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# Trademarks and Transducers: The First Circuit Court of Appeals Decides on the Standard of Proof Required to Show Willful Infringement in Lanham Act Cases

## **Cover Page Footnote**

J.D., May 2014, The Catholic University of America, Columbus School of Law; M.A. and B.S., American University. The author would like to thank Professor Elizabeth Winston for her insight and expertise; Stephanie Martin for her tireless coaching efforts; the staff of the Catholic University Law Review for providing an atmosphere of motivation and intellectual curiosity; and his parents for their unbounded encouragement and support.

# TRADEMARKS AND TRANSDUCERS: THE FIRST CIRCUIT COURT OF APPEALS DECIDES ON THE STANDARD OF PROOF REQUIRED TO SHOW WILLFUL INFRINGEMENT IN LANHAM ACT CASES

*Peter Karalis*<sup>+</sup>

Look, me and the McDonald's people, we . . . we got this little . . . misunderstanding. See, they're *McDonald's*. I'm *McDowell's*. They got the Golden *Arches*. Mine is the Golden *Arcs*. Now see, they got the Big *Mac*. I got the Big *Mick*. We both got two all-beef patties, special sauce, lettuce, cheese, pickles, and onions. But, they use a sesame seed bun. My buns have no seeds.<sup>1</sup>

In the 1988 comedy *Coming to America*,<sup>2</sup> would McDonald's legal team have been more tolerant of Cleo McDowell's remarkably familiar restaurant signage if McDowell had no intention of attracting customers who associate big, yellow arches with a certain world-renowned fast food chain? If the parties ended up in court to determine whether this striking similarity was just a harmless coincidence, would the judge use extra caution in instructing the jury on how to weigh evidence tending to show that McDowell purposely deceived hungry patrons who entered his store seeking a Big Mac? If McDowell deliberately planned to exploit the reputation of his powerful competitor, would he owe McDonald's every dollar he reaped from his willful violations?

Provisions of the Lanham Act ultimately dictate how these questions should be answered.<sup>3</sup> Enacted in 1946, the Act protects not only the rights of trademark and trade dress owners,<sup>4</sup> but also the interests of consumers who depend on

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<sup>+</sup> J.D., May 2014, The Catholic University of America, Columbus School of Law; M.A. and B.S., American University. The author would like to thank Professor Elizabeth Winston for her insight and expertise; Stephanie Martin for her tireless coaching efforts; the staff of the *Catholic University Law Review* for providing an atmosphere of motivation and intellectual curiosity; and his parents for their unbounded encouragement and support.

1. *COMING TO AMERICA* (Paramount Pictures 1988). Actor John Amos played the role of Cleo McDowell, a hard-working father whose restaurant bears an uncanny resemblance to that of a McDonald's. *Id.* At one point in the film, McDowell chases away a man taking photographs of his storefront, presumably for use in subsequent litigation. *Id.* McDowell is also seen reading a McDonald's operations manual, which he quickly slams shut as an employee walks into his office. *Id.*

2. *Id.*

3. 15 U.S.C. §§ 1051–1141n (2006).

4. Courts have interpreted the Act to provide protection for a product's trade dress, or "image and overall appearance." *Allied Mktg. Group, Inc. v. CDL Mktg., Inc.*, 878 F.2d 806, 812 (5th Cir. 1989); *see also* 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 8:1 (4th ed. 2013) (illustrating how there has been a "gradual disappearance of distinctions between the law of 'trade dress' and that of 'trademarks'"); 1 JOHN GLADSTONE MILLS III ET AL., PATENT LAW FUNDAMENTALS § 5:10 (2d ed. 2012) ("It has been said that there is no

distinctive words, names, symbols, and devices to make informed purchases.<sup>5</sup> Infringement occurs when one party benefits from another's reputation by confusing purchasers with identical or similar marks.<sup>6</sup> The intent to confuse consumers may be a factor in deciding not only whether a defendant has likely caused confusion,<sup>7</sup> but also the type and extent of remedies available to a victorious plaintiff.<sup>8</sup> Willfulness, bad faith, and fraud are all terms used to

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basis for distinction between a conventional trademark and a trade dress product configuration . . . when considering the rights of the owner of the mark.”). This includes its packaging and design. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 209 (2000).

5. 15 U.S.C. § 1127 (2006) (defining “trademark” as “any word, name, symbol, or device, or any combination thereof”); *see also* discussion *infra* Part I; *infra* notes 24–26 and accompanying text.

6. 15 U.S.C. § 1125(a)(1)(A) (2006) (permitting a cause of action against a party whose actions are “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”); *see also* 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:116 (4th ed. 2013) (explaining that using an exact copy of another's mark is not necessary to establish infringement, as long as consumers were likely deceived into perceiving an association between products).

7. *See, e.g.*, *Versa Prods. Co., Inc. v. Bifold Co. (Mfg.)*, 50 F.3d 189, 205 (3d Cir. 1995) (discussing how the intent of an alleged infringer “may be highly probative of likelihood of confusion” among consumers, which must be shown in order for a plaintiff to succeed in an infringement suit). A finding of intent to confuse is not necessary in order to hold a defendant accountable for infringement, but it can be “evidence relevant to whether confusion is likely.” *See* MCCARTHY, *supra* note 6, § 23:106.

8. *See, e.g.*, *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012) (explaining that once infringement has been proven, willfulness may be used “as a gloss or screen in deciding what remedies to provide”); *Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1390 (5th Cir. 1996) (quoting *Moore Bus. Forms, Inc. v. Ryu*, 960 F.2d 486, 491 (5th Cir. 1992)) (illustrating how attorney's fees may be awarded in “exceptional” cases, in which “the violative acts can be characterized as ‘malicious,’ ‘fraudulent,’ ‘deliberate,’ or ‘willful’”); *see also* 4 RUDOLF CALLMANN, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 23:69 (4th ed. 2013) (explaining that a defendant may avoid compensating the plaintiff with an accounting of profits made from infringement “if he honestly believed there would be no likelihood of confusion”); 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARK AND UNFAIR COMPETITION § 30:62 (4th ed. 2013) (describing how courts may deny an accounting of profits if “there is no deliberate intent to cause confusion”); Danielle Conway-Jones, *Remedying Trademark Infringement: The Role of Bad Faith in Awarding an Accounting of Defendant's Profits*, 42 SANTA CLARA L. REV. 863, 927 (2002) (highlighting circuits that either demand a showing of intentional infringement, or recognize intent to confuse, as a factor in granting a plaintiff an accounting of the defendant's profits); Eugene W. Luciani, Note, *Does the Bad Faith Requirement in Accounting of Profits Damages Make Economic Sense?*, 6 J. INTELL. PROP. L. 69, 69 (1998) (stating that most circuits award accountings of profits only after a finding that the defendant acted in bad faith).

describe the intent possessed by a potentially offending party.<sup>9</sup> Courts may take all of these descriptions of intent into consideration in their decisions.<sup>10</sup>

Due to an ongoing conflict among the Circuit Courts of Appeals over the appropriate standard of proof to show intent in Lanham Act cases, the answers to the questions posed in the *Coming to America* scenario<sup>11</sup> may inevitably differ by jurisdiction.<sup>12</sup> This conflict was apparent in *Fishman Transducers v. Paul*, in which the First Circuit faced a choice between applying the heightened standard of “clear and convincing” evidence or the lower burden of a “preponderance of the evidence.”<sup>13</sup> The court’s decision would determine the level of proof required to show willful infringement, which in this case was crucial to awarding Fishman Transducers, the trademark owner, an accounting of profits wrongfully collected by the parties who infringed its name.<sup>14</sup>

The clear and convincing standard, raised by the defendants-appellees in *Fishman Transducers*,<sup>15</sup> stems from a Third Circuit decision that hinged on a policy of discouraging trademark law enforcement when used to protect the subject of an expired design patent.<sup>16</sup> Similarly, this approach is based on a theory that cases concerning a product design (one form of trade dress) require an application of patent law principles to validate the design’s protection under the Lanham Act.<sup>17</sup> Although *Fishman Transducers* was a trademark infringement case that did not involve a product design, the defendants-appellees argued for the heightened standard to ensure that “honest businesses” do not

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9. See David S. Almeling, *The Infringement-Plus-Equity Model: A Better Way to Award Monetary Relief in Trademark Cases*, 14 J. INTEL. PROP. L. 205, 216 (2007) (explaining that “willfulness” covers bad faith and fraud).

10. Compare *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 370 (4th Cir. 2001) (holding that a finding of bad faith is not enough to show “the level of malicious, fraudulent, willful or deliberate behavior necessary for an award of attorney fees”), with *Tamko Roofing Prods., Inc. v. Ideal Roofing Co.*, 282 F.3d 23, 32 (1st Cir. 2002) (reasoning that an award of attorney’s fees does not require intent amounting to bad faith or fraud, but rather only requires a mere showing of willfulness in the form of “voluntary and intentional” acts); see also MCCARTHY, *supra* note 6, § 23:113 (stating that “most courts use ‘willful’ as a synonym for intent to confuse,” though others define willfulness as merely acting “despite knowledge of the senior user’s trademark,” as opposed to acting with “intent to free ride on another’s mark by confusing consumers”).

11. See *supra* note 1.

12. Compare *Fishman Transducers*, 684 F.3d at 193 (holding that that willful infringement must be shown by a preponderance of the evidence), with *Versa Prods.*, 50 F.3d at 208 (holding that intent to confuse must be shown by clear and convincing evidence).

13. *Fishman Transducers*, 684 F.3d at 192–93.

14. *Id.* at 193; see *infra* Part II.C.

15. Brief for Appellees at 19–20, *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187 (1st Cir. 2012) (No. 11-1663).

16. See *Versa Prods.*, 50 F.3d at 207–08 (citing *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964)); see also *infra* Part I.B.1, 3.

