

TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION CLAIMS

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CURRICULUM VITAE OF ANDY TINDEL

Andy Tindel is the managing attorney of the Tyler, Texas office of the Provost Umphrey Law Firm, L.L.P. The Tyler office of Provost Umphrey specializes in the preparation, trial and appeal of a wide variety of major civil damage claims including intellectual property and technology matters, patent infringement suits, copyright and trademark disputes, securities fraud litigation, anti-trust cases, class actions, unfair competition and related business tort matters. Mr. Tindel frequently serves as an advisor, attorney and local counsel for national and overseas clients and law firms with litigation pending in the United States District Courts for the Eastern District of Texas as well as state trial and appellate courts throughout East Texas.

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EDUCATION AND BACKGROUND:

- Undergraduate: Baylor University, B.B.A. in Accounting, 1979;
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- Board Certified by the Texas Board of Legal Specialization: Civil Trial Law, Personal Injury Trial Law and Civil Appellate Law
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- Law Clerk: Hon. William M. Steger, United States District Judge for the Eastern District of Texas, 1982-1985
- Martindale-Hubbell Rating: AV
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PROFESSIONAL AFFILIATIONS:

- State Bar of Texas: Litigation Section, Intellectual Property Law Section and Appellate Law Section
- Smith County Bar Association
- American Bar Association
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- Bar Association of the United States District Court for the Eastern District of Texas: President, 2001-2002
- American Board of Trial Advocates: Advocate
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- East Texas Trial Lawyers Association
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- Litigation Section Council; Chairman 2004-2005
- Federal Judiciary Relations Committee of the State Bar of Texas, 1999-2001
- U. S. Magistrate Judge Recommendation Committee, Eastern District of Texas, 1986
- U. S. Magistrate Judge Reappointment Committee, Eastern District of Texas, 1996
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ADMITTED TO PRACTICE:

- Texas Supreme Court, 1982
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- United States District Court for the Western District of Texas, 1987
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- United States District Court for the Northern District of Texas, 1987
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1) Historical Underpinnings of Trademark Law

Trademark law is perhaps the oldest of the intellectual property laws with its roots established before recorded history. It is based upon a merchant's right to identify its goods and services with a unique name, logo or symbol that alerts the public to the fact that the good or service comes from a particular source. At its core, trademark law is designed to protect consumers against confusion as to the source of goods or services and to protect a merchant's investment in trademarks that have earned goodwill and to prevent others from using or creating deceptively similar marks or names for goods or services that compete directly with the merchant.

The law of trademarks has grown to create causes of action for: (1) dilution of famous marks, (2) blurring, (3) tarnishment, (4) false designation of origin, (5) palming off, (6) reverse palming off, (7) counterfeiting and (8) unfair competition.

2) Interplay Between Federal and State Law

Trademark rights arise from the common law, federal statutory law ("Federal Trademark [Lanham] Act", 15 U.S.C. § 1051 et seq.) and state statutory law ("Texas Trademark Act", Tex. Bus. & Com. C. § 16.01 et seq.).

The Lanham Act provides for registration of trademarks and service marks with the United States Patent and Trademark Office ("PTO") and various remedies including a remedy for infringement of registered marks [15 U.S.C. § 1114(1)], an action for use of a

false designation of origin or false and misleading descriptions or representations of fact [15 U.S.C. § 1125(a)(1)(A)], false advertising [15 U.S.C. § 1125(a)(1)(B)] and a remedy for trademark or service mark dilution [15 U.S.C. § 1125(c)].

The United States Constitution does not guarantee any rights respecting trademarks and the Lanham Act does not give the federal government exclusive right to legislate in the area of trademarks as it does with patents and copyrights and federal law does not otherwise operate to preempt state trademark acts or law. Accordingly, federal and state trademark laws coexist except in the limited situation where a state law may directly conflict with a federal law. It is important to note that federal courts do not possess exclusive jurisdiction over Lanham Act claims. **Both state and federal courts have concurrent jurisdiction over Lanham Act claims.** 15 U.S.C. § 1121; 28 U.S.C. § 1338(a).

