant need not use the domain name in commerce, intent to confuse is not the appropriate intent to evaluate. Instead, the Anticybersquatting Act makes clear that the infringer must have "a bad faith intent to profit from that mark."<sup>137</sup> To assist the courts in determining

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130. *Id.*

131. *Id.*

132. *Id.* at 208.

133. MCKENNEY & LONG, *supra* note 93, § 3:38.

134. H.R. REP. 106-412, at 6 (1999).

135. *Id.*

136. 15 U.S.C. § 1125(d)(1)(A)(ii) (2012).

137. *Id.* § 1125(d)(1)(A)(i).

whether “bad faith intent to profit” was present, the Anticybersquatting Act includes a section presenting nine nonexclusive factors for courts to consider.<sup>138</sup>

Although causes of action under the Anticybersquatting Act were plentiful, both the courts and statute were silent on the proper burden of proof with respect to this “bad faith intent” until the Fourth Circuit case of *Harrods Ltd. v. Sixty Internet Domain Names*.<sup>139</sup> In *Harrods*, Harrods UK brought an action under the Anticybersquatting Act against sixty Internet domain names registered by Harrods Buenos Aires, a corporate entity no longer affiliated with Harrods UK, alleging that these domain names had been registered in “bad faith,” as required under the Lanham Act.<sup>140</sup>

At trial, the district court held that preponderance of the evidence was the proper standard.<sup>141</sup> On appeal, the Fourth Circuit agreed, noting that “[w]e can find no other cases discussing the proper standard of proof under the [Anticybersquatting Act], so we are the first to take a direct crack at the question.”<sup>142</sup>

The Fourth Circuit explained that it would presume the preponderance of the evidence standard would apply “in civil actions between private litigants unless ‘particularly important individual interests or rights are at stake.’”<sup>143</sup> The court stated that the interests to be protected under the Anticybersquatting Act did not rise to the level of the limited list of interests for which a clear and convincing standard had been applied.

The court did, however, note that the clear and convincing standard had occasionally been used in cases where fraud was alleged.<sup>144</sup> Subsequently, the court recognized other civil cases involving fraud where the preponderance of the evidence standard was used, concluding that it could “see no clear, overarching principle that separates the fraud or bad faith claims requiring proof by clear and convincing evidence from those fraud or bad faith claims requiring proof by a preponderance of the evidence.”<sup>145</sup> Finally, the Fourth Circuit reasoned that if Congress had intended a

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138. *Id.* § 1125(d)(1)(B).

139. 302 F.3d 214 (4th Cir. 2002). For an in-depth look at the *Harrods* case, see Kevin Afghani, Note, *Harrods Ltd. v. Sixty Internet Domain Names: A Nonexpansive Expansion of the Anticybersquatting Consumer Protection Act?*, 5 TUL. J. TECH. & INTELL. PROP. 141 (2003).

140. *Harrods Ltd.*, 302 F.3d at 219.

141. *Id.* at 225.

142. *Id.*

143. *Id.* at 226 (quoting *Grogan v. Garner*, 498 U.S. 279, 286 (1991)).

144. *Id.*

145. *Id.* at 227.

heightened standard to apply, it would have explicitly listed that standard.<sup>146</sup> Thus, the Fourth Circuit affirmed that preponderance of the evidence was the correct standard for registrations made with “bad faith intent” under the Anticybersquatting Act.<sup>147</sup>

Here, the Fourth Circuit was the first to tackle the issue of the proper burden of proof for the defendant’s intent under the Anticybersquatting Act. Addressing many of the factors that the Third Circuit discussed in *Versa Products*, the Fourth Circuit diverged by using the preponderance of the evidence standard to evaluate intent. Although it is true that the Third Circuit was adjudicating a trade dress claim and the Fourth Circuit was analyzing an anticybersquatting claim, both were section 43 Lanham Act claims. Until the plaintiff’s burden of proof for intent under Lanham Act claims is well established, the courts will continue to turn to areas of law that are only slightly related to trademark law.

*C. Willful Infringements Allow a Recovery of Accounting of Infringer’s Profits: Fishman Transducers*

Once the court finds that a Lanham Act violation occurred, the remedies for that infringement are clearly enumerated in the Lanham Act. Under 15 U.S.C. § 1117(a), a plaintiff is entitled to recover, among other things, the defendant’s profits resulting from the infringement.<sup>148</sup> The initial justification for providing the plaintiff with a recovery of the defendant’s profits was merely to provide the trademark owner with compensation for the economic loss stemming from the infringement on his mark.<sup>149</sup> Subsequently, another widely accepted rationale developed: the prevention of unjust enrichment.<sup>150</sup>

*1. Circuit Split on Willful Infringement Requirement*

In connection with awarding an accounting of the infringer’s profits, there is a circuit split as to whether a plaintiff must prove “willful infringement” to permit recovery of an accounting of profits. The vast majority of courts require a showing of the defendant’s intent.<sup>151</sup> The

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146. *Id.*

147. *Id.*

148. 15 U.S.C. § 1117(a) (2012). This provision for the recovery of violation of rights applies to section 32 claims, section 43(a) claims, willful Dilution Act claims, and Anticybersquatting Act claims. *Id.*

149. *See* Koelemay, *supra* note 100, at 277.

150. *Id.*

151. *See id.* at 267-68; *see also* MCCARTHY, *supra* note 5, § 30:62.