17. See *Versa Prods.*, 50 F.3d at 207; see also *infra* Part I.B.3.

suffer heavy financial losses and marred reputations “in the absence of compelling proof.”<sup>18</sup>

The First Circuit’s rejection of this argument in favor of the preponderance of the evidence standard was partially inspired by a Fourth Circuit ruling.<sup>19</sup> The Fourth Circuit’s decision employed statutory interpretation and a balance of interests test to weigh the harm an erroneous decision would have on each party.<sup>20</sup> Although innovative in terms of Lanham Act jurisprudence, this method’s roots are found in Supreme Court precedent developed in cases outside the realm of intellectual property.<sup>21</sup> By adapting this approach, the *Fishman Transducers* court relieved some of the burden on Lanham Act plaintiffs to show sufficient evidence of intent.<sup>22</sup> At the same time, the court established a preponderance of the evidence standard that could apply to even product design trade dress infringement claims in future decisions.<sup>23</sup>

This Note examines the *Fishman Transducers* court’s judgment in selecting the preponderance of the evidence standard as the burden of proof to show willfulness, a form of intent required to obtain an accounting of the defendant’s profits as a remedy. It first discusses the history leading up to the case, including legislative history of the Lanham Act, Supreme Court precedent on the role of intent, cases that led to the use of each standard of proof in Lanham Act suits, and the state of First Circuit trademark law prior to this development. This Note then provides a detailed explanation of the First Circuit’s opinion in *Fishman Transducers* and the circumstances that led to that case. Finally, this Note analyzes the court’s sound reasoning and the impact *Fishman Transducers* may have on future decisions.

## I. THE CENTURY-LONG PROGRESSION TO A PROPER STANDARD OF PROOF

Congress enacted the Lanham Act to satisfy two core purposes.<sup>24</sup> First, the Act was designed to protect the public from deceptive sales practices and ensure

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18. Brief for Appellees, *supra* note 15, at 26 (citing *Versa Prods.*, 50 F.3d at 207–08).

19. See *Fishman Transducers*, 684 F.3d at 193.

20. See *id.* at 193, n.7 (referencing *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 226–27 (4th Cir. 2002) and noting the split in authority on the burden of proof issue); see also *infra* Part I.C.2.

21. See *Harrods*, 203 F.3d at 225–26 (citing *Grogan v. Garner*, 498 U.S. 279, 286 (1991)) (adopting the preponderance of the evidence standard because it “results in a roughly equal allocation of the risk of error between the litigants”); *Price Waterhouse v. Hopkins*, 490 U.S. 228, 253 (1989) (applying the preponderance of the evidence standard to employment discrimination disputes), *superseded in part by statute*, 42 U.S.C. §§ 2000e-2(m), 2000e-5(g) as recognized in *Univ. Of Texas Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517 (2013); *Herman & MacLean v. Huddleston*, 459 U.S. 375, 389 (1983) (prescribing the preponderance of the evidence standard in securities fraud cases); see also *infra* Part I.C.1.

22. See *Fishman Transducers*, 684 F.3d at 193; see also discussion *infra* Part II.C.

23. See *Fishman Transducers*, 684 F.3d at 193, n.7 (citing *Versa Prods. Co., Inc. v. Bifold Co. (Mfg.)*, 50 F.3d 189, 207–08 (3d Cir. 1995)).

24. See S. REP. NO. 1333, at 1274 (1946).

that consumers could identify a product's manufacturer by its mark so as to make well-informed purchases based on the maker's reputation.<sup>25</sup> Second, the Act was written to protect the investment of "energy, time, and money" that trademark owners make promoting their products on the market.<sup>26</sup> Congress viewed the Act as "the essence of competition" and a way of "encourag[ing] the maintenance of quality by securing to the producer the benefit of the good reputation which excellence creates."<sup>27</sup>

Congress also intended the Lanham Act to serve as a means of "making infringement and piracy unprofitable."<sup>28</sup> Although Congress did not explicitly address any changes to existing trademark legislation with regard to a party's intent to profit from infringement, the requirement of the Trademark Act of 1920 that a party must act "willfully and with intent to deceive" to be held liable for "falsely identify[ing]" a product's source is absent from the Lanham Act.<sup>29</sup> The reason for this change was that requiring proof of this level of intent was difficult to the point of making the statute nearly impossible to enforce.<sup>30</sup> Some of the most telling examples of the ambiguous role of intent in trademark and unfair competition cases are found in the history of awarding an accounting of the infringer's profits,<sup>31</sup> the same remedy sought by the mark owner in *Fishman Transducers*.<sup>32</sup>

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25. *Id.*; see also *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198 (1985) (noting that Congress aimed to protect national trademarks because they encourage competition and higher quality products).

26. S. REP. NO. 1333, at 1274; see also *Park 'N Fly*, 469 U.S. at 198.

27. S. REP. NO. 1333, at 1275; see also *Park 'N Fly*, 469 U.S. at 198. The report of the 79th Congress cited Justice Holmes' opinion that "[a trade-mark] does not confer a right to prohibit the use of the word or words," but "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." S. REP. NO. 1333, at 1275 (citing *Prestonettes v. Coty*, 264 U.S. 359, 368 (1924)); see also Edward S. Rogers, *The Lanham Act and the Social Function of Trade-Marks*, 14 LAW & CONTEMP. PROBS. 173, 175-76 (1949) (describing the state of free markets without trademark protection as a "sort of barbarism" where "[t]here could be no pride of workmanship, no credit for good quality, no responsibility for bad").

28. S. REP. NO. 1333, at 1275.

29. See Act of March 19, 1920, ch. 104, § 3, Pub. L. No. 19-163, 41 Stat. 533, 534 (repealed 1946). Section 3 of the Act of March 19, 1920 was replaced by section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (2006). *Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641, 648 n.7 (1958).

30. *Parkway Baking*, 255 F.2d at 648 n.7 (stating that "the requirement of willfulness and intent to deceive had been stricken" in a bill introduced to Congress in the 1920's and remained that way through the passage of the Lanham Act).

31. See *infra* Part I.A.

32. *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 190 (1st Cir. 2012) (noting that the trial judge denied the plaintiff a "disgorgement of profits" because the jury found that the defendant lacked the requisite intent); see *infra* Part II.C.

A. *The Supreme Court's Ambiguous Stance on Whether Intent Should be a Factor in Decisions to Grant an Accounting of Profits*

Even before Congress passed the Lanham Act, the Supreme Court had ruled on the issue of awarding a plaintiff an accounting of profits reaped by an infringer.<sup>33</sup> In the 1916 decision *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, the Court's only mention of intent was in its rejection of an infringer's request to limit the amount of profits recoverable by the mark's owner.<sup>34</sup> The Court noted that in addition to "such an apportionment [being] inherently impossible," *Hamilton-Brown* was not "an innocent infringer."<sup>35</sup> However, the Court's holding that *Hamilton-Brown* owed an accounting was based not on the presence of intent, but on the theory that trademarks are property to be enjoyed exclusively by their owners.<sup>36</sup> Therefore, although the court considered intent in determining the *extent* of the award, intent was not a factor in the decision on *whether* to grant such a remedy.<sup>37</sup>

Decades later, the Court heard *Champion Spark Plug Co. v. Sanders*, in which an injunction had previously been granted against the infringing party.<sup>38</sup> Because there was no showing of intent, the Court held that the injunction alone,

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33. See *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 206–07 (1942); *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259–60 (1916). Congress passed the Lanham Act in 1946. 15 U.S.C. §§ 1051–1114n (2006 & 2012).

34. See *Hamilton-Brown Shoe Co.*, 240 U.S. at 260–61 (describing *Hamilton-Brown's* contention that there should be "an apportionment between the profits attributable to defendant's use of the offending mark and those attributable to the intrinsic merit of defendant's shoes"). *Hamilton-Brown* had placed the phrase "American Lady" on its women's shoes, despite the fact that fellow shoemaker Wolf Brothers owned the similar trademark "The American Girl." *Id.* at 253, 256 (holding that Wolf Brothers' trademark "The American Girl" was not merely "a geographical or descriptive term," but "a fanciful designation" entitled to protection).

35. See *id.* at 261 (stating that evidence indicated fraudulent conduct and "persistence in the unlawful simulation").

36. See *id.* at 259, 262 (adding that American courts normally award both damages and any profits gained from the infringement).

37. See *id.* at 259–62; see also Conway-Jones, *supra* note 8, at 875 (asserting that the Court did not require the plaintiff to prove the defendant acted in bad faith but merely discussed intent to bolster its decision); Luciani, *supra* note 8, at 77 (stating that the Court only "mentioned" intent, and that its decision did not rely on this observation); Mark A. Thurmon, *Confusion Codified: Why Trademark Remedies Make No Sense*, 17 J. INTELL. PROP. L. 245, 286 (2010) (describing the court's analysis as stating that, without a showing of intentional infringement, the plaintiff's award of the infringer's profits could be reduced).

38. *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947) (citing *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203 (1942)) (stating that the Supreme Court's decision in *Mishawaka Rubber* did not hold that an infringement necessarily means that the plaintiff is entitled to an accounting). Prior to *Champion Spark Plug*, the Court heard *Mishawaka Rubber*, another shoe-related case in which, without reference to intent, the Court reaffirmed that profits acquired due to infringement must be paid to the trademark's owner. *Mishawaka Rubber*, 316 U.S. at 207 (citing *Hamilton-Brown*, 240 U.S. 251). However, the *Mishawaka Rubber* Court's holding only applied to "the measure of profits and damages for the infringement found," not whether the type of remedy was appropriate to give. *Id.* at 204–05.



without an accounting, would “satisfy the equities.”<sup>39</sup> However, legal commentators disagree as to whether this suggests that an existing injunction is cause for denying profits, or whether it more broadly implies that proof of intent is necessary to automatically grant an accounting of profits.<sup>40</sup> Despite this ambiguity, courts today tend to examine intent “as a gloss or screen in deciding what remedies to provide” once infringement has been established—even when it is not required by the relevant provisions of the Act.<sup>41</sup>

*B. The Procompetitive Policy Foundations of the Third Circuit’s Clear and Convincing Evidence Standard*

*1. The Limiting Effect of Sears and Compco on State Unfair Competition Laws*

To arrive at the heightened standard of proof, the Third Circuit applied a policy in *Versa Products Co., Inc. v. Bifold Co. (Mfg.) Ltd.* that was developed nearly half a century ago through two Supreme Court decisions addressing the potential for conflict between unfair competition laws and federal patent legislation.<sup>42</sup> In *Sears, Roebuck & Co. v. Stiffel Co.*, the Court examined whether a state’s unfair competition law could prevent an unpatented product from being replicated.<sup>43</sup> In addition to its claim that Sears infringed the mechanical and design patents of a lamp, Stiffel alleged that Illinois’s unfair competition law prohibited Sears from selling a “substantially identical,” lower-priced lamp without manufacturer identification.<sup>44</sup> The appellate court found Stiffel’s patents “invalid for want of invention,”<sup>45</sup> but held that the “copying and

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39. *Champion Spark Plug*, 311 U.S. at 131–32 (noting that the respondents made efforts to comply with a prior order to label the spark plugs as used products). The respondent company was barred from reselling used spark plugs bearing the name “Champion” without first clearly labeling them as second-hand products. *Id.* at 126–27; *see also id.* at 130 (stating that any financial benefit to “the second-hand dealer . . . is wholly permissible so long as the [original] manufacturer is not identified with the inferior qualities of the [reconditioned] product”).