However, a defendant may always remove a Lanham Act case brought in state court on the basis of federal question jurisdiction, pursuant to 28 U.S.C. § 1441(a) or a trademark action that is based purely on state law if there is diversity of citizenship between the parties and an amount in controversy exceeding \$75,000, pursuant to 28 U.S.C. § 1441(b). In addition, if federal law provides a defense to a purely state law trademark claim (such as a defense based on federal registration) and involves resolution of a substantial question of federal law the case may be removed to federal court. See *1st Nat'l Reserve, L.C. v. Vaughn*, 931 F. Supp. 463, 466 (E.D. Tex. 1996).

The Texas Trademark Act provides for registration with the Secretary of State in a manner similar to the system the federal government has set up in the Lanham Act. The Texas act provides more restricted remedies for infringement of a mark registered in the State of Texas [Tex. Bus. & Com. C. § 16.26] but more expansive protection for dilution of federally and state registered marks as well as common law marks [Tex. Bus. & Com. C. § 16.29]. While registration of marks under the Texas Trademark Act is historically much quicker to obtain than a federally registered mark, trademark owners overwhelmingly opt for federal registrations because they offer nationwide protection whereas state registrations provide protection only in the State of Texas.

Almost all state trademark actions are based on Texas common law rather than the Texas Trademark Act. Increasingly however, the contours of Texas common law trademark infringement actions are being shaped by national principles established by federal courts interpreting the Lanham Act, even for cases brought in state court or under state trademark law. See *Zapata Corp. v. Zapata Trading Int'l*, 841 S.W.2d 45, 49 (Tex. App. – Houston [14th Dist.] 1992, no writ).

3) Rights Protectible by Trademark Law

A “trademark” is a word, name, symbol, device, slogan or any combination of these used by a person to identify the person’s goods and to distinguish them from the goods manufactured or sold by others and to indicate the source of the goods. 15 U.S.C. § 1127; Tex. Bus. & Com. C. § 16.01(a)(5). A trademark must be affixed

to the good it is intended to identify. 15 U.S.C. § 1127; Tex. Bus. & Com. C. § 16.01(a)(1). The term “trademark” may strictly refer to the mark a merchant actually places on its goods or it may be broadly understood to additionally include service marks, trade names and trade dress. 15 U.S.C. § 1127; Tex. Bus. & Com. C. 16.01(a)(2).

A “service mark” is a word, name, symbol, device, slogan or any combination of these used by a person to identify the person’s services and to distinguish them from the services of others. 15 U.S.C. § 1127; Tex. Bus. & Com. C. § 16.01(a)(4). A “trade name” is an individual name, surname, firm name, corporate name or lawfully adopted name or title used by a person to identify a business, vocation or occupation. Tex. Bus. & Com. C. § 16.01(a)(6). The term “trade dress” refers to the total image of the product including its overall appearance (size, shape, color, color combination, texture, advertising materials, graphics, sales and marketing techniques, and layout or floor plans. *Pebble Beach Co. v. Tour 18 I, Ltd.*, 155 F.3d 526, 536 (5th Cir. 1998).

Trademarks, service marks and trade dress may be registered on the Principal Register of the PTO. Many states have their own trademark registrations, which may be applied for in addition to the federal trademark registrations available through the PTO. In Texas, registration with the Secretary of State is provided by the Texas Trademark Act. However, even an unregistered trademark that has acquired distinctiveness may be protected under the Lanham Act and Texas law.

4) When Is A Mark Protectible

A trademark serves as a label that identifies and distinguishes a particular product or service from other competing products or services. *Sport Supply Group, Inc. v. Columbia Casualty Company*, 335 F.3d 453, 461 (5th Cir. 2003). Trademarks are grouped into five separate types of marks: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary or (5) fanciful. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); see generally *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790-92 (5th Cir. 1983) Each classification reflects the strength and distinctiveness of a given mark and determines the level of protection that a particular trademark enjoys. *Amstar Corporation v. Domino's Pizza, Inc.*, 615 F.2d 252, 259 (5th Cir.), cert. denied, 449 U.S. 899 (1980); *Lawfinders Assocs. v. Legal Research Ctr., Inc.*, 65 F. Supp. 2d 414, 425 (N.D. Tex. 1998), aff'd, 193 F.3d 517 (5th Cir. 1999). There are no hard and fast rules defining the edges of each mark; rather, like an sliding scale, the edges blur and merge together. *Zatarains at 792*.