Second Circuit, for example, has held that “[i]n order to recover an accounting of an infringer’s profits, a plaintiff must prove that the infringer acted in bad faith.”<sup>152</sup> The Tenth Circuit has followed suit, requiring “a showing that Defendant’s actions were willful to support an award of profits under 15 U.S.C. § 1117(a).”<sup>153</sup> Along with other circuits that have considered the issue, including the Sixth and Ninth, the modern Restatement on Unfair Competition takes the view that a plaintiff must establish a willful infringement to receive this type of award.<sup>154</sup>

Although the majority of circuits require a showing of willfulness, the proper burden of proof for such a showing is much less settled. The First Circuit recently dealt with the issue in *Fishman Transducers, Inc. v. Paul*, where it explicitly recognized the circuit split with regard to the defendant’s intent.<sup>155</sup>

## 2. Proper Evidentiary Standard for Willful Infringement: *Fishman Transducers*

In this case, Fishman sued HSN Interactive, musician Stephen Paul, and his company Daystar Productions for trademark infringement and false advertising under the Lanham Act.<sup>156</sup> The action arose after HSN sold guitars falsely claiming they included Fishman pickups.<sup>157</sup>

At trial, testimony was excluded with respect to damages resulting from the infringement, thus “Fishman’s remaining hope was to recover the defendant’s profits, but this required a showing of willfulness.”<sup>158</sup> The judge’s instructions to the jury required the plaintiff to prove willfulness by

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152. *Int’l Star Class Yacht Racing Ass’n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 753 (2d Cir. 1996).

153. *W. Diversified Servs., Inc. v. Hyundai Motor Am., Inc.*, 427 F.3d 1269, 1273 (10th Cir. 2005).

154. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 37 (1995); Koelemay, *supra* note 100, at 269.

155. 684 F.3d 187, 193 (1st Cir. 2012). The First Circuit’s illustration of the circuit split was a comparison of the *Versa Products* case with the *Harrod’s* case—a clear demonstration that the burden of proof for willful infringements is one that is often a matter of first impression. *Id.* at 193 n.7.

156. *Id.* at 189. HSN Interactive LLC is a retailer of various consumer goods and products whose sister company sells goods on the Home Shopping Network. *Id.*

157. *Id.* A guitar pickup is a transducer that converts the vibration of the strings of an electric guitar into a signal that can be amplified, usually through a speaker. Marshall Brain, *How Electric Guitars Work*, HOW STUFF WORKS (July 1, 2002), <http://entertainment.howstuffworks.com/electric-guitar1.htm>.

158. *Id.* at 191.

clear and convincing evidence.<sup>159</sup> Though the jury found violations for both trademark infringement and false advertising, they found neither to be willful.<sup>160</sup> This finding of no willfulness was likely due to HSN presenting evidence that the guitar manufacturer had erroneously informed HSN that the guitars included the Fishman pickups and HSN ceased claiming that the guitars included the Fishman pickups when notified of the mistake.<sup>161</sup>

When addressing the issue of the proper burden of proof regarding the defendant's intent on appeal, the First Circuit brought up the fraud argument used frequently to support the clear and convincing standard.<sup>162</sup> But it ultimately dismissed that argument, pointing to fraud-related cases that had applied the preponderance of the evidence standard instead.<sup>163</sup> Further, the *Fishman* court reasoned that the Lanham Act itself did not call for a heightened standard, ultimately holding that the trial court's jury instruction was incorrect.<sup>164</sup> The court concluded by holding that preponderance is the proper standard for this matter of first impression in the First Circuit.<sup>165</sup>

The recentness of the *Fishman Transducers* case reiterates that setting the proper burden of proof for the defendant's intent under Lanham Act claims (and relief thereunder) is an area where the courts simply have little guidance. As a result, the courts are turning to semi-related case law and claims dealing with fraud.

#### *D. Determining Exceptional Cases for Awarding Attorney Fees: Pebble Beach*

Aside from allowing a plaintiff to recover an accounting of the infringer's profits and other damages, the Lanham Act also permits the court to award the plaintiff the costs of the action.<sup>166</sup> However, Congress has clarified that this award is to be given only in "exceptional cases."<sup>167</sup> Although the statute fails to define "exceptional," the legislative history of the Lanham Act provides some assistance. The Senate Report classifies exceptional cases as "infringement cases where the acts of infringement can

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159. *Id.* at 192.

160. *Id.* at 191.

161. *Id.* at 189-90.

162. *Id.*

163. *Id.* at 192-93.

164. *Id.* at 193.

165. *Id.*

166. 15 U.S.C. § 1117(a) (2012).

167. *Id.*



be characterized as ‘malicious,’ ‘fraudulent,’ ‘deliberate,’ or ‘willful.’”<sup>168</sup> By including the classifications of “deliberate,” or “willful,” the legislature implied that cases where the defendant acted intentionally to cause confusion would satisfy this definition.

