A Survey of Damage Awards in Counterfeiting Cases

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This article addresses the damages that are available to plaintiffs in counterfeiting cases (*i.e.*, where it is alleged that copyrights and/or trademarks have been infringed by the importing, copying, selling and/or distributing of allegedly pirated goods). The purpose is to survey the damages awarded in piracy cases across the United States, to provide an overview of some of the more interesting and influential fact patterns giving rise to piracy claims, and to analyze the factors that can affect awards of damages in such cases. This article does not address the Prioritizing Resources and Organization of Intellectual Property Act (PRO-IP) or any changes it brings to this area of law.

The Statutory Framework: A Brief Overview

When a defendant violates a federally registered copyright or trademark, the rights owner can be awarded damages in the form of sustained losses, profits made by the defendant and/or statutory damages, and attorney fees and costs incurred in pursuing the litigation under the Copyright Act and the Lanhan Act.[1]

Statutory Damages

Because the majority of piracy cases involve awards of statutory damages, the predominant focus of this article will be on statutory damages awards, and the factors that tend to influence the size of such awards.

Under 17 U.S.C. § 504, successful plaintiffs can seek actual damages or statutory damages, at their election. With respect to statutory damages, a plaintiff can obtain \$750 to \$30,000 for non-willful infringements, and up to \$150,000, at the Court's discretion, if the counterfeiter's conduct is found to be willful.[2] Under 15 U.S.C. § 1117, plaintiffs can seek actual damages or treble damages for the willful use of a counterfeit mark,[3] or statutory damages ranging from \$500 to \$100,000 per non-willful use of a counterfeit mark,[4] or from \$100,000 to \$1,000,000 for willful infringements. Both copyright and trademark damages can be awarded for the same infringement.[5]

What Is a "Counterfeit" Mark?

The Lanham Act defines a counterfeit mark as: "(i) a counterfeit of a mark that is registered on the principal register in the US Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or (ii) a spurious designation that is identical with, or substantially indistinguishable from another's mark."[6]

US Courts have used this definition to find that a product or mark is counterfeit in situations other than where a mark has simply been copied and placed on pirated products. For instance, in 2005, the Ninth Circuit held that an award of statutory damages under 15 U.S.C. § 1117(c) was proper when the defendant continued to use the plaintiff's mark on potato packaging after the parties' license agreement for the use of that mark had expired. The Court held that the unauthorized use constituted trademark counterfeiting, and that the distribution of the packaging was likely to cause confusion.[7]

Courts also have found items to be "counterfeit" when products' integral parts have been modified or replaced and then the modified product sold under the original trademark without full disclosure to the consuming public. A good example of this scenario can be found in cases brought by watch manufacturers.[8]

In *Rolex Watch v. Meece*, the defendant sold large quantities of new Rolex watches to which it added non-genuine working parts such as diamond bezels and diamonds for the watches' dials and bracelets. The question before the Fifth Circuit was whether the products the defendant sold were "counterfeit" items within the meaning of Section 1116(d). The defendant argued that they were not, because despite the addition of non-genuine parts, the items bore original Rolex trademarks rather than copies of Rolex's marks. On remand, the District Court disagreed. Other courts have found products to be counterfeit based on similar analyses.[9]

Damage Awards in Counterfeiting Cases Generally

Our survey of the counterfeiting cases across the United States revealed a number of factors that can influence awards of statutory damages under the Copyright and Lanham Acts. Awards are significantly larger when a defendant's conduct is deemed willful, which often results from the presence of the following factors: repeated piracy violations; ignoring court orders and injunctions; the operation of large-scale counterfeiting enterprises; continued importations or sales after a Customs seizure; large quantities of infringing goods being imported or sold; high profits reaped from any counterfeiting ventures; a lack of cooperation in the lawsuit and in turning over evidence of ill-gotten profits; an infringer's familiarity with the relevant industry and chains of distribution; deviation from conventional retail chains; the use of the Internet to sell counterfeit items; chasing cheaper products; ignoring warning signs; and any notice given to defendants of their illegal activities, to name but a few.

As stated above, plaintiffs can obtain up to $1,000,000 in statutory damages under Section 1117(c) for each willful use of a counterfeit mark. Below we discuss some of the more notable cases in which plaintiffs have obtained comparatively high awards of damages and the apparent reasons for those awards.

A Sample of High Damage Award Cases

In *Philip Morris USA Inc. v. Marlboro Express*,[10] the plaintiff tobacco company was awarded $4,000,000 in statutory damages for the willful violation of four separate trademarks—the maximum amount that can be awarded under Section 1117(c). Phillip Morris discovered that the defendants imported over 200,000 cigarette cartons into the United States, containing millions of counterfeit cigarettes, in at least five separate shipments. The defendants defaulted by not appearing in the action. In assessing an award of damages, the Court found that the defendants acted willfully, seeking guidance from the case law on determinations of willfulness to be found under 17 U.S.C. § 504. The Court noted defendants' admissions to the counterfeiting allegations during prior related criminal proceedings, the extremely large quantity of counterfeit cigarettes imported, and the potential profit defendants expected to derive from the subsequent sales in determining damages.