Generic and descriptive marks are not inherently distinctive. *Two Pesos*, 505 U.S. at 768; *Zatarains*, 698 F.2d at 790-91. Rather these types of marks identify a product or service but do not distinguish that product or service from others competing products or services. Because these types of marks do not distinguish their products in a manner that identifies the source of the product or service, little or no trademark protection is offered these marks. *Two Pesos*, 505 U.S. at 768; *Union National Bank of Texas, Laredo, Texas v. Union National Bank of Texas*,

Austin, Texas, 909 F.2d 839, 845 (5th Cir. 1990).

The word "airplane" is an example of a generic mark. *Sport Supply*, 335 F.3d at 460. If a registered mark becomes generic with respect to the goods or services identified in the registration, the registration may be cancelled by the PTO. 15 U.S.C. § 1064(3). "Kleenex" is an example of a distinctive mark that over time has become generic. A generic mark is not really a mark at all to the extent that it never enjoys any level of legal protection. *Union National Bank*, 909 F.2d at 844.

A descriptive mark identifies characteristics or qualities of an article or service such as function, properties, ingredients, odor, color or dimensions. *Tour 18*, 155 F.3d at 540. A descriptive mark basically serves to describe a product, such as "barbecue beans," and generally does not identify a particular source of the product, and cannot be protected. *Two Pesos*, 505 U.S. at 769; see also *Union National Bank*, 909 F.2d at 845. However, when the public almost exclusively associates a descriptive mark with a given product such that the mark has acquired distinctiveness, the mark has acquired a "secondary meaning" and is protectible. *Two Pesos*, 505 U.S. at 769. A mark acquires secondary meaning, i.e., meaning beyond its primary meaning, by becoming associated in the public's mind with the owner's goods, services or business. *Security Ctr., Ltd. V. First Nat'l Sec. Ctrs.*, 750 F.2d 1295, 1301 (5th Cir. 1985). A person asserting a distinctive mark must show that the primary significance of the mark, when used with a product or service, in the minds of the consuming public is not the product but the source. *Kellog Co. v.*

National Biscuit Co., 305 U.S. 111, 118 (1938).

The last three types of marks – suggestive, arbitrary and fanciful – link a product or service to a particular source. This linkage in the mind of the public creates a unique and distinctive trademark that is entitled to protection. *Two Pesos*, 505 U.S. at 768.

Because a suggestive mark implies something about the product rather than describes what it is, trademark protection is afforded to such marks as the public is required to link the mark to the good or service *Zatarains*, 698 F.2d at 791. Examples of suggestive marks include "Penguin" for refrigerators, "ranch style" for food products or "Business Week" for a business periodical. See *Sport Supply*, 335 F.3d at 460.

An arbitrary mark employs common words in an uncommon way, such as "apple" for computers or "blue bell" for ice cream, whereas a fanciful mark uses invented or coined words to identify a product, such as "Kodak", "Xerox" or "Exxon." *Id.*

5) The Basic Elements of Trademark Infringement

The term "infringement" means the unauthorized use of a trademark without the trademark owner's permission. 15 U.S.C. § 1114(1); Tex. Bus. & Com C. § 16.26(a). The Fifth Circuit has distilled the trademark infringement inquiry down to a two-step determination. *Security Ctrs, Ltd.*, 750 F.2d at 1298. The first step requires the court to determine whether the plaintiff has a protectible right in its mark. *Id.* A mark is protectible if it "either (1) is inherently distinctive,

that is distinctive, arbitrary, or fanciful, or (2) the mark has acquired a secondary meaning." *Two Pesos*, 505 U.S. at 769.

If the plaintiff has a protectible mark, the second step is to determine whether there is infringement. Infringement is found where there is a "likelihood of confusion" between the protectible mark and the challenged mark. *Security Ctrs. Ltd.*, 750 F.2d at 1298.

6) Determining Confusion

Trademark law is based on the prevention of confusion between goods or services in the market place. On a basic level, if there is no confusion, there is no trademark infringement. In determining if there is confusion courts use the following factors are relevant:

- (1) the type of trademark allegedly infringed,
- (2) the similarity between the two marks,
- (3) the similarity of the products or services,
- (4) the identity of the retail outlets and purchasers,
- (5) the identity of the advertising media used,
- (6) the defendant's intent,
- (7) any evidence of actual confusion,
- (8) the degree of care employed by consumers,
- (9) the extent and nature of the changes made to the product,

(10) the clarity and distinctiveness of the labeling on the rebuilt product, and

(11) the degree to which any inferior qualities associated with the reconditioned product would likely be identified by the typical purchaser with the manufacturer.