Furthermore, the Senate Report highlights the “particularly compelling need for attorney fees” for trademark and unfair competition claims brought under the Lanham Act.<sup>169</sup> This need centers around the constantly expanding business of manufacturing and advertising that makes “trademarks of crucial importance to manufacturers, distributors and the consuming public.”<sup>170</sup> Although evolution in commerce is certainly beneficial, modern business practices make much more salient the opportunities for competitors to intentionally cause confusion and get a free ride off the plaintiff’s goodwill. Therefore, an award of attorney fees is justified in these circumstances.<sup>171</sup>

The only circuit court to address the issue of the burden of proof with respect to these “exceptional cases” is the Fifth Circuit, most recently in *Pebble Beach Co. v. Tour 18 I Ltd.*<sup>172</sup> In that case, Pebble Beach brought action against Tour 18 for service-mark and trade-dress infringement, unfair competition, and false advertising under the Lanham Act.<sup>173</sup> Pebble Beach brought these section 32 and section 43(a) claims against the Tour 18 golf course in Humble, Texas, after Tour 18 copied the fourteenth hole from one of the several golf courses that Pebble Beach operates in the California area, among other actions.<sup>174</sup> In fact, the Tour 18 golf course in Texas consists of replicas of golf holes from famous golf courses around the country, marketing itself as “America’s Greatest 18 Holes.”<sup>175</sup>

In addition to seeking an accounting of profits, Pebble Beach also asked for recovery of attorney fees.<sup>176</sup> When the Fifth Circuit turned to the discussion of these fees, the burden of proof for these “exceptional cases” was determined to be clear and convincing evidence.<sup>177</sup> Giving little

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168. S. REP. NO. 93-1400, at 2 (1974).

169. *Id.* at 5.

170. *Id.*

171. *Id.*

172. 155 F.3d 526 (5th Cir. 1998), *abrogated on other grounds by* TrafFix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23 (2001); *see also* MCCARTHY, *supra* note 5, § 30:100.

173. *Pebble Beach Co.*, 155 F.3d at 535.

174. *Id.* at 533.

175. *Id.* at 534-35.

176. *Id.* at 536.

177. *Id.* at 555.

justification for its decision to use the clear and convincing standard, the circuit court cited its prior decision in *CJC Holdings, Inc. v. Wright & Lato, Inc.*, another trade-dress infringement case that adopted the clear and convincing standard from patent law.<sup>178</sup>

Once again, an appellate court revealed the lack of clarity for setting the proper burden of proof for intentional infringement. A look at four areas under the Lanham Act where proof of this intent may be necessary highlights the circuit split over the proper standard for that proof.

*E. Four Areas, Same Intent*

Proving this intent is crucial not only because of its importance in the “likelihood of confusion” test, but also because of its necessity in cyberpiracy claims under the Lanham Act. When a plaintiff can establish that a defendant intentionally used a mark so similar to that of the plaintiff’s that consumers were likely to be confused, courts may then recuperate a plaintiff with an accounting of the infringer’s profits and potentially an award of attorney fees.

Litigation is expensive, yet a plaintiff filing a Lanham Act claim is not provided the stability of knowing which burden of proof he must meet if he does choose to pursue legal recourse. Determining the proper burden of proof is often an issue of first impression for courts, which has led courts to attempt to analogize trademark law with other areas of law despite little relation. The Third and Fifth Circuits both selected the clear and convincing evidence standard as the burden of proof for the defendants’ intent, focusing on this standard’s frequent use in cases dealing with fraud and patent infringement.<sup>179</sup> The First and Fourth Circuits took the opposite approach by using the preponderance of the evidence standard, reasoning that preponderance serves as the typical standard for civil suits and rehashing the Supreme Court’s reluctance to resort to a heightened burden.<sup>180</sup>

Although proof of an intentional infringement is not always necessary for the success of a section 32 or section 43(a) claim under the Lanham Act, the prevalence with which a showing of the defendant’s intent is required not only demonstrates its importance, but the issue has created circuit disagreement regarding how to weigh that intent. Thus, a concrete statutory

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178. *Id.* (citing *CJC Holdings, Inc. v. Wright & Lato, Inc.*, 979 F.2d 60, 65 (5th Cir. 1992)).

179. *See supra* note 24.

180. *See supra* note 23.

provision laying out the proper burden would solve this current uncertainty in the law.

#### *IV. Preponderance Is the Proper Burden of Proof*

Though defining the burden of proof with precision is not always an easy task, the importance of setting the burden of proof should not be forgotten. In the oft-quoted words of Chief Justice Burger, “[A]dopting a ‘standard of proof is more than an empty semantic exercise.’”<sup>181</sup> The burden of proof alone can often determine the outcome of the case.

As the principal cases above illustrate, the courts have muddied the already murky waters with the lack of uniformity for the proper burden of proof with respect to intentionality. Fortunately, the arguments that courts have utilized for each—the preponderance of the evidence standard and the clear and convincing evidence standard—are fairly consistent. The arguments for a preponderance of the evidence standard, however, are much stronger, and they are only strengthened by both public policy and the goals of the Lanham Act.

##### *A. In Civil Litigation Preponderance of the Evidence Is the “Default Setting”*

It is well settled that most civil suits employ the preponderance of the evidence standard; this standard could thus be described as the “default setting.”<sup>182</sup> With this as the default setting, in limited instances, some compelling interests may justify a court raising the bar for this evidentiary burden. “Because the preponderance-of-the-evidence standard results in a roughly equal allocation of the risk of error between litigants, we presume that this standard is applicable in civil actions between private litigants unless ‘particularly important individual interests or rights are at stake.’”<sup>183</sup>

The Supreme Court has found that standard satisfied, and therefore heightened from the default to the clear and convincing evidence standard, in suits involving the termination of parental rights,<sup>184</sup> deportation proceedings,<sup>185</sup> and involuntary commitment litigation.<sup>186</sup> Albeit protecting

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181. *Addington v. Texas*, 441 U.S. 418, 425 (1979) (quoting *Tippett v. Maryland*, 436 F.2d 1153, 1166 (4th Cir. 1971) (Sobeloff, J., concurring in part, dissenting in part)).