In a factually similar case, *Philip Morris USA v. Castworld Products*,[11] the Court awarded Philip Morris $2,000,000 for the violation of two trademarks after the importation of over 40,000 cartons of cigarettes. The defendant defaulted from the inception of the lawsuit. Willfulness was inferred from the defendant's default and from the quantity of cigarettes imported.

In *Microsoft Corp. v. Grey Computer*,[12] Microsoft obtained $3,800,000 in trebled profits under Section 1117(b), and $300,000 in statutory damages under 17 U.S.C. § 504, for the violations of one Microsoft trademark and two of its copyrights. The Court found the defendant's conduct to be willful because it sold as many as 45,848 counterfeit units, it had extensive industry familiarity and experience, and it exhibited a high degree of willful blindness in connection with its purchases from suppliers and its sale of counterfeit products. The defendants received and ignored notices from Microsoft that its products were likely to be counterfeit in nature, and knew that the software at issue was normally sold alongside personal computer units as a "package," yet the defendants were selling those computer units independently. The defendants obtained their stock from unauthorized suppliers, whose invoices contained inaccurate descriptions of the products being sold, but ignored these factors and continued to sell the illegal software.

In another default judgment case, *Burberry Limited v. Hesham Barakat*,[13] Burberry sued the defendants in the Middle District of Florida, claiming that they promoted and sold counterfeit Burberry products bearing marks identical to its trademarks. The Court entered a default judgment against the defendants for $23,000,000.

Egregious Litigation Conduct

Egregious or generally obstructive litigation conduct can lead to higher damages awards. In *Rolex v. Jones*, the *pro se* defendant's response to the complaint, sent by letter to the Court, proclaimed that replica watches "are sold all day long on the street not four blocks from the law office of [plaintiff's counsel]." Unsurprisingly, the Court was unimpressed with the defendant's approach to the lawsuit at the outset. After attending two settlement conferences, the defendant next failed to respond to the plaintiff's discovery demands and to its motion for summary judgment. Soon after committing those defaults, the defendant called the Court from a Nebraska jailhouse, announcing his plans to plead "not guilty" and expressing his willingness to participate in the litigation. By letter, the Court ordered the defendant to comply with discovery. The letter was returned because the defendant was apparently no longer incarcerated at that jail. The plaintiff's counsel later discovered that the defendant had been incarcerated in another jail, this time in Omaha. The Court accepted that the defendant was unlikely to appear again in the action to defend against the plaintiff's claims, and granted Rolex's motion for default judgment, awarding $500,000 and attorney fees under Section 1117(c) for the violation of Rolex's trademark.[14]

Similarly obstructive behavior appeared to affect the damages award in *Gucci America, Inc. v. Duty Free Apparel Ltd.*[15] In that case, the defendant was accused of selling counterfeit Gucci clothing. The defendant failed to produce adequate records in discovery and was found to have purchased its counterfeit products from unauthorized suppliers after Gucci had confirmed that those suppliers sold counterfeit goods, even after an injunction. After the injunction had been issued, the defendant merely sought verbal assurances of the authenticity of the products it purchased, which the Court deemed insufficient. Strikingly, the defendant claimed it had destroyed or disposed of its counterfeit inventory, but continued to sell those counterfeit items from a secret stash at his home in Long Island, New York. The Court awarded Gucci $2,000,000 in damages for the infringement of two marks.

Factors Leading to an Inference of Willfulness

As noted earlier, a defendant's intent to infringe weighs heavily on courts' damages assessments. For instance, treble damages are available for showings of willful infringements under Section 1117(b).[16] As stated, with respect to statutory damages, increased awards are available to plaintiffs upon showings of willfulness.

