



In Trademark Infringement Cases, Your Right to a Jury Trial May Depend on Whether Actual Damages or the Infringer's Profits Are Sought

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By way of a precedential decision published on April 23, 2019, the Eleventh Circuit joined the Sixth and Ninth Circuits in holding that trademark owners who seek disgorgement of the infringer's profits in lieu of actual damages such as lost sales, licensing or the like, are not entitled to a jury trial because such a form of relief is equitable in nature. See *Hard Candy LLC v. Anastasia Beverly Hills Inc.*, case number 18-10877 (11th Cir. April 23, 2019).

The lawsuit originated in the Southern District of Florida, when Hard Candy filed a complaint alleging that Anastasia's use of Hard Candy's trademark constituted statutory and common law trademark infringement as well as unfair competition. In addition to its claims for disgorgement of profits and injunctive relief, Hard Candy's complaint originally included a claim for actual damages. Hard Candy subsequently dropped its request for actual damages in exchange for Anastasia's withdrawal of its motion for partial summary judgment on the claim for actual damages. Once Hard Candy's request for actual damages was dropped, the Florida district court struck Hard Candy's jury trial demand on the grounds that Hard Candy's remaining remedies (i.e. injunctive relief and disgorgement of profits) were equitable in nature. The district court then conducted a bench trial, during which Hard Candy objected to the presentation of any testimony regarding its actual damages (or lack thereof). At the conclusion of the trial, the district court found no infringement, in part, because Anastasia had established a fair use of the name "Hard Candy" to describe one of four shades of facial highlighter makeup.

Hard Candy appealed the district court's refusal to allow a jury trial as well as the court's finding of no infringement. With respect to its jury trial demand, Hard Candy argued that because it was seeking Anastasia's profits as a "proxy" for its own damages, a jury trial was appropriate. The Court of Appeals for the Eleventh Circuit rejected that argument finding that (1) proxy or not, an accounting or disgorgement of the infringer's profits is equitable in nature; and (2) Hard Candy had "expressly disclaimed" its request for actual damages and objected to evidence of its lack of damages, making a jury trial seeking damages "incongruous."

In rejecting Hard Candy's argument, the Court noted that the right to a jury trial extends only to suits involving legal rights and explained that "[j]ust because Hard Candy seeks a monetary recovery does not mean that it is entitled to a jury trial; in fact, the Supreme Court has rejected the notion that any award of monetary relief must necessarily be 'legal relief'."

Applying the Supreme Court's two-part test for determining the applicability of the Seventh Amendment's right to a jury trial, the Eleventh Circuit looked first to the nature of the claim, and found this prong to be inconclusive because by the time the Seventh Amendment was ratified, both courts of law and courts of equity were hearing trademark claims. The Court then looked to the second prong, the nature of the

remedy, explaining that accountings and disgorgement of profits have historically been handled in courts of equity, which have the authority to provide complete relief by ordering an injunction as well as disgorgement of profits.

The Court also noted the different purposes served by damages and accountings, explaining that “[t]he remedy of damages seeks to compensate the victim for its loss, whereas the remedy of an accounting... [seeks] disgorgement of ill-gotten profits.” The Court also relied on the fact that the Lanham Act allows for the “recovery of profits because actual damages are often difficult to prove” in trademark infringement cases. By doing so, the Lanham Act “shifts the burden of proving economic injury off the innocent party, and places the hardship of disproving economic gain onto the infringer” by allowing the plaintiff to prove the defendant's sales only, without evidence of its own financial harm. See 15 U.S.C. §1117(a).

According to the Eleventh Circuit, its decision is in line with rulings from the Sixth and Ninth Circuits, which addressed the same question, as well as its own prior holding that Lanham Act's disgorgement is an equitable remedy. As a final matter, the Court also noted that both it and the U.S. Supreme Court have made numerous other statements that disgorgement of wrongful gains in general is equitable.

The Sixth, Ninth and Eleventh Circuits provide precedential opinions for district courts associated with 14 different states. And while opinions from these Circuits may not be precedential in your federal district court, they are likely to be influential. Therefore, trademark owners would be wise to first consider whether their case would be better heard by a judge or a jury, remembering that not all cases are better suited for a jury trial. If, however, it would be more advantageous to the trademark owner to have the case heard by a jury, actual damages must not only be pled but they must be supported with sufficient factual and legal support to survive motions to dismiss or motions for summary judgment that may be filed by the alleged infringer. This is not to say that actual damages and other equitable forms of relief such as injunctions or disgorgement of profits are mutually exclusive. Both forms of relief may be argued by the trademark owner.

There are many factors that should influence the trademark owner's decision as to whether its case should be heard by a judge or jury. Some of the more obvious examples of when bench trials may be better suited include cases where the trademark owner is faced with a David vs. Goliath scenario where the jury may have little sympathy or where the trademark owner is relying upon a very technical legal argument as the crux of its case. Conversely, cases where the jury is likely to be influenced by the alleged infringer's seemingly willful or reckless behavior or is likely to view the trademark owner very favorably are probably better suited for a jury trial. These factors along with the easier standard of proof associated with the disgorgement of profits and overall litigation budget should be carefully considered *before* the complaint is filed.

For more information or assistance with matters involving intellectual property infringement, please contact: [Hunter S. Freeman](mailto:hfreeman@burr.com) in Greenville at hfreeman@burr.com or (864) 552-9366 or the Burr & Forman attorney with whom you regularly work.

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