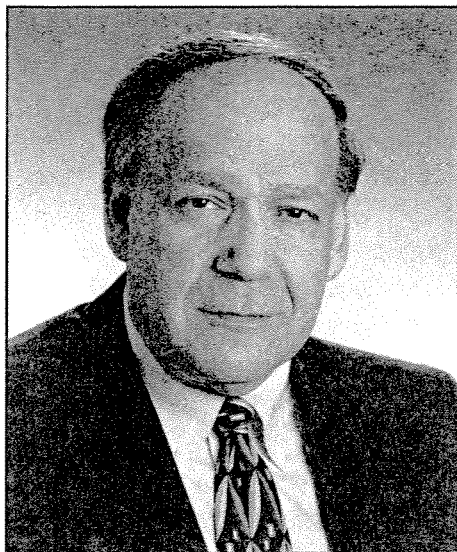


Ninth Circuit Report



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**K AND N ENGINEERING, INC. V.
BULAT ___ FED 3D ___ (9TH CIR.,
DEC. 18, 2007)**

An Election to Receive Statutory Damages for Trademark Counterfeiting Under the Lanham Act Precludes Award of Attorneys' Fees

IN A CASE WHICH SURPRISED many, the Ninth Circuit reviewed the Lanham Act and found that if a plaintiff elects to receive statutory damages for trademark counterfeiting under 15 U.S.C. 1117(c), it cannot also obtain an award of attorneys' fees.

Here, plaintiff K and N Engineering ("K&N"), a manufacturer of automobile air filters and decals, sued individuals who were selling counterfeit decals bearing the K&N logo at auction on eBay.

Plaintiff also sold decals bearing the logo, so defendant's creation and sale of

counterfeit decals represented trademark counterfeiting under 15 U.S.C. § 1117(c). The Trademark Counterfeiting Act was amended in 1996 to provide statutory damages in egregious cases of trademark infringement, where the defendant used not only a confusingly similar mark, but an actual counterfeit mark.

In this case, the defendant's sales were for a total of \$267, because the plaintiff moved early to sue for the infringement. Plaintiffs elected statutory damages. The District Court for the Central District of California awarded K&N statutory damages of \$20,000 and attorneys' fees of \$100,000, which fees the plaintiff incurred in prosecuting the litigation. This was the perfect case for statutory damages and attorneys' fees, because the infringement was stopped early before the counterfeiter made large profits.

No Attorneys' Fees Available

Review of an award of attorneys' fees is generally for an abuse of discretion, with the District Court's legal analysis and statutory interpretation being reviewed *de novo*. Looking at the plain language of the Lanham Act, the Court noted that in trademark infringement actions seeking damages and attorneys' fees, a plaintiff is entitled under Section 1117(a) to recover actual damages, and also attorneys' fees in "exceptional" cases. Exceptional cases are where the Court finds that the defendant acted "maliciously, fraudulently, deliberately, or willfully."

However, where serious infringement cases rise to the level of counterfeiting, § 1117(b) provides that a plaintiff may seek three times actual damages, plus reasonable attorneys' fees, except where there are "extenuating circumstances." Or, in the alternative, a plaintiff may eschew actual damages under § 1117(a) and elect to seek statutory damages, under § 1117(c).

The statutory damages section provides:

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

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

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

However, the Court noted, the statutory damages section makes no provision for an award of attorneys' fees. Nor does § 1117(b) authorize attorney's fees for a plaintiff seeking statutory damages under § 1117. This attorneys' fees provision, by its terms, applies only in cases seeking an award of actual damages.

Since statutory damages were sought here, and the statute provides no allowance for statutory damages, plaintiff K & N is left with a bill of \$100,000 in attorneys' fees to bring the action!

This result surprised a number of attorneys involved in litigation of trademark counterfeiting cases, because if there ever was a case where statutory damages and attorneys' fees were appropriate, it would be here; in a clear case of trademark counterfeiting where actual damages are extremely small, but the attorneys' fees to prosecute the action were large.

The author notes that several attempts are being made to reverse the result in this case, because such counterfeiting cases with small damages would cry out for at least the availability of attorneys' fees.

Until then, such cases may be brought as willful trademark infringement cases, seeking treble damages and attorneys' fees for such actions as "exceptional cases."

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