Neither 17 U.S.C. § 504(c)(2) nor Section 1117(c) define what "willful" conduct is, but the case law interpreting both statutes is replete with guidance in this regard. In general, the standard for willfulness in a copyright or trademark action is not limited to actual knowledge, or intent, but includes constructive knowledge, derived from willful blindness or reckless disregard for the copyright and/or trademark holder's interests.[17] The inquiry is a subjective one, focusing on what a defendant knew or suspected and what he or she did with those suspicions.[18]

Findings of willfulness in the piracy context generally arise when a defendant either knew or should have known that its products were counterfeit, or when it ignored signs of questionable authenticity. In *Microsoft Corp. v. Logical Choice Computers*,[19] the Court found that the defendants acted with knowledge, or that they were at least willfully blind to the illegality of their activities, and awarded Microsoft $1,540,000 in statutory damages for the infringement of seven trademarks and seven copyrights ($200,000 per trademark and $20,000 per copyright). The defendants were members of the Microsoft-implemented "Delivery Service Partner" program, which issues its members with a list of authorized Microsoft software distributors. As members of that program, the defendants were aware of authorized distributors from whom they could obtain authentic Microsoft software, and received regular communications regarding Microsoft's distribution programs and other information designed to prevent program members from dealing with potential counterfeiters or unauthorized products. The defendants ignored that information and chose instead to purchase their Microsoft products from unauthorized suppliers that charged dubiously low prices and used suspicious invoice codes to mask the identity of the products they sold. The Court also considered influential the defendants' continued purchase of products from the same unauthorized suppliers even after receiving a cease and desist letter from Microsoft notifying them that the same suppliers were suspected of selling counterfeit products.

The Court in *Microsoft v. Compusource Distributors, Inc.* found the defendants' behavior to be willful based on similar facts. The defendants also received a cease and desist letter, yet continued to purchase from their unauthorized suppliers, from whom they only sought verbal assurances of the authenticity of the software they were selling. The Court found that "the constant availability of units at inordinately low prices" and the defendants' ignoring of "mysterious [invoice] codes" showed that the defendants had notice that their suppliers were not distributing legal software.[20] Interestingly, during its damages assessment, the Court looked at the number of goods the defendants sold, and estimated the total number of counterfeit products sold by extrapolating the percentage of counterfeit products from the total number of goods purchased by the plaintiffs and their investigators.[21] The Court awarded Microsoft $535,000 for the infringement of eight trademarks and nine copyrights. The size of the damage awards in these two cases differed in part because of the amounts specifically requested by Microsoft.

Conversely, in *Philip Morris USA v. William W. Lee*, the Western District of Texas Court found one of the defendants whom Philip Morris sued for the importation and sale of counterfeit cigarettes to have not acted willfully, or with willful blindness to the potential illegality of his activities. The Court found that the defendant Lee, who imported and sold counterfeit cigarettes, did not act with willful blindness because he had no reason to suspect the cigarettes at issue were pirated. His established knowledge of importation of goods did not extend to the cigarette industry, and he ceased importing and selling cigarettes after the seizure by Customs that led to the suit. While the Court opined that Lee could have done more to verify the nature of the cigarettes, he did seek to establish their authenticity by requesting a manufacturer's certificate and sample cigarettes.[22]

The Sale of Counterfeit Products via the Internet

A number of decisions show that a counterfeiter's sale of pirated items through the Internet can cause a court to award higher amounts of damages. In *Louis Vuitton v. Veit*, the Court awarded $1,500,000 for the infringement of three trademarks pursuant to Section 1117(c). The defendants continued selling counterfeit products after receiving a cease and desist letter, and failed to appear at court hearings. The Court, in its decision, noted the significance of the defendant's use of the Internet to sell counterfeit products which provided defendants with exposure to a huge number of customers. The Court said:

> This case represents the new era of counterfeiting. No longer are these cases limited to the street vendor. Now, counterfeiters have the Internet as their arsenal…While the record contains no evidence of the actual scope of the defendants' sales, nor the number of hits the website received, given the scope of the Internet supermarket, such sale offerings are presumptively quite high and proscribed by the Lanham Act.[23]

Other cases have emphasized the importance of the Internet as the point of sale when awarding high amounts of damages.[24]

Counterfeiters' Financial Hardship or the Absence of Financial Injury to Copyright or Trademark Owners

A common claim made by counterfeiters is that they either did not profit from their illegal conduct, or that they do not have any money. Alternatively, defendants often claim that the rights-owner did not suffer significant financial injury from any alleged pirated sales. Counterfeiters raise such arguments with mixed success.

In *Lorillard Tobacco Co. v. S&M Central Service Corp.*, the Court awarded a significant amount of damages despite the defendant's claims of having made little profit from the infringement. The plaintiff tobacco company was awarded $50,000 per infringed trademark, for a total of $250,000. Although the plaintiff purchased only two cartons of counterfeit cigarettes, an *ex parte* seizure revealed that the defendant possessed 83 more counterfeit cartons. The defendant's willfulness also was found to have been evident from its purchasing of lower priced goods, its failure to seek the advice of counsel, and its failure to adequately inspect the goods. As stated, the defendant highlighted that it made little profit from the sales, and argued that fact in trying to reduce the size of the damage award. The Court rejected the defendant's argument, believing that a high award would sufficiently deter the defendant and future infringers, noting "a counterfeiter must fear more than just having to turn over his ill-gotten gains to the rightful owners. Instead, the counterfeiter must understand that he risks his financial future by engaging in his illegal practice."[25]