182. *See Herman & MacLean v. Huddleston*, 459 U.S. 375, 387 (1983).

183. *Grogan v. Garner*, 498 U.S. 279, 286 (1991) (quoting *Herman & MacLean*, 459 U.S. at 389-90).

184. *Santosky v. Kramer*, 455 U.S. 745, 747-48 (1982).

185. *Woodby v. INS*, 385 U.S. 276, 286 (1966).

186. *Addington*, 441 U.S. at 432-33.

a defendant in a trademark infringement case is a legitimate interest, especially with the desire to foster competition in the marketplace, it certainly does not rise to the same level of importance as having parental rights terminated, being removed from the country, or being committed against one's will for mental illness. Furthermore, these instances where the court has applied a higher burden of proof involve particularly important *individual* interests, whereas protecting a defendant in a Lanham Act claim does not.

For example, in *Addington v. Texas*, the Court held that the “clear and convincing” standard was required to commit an individual involuntarily to a state mental hospital for due process reasons.<sup>187</sup> The Court recognized that “[t]he individual should not be asked to share equally with society the risk of error when the possible injury to the individual is significantly greater than any possible harm to the state.”<sup>188</sup> In the context of actions under the Lanham Act, the harm is not one that is weighed expressly against the state; rather it is two competitors in the marketplace whose interests are weighed against one another.<sup>189</sup> Neither of these interests carries substantially more weight and gravity when compared to the other. Thus, using the preponderance standard not only makes sense, but also is justified because of the essentially equal allocation of risk for which this standard provides.

Likewise, in *Santosky v. Kramer*, the Court imposed the “clear and convincing evidence” standard in a case of parental termination rights, noting that the possibility of erroneous termination and the possibility of erroneous failure to terminate are not interests that should be weighed equally.<sup>190</sup> The Court highlighted the strong interest in the preservation of a family.<sup>191</sup> When we turn to the interest of the defendant in a Lanham Act claim, however, the possibility of erroneously finding that a defendant's infringement was willful simply does not rise to the same level of significance as the possibility of an erroneous termination of parental rights. Furthermore, it is important to note that the defendant's intent is just one factor in a Lanham Act claim that will be evaluated in the totality of the circumstances.<sup>192</sup> This lowers the significance of an erroneous finding in the Lanham Act context even more.

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187. *Id.* at 431.

188. *Id.* at 427.

189. Of course, the outcome of this litigation may have societal effects, but this is true of almost all types of litigation, and these effects are residual.

190. 455 U.S. 745, 765 (1982).

191. *Id.* at 766-67.

192. See MCCARTHY, *supra* note 5, § 23:19.

By raising the burden of proof, “society can protect one party from an erroneous judgment, but only at the expense of placing an increased risk on the other.”<sup>193</sup> Where litigation involves the termination of parental rights, deportation, and involuntary commitment, this expense is justified because the outcome results in little, if any, harm to the state. In contrast, in the context of trademark infringements under the Lanham Act, society has very little legitimate interest in protecting an alleged infringer, especially by placing an increased risk on the trademark owner, who the Act itself strives to protect.

A defendant’s interest under Lanham Act claims is considerable—especially given the possibility that he may have committed no trademark infringement at all. Though exposure to litigation itself may result in unfortunate economic losses, economic interests are not personal rights for which the Supreme Court has chosen to offer more protection.<sup>194</sup> The plaintiff, a competitor in commerce, has interests similar, if not identical, to those of the defendant. Both parties may have substantial monetary interests riding on the outcome, but the outcome of trademark infringement disputes between private parties is one for which society’s concern is minimal. Furthermore, these monetary disputes between private parties are the quintessential civil suits for which the preponderance standard was developed.<sup>195</sup>

In cases weighing one competitor’s interests against another’s, the reasons for deviating in risk allocation simply do not exist like they do in cases where significant individual interests are stacked up against the state. Raising the evidentiary burden from the “default setting” in trademark infringement litigation is thus neither warranted nor justified.

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193. Robert A. Wainger, Brief Note, *Santosky v. Kramer: Clear and Convincing Evidence in Actions to Terminate Parental Rights*, 36 U. MIAMI L. REV. 369, 373 (1982).

194. See *Herman & MacLean v. Huddleston*, 459 U.S. 375, 389-90 (1983). In *Herman & MacLean*, the Supreme Court held that a plaintiff need only prove his case by a preponderance of the evidence when seeking recovery under the Securities Exchange Act of 1934 in connection with alleged fraud. *Id.* at 390-91. In reaching this decision, the Court discussed how it had used the preponderance standard in cases involving the imposition of severe civil sanctions and also in SEC administrative proceedings that potentially resulted in a permanent bar on practicing in that profession. *Id.* at 389-90.