40. *See Luciani*, *supra* note 8, at 78 (quoting MCCARTHY, *supra* note 8, § 30:61, at 30, 165–66) (noting that some scholars disagree with the notion that “an accounting of the infringer’s profits is not automatically granted upon a showing of infringement”).

41. *See Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 191 (1st Cir. 2012); *infra* Part II.C.

42. *See Versa Prods. Co. v. Bifold Co. (Mfg.)*, 50 F.3d 189, 204 (3d Cir. 1995) (citing *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964)). Further, Congress has stated “[t]here is no essential difference between trade-mark infringement and . . . unfair competition.” S. REP. NO. 1333, at 1275 (1946); *see also infra* Part I.B.3.

43. *Sears*, 376 U.S. at 225.

44. *Sears*, 376 U.S. at 225–26 (explaining that pole lamps sold by Sears were “substantially identical” to the ones Stiffel originally brought to market at a higher retail price, and that the evidence showed a likelihood of confusion among consumers as to the actual manufacturer’s identity).

45. *Id.* at 226; *see also id.* at 227 n.1 (stating that Stiffel did not seek review when the appellate court upheld the district court’s finding that a patent was invalid).

marketing” of its design constituted unfair competition.<sup>46</sup> The Supreme Court reversed, reasoning that, because states do not have power to extend federal patents, Illinois’s ban on copying “clashes[d] with the objectives of the federal patent laws.”<sup>47</sup>

On the same day as it decided *Sears*, the Court also decided *Compco Corp. v. Day-Brite Lighting, Inc.*, which involved the copying of an unpatented industrial design.<sup>48</sup> Day-Brite claimed that Compco infringed its design patent for a lighting fixture and violated Illinois’s unfair competition law by selling “very similar” products capable of confusing consumers.<sup>49</sup> The appellate court held that, although the design patent was invalid, Compco had unfairly competed under state law.<sup>50</sup> Consistent with *Sears*, the Supreme Court held that a state’s unfair competition laws cannot prohibit such copying, even if it results in consumer confusion as to origin.<sup>51</sup> The Court further declared that if a “design is not entitled to a design patent or other federal statutory protection, then it can be copied at will.”<sup>52</sup>

## 2. Circuit Courts React to the Sears-Compco Doctrine

In the wake of *Sears* and *Compco*, defendants began arguing that the doctrine favoring the public’s right to copy unpatented products should also apply to product designs protected as trade dress by the Lanham Act.<sup>53</sup> Circuit courts,

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46. *Id.* at 227 (opining that the appellate court was “[i]mpressed by the ‘remarkable sameness of appearance’ of the lamps”).

47. *Id.* at 230–31 (explaining how, upon the expiration of a patent, “the right to make the article . . . passes to the public”).

48. *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964) (citing *Sears*, 376 U.S. 225) (beginning the opinion with a reference to *Sears*).

49. *Id.* at 234–35 (noting that the predecessor of Compco began manufacturing fluorescent light fixtures that implemented a reflector design similar to Day-Brite’s, after Day-Brite already entered the market with its own fixtures).

50. *Id.* at 235, 236 n.2 (stating that Day-Brite did not seek review of the validity of its patent).

51. *Id.* at 237.

52. *Id.* at 238 (noting that states may still “require[] those who make and sell copies to take precautions to identify their products as their own”).

53. *See, e.g.*, *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 636 (7th Cir. 1993) (highlighting defendant’s arguments that Moen may not register for trademark protection of its nonfunctional faucet shapes due to conflict with patent law and the anticompetitive nature of such protection); *Ferrari S.P.A. Esercizio v. Roberts*, 944 F.2d 1235, 1239 (6th Cir. 1991) (stating defendant’s assertion that the nonfunctional external design features of Ferrari’s automobiles may only be protected under patent law, not the Lanham Act); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204 (2d Cir. 1979) (explaining defendant’s theory that it was entitled to use the nonfunctional design aspects of the Dallas Cowboys Cheerleaders’ uniforms in its adult film); *Truck Equip. Serv. Co. v. Fruehauf Corp.*, 536 F.2d 1210, 1214 (8th Cir. 1976) (describing defendant’s argument that it was allowed to copy plaintiff’s external design for a hopper grain trailer, even though that design was nonfunctional and acquired secondary meaning among consumers).

however, thought otherwise.<sup>54</sup> In *Truck Equipment Service Co. v. Fruehauf Corp.*, the Eighth Circuit declared that *federal* trademarks legislation was not an issue in *Sears* or *Compco*, and that the actual focus of both cases was “whether *state* law could extend the effective term of patent protection granted by the federal statutes.”<sup>55</sup> The court further illustrated how both trademark and patent law can operate concurrently and independently from one another while promoting free competition.<sup>56</sup>

In *Kohler Co. v. Moen, Inc.*, the Seventh Circuit demonstrated that, unlike the state laws in *Sears* and *Compco*, “[t]he Lanham Act was drafted in *reaction* to draconian state trademark legislation that threatened to interfere with interstate commerce.”<sup>57</sup> The court affirmed that there is “no unavoidable conflict between the patent law and federal trademark law as applied to product configurations.”<sup>58</sup> In using the phrase “no *unavoidable* conflict,”<sup>59</sup> the court alluded to the marginal possibility of conflict between patent law and the Lanham Act, which could be avoided through “a careful application of traditional bases for determining the propriety of trademark protection.”<sup>60</sup> The Third Circuit examined one of these traditional methods, the “likelihood of confusion” test, at length in a case that featured a special focus on the proper standard of proof to show intent.<sup>61</sup>

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54. See, e.g., *Kohler*, 12 F.3d at 640 (relying on the history of circuit courts holding “that *Sears* and *Compco* do not preclude federal trademark protection of designs”); *Esercizio*, 944 F.2d at 1241 (“Because trademark law and patent law address different concerns, and because of the narrow focus of the Supreme Court’s inquiry in *Compco* and *Sears*, courts have explicitly held that these decisions do not preclude Lanham Act protection of designs.”); *Dallas Cowboys Cheerleaders*, 604 F.2d at 204 (declaring that “*Sears-Compco* did not redefine the permissible scope of the law of trademarks”); *Truck Equip. Serv.*, 536 F.2d at 1215 (distinguishing *Sears* and *Compco* from the case before the court due to the absence of a clash between state laws and federal statutes).

55. *Truck Equip. Serv.*, 536 F.2d at 1214 (emphasis added).

56. *Id.* at 1215. The court explained that trademark law “protects commercial activity which, in our society, is essentially private,” while patent law “protects inventive activity” for a term before it becomes part of the public domain. *Id.*

57. *Kohler*, 12 F.3d at 640 n.10.

58. *Id.* at 644. The *Kohler* court also referred to the Supreme Court’s decision in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* to support its point. See *id.* (citing 489 U.S. 141 (1989)). In *Bonito Boats*, the Court noted that, through the Lanham Act, “Congress has thus given federal recognition to many of the concerns that underlie the state tort of unfair competition, and the application of *Sears* and *Compco* to nonfunctional aspects of a product which have been shown to identify source must take account of competing federal policies in this regard.” *Bonito Boats*, 489 U.S. at 166.

59. See *Kohler*, 12 F.3d at 644 (emphasis added).

60. See *id.* at 642 (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 774–75 (1992)).

61. See *infra* Section I.B.3.

### 3. *The Third Circuit Applies the Sears-Compco Doctrine to Resolve the Standard of Proof for Intent*

Notwithstanding the consensus against applying *Sears* and *Compco* to Lanham Act violations,<sup>62</sup> the Third Circuit in *Versa Products Co., Inc. v. Bifold Co. (Mfg.)* relied on both cases in a “product configuration” trade dress infringement suit.<sup>63</sup> *Versa* filed a complaint under section 43(a) of the Act, claiming that *Bifold* copied the design of its control valve.<sup>64</sup> Section 43(a) does not require prior registration, but operates as soon as a trademark or trade dress is used in commerce.<sup>65</sup> In order to be protected under this section, trade dress must be 1) distinctive, 2) nonfunctional, and 3) there must be sufficient proof of a likelihood of consumer confusion.<sup>66</sup> Reasoning that consumers seldom rely on product designs to identify a source, the Third Circuit stated that courts should not automatically infer intent to confuse when a product’s design is copied.<sup>67</sup>

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62. See *supra* Section I.B.2.

63. See *Versa Prods. Co., Inc. v. Bifold Co. (Mfg.)*, 50 F.3d 189, 204 (3d Cir. 1995) (citing *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 237 (1964)) (declaring that “legal recognition of consumer reliance on product configurations as source indicators” is constrained by federal patent laws). The terms “product design” and “product configuration” may be used interchangeably. See *Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc.*, 280 F.3d 619, 630 n.4 (6th Cir. 2002) (describing product configuration as a “vogue term” for product design); *DINWOODIE & JANIS, TRADE DRESS AND DESIGN LAW 41* (2010) (stating that a product’s shape may be referred to as its configuration or its design, but that the term “product design” is used “perhaps too loosely”). This Note uses the term “product design.”

64. *Versa Prods.*, 50 F.3d at 193; see *id.* at 194 (describing the cast version of *Versa*’s B-316 control valve, which functioned the same way as its stainless steel valve, as having a “*Versa* look” similar to its original product line first produced in 1949); *id.* at 195 (stating *Bifold* launched a cast version of its own *Domino Junior* valve in 1991, eight years after *Versa*’s was already placed on the market, but claimed that it was merely a smaller version of its prior released *Domino* valve).