In other cases, defendants' limited financial means have weighed in their favor in the context of damages assessments.[26]

Similarly, defendants have been spared high awards of damages when plaintiffs have apparently suffered little actual injury. In *Microsoft Corp. v. V3 Solutions, Inc.*, for example, despite finding the defendant's conduct to constitute willful blindness (inferred by its seeking out of cheaper prices, ignoring of its suppliers' slack recordkeeping, and continuing of its illegal conduct after receiving Microsoft's cease and desist letter), the Court accepted the defendant's "strong" argument that only a handful of units were found to be pirated, and awarded $70,000 in trademark and copyright damages together (for the infringement of seven copyrights and seven trademarks).[27]

The Effect of Default

As can be seen from the cases brought by *Philip Morris* discussed above, and other cases, defaulting defendants often are ordered to pay higher awards of damages.[28] While the courts generally accept the allegations in a complaint to be true when entering a default judgment, the damages to be awarded under such circumstances are independently assessed.[29] Statutory damages are especially appropriate as awards in default judgment cases because evidence of actual damages or of a counterfeiter's profits is difficult to come by when a defendant fails to appear.[30]

The Effect of Notice Given to Defendants, and Any Repeated or Continued Infringements

Unsurprisingly, courts look with disfavor on defendants who continue to deal in counterfeit goods after receiving notice of their illegal conduct, or who ignore a court order to discontinue their illegal activities. In fact, the continuation of counterfeiting activities after receiving notice weighs heavily in the courts' determination of willfulness and any resulting damages assessments.

In *Microsoft Corp. v. Tierra Computer*, the court apparently had no problem finding that the defendant's conduct was willful when it continued to engage in its counterfeiting activities after jointly stipulating to an injunction. The Court only awarded the maximum amount of non-willful statutory damages under Section 504 and Section 1117 per copyright and trademark, for a total of $1,450,000, but noted, "[g]iven this Court's finding of Defendants' violation of a permanent injunction, Plaintiff might have requested willful damages…"[31]

Other cases have impugned defendants for continuing their counterfeiting activities after being given notice of their illegal conduct.[32] Of course, a defendant's continuation of its conduct in this manner is not decisive when a court determines whether willfulness exists. In *Nike, Inc. v. Variety Wholesalers, Inc.*, the Court found the defendant's infringement of nine trademarks to be non-willful because it sought assurances from its suppliers that their goods were genuine. The Court ordered the defendant to pay $900,000 to Nike, despite defendants' breaching of a settlement agreement in connection with its prior sales of counterfeit Nike products.[33]

Reaching Outside the Conventional Chain of Distribution for Better Deals

Defendants can be ordered to pay higher awards of damages when they are found to have reached outside a conventional chain of distribution, often in search of significantly lower priced goods.[34]

In *Screen Gems-Columbia Music v. Mark-Fi Records*,[35] for example, the defendants purchased bootlegged musical compositions from a "fly by night" company at suspiciously low prices, and released an album called "Twenty Original Hits," which contained four pirated copies of plaintiff's musical compositions. The Court denied defendants' motions for summary judgment, finding that a reasonable jury could decide that defendants either knew or should have known of the counterfeit nature of the compositions at issue because of the low prices at which they purchased them.

In *Gucci America v. Daffy's, Inc.*, the defendant sold Gucci products at discount prices. It purchased those products outside the normal chain of distribution without authenticating documentation at significantly reduced prices. In his dissent, Circuit Judge Rosenn J. described the defendant's operations as an inherently "high risk business," and observed, "Daffy's did not acquire the counterfeit bags directly from Gucci or through the normal chain of distribution. It purchased them without any supporting documentation from a middleman, Sara's Collections. Therefore, it knew that the nature of its business involved the risk of selling counterfeit or stolen merchandise."[36]

Sizeable Profits

Courts tend to award high amounts of damages when it is shown that a defendant's operation is extensive, or that it derived substantial profits from the infringements in suit or from its counterfeiting operation in general. In *Sarah Lee Corp. v. Bags of N. Y.*, the defendant profited at least $250,000 from its counterfeiting operation, and was ordered to pay Sarah Lee treble damages under Section 1117(b) because of its willful conduct. The defendant had advertised its sale of plaintiff's products as COACH "look-a-likes," and continued its infringements after defaulting and swearing to cease its illegal conduct.[37] The Court also awarded attorney fees in addition to the $750,000 under Section 1117(b).

The Court in *Microsoft v. Software Wholesale Club Inc.* also noted the significance of the defendant's gross profits of $2,440,666 from illegal sales, but only awarded the damages that Microsoft actually requested in that case—damages for non-willful infringement, in the amount of $440,000 ($15,000 per copyright and $50,000 per trademark).[38] Presumably the Court would have awarded more under Sections 1117(b) or 1117(c) if Microsoft had so requested and had evidence that such profits were obtained illegally.