195. See *Addington v. Texas*, 441 U.S. 418, 423 (1979).

*B. The Justification for Using a Heightened Burden of Proof in Cases of Fraud Is Not Applicable in the Lanham Act Context*

One field where some courts have chosen to adopt the clear and convincing evidence standard is in cases involving fraud.<sup>196</sup> Cases involving intent to defraud under the Internal Revenue Code, for example, have called for this standard.<sup>197</sup> Yet, other cases concerning fraud have used the typical preponderance of the evidence standard, as identified in *Grogan v. Garner*, where a defrauded creditor was required to prove his claim under the Bankruptcy Code by “preponderance of the evidence.”<sup>198</sup>

This illustrates that the courts will not consistently choose the clear and convincing evidence standard as the burden of proof for fraud-related claims. Therefore, trying to analyze what the proper burden of proof should be for intentional trademark violations by comparing them to modern fraud-related claims is difficult. Instead, proper analysis requires a return to the historical justification for applying the heightened burden in these instances to determine its relevance (or lack thereof) to claims under the Lanham Act.

The use of this heightened burden in cases of fraud can be traced back to the courts of equity and the fear that claims were potentially fabricated.<sup>199</sup> This reasoning for using the clear and convincing standard also centered on the notion that “a successful action has the potential of tarnishing the defendant’s reputation of honesty and fair dealing.”<sup>200</sup>

What the courts using this fraud argument in support of the clear and convincing evidence standard have disregarded, though, is whose reputation this heightened burden was used to protect—the *defendant’s*.<sup>201</sup> In an infringement claim brought by a trademark owner under the Lanham Act, it is the *plaintiff’s* reputation and goodwill that the court is striving to protect.<sup>202</sup> This is an important distinction because using a heightened burden based on an analogy to cases involving fraud directly contradicts the

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196. *Id.* at 424.

197. *See* Grossman v. Comm’r, 182 F.3d 275, 277 (4th Cir. 1999).

198. 498 U.S. 279, 290-91 (1991).

199. Note, *Appellate Review in the Federal Courts of Findings Requiring More Than a Preponderance of the Evidence*, 60 HARV. L. REV. 111, 112 (1946).

200. Craig A. Barbarosh, Comment, *Application of a Heightened Standard of Proof Is Not Very Clear and Convincing Under 11 U.S.C. Section 727(a)*, 22 PAC. L.J. 1205, 1223 (1991).

201. Dennis S. Prah & Eric Null, *The New Generic Top-Level Domain Program: A New Era of Risk for Trademark Owners and the Internet*, 101 TRADEMARK REP. 1757, 1785 (2011).

202. *Id.*

courts' concern with securing the hard work and goodwill of the trademark owner.

Furthermore, the common law concern with fabricated claims does not carry as much weight when the legislature implements statutes.<sup>203</sup> When Congress unequivocally spells out the elements of a claim, courts should have no legitimate fear of a plaintiff contriving a cause of action.<sup>204</sup> Moreover, because proving the defendant's intent is just one element in succeeding in a claim, this fear of fabrication is greatly reduced, and the heightened burden thus cannot be rationalized in the Lanham Act context.

In *Grogan v. Garner*, a case involving non-dischargeability of debts for fraud under the Bankruptcy Code, the Supreme Court's discussion of congressional intent with respect to fraud is one that can be applied in the trademark context.<sup>205</sup> There, the *Grogan* Court found it "unlikely that Congress . . . would have favored the interest in giving perpetrators of fraud a fresh start over the interest in protecting victims of fraud."<sup>206</sup> Likewise, in the context of the Lanham Act, Congress made clear its goal of protecting a trademark owner's hard-earned goodwill. With this goal laid out, it is unlikely that Congress wanted to favor those who intentionally take advantage of the plaintiff's branding success by raising the burden of proof to clear and convincing evidence.

### *C. Patent Law and Trademark Law Serve Substantially Different Purposes*

On top of the fraud argument made by some courts to support the clear and convincing standard, courts occasionally reach out to other semi-related types of law, such as patent, as a justification for their use for this standard. Some, such as the Third Circuit in *Versa Products*, have expressed a desire to harmonize federal patent and trademark laws.<sup>207</sup> Although both patents and trademarks fall under the realm of "intellectual property," there are crucial and fundamental differences between the two.<sup>208</sup> Because of their differing objectives, federal power to regulate these two types of intellectual property does not even come from the same constitutional

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203. *See Harrods, Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 227 (4th Cir. 2002).

204. *Id.*

205. 498 U.S. 279, 286-90 (1991).

206. *Id.* at 287.

207. 50 F.3d 189, 207-08 (3d Cir. 1995).

208. *See MCCARTHY*, *supra* note 5, § 6:4.

provision.<sup>209</sup> Nevertheless, some courts have seen fit to promote uniformity between the two areas of law.

For example, in *In re Seagate Technology, LLC*, a very well-known patent infringement case, the court held that the patentee must prove a willful infringement by clear and convincing evidence.<sup>210</sup> Though the issue is one that courts have not addressed frequently, other cases have also held that this willful infringement must indeed be proven by clear and convincing evidence in the patent law context.<sup>211</sup>

Although it is debatable whether courts should administer the clear and convincing evidence standard in the patent infringement context in the first place,<sup>212</sup> the significantly different purpose of trademarks even further undermines transfer of the heightened standard to trademark law. One of the leading treatises on trademark law clearly laid out these key distinctions:

Patent law deals with the concept of functional and design inventions, in order to encourage investment in new technology and invention.