No one factor is dispositive, and a finding of a likelihood of confusion does not even require a positive finding on a majority of these factors. In addition to the listed factors, a court is free to consider other relevant factors in determining whether a likelihood of confusion exists.

Sunbeam Prods., Inc. v. W. Bend Co., 123 F.3d 246, 257 (5th Cir. 1997); *Rolex Watch USA, Inc. v. Meece*, 158 F.3d 816, 831 (5th Cir. 1998); *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 194 (5th Cir. 1998) (identifying first seven factors); *Sunbeam Prods.*, 123 F.3d at 246 (adding eighth factor); *Brandtjen & Kluge, Inc. v. Prudhomme*, 765 F. Supp. 1551, 1566-67 (N.D. Tex. 1991) (Fitzwater, J.) (adopting factors peculiar to cases involving rebuilt or repaired goods); *Neles-Jamesbury, Inc. v. Valve Dynamics, Inc.*, 974 F. Supp. 964, 970 (S.D. Tex. 1997) (following *Brandtjen*).

7) Types of Trademark Infringement

Causes of action for trademark infringement are based on products and services that use confusingly similar trademarks in the same or similar markets. The touchstone of the infringement inquiry is whether the consuming public would be confused as to the source of the goods or services based on the defendant's actions in the

market. While other causes of action in trademark law may be available if the similarity of marks and goods or services is not substantial, the claim for infringement of a trademark registration will depend in large part on the similarity of the marks on competing items in the market.

Thus if someone were to come out with a competing hand or body soap that used the word "Ivory" as its name there is a claim for trademark infringement; however, a magazine sold under the name of "Ivory Towers" would not be infringing the trademark registration for "Ivory" soap. However, this rule has exceptions.

a. Dilution

Dilution is relatively recent development in trademark law and deals with the exception to the rule that products or services must be competing in the same market. This area has developed in response to the recent trend of brand development.

In order to prevail on a federal dilution claim, you must show that: (1) the mark you are claiming protection over is famous and distinctive; (2) that someone adopted the mark after the mark had become famous and distinctive; and (3) this secondary use did in fact cause dilution in the market – e.g. diluted or harmed the value of the famous mark. 15 U.S.C. § 1125(c)(1); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 432 (2003); *Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car, Co.*, 238 F.3d 378, 380 (5th Cir. 2001).

b. Blurring

Blurring occurs when a defendant's use of an owner's trademark creates: (1) a loss of distinctiveness, and (2) creates the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's product. *Pebble Beach Co. v. Tour 181 Ltd.*, 942 F. Supp. 1513, 1567 (S.D.Tex. 1996)

c. Tarnishment

Tarnishment is the linking of an inferior product's shoddy quality or unwholesomeness to another similar product. This association between the products will cause the first mark to suffer negative associations through the defendant's use. *Scott Fetzer Co. v. House of Vacuums, Inc.*, 381 F.3d 477, 489 (5th Cir. 2004); *Hormel Foods Corp. v. Jim Henson Prods*, 73 F.3d 497, 506 (2d Cir. 1996); *Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39, 43 (2d Cir. 1994).

The United States Supreme Court has cast doubt as to whether tarnishment is still a viable claim under Federal Law, and eluded to the fact that this type of claim might only remain under state law. *See Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003). The Fifth Circuit, however, maintains that tarnishment is a valid federal cause of action under 15 U.S.C. § 1125(c)(1), as well as, Texas under Tex. Bus. & Com. Code § 16.29. *Scott Fetzer Co.*, 381 F.3d at 489.

d. False Designation of Origin

§ 43(a) of the Lanham Act, 15 U.S.C. § 1125 (a), covers false designation of origin claims. This cause of action is to prevent consumer confusion regarding the source of a product, allowing goods and services to be differentiated in the market. *Centaur Communications v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1220 (2d Cir. 1987). A false designation of origin claim can either be an allegation of passing off or palming off where the producer misrepresents its goods or services as someone else's, or "reverse passing off," when the producer misrepresents someone else's goods as its own. *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28 (2003).