The Infringement of Multiple Marks

When courts are faced with counterfeit lawsuits involving multiple copyright and/or trademarks, the trend is for courts to award "compressed" damages, either in the form of one large amount to redress the infringement of multiple marks, or smaller amounts per mark, rather than giving plaintiffs a windfall by simply multiplying sets of awards.[39]

Notes for the Practitioner

Attorney Fees

Attorney fees are expressly provided for in cases of copyright infringement under 17 U.S.C. § 505, but are only allowed in "exceptional" cases of trademark infringement under 15 U.S.C. § 1117. The exceptional nature of a suit must be demonstrated by the prevailing party by clear and convincing evidence.[40] "Exceptional" is not defined in the statute, but the case law suggests that attorney fees are generally awarded when the defendants' infringing acts are characterized as willful, fraudulent, or malicious.[41] In *Microsoft Corp. v. Black Cat Computer Wholesale, Inc.*, the Court stated that "[a] willful infringement may be considered an exceptional case under the Lanham Act."[42] Some courts have decided that a finding of willfulness does not automatically mean that a case should be considered exceptional, and should not bind a court to such a finding.[43]

Other courts have questioned whether attorney fees are available when a plaintiff is seeking statutory damages under Section 1117(c) as opposed to actual damages under Sections 1117(a) or 1117(b),[44] but in most cases plaintiffs can obtain awards of reasonable attorney fees even when statutory damage awards are sought.[45]

Evidence to Support Request for Damages

It is advisable for practitioners to present the court with sufficient evidence to support the damages their clients seek in the form of lost profits or ill-gotten gains. In *Rodgers v. Anderson*, the plaintiff sought $500,000 in statutory damages under Section 1117(c) for the violation of a single trademark. The Court awarded half that amount, noting that the plaintiff had not presented any evidence of damages or profits to support the request, nor had he presented evidence of analogous cases in which such awards were given under similar circumstances.[46]

In some cases, courts have extrapolated the percentage of counterfeit units from those bought or seized in assessing the amount of profits made from the sale of pirated products or in determining the scale of defendants' counterfeiting operations. In *Levis Strauss & Co. v. Sunrise Trading, Inc.*, an inspection revealed two counterfeited pairs of jeans, yet the Court found that the defendants had "engaged in an illicit enterprise involving numerous transactions to manufacture and sell counterfeit products."[47]

Effect of Cease and Desist Letters

As discussed previously in this article, the sending of cease and desist letters to suspected counterfeiters can factor in assessments of willfulness for damages purposes if they are ignored. Accordingly, it is good practice to send cease and desist letters to infringing parties before initiating suit, depending on the needs and objectives of the clients involved.

Summary Judgment on Liability and Willfulness

Summary judgment can be granted in cases involving the sale or distribution of counterfeit copyrights and trademarks.[48] When damages are sought for non-willful infringement, a specific finding of willfulness is not required and the court can award damages in the amount it considers appropriate within that range.[49] In some cases, however, courts have made determinations of willfulness at summary judgment. In *Microsoft v. Black Cat Computer Wholesale*, for example, the plaintiff's motion for summary judgment was granted because it was found that no trier of fact could find that the defendant's conduct was non-willful, given Black Cat's continuation of its infringing conduct after receiving a cease and desist letter, the large number of unauthorized units sold, and the fact that the company's principals were former Microsoft employees.[50]

1. 17 U.S.C. § 504; 15 U.S.C. § 1117.
2. 17 U.S.C. § 504 (c) provides:

> Statutory Damages: (1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.
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> (2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200.

3. 15 U.S.C. § 1117(a) provides:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125 (a) or (d) of this title, or a willful violation under section 1125 (c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover
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> (1) defendant's profits,
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> (2) any damages sustained by the plaintiff, and
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> (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.
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> (b) Treble damages for use of counterfeit mark
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> In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of section 1114 (1)(a) of this title or section 220506 of title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116 (d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 (a)(2) of title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

4. 15 U.S.C. §1117(c) provides:

> Statutory damages for use of counterfeit marks:
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> In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages

for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

(1) not less than $500 or more than $100,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than $1,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