But trademark law is not concerned with the content of words or the development of new technology, but rather with the protection of identifying symbols. Unlike patent law, the purpose of trademark and trade dress law is to prevent customer confusion and protect the value of identifying symbols, not to encourage invention by providing a period of exclusive rights.<sup>213</sup>

Even the Third Circuit made note that trademark cases and patent cases involve different considerations before expressing its desire to unify trademark law with federal patent law.<sup>214</sup>

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209. *See id.* § 6:2. Congress's power to regulate patents derives from its grant of power to "promote the progress of science and the 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. Congress's power over trademarks, on the other hand, is grounded in the Commerce Clause. MCCARTHY, *supra* note 6, § 6:5 (citing U.S. CONST. art. I, § 8, cl. 3).

210. 497 F.3d 1360, 1371 (Fed. Cir. 2007). In this opinion, the court cited no authority for using the clear and convincing evidence standard for willful infringements.

211. *See, e.g.*, *Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 822 (Fed. Cir. 1992); *E.I. du Pont de Nemours & Co. v. Phillips Petrol. Co.*, 849 F.2d 1430, 1439-40 (Fed. Cir. 1988).

212. *See generally* B.D. Daniel, *Heightened Standards of Proof in Patent Infringement Litigation: A Critique*, 36 AIPLA Q.J. 369 (2008).

213. MCCARTHY, *supra* note 5, § 6:3 (internal citations omitted).

214. 50 F.3d 189, 207 (3d Cir. 1995).



Another pivotal distinction between patent law and trademark law exists in the requirements for a willful infringement in patent cases. As held in *Seagate*, the standard for willfulness in patent cases is objective; thus, “[t]he state of mind of the accused infringer is not relevant to this objective inquiry.”<sup>215</sup> In trademark litigation however, in circumstances where a finding of willfulness is necessary, the test is subjective.<sup>216</sup> The defendant’s infringement must “imply some connotation of ‘intent,’ or a knowing act denoting an intent, to infringe or reap the harvest of another’s mark and advertising.”<sup>217</sup> This major difference between willful infringements in patent litigation and trademark litigation illustrates how the courts should not immediately apply the burden of proof from patent law in cases involving trademark violations just because both areas of law fall under the broad realm of intellectual property.

It is also important to recognize that, unlike patents, trademarks are not monopolistic grants.<sup>218</sup> Trademark registration does not confer an underlying right to exclude like that present in patent registration.<sup>219</sup> Rather, “[a] trade-mark only gives the right to prohibit the use of it so far as to protect the owner’s good will against the sale of another’s product as his.”<sup>220</sup>

It is certainly understandable that a court would want to invoke uniformity in two areas of law that possess similarities; however, their distinctly different functions—one dealing with inventive activity and the other with commercial activity—do not implicate such uniformity.<sup>221</sup> The argument regarding the inconsistent functions of these two areas is further strengthened when recognizing what is required for a willful infringement in each. The test under patent infringements is objective, whereas subjectivity plays a large role in trademark law.

The decision of courts hearing patent infringement cases to use the clear and convincing evidence standard for willful infringements should not result in an automatic transference of this burden to the trademark law context. Trademark law is better served by using a burden of proof that furthers its own purposes, rather than borrowing from its cousin, patent law,

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215. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).

216. MCCARTHY, *supra* note 5, § 30:62.

217. *Id.* (internal citation omitted).

218. *See* S. REP. NO. 79-1333, at 3 (1946).

219. MCCARTHY, *supra* note 5, § 6:8.

220. S. REP. NO. 79-1333, at 3 (1946) (quoting *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924)).

221. *See* MCCARTHY, *supra* note 5, § 6:8.

just because they both derive from the same intellectual property family tree.

*D. Public Policy Strongly Supports Using “Preponderance of the Evidence”*

*1. Looking at the Goals Behind the Lanham Act*

The laws centering on trademark infringement were largely implemented with a desire to foster commercial morality in the marketplace.<sup>222</sup> Historically, these notions of equity and fairness have carried much weight in trademark law. In 1869, state courts recognized that in the “promotion of honesty and fair dealing . . . no one has a right to sell his own goods as the goods of another.”<sup>223</sup>

In allowing the heightened burden of proof in these instances, it is important to remember whose interests would be furthered: the alleged infringers’. If a defendant in good faith did not intend to confuse consumers, the burden of proof with respect to his intent would be of little relevance because evidence pointing to the contrary should be nonexistent. Keeping the focus of the Lanham Act in mind, namely to prevent deception of customers, it is also crucial to recognize what an intentional infringement really is: the defendant trying “to get a free ride on [the] plaintiff’s reputation by confusing customers.”<sup>224</sup>

Providing more protection to the party who is trying to take advantage of a successful plaintiff’s goodwill by making it more difficult for the plaintiff to prove this fact, cuts strongly against the purpose of the Lanham Act. This heightened burden on the plaintiff results in a greater chance that a defendant will not be held liable, and thus could create a chilling effect on desirable behavior of trademark owners striving to improve their goods.<sup>225</sup>

Trademark laws provide a safeguard to manufacturers, incentivizing them to make a high quality product. When one’s trademark is exploited through unauthorized use, “the trademark owner is deprived of the benefits of her efforts and investments, as reflected in her product reputation.”<sup>226</sup> As the law affords sellers less protection for their trademarks, it becomes much

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222. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995) (“Liability for trademark infringement also served to remedy the unjust enrichment resulting from the infringer’s appropriation of benefits attributable to the good will of the trademark owner.”).

223. *Palmer v. Harris*, 60 Pa. 156, 159 (1869).

224. MCCARTHY, *supra* note 5, § 23:110.

225. *See, e.g.*, Louis Kaplow, *Burden of Proof*, 121 YALE L.J. 738 (2012).