e. Palming Off and Reverse Palming-Off

"Palming off" is the sale, distribution or marketing of one product as that of another. For example, if Coca-Cola would market and sell its product as Pepsi-Cola, Pepsi might have a claim for improper "palming off" against Coca-Cola. Reverse palming-off occurs where a soda salesperson fails to properly credit Coca-Cola products as coming from Coca-Cola, without an appropriate designation of origin. The absence of an appropriate accreditation in the sale of Coca-Cola products is the reverse of palming off, or "reverse palming off." *Id.*

The elements of a false designation of origin claim are:

(1) The use in connection with any goods, services, or trade dress,

(2) uses in commerce,

(3) 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, that

(A) is likely to cause confusion, mistake, deceive the affiliation, connection, association of the products, services, or confuse the origin, sponsorship, or approval of the good or service between products, or

(B) in the advertising or promotion of a good or service, misrepresents the nature, characteristics, qualities, or geographic origin of the good or service for that of another.

Id.; 15 U.S.C; § 1125(a)(1).

f. Counterfeiting

Counterfeit is defined as "a spurious mark which is identical with, or substantially indistinguishable from, a registered mark." 15 U.S.C. § 1127. Under this definition, a counterfeited mark can be the actual mark of the manufacturer. *Taylor Made Golf Co. v. MJT Consulting Group*, 265 F. Supp. 2d 732 (N.D. Tex. 2003). A counterfeited use occurs where the product is not manufactured under the care or guidance of the mark's holder. *Id. at 741*.

g. Federal Statutory Unfair Competition and Dilution

§ 43(a) of the Lanham Act is the codification of Federal Unfair Competition. The touchstone of a § 1125(a) unfair competition claim is whether the defendant's actions are 'likely to cause confusion' as to source or origin. *Matrix Essentials, Inc. v. Emporium Drug Mart, Inc. of Lafayette*, 988 F.2d 587, 592 (5th Cir. 1993). The defendant's intent is not a necessary element of this claim. *Volkswagenwerk AG v. Rickard*, 492 F.2d 474, 478 (5th Cir. 1974).

The question is "whether the defendant is passing off his goods or services as those of the plaintiff by virtue of substantial similarity between the two, leading to confusion on the part of potential customers." *Sun-Fun Prods., Inc. v. Suntan Research & Development, Inc.*, 656 F.2d 186, 192 (5th Cir. 1981) (quoting *Boston Professional Hockey Ass'n v. Dallas Cup & Emblem Mfg., Inc.*, 510 F.2d 1004, 1010 (5th Cir. 1975)).

Federal unfair competition principles create a claim for relief against any person who, in connection with any goods, uses in commerce a word, term, name, symbol, a false designation of origin, or a false or misleading description or representation of fact, which is likely to deceive or cause confusion or mistake 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. *King v. Ames*, 179 F.3d 370, 373 (5th Cir. 1999).

The elements for this cause of action are:

(1) the defendant made false statements of fact about [the goods];

(2) those statements deceived, or had the potential to deceive, a substantial segment of potential customers;

(3) the deception was material, in that it tended to influence purchasing decisions;

(4) the defendant caused its products to enter interstate commerce; and

(5) the claimant has been or is likely to be injured as a result."

Id. at 373-374 (citing *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488, 1500 (5th Cir. 1990)).

§43(c) of the Lanham Act provides a federal cause of action for dilution of a federal trademark right. 15 U.S.C. § 1125(c). As with state law causes of action for dilution, a claimant will be required to show a requisite level of fame or distinctiveness in the asserted mark. In fact, the statute specifically requires that the accused infringing use begin "after the mark has become famous." *Id.*

i. Texas Common Law Trademark Unfair Competition

Texas common law unfair competition jurisprudence generally recognizes the "passing off" type of

trademark infringement identified above. In that context, a claimant must show that the goods or business of one person are being represented as those of another business. *Gintel, Inc. v. Koslow's, Inc.*, 355 F. Supp. 236, 239 (N.D. Tex. 1973).