5. "Even when based on the same act, copyright infringement and trademark infringement are separate violations and, therefore, 'in order to effectuate the purposes of both statutes, damages may be awarded under bot*h.*'" Twentieth Cent. Fox Film Corp. v. Entm't Distrib., 34 Fed. Appx. 312, 315 (9th Cir. 2002), *rev'd on other grounds*, *quoting* Nintendo of Am., Inc. v. Dragon Pac. Int'l, 40 F.3d 1007, 1011 (9th Cir. 1994).
6. 15 U.S.C. § 1116(d)(1)(b).
7. Idaho Potato Commission v. G&T Terminal Packaging, Inc., 425 F.3d 708 (9th Cir. 2005).
8. *See, for example*, Rolex Watch USA, Inc. v. Meece, 158 F.3d 816 (5th Cir. 1998); Bulova Watch Co. v. Allerton Co., 328 F.2d 20 (7th Cir, 1964) (defendant's use of Bulova's trademark enjoined when the defendant removed genuine Bulova watch dials and movements and placed the authentic movement devices in new diamond-decorated cases).
9. *See, for example*, Westinghouse Elec. Corp. v. General Circuit Breaker & Electric Supply, Inc., 106 F. 3d 894, 900 (9th Cir. 1997) (finding reconditioned and relabeled circuit breakers to be counterfeit); General Electric Co. v. Speicher, 877 F.2d 531, 534 (7th Cir. 1989) (trademark counterfeiting found when defendant placed unauthentic products in boxes bearing General Electric stamps).
10. Philip Morris USA Inc. v. Marlboro Express, 2005 U.S. Dist. LEXIS 40359, 26–29 (E.D.N.Y. 2005).
11. Philip Morris USA Inc. v. Castworld Prods., Inc., 219 F.R.D. 494, 501–502 (C.D. Ca. 2003).
12. Microsoft Corp. v. Grey Computer, Inc., 910 F. Supp. 1077 (S.D. Ma. 1995).
13. Burberry v. Barakat, No. 07-431(M.D. Fla. June 29, 2007).
14. Rolex Watch U.S.A. v. Jones, 2002 U.S. Dist. LEXIS 6657, *19 (S.D.N.Y. 2002).
15. Gucci Am., Inc. v. Duty Free Apparel Ltd., 315 F. Supp. 2d 511, 526 (S.D.N.Y. 2004).
16. 15 U.S.C. § 1117(b).
17. *See, generally*, Van Der Zee v. Greenidae, 2006 U.S. Dist. LEXIS 400, *8 (S.D.N.Y. 2006) ("Willful infringement may be inferred from a defendant's knowledge, whether actual or `constructive,' that its conduct constitutes infringement") (internal citations omitted); Berg v. Symons, 393 F. Supp. 2d 525, 539 (S.D. Tex. 2005) (To prove willful infringement, "the plaintiff must show (1) that the defendant was actually aware of the infringing activity, or (2) that the defendant's actions were the result of reckless disregard for, or willful blindness to, the copyright holder's rights.") (internal citations omitted); Spectravest, Inc. v. Fleet Street, Ltd., 13 U.S.P.Q. 2d 1457, 1461 (N.D. Cal. 1989) (holding that a defendant's actions are willful if he knew or should have known that his actions would constitute infringement) (emphasis added); Reebok Int'l, Ltd. v. Jemmett, 1990 U.S. Dist. LEXIS 18519, 10–11 (S.D. Cal. 1990) (finding willfulness to mean that "the infringer either had actual knowledge that it was infringing the plaintiffs' copyrights or else acted in reckless disregard of the high probability that it was infringing plaintiffs' copyrights"). See also Microsoft Corp. v. Logical Choice Computers, Inc., 2001 U.S. Dist. LEXIS 479 (N.D. Ill. 2001) (In assessing damages under [the] Lanham Act ... [w]illful infringement may be attributed to the defendant's actions where he had knowledge that his conduct constituted infringement or where he showed a reckless disregard for the owner's rights); see also Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1149 (7th Cir. 1992) (stating that willful blindness is equivalent to actual knowledge).
18. Philip Morris USA v. William W. Lee, *et al.*, 547 F. Supp. 2d 685, 693–694 (W.D. Tex. 2008), *citing* Hard Rock Café Licensing Corp. v. Concession Servs., Inc., 955 F.2d 1143, 1151 n.5 (7th Cir. 1992).
19. Microsoft Corp. v. Logical Choice Computers, Inc., 2001 U.S. Dist. LEXIS 479, *32–33 (N.D. Ill. 2001).
20. Microsoft Corp. v. Compusource Distributors, Inc., 115 F. Supp. 2d 800, 809–810 (E.D. Mich. 2000).
21. *Id.*
22. Philip Morris USA v. William W. Lee, 547 F. Supp. 2d at 694–695.
23. Louis Vuitton v. Veit, 211 F. Supp. 2d 567, 584 (E.D. Pa. 2002).
24. *See* Tiffany (NJ) Inc. v. Luban, 282 F. Supp. 2d 123, 125 (S.D.N.Y. 2003) (court awarding $550,000 in statutory damages for 28 Internet-sold counterfeit products that each infringed four trademarks); Rolex Watch U.S.A. v. Jones, 2002 U.S. Dist. LEXIS 6657 at *16 (S.D.N.Y. 2002) (awarding $600,000 in part because of the "virtually limitless number of customers" at defendant's disposal through his offending Web sites).
25. Lorillard Tobacco Co. v. S&M Cent. Serv. Corp., 2004 U.S. Dist. LEXIS 22563, *17. (N.D. Ill. 2004). *See also* Wildlife Express Corp. v. Carol Wright Sales, Inc., 18 F.3d 502, 514 (7th Cir. 1994) ("one who undertakes a course of infringing conduct may neither sneer in the face of the [trademark] owner nor hide its head in the sand like an ostrich.") (citations omitted);