226. César Ramirez-Montes, *A Re-Examination of the Original Foundations of Anglo-American Trademark Law*, 14 MARQ. INTELL. PROP. L. REV. 91, 94 (2010).

more inhibiting for goodwill and reputation to be established. The result is a decreased incentive for sellers to invest in improving the quality of their products.<sup>227</sup> Yet, trademarks are imperative in a competitive marketplace because they “secure to the business community the advantages of reputation and goodwill by preventing their diversion from those who have created them to those who have not.”<sup>228</sup> Because proof of the defendant’s intent is highly prevalent in Lanham Act claims and leans strongly in favor of satisfying the “likelihood of confusion” test, use of the preponderance of the evidence standard better squares with the end goals of the Lanham Act.

When a plaintiff is required to show that the defendant’s conduct was intentional and willful, this results in an obvious hardship on trademark owners and tilts the scales in favor of infringers.<sup>229</sup> Yet because “Congress desired to make trademark infringement unprofitable,” the Lanham Act was designed to be “a pro-trademark owner piece of legislation.”<sup>230</sup> Given the Lanham Act’s purpose of offering support to trademark owners, to raise the burden of proof to clear and convincing evidence would be in direct opposition to the goals of Congress.

Further, a plaintiff who has satisfied his burden of proof with respect to the defendant’s intent under a preponderance standard essentially has presented sufficient evidence that it is more likely than not that the defendant was purposefully trying to create confusion among consumers.<sup>231</sup> Proof by preponderance means “[t]he greater weight of the evidence, not necessarily established by the greater number of witnesses testifying to a fact but by evidence that has the most convincing force.”<sup>232</sup> By using this standard, there will be convincing force of exactly what Congress was trying to prevent in enacting the Lanham Act. Therefore, requiring convincing force is sufficient to establish the defendant’s intent.

## *2. Recognizing the Importance of Circumstantial Evidence*

Additionally, a plaintiff will almost always have to prove intent under the Act through circumstantial evidence; direct evidence is rarely

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227. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 9 (1995).

228. Leeds, *supra* note 54, at 489 (quoting S. REP. NO. 79-1358 (1946)).

229. Blake R. Bertagna, *Poaching Profits: An Examination of the Ability of a Trademark Owner to Recover an Infringer’s Profits Under the Lanham Act as Amended in 1999*, 16 TEX. INTELL. PROP. L.J. 257, 296 (2008). “Courts in numerous contexts have recognized that ‘willfulness’ constitutes a ‘very high standard’ to satisfy . . . .” *Id.* (internal citations omitted).

230. *Id.*

231. BLACK’S LAW DICTIONARY 1301 (9th ed. 2009).

232. *Id.*

available.<sup>233</sup> It was this exact difficulty that resulted in a major change between the Trade-Mark Act of 1920 and the Lanham Act: the omission of the former's requirement of "willfulness or intent to deceive."<sup>234</sup> Removal of this requirement demonstrates that Congress tried to make it easier, not more difficult, for a plaintiff to succeed in a claim for trademark infringement or unfair competition. However, case law has made it evident that proof of this intent weighs heavily in satisfying the "likelihood of confusion" test, even though proving the defendant's intent is no longer an absolute necessity in these Lanham Act claims.<sup>235</sup>

When turning to proof of the defendant's intent through the use of circumstantial evidence, "the actions of [the] defendant speak louder than his words denying any intent to deceive people."<sup>236</sup> Thus, common patterns of a defendant's conduct instigated some courts to infer wrongful intent and require a credible explanation. For instance, when a defendant was aware of the plaintiff's existing mark and just happened to choose a mark that was strikingly similar when he had the freedom of choice for his mark, some courts may assume a defendant intended to confuse consumers.<sup>237</sup> In the majority of cases, however, the plaintiff will have to prove more than the defendant's mere knowledge of the plaintiff's existing mark, such as the defendant's continued use of the mark after rejection from registration.<sup>238</sup>

Other circumstantial factors that have played a role in the courts' willfulness inquiry include "whether the defendant conducted a trademark search," sought and relied on recommendations from counsel, or included elements in his own mark to avoid confusion.<sup>239</sup>

In its evaluation regarding circumstantial evidence, a federal district court in *E. I. DuPont de Nemours & Co. v. Yoshida International, Inc.*, found pertinent that there was little distinction between the plaintiff's and the defendant's marks, that the plaintiff's mark was well known and the defendant was fully aware of the mark, and that there was no reasonable explanation given as to why the defendant chose such a similar mark.<sup>240</sup>

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233. *Id.*; see also *Jellibeans, Inc. v. Skating Clubs of Ga., Inc.*, 716 F.2d 833, 843 (11th Cir. 1983).

234. MCKENNEY & LONG, *supra* note 93, § 1:4.

235. MCCARTHY, *supra* note 5, § 23:110.

236. *See id.* § 23:113.

237. *See id.* § 23:115.

238. *Id.*

239. Koelemay, *supra* note 100, at 272-74.

240. 393 F. Supp. 502, 514 (E.D.N.Y. 1975).

Although Congress saw the difficulty in proving intent and therefore removed this requisite when enacting the Lanham Act, this element has nonetheless managed to creep back into the law. With the removal of this requirement, it can easily be inferred that Congress would not want to make it even more difficult for the plaintiff to succeed in a Lanham Act claim. This strongly supports usage of the lower preponderance of the evidence standard.