65. 15 U.S.C. 1125(a) (2006); see *DINWOODIE & JANIS, supra* note 63, at 18 (stating trademark owners seeking enforcement under section 43(a) are not granted “various procedural advantages available to registrants,” but are entitled to “a federal action for unfair competition”).

66. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992). In *Two Pesos*, the Supreme Court upheld a ruling that a Mexican restaurant’s decor was inherently distinctive and therefore customers would be able to distinguish it from a competitor’s décor. *Id.* at 773. The Court also acknowledged the Fifth Circuit’s definition of a “legally functional” design, or a design that is “one of a limited number of equally efficient options available to competitors,” reasoning that excluding functional designs from Lanham Act protection “assure[s] that competition will not be stifled by the exhaustion of a limited number of trade dresses.” *Id.* at 775 (citing *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 426 (5th Cir. 1984)).

67. See *Versa Prods.*, 50 F.3d at 206–07 (distinguishing between the relevance of an infringer’s intent in cases dealing with a product’s mark or packaging and in cases concerning a product’s design). The court reasoned that, when a mark or packaging is copied, there may be an inference of an intent to confuse because “there is little or no competitive need to copy another’s distinctive symbol or presentation to sell one’s product, and that anyone who does so is most likely trying to cash in on the competitor’s goodwill.” *Id.* Conversely, the court reasoned, “the mere copying of product configurations does not suggest that the copier was necessarily trying to

The court also examined the standard of proof needed to show intent in patent cases, noting the protection of product configurations imposed “patent-like restrictions on competition.”<sup>68</sup> Despite previously noting that federal patent law does not prohibit the protection of trade dress under Section 43(a),<sup>69</sup> the court noted the *Compco* Court’s policy of “allowing free access to copy whatever the federal patent and copyright laws leave in the public domain.”<sup>70</sup> The court therefore held that competitors should not be punished by higher damage awards, and free competition should not be impaired by restrictive penalties without clear and convincing evidence of intent.<sup>71</sup> Applying the heightened standard, the court concluded that Versa failed to prove that Bifold caused a likelihood of confusion.<sup>72</sup>

#### 4. The Supreme Court’s Post-Versa Products Limitation on Lanham Act Protection of Product Design

*Versa Products* altered the requirements of the likelihood of confusion test, including the level of proof needed to show intent to confuse. The court based this change on the premise that Lanham Act protection of product design poses a unique risk to free markets through the creation of “patent-like restrictions on competition.”<sup>73</sup> But the Supreme Court did not address whether a special test of

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capitalize on the good will of the source of the original product.” *Id.* at 201. The court also stated that, because the public is “less likely[] to rely on a product configuration as an indicator of the product’s source . . . they are less likely to be confused as to the sources of two products with substantially similar configurations.” *Id.* at 202–03.

68. *Id.* at 207 (citing *Braun Inc. v. Dynamics Corp. of Am.*, 975 F.2d 815, 822 (Fed. Cir. 1992) (holding that intent to commit inequitable conduct by deceiving the Patent Office and willful infringement of a patent each require a heightened standard of clear and convincing evidence); *Allen Organ Co. v. Kimball Intern., Inc.*, 839 F.2d 1556, 1567 (Fed. Cir. 1988) (holding that intent to commit inequitable conduct by misleading the Patent Office requires a showing of clear and convincing evidence); *E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1440 (Fed. Cir. 1988) (holding that willful infringement of a patent requires proof by clear and convincing evidence)).

69. *Id.* at 204 n.12 (citing *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 225 (1964); *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964)).

70. *Id.* at 207–08 (citing *Compco*, 376 U.S. at 237) (reasoning that “a heightened evidentiary standard would serve to ensure that deviations from ‘the federal policy’” acknowledged in *Compco* “are not casually countenanced”).

71. *Id.* at 207–08.

72. *Id.* at 216. In reaching its conclusion, the court also offered a detailed examination of other factors that contribute to a likelihood of confusion, including similar appearance, the strength of the owner’s mark, the attention expected of consumers, evidence of actual confusion, and various aspects of product marketing. *Id.* at 202–08.

73. *Id.* at 207. However, an Eleventh Circuit district court subsequently rejected the Third Circuit’s *Versa Products* theory. See *Kohler Co. v. Titon Indus., Inc.*, No. Civ.A. 1:97CV428 RWS, 1999 WL 1043221, at \*3 (N.D. Ga. Mar. 26, 1999) (rejecting the defendant’s claim that a stricter test of infringement is necessary for product design). With regard to the test of distinctiveness, the Courts of Appeals for both the Fourth and Eighth Circuits have held that, pursuant to the Supreme Court’s *Two Pesos* ruling, courts should judge the distinctiveness of product designs under the same test as all other trademarks and trade dress. See *Stuart Hall Co. v. Ampad Corp.*, 51 F.3d 780, 787

Lanham Act protection should apply to product design cases until 2000.<sup>74</sup> In *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, the Court affirmed the view shared by many circuits that trade dress embraces not only product packaging, but design as well.<sup>75</sup> Despite the Court's acceptance of this notion, it held that because a product's design rarely enables consumers to inherently identify its source, the owner must show that the design has acquired a "secondary meaning"<sup>76</sup> among consumers in order to pass the test of distinctiveness.<sup>77</sup> Echoing the procompetitive policy espoused in *Sears* and *Compco*, the Court suggested that, without this adjustment, the threat of litigation might hamper new businesses, which would ultimately harm consumers by limiting competition.<sup>78</sup> This ruling also established "the *only* trade-dress-law difference" between product design and other elements that the Lanham Act protects.<sup>79</sup>

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(8th Cir. 1995) (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992)); *Ashley Furniture Indus., Inc. v. Sangiacomo N.A. Ltd.*, 187 F.3d 363, 371 (4th Cir. 1999). In *Two Pesos*, the Court held that "inherently distinctive trade dress [is] entitled to protection," and acknowledged that trade dress may include "the features of a product design." *Two Pesos*, 505 U.S. at 770, 772.

74. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 216 (2000) (holding that trade dress protection of product design requires a showing of acquired secondary meaning to pass the test of distinctiveness).

75. *Id.* at 209 (acknowledging that trade dress, whether in the form of packaging or product design, still "constitutes a 'symbol' or 'device'" and is therefore eligible for registration and protection under the Lanham Act).

76. The Court defined a product design's secondary meaning as its "acquired, source-identifying meaning" of a word or non-word mark, noting that "[c]larity might well be served by using the term 'acquired meaning'" instead. *Id.* at 211 n\*8; see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 13 (1995) (defining "secondary meaning" as "acquired distinctiveness" that develops from the use of a "word, name, symbol, device, or other designation" in a way that leads consumers "to perceive it as a designation that identifies goods, services, businesses, or members").

77. *Wal-Mart*, 529 U.S. at 212–14. The Court used the example of a penguin-shaped cocktail shaker to illustrate that even highly uncommon product designs, although they may improve the use of appearance of the product, still lack the inherent ability to serve as a marker of the product's source. *Id.* At 213. The Court further declared that the *Two Pesos* Court's holding that "trade dress can be inherently distinctive" was inapplicable to the case at hand because *Two Pesos* only dealt with restaurant décor, a form of trade dress that resembles product packaging more than design. *Id.* At 215 (citing *Two Pesos*, 529 U.S. at 773).

78. *Id.* At 213. The Court mentioned patent law in passing, stating that, on the rare occasion Lanham Act protection is sought "for a design that *is* inherently source identifying," a lack of secondary meaning would not prevent its producer from "securing a design patent or a copyright." *Id.* At 214.

79. *Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc.*, 280 F.3d 619, 633 n.10 (6<sup>th</sup> Cir. 2002) (emphasis added).

*C. The Fourth Circuit Promotes a Balance of Interests through the  
Preponderance of the Evidence Standard*

*1. The Supreme Court's Preferred Standard of Proof for Showing Intent to  
Defraud in Civil Suits*

While the Third Circuit's heightened standard requirement stemmed from a mix of intellectual property cases,<sup>80</sup> the Fourth Circuit established the preponderance of the evidence standard by relying on a series of Supreme Court rulings on civil litigation generally.<sup>81</sup> The first of these rulings is *Herman & MacLean v. Huddleston*, in which the Court reversed the Fifth Circuit's call for clear and convincing proof to show fraud in a case governed by the Securities Exchange Act of 1934.<sup>82</sup> The Court reasoned that the common law origins of the heightened standard have little bearing on "modern lawsuits;"<sup>83</sup> therefore, a heightened standard should only apply in civil cases "where particularly important individual interests or rights are at stake."<sup>84</sup> After examining the relevant provisions of the 1934 Act,<sup>85</sup> the Court declared that: "Where Congress has not prescribed the appropriate standard of proof . . . we must prescribe one."<sup>86</sup> The Court further explained that the preponderance standard works best where the interests of both parties are balanced, reasoning that Herman & MacLean's interest in avoiding the disgrace of a guilty verdict was in equilibrium with Huddleston's interest as a defrauded investor.<sup>87</sup> In a final rebuff of the Fifth Circuit's rationale that proving "scienter" requires clear and

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80. See *supra* note 68 and accompanying text.

81. See *Harrods Ltd. V. Sixty Internet Domain Names*, 302 F.3d 214, 225–26 (4<sup>th</sup> Cir. 2002) (citing *Grogan v. Garner*, 498 U.S. 279, 286 (1991); *Price Waterhouse v. Hopkins*, 490 U.S. 228, 253 (1989) *superseded in part by statute*, 42 U.S.C. §§ 2000e-2(m), 2000e-5(g) *as recognized in* *Univ. Of Texas Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517 (2013); *Herman & MacLean v. Huddleston*, 459 U.S. 375, 389 (1983)); see also *infra* Part I.C.2.

82. *Herman & MacLean*, 459 U.S. at 377–80 (explaining that securities purchaser Huddleston claimed that Herman & MacLean, an accounting firm that participated in an offering of the securities, engaged in fraudulent behavior related to a securities transaction. The Court described the Fifth Circuit's use of the clear and convincing evidence standard as "unprecedented" in comparison to other courts. See *id.* at 379 n.7.

83. *Id.* at 388 & n.27.

84. *Id.* at 389–90 (stating that if severe civil sanctions do not involve significant rights, they do not warrant a clear and convincing standard). The Court cited examples of interests that would require a higher standard, including parental rights, involuntary commitment, and deportation. *Id.* at 389.