26. *See* Philip Morris U.S.A., Inc. v. Escandon, 2005 U.S. Dist. LEXIS 26766, *8–9 (E.D. Cal. 2005) ($10,000 awarded per counterfeit mark where defaulting defendants were small business owners); Lorillard Tobacco v. Jamelis Grocery, Inc., 378 F. Supp. 2d 448, 458 (S.D.N.Y. 2005) (defendant's "apparently limited financial means" factoring into Court's award of $2,500 for each of five infringed marks).
27. Microsoft v. V3 Solutions, Inc., 2003 U.S.. Dist. LEXIS 15008, *48 (N.D. Ill. 2004). *See also* Polo Ralph Lauren, L.P. v. 3M Trading Co., 1999 U.S. Dist. LEXIS 7913, *17–18 (S.D.N.Y. 1999) (awarding $25,000 per trademark for each of 10 infringed trademarks after finding plaintiff's losses to be de minimis but also finding "that a fairly substantial financial award is appropriate, if for no other reason, to ensure adequate deterrence against the continuation of this conduct by these defendants.").
28. *See* Philip Morris USA Inc. v. Marlboro Express, 2005 U.S. Dist. LEXIS 40359, and Philip Morris USA v. Castworld Products, 219 F.R.D. 494; *See also* Tiffany v. Luban, 282 F. Supp. 2d 123, 125 (awarding $550,000 plus attorney fees against defaulting defendant); Louis Vuitton v. Veit, 211 F. Supp. 2d at 583 ($1 million and attorney fees awarded against defaulting defendant); Sara Lee Corp. v. Bags of N.Y., 36 F. Supp. 2d 161, 170 (S.D.N.Y. 1999) ($750,000 awarded after default).
29. Tiffany v. Luban, 282 F. Supp. 2d at 124 (noting that "the Court must 'conduct an inquiry in order to ascertain the amount of damages with reasonable certainty.'") *quoting* Credit Lyonnais Securities (USA) v. Alcantara, 183 F.3d 151, 152 (2d. Cir. 1999).
30. *See* UMG Recordings, Inc. et al. v. Jose Roque, 2008 U.S. Dist. LEXIS 56113 *7 (S.D. Fla. 2008), citing Petmed Express, Inc. v. Medpets.com, Inc., 336 F. Supp. 2d 1213, 1220 (S. D. Fla. 2004).
31. Microsoft Corp. v. Tierra Computer, Inc., 184 F. Supp. 2d 1329, 1333 (N.D. Ga. 2001) (finding defendant's conduct "blatant and egregious" in light of the evidence of defendant's willful infringement of Microsoft's trademarks and copyrights).
32. *See* Microsoft v. Black Cat Computer Wholesale, Inc., 269 F. Supp. 2d 118 (W.D.N.Y. 2002) (awarding plaintiff $1,410,000 for the willful infringement of 17 copyrights and 10 trademarks after defendant ex-Microsoft employees, who knew their suppliers were unauthorized, and who sought cheaper sources of Microsoft products, ignored a cease and desist letter from Microsoft, noting that defendant "continued to obtain and distribute counterfeit software after being specifically requested by plaintiff to cease and desist…"); Tiffany v. Luban, 282 F. Supp. 2d at 125 (taking into account plaintiff's evidence of defendant's continuation of counterfeiting activities after Tiffany sent defendant a cease and desist notice, awarding $550,000 in damages under for the violation of four trademarks).
33. Nike, Inc., v. Variety Wholesalers, Inc., 274 F. Supp. 2d 1352, 1370–1371 (S.D. Ga. 2003).
34. *See* Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc., 256 F. Supp. 399, 404 (S.D.N.Y. 1966) (suspiciously low price allows an inference of constructive knowledge of illegitimacy of the items sold); *See also* Filipowski v. Rogovin, 2000 U.S. Dist. LEXIS 10439, *13 (N.D. Ill. 2000); ("It is a reasonable inference that defendants paid so little because they actually knew or believed they were purchasing stolen property.").
35. *Screen Gems-Columbia Music*, 256 F. Supp. at 399–400.
36. Gucci America v. Daffy's, Inc., 354 F.3d 228, 244–245 (3d. Cir. 2003) (Rosenn, J., dissenting).
37. Sarah Lee Corp. v. Bags of N.Y. Inc., 36 F. Supp. 2d 161, 167–169 (S.D.N.Y. 1999).
38. Microsoft v. Software Wholesale Club, Inc., 29 F. Supp. 2d 995, 1010 (S.D. TX. 2000).
39. *See* Rolex Watch v. Zeotec Diamonds, Inc., 2003 U.S. Dist. LEXIS 5595 (C.D. Ca. 2003) (awarding plaintiff a total of $1,800,000 for the infringement of six marks, or $300,000 per mark); *Louis Vuitton*, 211 F. Supp. 2d at 587 (awarding $1,000,000 for the infringement of six Louis Vuitton marks, and $500,000 for the infringement of one Oakley mark); Rolex Watch U.S.A. v. Brown, 2002 U.S. Dist. LEXIS 10054 (S.D.N.Y. 2002) (awarding $1,000,000 for the infringement of multiple marks despite plaintiff's request for $1,000,000 per mark infringed).
40. CJC Holdings, Inc. v. Wright & Lato, Inc., 979 F.2d 60, 65 (5th Cir. 1992).
41. *See* Playboy Enterprises, Inc. v. Baccarat Clothin Co., Inc., 692 F.2d 1272, 1276 (9th Cir. 1982) (finding defendants' egregious and unfettered display of plaintiff's trademarks on its website to be willful and entitling plaintiff to an award of attorney fees).