The claimant must demonstrate that the public is likely to be confused or deceived. *King-Size, Inc. v. Frank's King Size Clothes, Inc.*, 547 F. Supp. 1138, 1163 (S.D. Tex. 1982) (citing, *inter alia*, *McCarley v. Welch*, 170 S.W.2d 330, 332 (Tex. Civ. App.--Dallas 1943)). No proof of the defendant's intent to deceive is required. *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1191 (5th Cir. 1980); *Line Enterps., Inc. v. Hooks & Matteson Enterp., Inc.*, 659 S.W.2d 113, 117 (Tex. App.--Amarillo 1983).

Courts evaluating likelihood of confusion in claims based on Texas common law unfair competition have relied on the confusion factors analysis used for federal trademark-infringement suits. *See, e.g., Neles-Jamesbury, Inc. v. Valve Dynamics, Inc.*, 974 F. Supp. 964, 970 (S.D. Tex. 1997).

8) Damages Available

a. Injunctions

The Lanham Act allows for a court to enjoin the commercial use of an infringing mark. 15 U.S.C. § 1116. Infringing goods may also be seized and destroyed by the court. 15 U.S.C. §§ 1116, 1118. An identical remedy is provided by Texas law. *Tex. Bus. & Com. C. § 16.26(c)*.

b. Monetary Damages

If a claimant proves infringement the court may award:

1. defendant's profits,
2. any damages sustained by the claimant (lost profits), and
- (3) the costs of the action.

15 U.S.C. § 1117(a).

In assessing profits, the infringed party need only prove the infringer's sales. The infringing party must prove all costs and deductions that should be charged against the sales. 15 U.S.C. §1117(a); *Tiddies, Inc. v. Brown*, 2005 U.S. Dist. LEXIS 3456 (N.D. Tex. 2005).

In determining the compensatory damage award, a court may examine the circumstances of the case to determine if any additional amount beyond that proven should be awarded or if the proven amount should be reduced. 15 U.S.C. §1117(a); *Tiddies*. However, the amount ultimately awarded by the court cannot exceed three times the proven compensatory damages. 15 U.S.C. §1117(a). The possible trebling of the compensatory award is considered compensation, not a penalty. 15 U.S.C. §1117(a).

The following factors may be considered by a court in determining whether to increase the amount of a compensatory award:

- (1) whether the defendant had the intent to confuse or deceive,

- (2) whether sales have been diverted,

- (3) the adequacy of other remedies,

- (4) any unreasonable delay by the plaintiff in asserting his rights,

- (5) the public interest in making the misconduct unprofitable, and

- (6) whether it is a case of palming off.

Rolex Watch USA, Inc. v. Meece, 158 F.3d 816, 823 (5th Cir. 1998).

c. Lost Goodwill

Damage to the goodwill established by the holder of a mark is determined either by a reasonable royalty for the infringer's use, or the cost of corrective advertising - whether the advertising is undertaken or not. *Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 988-89 (9th Cir. 1995); *Big O Tire Dealers, Inc. v. Goodyear Rubber and Tire*, 561 F.2d 1365 at 1374-75 (10th Cir. 1977). *Sands, Taylor & Wood v. Quaker Oats Co.*, 34 F.3d 1340, 1350-51 (7th Cir. 1994); *A & H Sportswear Co., Inc. v. Victoria Secret Stores, Inc.*, 967 F. Supp. 1457, 1479-81 (E.D. Pa. 1997).

In determining a reasonable royalty for trademark infringement the following "Georgia Pacific factors" also used in patent infringement claims are considered:

- (1) the royalty rates received in prior licenses by the licensor;

- (2) prior rates paid by the licensee;

- (3) the licensor's licensing policies;
- (4) the nature and scope of the infringer's infringing use;
- (5) the special value of the mark to the infringer;
- (6) the profitability of the infringer's use;
- (7) the lack of viable alternatives;
- (8) the opinion of expert witnesses; and
- (9) the amount the licensor and licensee would have agreed upon in voluntary negotiations.

Georgia-Pacific Corp. v. U.S. Plywood-Champion Papers, Inc., 318 F. Supp. 1116 (S.D.N.Y. 1970), *modified and aff'd.*, 446 F.2d 295 (2nd Cir. 1971), *cert. denied*, 404 U.S. 870 (1971).