85. See *id.* at 380–87 (concluding after a lengthy statutory analysis that Congress granted "defrauded purchasers of registered securities" the right to an action).

86. *Id.* at 389.

87. *Id.* at 390 (declaring that, although Herman & MacLean faced potential harsh criticism if convicted of fraudulent conduct, Huddleston's status as a "[d]efrauded investor[]" included him in the class of people Congress enacted securities laws to protect).

convincing evidence, the Court noted that, “[i]f anything, the difficulty of proving the defendant’s state of mind supports a *lower* standard.”<sup>88</sup>

The Court revisited the issue of intent in *Price Waterhouse v. Hopkins*, a case that centered on an employer’s burden of proving that its motives were not discriminatory.<sup>89</sup> The Court engaged in a “common sense” analysis of Title VII of the Civil Rights Act of 1964 to determine what Congress intended an employer to prove to escape liability.<sup>90</sup> Citing *Herman & MacLean*, the Court held that an employer partially motivated by gender stereotypes must show by a preponderance that even without the gender discrimination, the employer would not have acted differently.<sup>91</sup> The Court acknowledged that exceptions to the lower standard may arise “when the government seeks to take unusual coercive action,” but not in a suit for ordinary forms of relief.<sup>92</sup>

The final installment in this trio of pro-preponderance rulings was *Grogan v. Garner*, in which the Court deliberated on the standard of proof for a creditor to show that he was defrauded by an individual seeking bankruptcy protection.<sup>93</sup> The Court reasoned that because the relevant Bankruptcy Code provision was silent on the matter, Congress could not have intended to require clear and convincing evidence.<sup>94</sup> Although most states used a heightened standard of proof in fraud cases at the time of the Code’s enactment, the Court dismissed this as irrelevant to congressional intent.<sup>95</sup> Instead, the Court declared that the preponderance standard is best implemented in cases where no “particularly important individual interests or rights are at stake,” and that adopting it in such cases would have the favorable result of “a roughly equal allocation of the risk of error.”<sup>96</sup> The Court further stated that a bankrupt defendant’s interest in

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88. *Id.* at 390 n.30 (emphasis added) (rebutting the Fifth Circuit’s reasoning that, because “the proof of scienter required in fraud cases is often a matter of inference from circumstantial evidence,” there should be a higher standard of proof required).

89. *Price Waterhouse v. Hopkins*, 490 U.S. 228, 231–32 (1989), *superseded in part by statute*, 42 U.S.C. §§ 2000e-2(m), 2000e-5(g) *as recognized in* *Univ. Of Texas Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517 (2013) (stating that Hopkins filed a suit alleging sex discrimination under Title VII of the Civil Rights Act of 1964 after she failed to obtain admission as a partner at Price Waterhouse).

90. *See id.* at 241–42.

91. *Id.* at 252–53 (citing *Herman & MacLean*, 459 U.S. at 390) (observing that “[c]onventional rules of civil litigation generally apply in Title VII cases,” and such rules are governed by *Herman & MacLean*).

92. *Id.* at 253 (describing the types of consequences that would justify a heightened standard as being “more dramatic than entering an award of money damages”).

93. *Grogan v. Garner*, 498 U.S. 279, 280–83 (1991) (describing Grogan’s claim of a fraudulent corporate securities transaction and Garner’s argument that Section 523(a) of the Bankruptcy Code requires fraud to be proved by clear and convincing evidence).

94. *Id.* at 286 (“This silence is inconsistent with the view that Congress intended to require a special, heightened standard of proof.”)

95. *Id.* at 288 (reaffirming that “Congress has chosen the preponderance standard when it has created substantive causes of action for fraud”)

96. *Id.* at 286 (quoting *Herman & MacLean*, 459 U.S. at 389–90).



obtaining a “fresh start” does not outweigh a creditor’s interest in recovering from a fraudulent act.<sup>97</sup>

2. *The Fourth Circuit Carries Herman & MacLean, Price Waterhouse, and Grogan into Lanham Act Territory*

In *Harrods Ltd. v. Sixty Internet Domain Names*, the Fourth Circuit became the first court to rule on the standard of proof required to show bad faith under section 43(d)(1) of the Lanham Act,<sup>98</sup> as amended in 1999 by the Anticybersquatting Consumer Protection Act (ACPA).<sup>99</sup> Section 43(d)(1) creates liability when a person with “a bad faith intent to profit from [a] mark . . . registers, traffics in, or uses a domain name” in a way that violates the ACPA.<sup>100</sup> The plaintiff, Harrods UK, claimed that its former affiliate, Harrods Buenos Aires, registered sixty domain names containing the name “Harrods” in bad faith.<sup>101</sup> The court affirmed the application of the preponderance of the evidence standard and noted that no cases interpreting the ACPA had ever mentioned the clear and convincing evidence standard.<sup>102</sup> The court then reasoned that “[t]he interests implicated by the . . . ACPA are important, but they are not in the same category as those listed in *Herman*,” which related to “parental rights, involuntary commitment . . . and deportation.”<sup>103</sup> The court acknowledged other Lanham Act cases in which judges demanded a heightened standard for proving fraud or bad faith, but dismissed these holdings because

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97. *Id.* at 286–87 (stating that “requiring the creditor to establish by a preponderance of the evidence that his claim is not dischargeable reflects a fair balance between these conflicting interests”).

98. *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 225 (4th Cir. 2002).

99. Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, 113 Stat. 1501A-545 (1999) (codified at 15 U.S.C. § 1125(d) (2006)). The ACPA allows plaintiffs to bring in rem actions against domain names when personal jurisdiction cannot otherwise be obtained. *Harrods*, 302 F.3d at 222–23.

100. 15 U.S.C. § 1125(d)(1)(A)(i)-(ii); *Harrods*, 302 F.3d at 223; *see also* MCCARTHY, *supra* note 6, § 25:78 (explaining that the “bad faith intent to profit” required by the statute may be related to the web advertising sales by diverting web traffic searching for the trademark owner’s site, but not to the sale of domain names to a trademark owner).

101. *Harrods*, 302 F.3d at 219–20. Harrods UK opened its first department store in London in 1849 and created its South American subsidiary in 1912, which later established Harrods Buenos Aires as an independent company. *Id.* at 220. By 1963, Harrods UK and Harrods Buenos Aires had completely severed ties. *See id.* The domain name controversy did not begin until 1999, when Harrods Buenos Aires registered hundreds of “Harrods-related domain names” with Network Solutions, Inc. in Herndon, Virginia. *Id.* at 221–22.

102. *Id.* at 225–26 (explaining that the absence of a discussion on the clear and convincing evidence standard in bad faith cases under ACPA indicates that courts have assumed the usual preponderance of the evidence standard applies).

103. *Id.* at 226 (citing *Grogan v. Garner*, 498 U.S. 279, 286 (1991); *Price Waterhouse v. Hopkins*, 490 U.S. 228, 253 (1989), *superseded in part by statute*, 42 U.S.C. §§ 2000e-2(m), 2000e-5(g) *as recognized in* *Univ. Of Texas Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517 (2013); *Herman & MacLean v. Huddleston*, 459 U.S. 375, 389 (1983)).

they were not required under the Lanham Act.<sup>104</sup> Citing *Grogan*, the court further declared that the absence of indicative language in the ACPA's text and legislative history goes against the view that Congress intended to make it more difficult to prove bad faith intent.<sup>105</sup>

*D. The First Circuit Landscape Pre-Fishman Transducers, Inc.*

First Circuit jurisprudence contains a unique exception to the rule that courts must always consider intent as a factor in determining whether an accounting of profits is warranted.<sup>106</sup> In *Aktiebolaget Electrolux v. Armatron Intern., Inc.*, the First Circuit declared that "a plaintiff seeking an accounting of defendant's profits must [only] show that the products directly compete, such that defendant's profits would have gone to plaintiff if there was no violation."<sup>107</sup> This rule was reexamined in *Tamko Roofing Products, Inc. v. Ideal Roofing Co., Ltd.*<sup>108</sup> The court addressed whether Tamko was entitled to an accounting after

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104. *Id.* at 226–27. The court acknowledged *Resorts of Pinehurst, Inc. v. Pinehurst Nat'l Corp.*, which held that clear and convincing evidence is required to show intent to deceive the Patent and Trademark Office. 148 F.3d 417, 420 (4th Cir. 1998). The court also noted the Fifth Circuit's decision in *Pebble Beach Co. v. Tour 18 I Ltd.*, which held that the intent required to demonstrate that a case is of an exceptional nature, and thus receive an award of attorneys' fees, must be shown by clear and convincing evidence. 155 F.3d 526, 555 (5th Cir. 1998).

105. *Id.* at 227 (citing *Grogan*, 498 U.S. at 286) (comparing the silence of the relevant statute in *Grogan* to that of the ACPA on the issue of the appropriate standard of proof). The *Harrods* court reasoned that because Congress thoroughly delineated the bad faith factors in the language of section 43(d) of the Lanham Act as well as in the legislative history, Congress would have done the same for the ACPA if it had intended to impose a heightened burden of proof in that statute. *See id.* (citing 15 U.S.C. § 1125(d)(1)(B)(i) (2006); S. REP. NO. 106-140, at 13–16 (1999); H.R. REP. NO. 106-412, at 10–13 (1999)).

106. *See* MCCARTHY, *supra* note 8, § 30:62 (stating that courts ordinarily require a showing of intent "to infringe or reap the harvest of another's mark" in order for a plaintiff to obtain an accounting of the defendant's profits); Conway-Jones, *supra* note 8, at 927 (showing that six circuits recognize intent as a prerequisite to an award of the defendant's profits, and six others consider intent as a factor in determining the appropriate remedy); Luciani, *supra* note 8, at 69 (noting that even though there is a circuit split, most courts agree that bad faith must be found before awarding the plaintiff an accounting of the profits). The First Circuit's exception to the general rule is explained in *Aktiebolaget Electrolux v. Armatron Int'l, Inc.*, which affirms that, to obtain an accounting of the defendant's profits absent a showing of intent, the plaintiff must show direct competition between the products. 999 F.2d 1, 5 (1st Cir. 1993).