42. Microsoft Corp. v. Black Cat Computer Wholesale, Inc., 269 F. Supp. 2d at 124. *See also* GTFM, Inc., v. Solid Clothing Inc., 215 F. Supp. 2d 273, 205-06 (S.D.N.Y. 2002) (awarding reasonable attorney fees to the plaintiff, noting importance of the defendants' continued sales of counterfeit products after notice of the nature of the products, its obstructive behavior during discovery and its perjury during depositions and trial).
43. *See* Philip Morris USA v. William W. Lee, 547 F. Supp. 2d at 697–698, citing Texas Pig Stands, Inc. v. Hard Rock Cafe Int'l, Inc., 951 F.2d 684, 697 (5th Cir. 1992); CJC Holdings, Inc., 979 F.2d at 65–66 (5th Cir. 1992).
44. *See, e.g., Gucci America*, 315 F. Supp. 2d at 522 (court noting that $2 million statutory damages award sufficiently served as a deterrent to the defendants and other infringers, declining to grant plaintiff's request for reasonable attorney fees).
45. *See* Tiffany (NJ) Inc. v. Luban, 282 F. Supp. 2d at 125 (awarding statutory damages and $23,818.64 in attorney fees); Rolex Watch U.S.A. V. Jones, 2002 U.S. Dist. LEXIS 6657, *19 (awarding statutory damages and $21,900.20 in attorney fees); Sarah Lee Corp. v. Bags of New York, Inc., 36 F. Supp. 2d at 170–171 (awarding $750,000 in statutory damages and $46,045.63 in attorney fees).
46. Rodgers v. Anderson, 2005 U.S. Dist. LEXIS 7054, *8 (S.D.N.Y. 2005).
47. Levis Strauss & Co. v. Sunrise Trading, Inc., 51 F.3d 982, 984 (11th Cir. 1995). *See also* Microsoft Corporation v. Compusource Distributors, Inc., 115 F. Supp. 2d 800, 809–810 (E.D. Mich. 2000), *quoting* Intel Corp. v. Terabyte Int'l, 6 F.3d 614, 621 (9th Cir. 1993) ("much legal reasoning depends on that very kind of extrapolation from limited data.").
48. See Microsoft Corporation v. Compusource Distributors, Inc., 115 F. Supp. 2d at 812 (E.D. Mich. 2000); Microsoft Corporation v. Grey Computer, 910 F. Supp. 1077, 1094 (D. Md. 1995); Microsoft Corporation v. CMOS Technologies, Inc., 872 F. Supp. 1329, 1334 (D.N.J. 1994).
49. Microsoft v. Software Wholesale Club, Inc., 129 F. Supp. 2d 995, 1010 (S.D. TX. 2000).
50. Microsoft v. Black Cat, 269 F. Supp. 2d at 123–124 (granting summary judgment where "...no reasonable juror could fail to find other than willful infringement on the part of defendants based on defendants' 'willful blindness...'"); *See also* Microsoft Corp. v. Logical Choice Computers, Inc., 2001 U.S. Dist. LEXIS 479 (N.D. Ill. 2001).