In determining the amount of an award for corrective advertising courts determine what is a reasonable amount to make the infringed party whole. That is, what amount of advertising will be required to correct the confusion in the public. *Big O Tire Dealers*, 561 F. 2d at 1374.

d. Statutory Damages

In lieu of actual damages in a counterfeiting action, an infringed party may elect to recover statutory damages. 15 U.S.C. § 1117 (c). Statutory damages are not less than \$500 nor more than \$100,000 per counterfeit mark. The actual amount will be determined by the court based on the facts of the case. 15 U.S.C. § 1117(c)(1). If the facts show the counterfeiting was willful, the

statutory award can be increased up to \$1,000,000 per counterfeit mark. 17 U.S.C. §1117(c)(2).

For trademark infringement of an internet domain name, the true trademark holder may elect to recovery statutory damages between \$1,000 to \$100,000 per domain name. 15 U.S.C. §1117(d).

e. Attorney Fees

In exceptional cases, the court may award reasonable attorney fees to the prevailing party. 15 U.S.C. § 1117(a); *Rolex*, 158 F.3d at 823. Exceptional cases are those where a party acted maliciously, fraudulently, deliberately, or willfully. *Taylor Made Golf Co.*, 265 F. Supp. 2d at 732.

9) Texas Statutory Trademark Law

Texas, like many states, has its own causes of action relating to trademark rights. In examining the actions available, there are distinct differences and additional elements that need to be proven over that required under the Lanham Act. One important difference is that under the Texas statute actual confusion is not required, only the possibility of confusion. *Exxon Corp. v. Oxxford Clothes, Inc.*, 109 F.3d 1070, 1081 (5th Cir. 1997); Tex. Bus. & Com. Code Ann. § 16.29.

10) Texas Common Law Claims

Texas common law recognizes various causes of action that provide protection to intellectual property rights. Such claims are often classified as unfair competition claims under Texas law.

These claims require additional elements of proof not required by the federal patent, copyright or trademark laws, and as such, are generally not preempted by the federal law.

a. Misappropriation

The United States Supreme Court expressly recognized the tort of misappropriation in its ruling in *International News Service v. Associated Press*, 248 U.S. 215 (1918), a pre-*Erie* decision interpreting federal common law. Many state courts subsequently recognized the common law tort of misappropriation as a valid state law claim. See, e.g., *Gilmore v. Sammons*, 269 S.W. 861 (Tex. Civ. App.—Dallas, writ ref'd).

The leading Texas case on misappropriation is *United States Sporting Products, Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214 (Tex. App.—Waco 1993, writ denied). In *Johnny Stewart Game Calls*, the plaintiff had engaged in an extremely labor-intensive process to capture animal sounds and to record them on cassette tapes so that hunters could use the tapes to lure their prey closer. *Id.* at 216. The defendant had allegedly bought the plaintiff's tapes, copied them, and marketed them as his own in direct competition with the plaintiff. *Id.*

In upholding the jury's verdict in favor of the plaintiff, the Waco court of appeals recognized the following elements of common law misappropriation under Texas law:

(i) the creation of plaintiff's product through extensive time, labor, skill and money,

(ii) the defendant's use of that product in competition with the plaintiff, thereby gaining a special advantage in that competition (*i.e.*, "a free ride") because defendant is burdened with little or none of the expense incurred by the plaintiff, and

(iii) commercial damage to the plaintiff.

Id. at 218.

Remedies for misappropriation under Texas common law include injunctive relief, compensatory damages, and exemplary damages. *Id.* at 219. For example, the court of appeals in *Johnny Stewart Game Calls* affirmed the jury's damage award of \$209,000 in actual damages and \$482,125 in exemplary damages. *Id.* at 216.

An award of exemplary damages must be supported by implied or legal malice. *Id.* at 222. Malice may be implied if the defendant knowingly misappropriates the plaintiff's product without justification. *Id.* at 222-23. The *Johnny Stewart Game Calls* court held that the award of exemplary damages that was less than three times the compensatory damages awarded was not unreasonable under the facts of the case. *Id.* at 223.

b. Palming Off

Under Texas law, a claim of “palming off” (or “passing off”) is essentially a common law cause of action for trademark infringement. *Dixiepig Corp. v. Pig Stand Co.*, 31 S.W.2d 325 (Tex. Civ. App.—Dallas 1930), *cert. denied*, 283 U.S. 831 (1931). This tort is based on the unauthorized use of the plaintiff’s trademark or trade name. *Graham v. Mary Kay Inc.*, 25 S.W.3d 749, 753 (Tex. App.—Houston [14th Dist.] 2000, *pet. denied*).