107. *Id.* (adding that this requirement is not applied as stringently if there was fraud on the defendant's part). AB Electrolux had a registered trademark for "Weed Eater" gardening tools, which Armatron discovered while conducting research to trademark its own "Leaf Eater" product. *Id.* at 2–3. Armatron claimed the name "Leaf Eater" was inspired by its insect control device called the "Skeeter Eater." *Id.* The court stated there was little likelihood of confusion caused by the infringement, reasoning that, even though the products shared "similar channels of trade, advertising and class of prospective purchasers," each was intended for a different type of gardening use. *Id.* at 4. The court held that, because the products did not directly compete and Armatron did not act in bad faith, there could be no accounting of profits. *Id.* at 6.

108. *Tamko Roofing Prods., Inc. v. Ideal Roofing Co., Ltd.*, 282 F.3d 23, 27–28 (1st Cir. 2002) (explaining that Ideal developed a "Heritage Series" mark resembling Tamko's "The American

Tamko was granted an injunction.<sup>109</sup> However, the court held that, despite the injunction, the fact that the parties' roofing products directly competed with each other warranted an accounting, regardless of whether the infringer acted fraudulently or in bad faith.<sup>110</sup>

*Tamko Roofing* also provided the defendants-appellees in *Fishman Transducers* with some ammunition for their argument in favor of a heightened standard of proof.<sup>111</sup> In *Tamko Roofing*, the First Circuit noted that the district court used the clear and convincing evidence standard to show willful infringement.<sup>112</sup> The First Circuit in *Fishman Transducers* later addressed whether this language affirmed that the heightened standard is required, but ultimately ruled that it was merely dicta.<sup>113</sup>

## II. THE FIRST CIRCUIT OPTS FOR A MODERN APPROACH

### A. *The Marketing Mix-Up that Lead to First Circuit Precedent*

*Fishman Transducers, Inc.* developed a line of "highly regarded" pickups, which amplify the sound of a guitar.<sup>114</sup> Fishman served guitar manufacturers as a supplier, but did not sell guitars to consumers directly.<sup>115</sup> Stephen Paul, better known by his stage name, Esteban, is a guitarist who began working with the Home Shopping Network (HSN) in 2001 through his company, Daystar Productions, to promote his line of Esteban guitars and accessories.<sup>116</sup> In 2006, Force Limited, Paul's manufacturer, decided to change the pickup in the

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Heritage Series" mark, and later violated the district court's preliminary injunction by its continued use of the mark online and in brochures distributed at trade shows).

109. *Tamko Roofing*, 282 F.3d at 35–36 (citing *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947)) (referring to *Champion Spark Plug* to declare that "injunctive relief may be adequate if there has been no fraud").

110. *Tamko Roofing*, 282 F.3d at 36. The First Circuit noted the *AB Electrolux* court's "silen[ce] on whether 'willfulness' is a precondition for an accounting," but also noted that it did not need to address that question because the jury in *Tamko Roofing* already found that the infringement was "done voluntarily and intentionally." *Id.* at 36 & n.10 (citing *AB Electrolux*, 999 F.2d at 5–6).

111. See Brief for Appellees, *supra* note 15, at 18–19 (citing *Tamko Roofing*, 282 F.3d at 29) (arguing that the "serious charge" of willful infringement must be established by clear and convincing evidence so that the monetary harm borne by the defendant does not outweigh the goal of deterrence).

112. *Tamko Roofing*, 282 F.3d at 29 (quoting the district court jury's finding by clear and convincing evidence that Ideal willfully infringed Tamko's trademark).

113. See *Fishman Transducers, Inc. v. Paul*, 684 F.3d 187 (1st Cir. 2012); see also *infra* Part II.C.

114. *Fishman Transducers*, 684 F.3d at 189 (explaining that the term "transducer" refers to a device usually included in a guitar pickup and hidden inside a guitar).

115. *Id.* at 194.

116. *Id.* at 189 (describing the product packages sold as "a guitar equipped with a pickup as well as accessories such as a strap, case, amplifier and instructional videos").

guitars.<sup>117</sup> Belcat, which provided pickups to Force, described the new pickups as either Fishman or “Fishman-type.”<sup>118</sup> Like a classic game of telephone, Force informed HSN that the guitars now included Fishman pickups, and HSN, in turn, told Paul the same.<sup>119</sup>

In October 2006, during his appearances on the HSN channel, Paul began advertising that Esteban guitars were made with Fishman pickups.<sup>120</sup> Claiming that he personally selected them for his guitars, he praised the pickups as being “top of the line,”<sup>121</sup> and even bragged that one of these pickups by itself would cost as much as an Esteban guitar with accessories does.<sup>122</sup> After months of these on-air promotions, Fishman demanded that HSN cease advertising its pickups.<sup>123</sup> Although HSN immediately complied, Fishman filed suit against HSN, Paul, and Daystar.<sup>124</sup>

### B. *Esteban and Company Perform for the District Court*

Fishman’s main claims against the defendants were trademark infringement and false advertising, both governed by section 43(a) of the Lanham Act.<sup>125</sup> Because Esteban and HSN did not vigorously object to those charges, a significant portion of the oral arguments and trial testimony dealt with the issue of the defendants’ intent.<sup>126</sup> The jury, acting under the judge’s instruction that clear and convincing evidence is required to prove willfulness, found that the violations were not willful.<sup>127</sup>

In a post-trial order, Judge O’Toole reiterated that an award of profits based on the First Circuit’s direct competition rule was not warranted in this case, because Esteban’s guitars did not directly compete with Fishman’s pickups.<sup>128</sup>

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117. *Id.* at 190 (stating that Force manufactured the guitars for HSN in China with pickups made by a company named Belcat).

118. *Id.*; *see also id.* at n.1 (explaining that Fishman contracted with Belcat, allowing it to use “Fishman-patented” technology, but forbidding it from using the Fishman name in promotions).

119. *Id.* at 190.

120. *Id.* at 189. HSN had already been listing Fishman pickups in the guitar specifications on its website. *Id.*

121. *Id.* at 194 (stating that Paul’s on-air statements were put “in terms exceeding anything represented by Force Limited”).

122. *Id.* at 189.

123. *Id.* (explaining that Fishman did not reach out to HSN and Daystar to demand an end to the use of its name in promotions until “[s]everal months after the television advertising began”).

124. *Id.* at 189–90.

125. *See* 15 U.S.C. § 1125(a) (2012); *Fishman Transducers*, 684 F.3d at 189–90.

126. *Fishman Transducers*, 684 F.3d at 190 (mentioning that the trial lasted for a period of eight days).

127. *Id.* at 190.

128. Memorandum and Order Regarding Equitable Relief at 1, 3, *Fishman Transducers, Inc. v. Paul*, No. 07-10071-GAO (D. Mass. Mar. 29, 2011) (citing *Aktiebolaget Electrolux v. Armatron Int’l, Inc.*, 999 F.2d 1, 5 (1st Cir. 1993)); *see also Fishman Transducers*, 684 F.3d at 196 (explaining that a pickup is one “ingredient” of a guitar, rather than a market substitute).

In a subsequent order, the judge denied Fishman's renewed motion for judgment as a matter of law based on the jury instructions, citing the *Tamko Roofing* court's acknowledgement of the clear and convincing standard for proving willfulness.<sup>129</sup>

On appeal, Fishman contended that the First Circuit did not require a showing of willfulness by clear and convincing evidence in *Tamko* because the issue was not before the court.<sup>130</sup> In response, defendants-appellees Paul, HSN, and Force claimed that the First Circuit's dictum in *Tamko Roofing* still supports the argument for a higher standard.<sup>131</sup> Additionally, the defendants-appellees cited *Versa Products* in support of adopting the Third Circuit's clear and convincing proof requirement to ensure that higher damages were not imposed without convincing evidence.<sup>132</sup>

### C. Judge Boudin's Fine-Tuned Opinion on the Proper Standard

Fishman's appeal of the district court's decision was based primarily on the issue of intent.<sup>133</sup> Circuit Judge Boudin began with a brief analysis of section 35 of the Lanham Act, which governs the basic requirements for awarding certain remedies, including an accounting of profits.<sup>134</sup> Noting the absence of the word "willful" from the relevant provision, the court pointed out that the

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129. Order at 3–4, *Fishman Transducers, Inc. v. Paul*, No. 07-10071-GAO (D. Mass. May 18, 2011) (citing *Tamko Roofing*, 282 F.3d at 29) (finding no evidence that the First Circuit ever questioned whether the heightened burden was proper); see also *supra* note 115 and accompanying text.

130. Brief of Plaintiff-Appellant *Fishman Transducers, Inc.* at 29, *Fishman Transducers* 684 F.3d 187 (No. 11-1663) (citing *Tamko Roofing*, 282 F.3d at 29). Fishman also highlighted the *Tamko Roofing* court's analysis of legislative history to establish that "[w]illfulness short of bad faith or fraud" may satisfy the necessary conditions for an award of attorneys' fees. *Id.* at 30 (citing *Tamko Roofing*, 282 F.3d at 32). Fishman therefore argued that, "[b]ecause willfulness is less than fraud, it should not require the [same] heightened burden of proof." *Id.* at 30. The First Circuit did not address this issue directly, but did describe fraud as "a cousin to willfulness." See *Fishman Transducers*, 684 F.3d at 192.

131. Brief for Appellees, *supra* note 15, at 19 (citing *Tamko Roofing*, 282 F.3d at 29) (noting that the *Tamko Roofing* court quoted the district court's jury instructions requiring clear and convincing evidence to prove willfulness, but conceding that the appellant failed to appeal the issue of willfulness).

132. Brief for Appellees, *supra* note 15, at 19–20 (citing *Versa Prods. Co., Inc. v. Bifold Co. (Mfg.)*, 50 F.3d 189, 207 (3d Cir. 1995)). The appellees also cautioned against punishing businesses without convincing evidence of wrong-doing. *Id.* at 26.

133. See *Fishman Transducers*, 684 F.3d at 190 (stating that Fishman alleged "that the district court mishandled the central issue of willfulness"); see also *id.* at 196 (describing Fishman's alternative argument for receiving an accounting of the defendants' profits based on the direct competition of the parties' products).