Establishing a defendant's intent to confuse is inevitably going to be conducted by looking at the totality of the circumstances. Because the plaintiff possesses the burden of proving intent to confuse, she is required to present multiple suspicious facts and actions on behalf of the defendant to give rise to the inference of intent to confuse. Therefore, this inherent difficulty in showing the infringer's state of mind by looking to circumstantial evidence strongly supports using the lower burden of preponderance of the evidence.<sup>241</sup>

### 3. Moral Justifications

Although the moral argument alone typically cannot justify the adoption of legal rules, morality is still relevant and comes into play in many areas of the law.<sup>242</sup> The moral norm against deception and deliberate lying is one very familiar in our society and can be applied in support of trademark protection.<sup>243</sup>

When a defendant purposefully deceives and confuses purchasers as to the source of the product, she is committing a moral wrong against both the trademark owner and consumers as a whole. Not only does deception afflict consumers, it also "diverts trade from honest competitors."<sup>244</sup> Therefore, when a claimant presents evidence indicating that the defendant possessed intent to confuse consumers, this norm supports the use of the preponderance of the evidence burden because use of the clear and convincing evidence standard would again be aiding the wrongdoer, a precise contradiction to the moral norm itself.

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241. See *Herman & MacLean v. Huddleston*, 459 U.S. 375, 390 n.30 (1983) (noting that, in cases involving fraud, "the difficulty of proving the defendant's state of mind supports a lower standard of proof").

242. Suzanne B. Goldberg, *Morals-Based Justifications for Lawmaking: Before and After Lawrence v. Texas*, 88 MINN. L. REV. 1233, 1245 (2004).

243. Bone, *supra* note 102, at 1312.

244. Maurice E. Stucke, *How Do (and Should) Competition Authorities Treat a Dominant Firm's Deception?*, 63 SMU L. REV. 1069, 1079 (2010) (citing *FTC v. Winsted Hosiery Co.*, 258 U.S. 483, 493 (1922)).

Another moral norm to consider in this context stems from John Locke's labor theory that "one deserves to own the fruits of one's labor."<sup>245</sup> The trademark owner has invested time and capital into developing the goodwill of his trademark; thus, under the Lockean theory, that owner is the one who deserves to reap the full benefits of his labor.<sup>246</sup> Applying this theory to the burden of proof argument, a heightened burden of proof when evaluating the defendant's intent makes it more difficult for the trademark owner to enjoy fully the economic benefits resulting from their mark, and therefore the preponderance of the evidence standard is appropriate.

In sum, congressional intent to enact pro-trademark legislation, the innate difficulties in proving an opposing party's intent resulting in the frequent need to look at circumstantial evidence, and the immorality of intending to confuse all strongly support the use of preponderance of the evidence as the standard for intentional violations under the Lanham Act.<sup>247</sup>

#### V. Conclusion

As trademark law has evolved, the purposes behind federal trademark law itself remain clear: to protect trademark owners' rights to the value and goodwill they have established and to protect purchasers' ability to distinguish between products. Though the Lanham Act of 1946 and the amendments thereto have provided a much-needed safeguard for the owners of these marks, many aspects of these claims still remain unsettled.

Oftentimes, a trademark owner brings suit against a dishonest defendant, one who has infringed on the owner's mark with the intent to confuse consumers. Although the Lanham Act explicitly mentioned these types of intentional infringements, the language did not specify the proper burden of proof the plaintiff had to meet with respect to intent. This has caused a division among the circuits, with some courts using the preponderance of the evidence standard and others applying the clear and convincing evidence standard. However, analysis of the arguments supporting both standards, as well as an inquiry into public policy and the goals of the Act itself, reaffirm that the preponderance of the evidence standard is the best.

It is important to remember that the preponderance of the evidence standard is the default setting for civil litigation between private parties—a setting that the Supreme Court itself has been reluctant to raise unless

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245. David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117, 140 (2004).

246. *Id.*

247. See MCKENNEY & LONG, *supra* note 93, § 1:4.

particularly important personal rights are involved. Economic loss in the field of competition simply is not a right that warrants this heightened burden.

Secondly, the common law justifications for using a heightened burden in cases dealing with fraudulent conduct are inapplicable in the Lanham Act context. The fear of falsely contrived cases is virtually nonexistent when federal statutes with clearly defined elements are put into place. Furthermore, though the clear and convincing standard may be appropriate in the patent infringement context, that standard should not be automatically imported merely because both involve intellectual property. The two areas of law serve different purposes—one seeks to protect innovation and creativity, the other looks to foster security in origin and goodwill in a product. And both areas deserve their own justification for raising the burden of proof above the default setting.

Most importantly, the goals behind the Lanham Act and public policy itself all beckon for the preponderance standard. A trademark owner seeking compensation due to a defendant infringing upon his mark should not face a higher hurdle than other commercial claimants. Not only will the plaintiff often have to rely on circumstantial evidence to prove intent, but moral justifications strongly support use of the preponderance standard.

In the ever-changing commerce of our nation, the Lanham Act has provided protection to those willing to innovate and contribute intellectual capital. In all civil contexts, we should require justification for ratcheting the burden of proof over the default setting. With the Lanham Act in particular, we must ensure that the burden of proof is reasonably attainable for injured parties. And to stay true to the purposes of the Lanham Act, the answer lies in the preponderance of the evidence.

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