A prima facie case of palming off is established when the plaintiff shows 1) that its trademark or trade name has acquired secondary meaning and 2) the use of the defendant’s mark or trade name will likely cause confusion in the public as to the source of the products. *Id.* Secondary meaning means that the trademark or trade name identifies the designated product “in the mind of the public as that of a particular producer.” *Hanover Mfg. Co. v. Ed Hanover Trailers, Inc.*, 434 S.W.2d 109, 111 (Tex. 1968).

The likelihood of confusion test applied in trademark infringement actions under federal law is likewise applied to state law trade mark infringement claims brought under Texas law. *Conan Props., Inc. v. Conans Pizza Inc.*, 752 F.2d 145, 149 (5th Cir. 1985) (upholding jury verdict finding defendant liable for trademark infringement under federal law and liable for Texas common law causes of action).

Prevailing plaintiffs may recover compensatory damages as a result of the palming off. *Miller v. Lone Star Tavern*, 593 S.W.2d 341, 345 (Tex. Civ. App.—Waco 1979, *no writ*). The measure of compensatory damages available in an action for unfair competition based on palming off is lost profits, which must be proven to a reasonable certainty. *Associated Tel. Directory Publishers, Inc. v. Five D’s Publ’g Co.*, 849 S.W.2d 894, 898-99 (Tex. App.—Austin 1993, *no writ*).

At least one court has indicated that punitive damages may be awarded if there is a finding that the defendant willfully engaged in palming off. *Neles-Jamesbury, Inc.* 974 F. Supp. at 982. Tex. 1997). Injunctive relief may also be awarded to a prevailing plaintiff. *Hanover Mfg.*, 434 S.W.2d at 113.

c. Unfair Competition

Under Texas law, unfair competition is “the umbrella for all statutory and non-statutory causes of action arising out of business conduct which is contrary to honest practice in industrial or commercial matters.” *Johnny Stewart Game Calls, Inc.*, 865 at 217 (quoting *Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 14 (5th Cir. 1974)). In order to establish the tort of unfair competition, the plaintiff must show that the defendant committed an independent tort or otherwise illegal act that interfered with the plaintiff’s business. *Schoellkopf v. Pledger*, 778 S.W.2d 897, 904-05 (Tex. App.—Dallas 1989, *writ denied*).

State law intellectual property claims that can support claims for unfair competition, or are themselves claims for unfair competition, include common law misappropriation and palming off. While there is disagreement among Texas courts as to whether unfair competition is itself a separate tort, it would seem that an independent claim for unfair competition could be maintained in situations where the illegal or unlawful act would not support a private cause of action.

Claims of misappropriation and palming off are generally considered independently of any distinct “unfair competition” claim and are more likely to be considered separate causes of action that fall within the general category of unfair competition. *Sefton v. Jew*, 201 F. Supp. 2d 730, 745 (W.D. Tex. 2001) (citing *U.S. Sporting Prods., Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 217 (Tex. App.—Waco 1993, writ denied)).

In addition to actual damages, punitive damages may also be available in unfair competition cases as long as there is “a finding of an independent tort with accompanying actual damages.” *Avanti Sales Int’l, Inc. v. Pycosa Chems., Inc.*, 2005 LEXIS 8679 (Tex. App.—Houston [1st Dist.] Oct. 20, 2005, no pet. h.).

Miscellaneous

In contrast to federal court practice, under Texas law, a right to a jury trial of factual issues exists in an equitable action. *State v. Texas Pet Foods, Inc.*, 591 S.W.2d 800, 803

(Tex. 1979). However, although Texas law allows submission of fact issues for jury determination in an equitable proceeding, the trial court, not the jury, determines the “expediency, necessity or propriety of equitable relief. *Burrow v. Arce*, 997 S.W.2d 229, 245-246 (Tex. 1979). The court, not the jury, also determines the scope of any injunctive relief granted. *Operation Rescue v. Planned Parenthood*, 975 S.W. 2d 540, 560 (Tex. 1998).