134. *Fishman Transducers*, 684 F.3d at 191. The opinion makes references to sections 1117 and 1125, but this Note will refer to each, respectively, as "section 35," 15 U.S.C. § 1117 (2006), and "section 43," 15 U.S.C. § 1125 (2006), to maintain consistency across cases. See *id.* at 190–91.

term is used elsewhere in section 35 and other parts of the Act.<sup>135</sup> However, the court still recognized that “courts (including this one) have used willfulness as a gloss or screen in deciding what remedies to provide for ordinary infringement.”<sup>136</sup>

Turning to the jury instructions on the burden of proof for willfulness, the court declared that the *Tamako Roofing* court did not adopt a clear and convincing standard, as the burden of proof was not contested.<sup>137</sup> The court recognized the inconsistency among circuits on this matter, comparing the clear and convincing standard required by the Third Circuit in *Versa Products* to the preponderance of the evidence standard implemented by the Fourth Circuit in *Harrods*.<sup>138</sup> Regardless of the lack of clear authority for Lanham Act cases, the court observed that courts tend to set aside the heightened standard unless the matter has “constitutional implications.”<sup>139</sup> Based on the holdings in *Herman & MacLean* and *Grogan*, the *Fishman* court held that the appropriate standard is a preponderance of the evidence because Congress did not include “willful” in the applicable part of section 35(a).<sup>140</sup>

Unfortunately for *Fishman*, the court further held that the erroneous jury instructions were not harmful because a reasonable jury could not have found that the defendant’s conduct was willful under either standard.<sup>141</sup> Although the

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135. *Id.* at 191. The court acknowledged that “willful” is used in section 35(a), but only in relation to a willful violation of section 43(c), which governs relief for dilution of a famous mark. *Id.* The court also pointed out that “willful” appears in section 35(c)(2), governing statutory damages for the use of counterfeit marks. *Id.* Turning to the language in the relevant provision of section 35(a), the court reiterated that “[i]n assessing profits the plaintiff shall be required to prove defendant’s sales only.” *Id.* (quoting 15 U.S.C. § 1117(a)).

136. *Id.* (noting that the First Circuit’s exception to the requirement of willfulness applies when the parties directly compete). The court also stated that *Fishman* was correct in its claim that the district court “set the bar too high” with the very definition of willfulness provided to the jury, due to the failure “to make clear that objective recklessness is also a basis for finding willfulness.” *Id.* at 192.

137. *Id.* (citing *Tamko Roofing*, 282 F.3d at 29) (noting that the *Tamako Roofing* court briefly mentioned the jury’s willfulness finding by clear and convincing evidence, although explaining that the statement was not dispositive).

138. *Id.* at 193 & n.7 (citing *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 226–27 (4th Cir. 2002)); *Versa Prods. Co., Inc. v. Bifold Co. (Mfg.)*, 50 F.3d 189, 207–08 (3d Cir. 1995)).

139. *Fishman Transducers*, 684 F.3d at 192 & n.6. For example, the court referred to *Addington v. Texas* as a case where the Supreme Court employed the clear and convincing evidence burden of proof, thus establishing its use for civil commitment cases. *Id.* (citing *Addington v. Texas*, 441 U.S. 418, 433 (1979)). Coincidentally, the defendant-appellees previously cited *Addington* in support of their argument that a heightened standard is appropriate for civil cases that focused on quasi-criminal claims, such as fraud. Brief for Appellees, *supra* note 15, at 25–26 (citing *Addington*, 441 U.S. at 424). Although the *Fishman* court did not address this particular claim, the Supreme Court dismissed the rationale behind it in *Herman & MacLean* as being inapplicable to “modern lawsuits.” 459 U.S. 375, 388 (1983).

140. *Fishman Transducers*, 684 F.3d at 193.

141. *Id.* The court explained that the evidence did not even suggest that the appellees’ failure to discover the truth about the pickups was reckless, nor did appellee-Paul’s on-air statements imply

plaintiff was still denied an accounting of profits under the lower standard, the court's rejection of the Third Circuit's clear and convincing standard not only made for a trademark decision that harmonizes with the legislative history of the Lanham Act,<sup>142</sup> but one that could have a beneficial impact on plaintiffs in future product design trade dress cases as well.<sup>143</sup>

### III. THE FIRST CIRCUIT'S SOUND DECISION: LEGISLATIVE HISTORY, CASE LAW, AND POLICY SUPPORT A PREPONDERANCE OF THE EVIDENCE STANDARD TO SHOW INTENT IN LANHAM ACT CASES

#### A. *The Wisdom of Adhering to the Common Sense Approach of Herman & MacLean, Price Waterhouse, and Grogan*

The Supreme Court's adoption of the preponderance of the evidence standard in *Herman & MacLean*, *Price Waterhouse*, and *Grogan* was based on a two-pronged analysis: (1) statutory interpretation aided by legislative history and (2) a balance of interests test used to allocate the risk of an erroneous decision between the plaintiff and defendant.<sup>144</sup> This practical method of resolving the standard of proof for intent was aptly followed by the First Circuit in *Fishman Transducers*.<sup>145</sup> Extending the first prong of the Supreme Court's approach to the Lanham Act, the First Circuit appropriately noted that the word "willful" was significantly absent from the applicable Lanham Act provision.<sup>146</sup> Unlike in *Harrods*, in which the language of section 43(d) called for a showing of "bad faith" but not a heightened standard,<sup>147</sup> in *Fishman Transducers*, the relevant provision of section 35(a) governing profits did not even refer to intent, much less indicate that Congress meant willfulness should be shown by clear and convincing evidence.<sup>148</sup>

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that he had any knowledge of the mistake. *Id.* at 193–94. The court also held that Fishman was not entitled to damages because there was insufficient proof to support Fishman's theory that the infringement of its trademark diverted sales from companies that included Fishman pickups in their guitars to guitars with infringing pickups, which then caused those companies to reduce new orders from Fishman. *Id.* at 194–95 (noting the difficulty of showing causation when parties are not in direct competition). Similarly, the court held that Fishman could not receive an accounting of the defendants' profits under the First Circuit's direct competition rule, because pickups are not an equivalent product to a guitar, and therefore the parties were not in direct competition. *Id.* at 196.

142. See *infra* Part III.A.

143. See *infra* Part III.B.

144. See *supra* notes 87–89, 92–94, 96–99 and accompanying text.

145. See *Fishman Transducers*, 684 F.3d at 193. Although the court did not examine the Fourth Circuit's application of this method to the Lanham Act debate in *Harrods*, it did acknowledge *Harrods* as a case favoring the preponderance standard. *Id.* at 193 n.7 (citing *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 226–27 (4th Cir. 2002)).

146. See *supra* note 143 and accompanying text.

147. See *Harrods*, 302 F.3d at 223.

148. See *Fishman Transducers*, 684 F.3d at 142.

Although the First Circuit did not address the Lanham Act's legislative history, this history further indicates that Congress did not accidentally omit the requirement that an infringer must act with "willfulness and intent to deceive."<sup>149</sup> Instead, the requirement's omission was an intentional change made by Congress in reaction to the practical impossibility of enforcing the statute section 43(a) replaced, which made a showing of willfulness mandatory.<sup>150</sup> As Justice Brennan declared in *Price Waterhouse*, "[w]e need not leave our common sense at the doorstep when we interpret a statute."<sup>151</sup> If Congress did not intend to require any showing of willfulness, then courts should not make that finding more difficult through implementing a standard requiring clear and convincing evidence.<sup>152</sup>

Turning to the balance of interests, the First Circuit properly indicated that the defendants-appellees' financial interest was not severe enough to raise any red flags concerning a potential constitutional matter.<sup>153</sup> In *Herman & MacLean*, an accounting firm sought a heightened standard of proof to avoid the poor business reputation that would likely follow a finding of securities fraud.<sup>154</sup> In *Grogan*, the interest at stake was a bankrupt debtor's chance for obtaining a "fresh start."<sup>155</sup> If the Supreme Court did not deem either of those concerns vital enough to demand clear and convincing evidence of intent,<sup>156</sup> then the interest

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149. See *Parkway Baking Co. v. Freihofer Baking Co.*, 255 F.2d 641, 648 n.7 (1958) (providing a brief overview of legislative history that led to the omission of the willfulness requirement from the Lanham Act); MCCARTHY, *supra* note 8, § 27:51 (asserting that Congress purposefully removed the willfulness requirement when drafting the Lanham Act).

150. See *id.*

151. *Price Waterhouse v. Hopkins*, 490 U.S. 228, 241 (1989), *superseded in part by statute*, 42 U.S.C. §§ 2000e-2(m), 2000e-5(g) *as recognized in* *Univ. Of Texas Sw. Med. Ctr. v. Nassar*, 133 S. Ct. 2517 (2013).

152. See *supra* notes 29–30 and accompanying text (discussing how the difficulty of proving willfulness gave rise to the omission of the willfulness requirement from the Lanham Act); *Almeling*, *supra* note 9, at 219 (finding no indication of congressional intent to require proof of willfulness in the text or legislative history of the Lanham Act); *Conway-Jones*, *supra* note 8, at 924 ("Congress did not intend bad faith to be a requirement for an award of the remedy of an accounting of profits . . ."); *Luciani*, *supra* note 8, at 117 (arguing that the requirement of intent "seems as if it is a judicial creation, without much guidance from the statute, based on a misguided sense of fairness"); *Thurmon*, *supra* note 37, at 313–14 (opposing the requirement of willfulness for an accounting of the defendant's profits because it allows infringers to keep unjust gains).

153. See *Fishmans Transducers*, 684 F.3d at 192 & n.6.

154. *Herman & MacLean v. Huddleston*, 459 U.S. 375, 390 (1983) (acknowledging that *Herman & MacLean* could be subject to public condemnation if found guilty of fraud).

155. *Grogan v. Garner*, 498 U.S. 279, 286–87 (1991).

156. *Herman & MacLean*, 459 U.S. at 390 (reasoning that not even the risk of being permanently barred from the securities industry warrants a heightened standard of proof to show fraud); *Grogan*, 498 U.S. at 287 (finding that Congress did not intend for the interest of a debtor in obtaining a "fresh start" to outweigh the interest of a creditor in receiving rightful repayment).



of the defendants-appellees in *Fishman Transducers*, which was a typical civil suit, should likewise not have warranted a heightened standard.<sup>157</sup>

Because the primary purpose of the Lanham Act is to protect consumers from deception, it would have been reasonable for the First Circuit to also consider the public's interest when assessing the risks presented by a flawed verdict in favor of the infringers.<sup>158</sup> The court could have bolstered its opinion by discussing this aspect of legislative history; even assuming, *arguendo*, that the defendants-appellees' interest in avoiding higher, insufficiently supported damage awards was enough to outweigh Fishman's interest in adequate relief,<sup>159</sup> it would surely not offset the *public's* interest in identifying the origin of products. For instance, in the *Coming to America* scenario, it is not merely the financial loss to McDonald's that would cause a jury to doubt the fairness of allowing Cleo McDowell to retain his profits, but the looks of dismay on the faces of bewildered customers wondering why their hamburger buns lack sesame seeds.<sup>160</sup> Furthermore, to require clear and convincing evidence of an infringer's intent as a precondition to a plaintiff's recovery of the profits reaped from its good name is not in line with Congress's policies of rewarding quality and "making infringement and piracy unprofitable,"<sup>161</sup> especially considering any difficulties already faced by trademark owners who must prove intent to receive a sufficient remedy.<sup>162</sup>

#### *B. The Justification for Applying Fishman Transducers to Future Product Design Trade Dress Cases*

Although *Fishman Transducers* was a trademark case, the court's dismissal of *Versa Products* on similar grounds indicates that the First Circuit will employ a preponderance of the evidence standard to show willfulness in future product

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157. See *Herman & MacLean*, 459 U.S. at 387 (explaining that in "a typical civil suit for money damages" only a preponderance of the evidence is required).

158. See S. REP. NO. 133, at 5–6 (1946); see also Rogers, *supra* note 27, at 176–77 (contending that consumers would be harmed without trademark protection because they would be hardpressed to distinguish between products); James S. Wrona, *False Advertising and Consumer Standing Under Section 43(a) of the Lanham Act: Broad Consumer Protection Legislation or a Narrow Pro-Competitive Measure?*, 47 RUTGERS L. REV. 1085, 1153–54 (1995) (asserting that "deceptive advertising is destructive to the principles of capitalism" and causes consumers to inefficiently allocate resources to differentiate between valid and invalid claims).

159. See *supra* note 142 and accompanying text.

160. See *supra* note 1 and accompanying text.

161. S. REP. NO. 1333, at 3–4 (1946); see also Conway-Jones, *supra* note 8, at 882 (contending that remedying infringement with an accounting of profits "instill[s] faith in the competitive marketplace").

162. See Michael J. Freno, *Trademark Valuation: Preserving Brand Equity*, 97 TRADEMARK REP. 1055, 1062 (2007) (reasoning that injunctions are granted more frequently in Lanham Act cases because it is more difficult to prove the requisites for a monetary remedy); Thurmon, *supra* note 37, at 313 (explaining that under-compensation is a problem when monetary remedies are granted in Lanham Act cases because of the difficulty in quantifying damages and proving willful infringement).

design trade dress cases as well.<sup>163</sup> Presuming the *Versa Products* court was correct in its theory that Lanham Act protection of product designs leads to “hobbled” competition,<sup>164</sup> this threat to market participants could add weight to the infringer’s side in a balance of interests test and strengthen the argument for a heightened standard to allocate the risk of such occurrence.<sup>165</sup>

However, accepting this theory may be problematic because, before the Third Circuit applied *Sears* and *Compco* to justify the clear and convincing evidence standard, it conceded that the actual holdings of *Sears* and *Compco* did not prevent Section 43(a) from protecting product configuration.<sup>166</sup> If the Supreme Court was concerned only with a clash between state laws and federal patent legislation in *Sears* and *Compco*, then a policy derived from those opinions should not affect the burden of proof required to show intent in a Lanham Act case.<sup>167</sup>

Nevertheless, according to *Versa Products*, “patent-like restrictions on competition” are created when courts enforce Lanham Act protection of product designs.<sup>168</sup> In such cases, it is true that, as stated in *Sears*, the “mere inability of the public to tell two identical articles apart is not enough to support . . . an award of damages for copying that which the federal patent laws permit to be copied.”<sup>169</sup> But this line of reasoning ignores the fact that courts, like the Seventh Circuit in *Kohler*, may already assiduously apply the likelihood of confusion, functionality, and distinctiveness tests to determine whether Lanham Act protection of a product’s design would trigger any conflict with patent legislation.<sup>170</sup> Therefore, there is no need to forestall patent-like restrictions by imposing a heightened standard of proof because, through implementation of these well-tested methods of ascertaining Lanham Act protection, such restrictions cannot materialize.<sup>171</sup>

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163. See *Versa Prods. Co., Inc. v. Bifold Co. (Mfg.) Ltd.*, 50 F.3d 189, 207–08 (3d Cir. 1995).

164. *Id.*

165. See *Herman & MacLean v. Huddleston*, 459 U.S. 375, 389 (1983) (quoting *Addington v. Texas*, 441 U.S. 418, 423 (1979)) (“[W]e are mindful that ‘a standard of proof serves to allocate the risk of error between the litigants and to indicate the relative importance attached to the ultimate decision.’”).

166. *Versa Prods.*, 50 F.3d at 204 n.12.

167. See *id.*; see also Jay Dratler, Jr., *Trademark Protection for Industrial Designs*, 1988 U. ILL. L. REV. 887, 936 (1988) (explaining that, “because [*Sears* and *Compco*] involved state law, there was no reason in those case to balance potentially countervailing federal policies” such as the Lanham Act).

168. *Versa Prods.*, 50 F.3d at 207.

169. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 232 (1964).

170. *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 642 (7th Cir. 1993) (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 774–75 (1992)).

171. See *Kohler*, 12 F.3d at 642 (explaining that a trademark monopoly can be avoided by carefully applying trademark recognition principles); see also Dratler, *supra* note 167, at 936 (maintaining that trademark law should “be harmonized with design patent law” by means of “a sensitive application of such fact-bound principles as likelihood of confusion, functionality, and distinctiveness”); Jay Dratler, Jr., *Trade Dress Protection for Product Configurations: Is There A*

A defendant could nevertheless correctly point out that one of these methods, the test of distinctiveness, falls short of preventing harm to competition when applied to product designs.<sup>172</sup> As stated in *Versa Products*, “federal patent laws restrict[] the degree to which courts may grant legal recognition of consumer reliance on [designs] as source indicators,” as it is rare for consumers to actually rely on designs to identify source at all.<sup>173</sup> This led the Third Circuit to implement a stricter test for assessing consumer confusion, accompanied by a heightened standard of proof to show intent to confuse.<sup>174</sup> However, by requiring plaintiffs to prove that their design has acquired secondary meaning, the Supreme Court in *Wal-Mart* resolved the concern over product designs lacking inherent distinctiveness.<sup>175</sup> In the process the Court defined “the *only* trade-dress-law difference” that must be addressed in such cases.<sup>176</sup> Because this ruling eliminates “plausible threats” of product design suits that allege inherent distinctiveness,<sup>177</sup> there is no need to implement a heightened standard of proof to minimize the risk of impaired competition that could result from such frivolous claims.<sup>178</sup> In *Coming to America*, for example, if McDonald’s was to claim that the shape formed by the unique layering of its Big Mac ingredients deserves trade dress protection,<sup>179</sup> then in addition to showing that McDowell’s version looks confusingly similar, McDonald’s would have to prove that its burger’s shape developed a secondary meaning among consumers through its use in the market.<sup>180</sup> To also impose a heightened standard of proof on McDonald’s burden of showing intent to confuse would be overkill, despite Mr. McDowell’s fervent insistence.<sup>181</sup>

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*Conflict with Patent Policy?*, 24 AIPLA Q.J. 427, 495–495 (1996) (reasoning that existing trademark doctrines are sufficient to protect product configurations and will not hamper patent policy); Peter E. Mims, *Promotional Goods and the Functionality Doctrine: An Economic Model of Trademarks*, 63 TEX. L. REV. 639, 645 (1984) (asserting that under the functionality doctrine confers protection by preventing trademark monopolies).

172. See *supra* notes 77–78 and accompanying text.

173. *Versa Prods.*, 50 F.3d at 204 (reasoning that consumers are more likely to consider a product’s packaging and advertising than its configuration when determining the product’s source).

174. *Id.* at 208.

175. See *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 211 (2000).

176. *Abercrombie & Fitch Stores, Inc. v. Am. Eagle Outfitters, Inc.*, 280 F.3d 619, 633 n.10 (6th Cir. 2002) (emphasis added).

177. See *Wal-Mart*, 529 U.S. at 213.

178. Cf. *id.*; see also MCCARTHY, *supra* note 4, § 8:12.50 (affirming that the Supreme Court in *Wal-Mart* purposely limited the scope of product design and trade dress lawsuits by imposing a heightened burden on the plaintiffs).

179. Cf. Lisa K. Krizman, *Trademark Protection for Restaurant Owners: Having Your Cake and Trademarking It, Too*, 99 TRADEMARK REP. 1004, 1026–27 (2009) (discussing the protection of distinctive shapes of food, such as “goldfish crackers” and “car-shaped lasagna,” under the Lanham Act).

180. See *supra* notes 1, 77–78 and accompanying text.

181. See *supra* note 1.

## IV. CONCLUSION

By holding that a preponderance of the evidence is the proper standard of proof to establish willful infringement, the First Circuit demonstrated consistency with the Lanham Act's anti-infringement policy. Following the guidance of *Herman & MacLean* and its progeny, the *Fishman Transducers* court laid out a common sense approach that provided for a sensible decision.<sup>182</sup> Even in future product design suits, the traditional methods of establishing Lanham Act protection will prevent risks of patent-like restrictions that could otherwise justify a clear and convincing standard.

This decision will provide trademark and trade dress owners with fair access to sufficient remedies, and should therefore be deemed as highly persuasive by other circuits that consider the issue in the future. Of course, in cases like *Fishman Transducers*, in which evidence of intentional infringement is virtually nonexistent, a lower standard of proof will ultimately make no difference in the outcome. Along those lines, returning to the unfortunate situation of Cleo McDowell, even courts that demonstrate unwavering devotion to the heightened standard may not be able to help the avid restaurateur avoid a finding that he intended to profit from the reputation of his well-known, and well-lawyered, corporate adversary.

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